



In this week's Tax Credit Tuesday Podcast, Michael J. Novogradac, CPA, shares an update from the 2019 Affordable Housing Conference Novogradac hosted last week in San Francisco. He also shares highlights and key takeaways from last week's House Financial Services Committee hearing that examined the infrastructure needs of the country's affordable housing stock. He will also talk about the latest updates for the Novogradac Rent and Income Limit Calculator©. He closes out with news on the New Markets Extension Act of 2019, as well as some information on the latest state tax credit bills.

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GENERAL NEWS

Novogradac's LIHTC Conference

- Last week in San Francisco, Novogradac hosted an affordable housing conference that featured many timely discussions.
- Topics included the latest developments in Washington, D.C., the tax credit equity market and more.
- Today, I'll share a few highlights from the conference.
- Now on the Washington Report panel that I moderated, Emily Cadik of the Affordable Housing Tax Credit Coalition shared with attendees that the Affordable Housing Credit Improvement Act may be re-introduced soon.
- And as I noted a few minutes ago, the bill will include important provisions that will strengthen the tax credit.
 - The most significant provision is the 50 percent cap increase in LIHTC allocation authority.
 - We at Novogradac estimate that this cap increase could create an additional 384,000 affordable rental homes over the next 10 years.
- Now Cadik also mentioned the bill would include a minimum 4 percent tax credit rate for bond-financed properties.
 - Novogradac estimates this could create an additional 65,000 affordable rental homes.
- Now again, when the bill is re-introduced, Novogradac will send an Industry Alert email.
- If you're not already subscribed to receive those free alerts, you can sign up at www.novoco.com.
- Now let's change gears.
- I have a few highlights to share from the conference's panel that focused on equity marketplace trends.
- During that discussion, Richard Shea of the tax credit syndicator CREA said that there is a good equilibrium between demand and supply of LIHTCs.
 - He said that pricing for LIHTC equity has stabilized and may have even taken a minor dip.
- And during that same discussion, Stacie Altmann of RBC Capital Markets also reported stability in the LIHTC market.
 - In terms of LIHTC equity pricing, Altmann said that affordable housing developments in Community Reinvestment Act markets on the East and West coasts have been seeing pricing that's between 95 and 98 cents per credit.
 - Now these estimates are consistent with the monthly survey of tax credit equity pricing that Novogradac publishes every month.
- Jessica Cometa of WNC also reported that affordable housing developments in CRA markets are getting as much as 98 cents per credit.
- She also noted that LIHTC equity prices in rural areas are hovering in the high 80s and low 90s.
- And another hot topic during the market trends discussion was pairing the opportunity zones incentive with the low-income housing tax credit (LIHTC).



- Now Shea said that CREA found that most OZ investors are different investors than typical LIHTC investors.
 - He said, and I quote, “They’re not a match made in heaven,” end quote.
- Altmann agreed, saying that LIHTC investors typically don’t have plentiful capital gains to reinvest.
- Nevertheless, panelists did remain optimistic about OZs being able to incent the development of affordable rental housing.
- Cometa noted a need to, and I quote as well, “get more creative,” to make OZs work better with affordable housing.
- The final conference highlights that I’ll share today come from the keynote address given by California Treasurer Fiona Ma.
 - We were very pleased to hear from Treasurer Ma, whose office oversees the 9 percent and 4 percent LIHTCs programs in California.
 - She told attendees that one of her priorities is to streamline the 9 percent and 4 percent tax credit programs.
 - She said one way she would like to do this is by merging the 9 percent and 4 percent credits, noting that other states have been successful in doing this.
 - Ma also discussed the opportunity zones incentive.
 - She said that the second tranche of OZ regulations creates a pathway for the OZ community to move forward and she said she’s excited by the opportunities the incentive can bring to California.
 - Ma also noted that there will be competition for OZ investments, and that California will be competing against 49 other states to attract opportunity zones investment dollars.
 - Now to that end, Ma reported that Gov. Gavin Newsom wants full conformity with the federal opportunity zones on capital gains tax laws.
- Now I want to thank Treasurer Ma for joining us, and everyone who came to the conference and helped make the event productive and successful.
- I also remind listeners that our next affordable housing conference will be this fall in New Orleans.
- A link to register for the conference is provided in today’s show notes.
- I’ll tweet out the link as well.

Housing as Infrastructure

- Now let’s turn to another major news item from last week: On April 30, the House Financial Services Committee held a hearing meant to explore the need to produce and preserve affordable housing as part of the nation’s infrastructure.
- Much of the hearing focused on Chairwoman Maxine Waters’ draft legislation, “Housing Is Infrastructure Act of 2019.”
 - The bill would authorize spending for various affordable housing programs, including:
 - \$70 billion for the Public Housing Capital Fund,
 - \$10 billion for the Community Development Block Grant program,
 - \$5 billion for the Housing Trust Fund,
 - and more.
- Now the hearing witnesses included:



- Diane Yentel, president and chief executive officer of the National Low Income Housing Coalition;
- Adrienne Todman, she's the chief executive officer of the National Association of Housing and Redevelopment Officials;
- Steven Lawson, chairman of the Lawson Companies and representative from the National Association of Home Builders; as well as
- Daryl Carter, founder, chairman and chief executive officer of Avanath Capital, who spoke on behalf of the National Multifamily Housing Council and the National Apartment Association.
- All of the witnesses called on Congress to increase federal investment in affordable rental housing and spoke about various provisions of Waters' bill.
- In addition to those comments, it's worth noting that every witness also spoke in support of the LIHTC in their testimony.
 - Now that's even though there are no provisions related to the LIHTC in Waters' bill, and in fact the LIHTC is not under the committee's jurisdiction.
- For example, in his remarks, Daryl Carter called for:
 - making permanent the increased credit authority enacted on March 2018, that's the 12.5 percent increase,
 - further augmenting credit authority by a 50 percent increase, as well as
 - establishing a minimum 4 percent tax credit rate.
- Now Daryl Carter also suggested the new opportunity zones incentive could be improved to incent the rehabilitation of existing multifamily units.
 - Specifically, he urged Congress to support statutory modifications to reduce the basis increase necessary to qualify a multifamily rehabilitation development for opportunity zone purposes.
- As you can tell, the hearing covered a lot of ground and touched on many important points.
- I'll include a link to a recording of the hearing and copies of the witnesses' testimony in today's show notes.



OTHER NEWS

- In other news, I'm pleased to be able to announce that the Novogradac Rent and Income Limit Calculator© has been updated to include HUD's fiscal year 2019 data.
 - Now this version that's available online now is the beta version, but it does include the data released by HUD on April 24.
 - This tool can be used to calculate rent and income limits for LIHTC properties in every county and metropolitan statistical area in the country.
 - I'll include the link to the calculator in today's show notes, and I'll tweet a link as well.
 - Now, if you have any questions about your property, please contact my partner Thomas Stagg.
 - He's an expert in these rules.
 - I'll include his email address in the show notes.
- Now turning to community development news, I'm pleased to report that the New Markets Extension Act of 2019 has several new sponsors.
 - The House version of the bill added 27 new cosponsors in April, bringing the total to 56.
 - That's more than halfway to the 100 cosponsors in the last Congress.
 - The Senate version of the bill added six cosponsors, bringing the new total there to 20 sponsors.
 - Last Congress, the bill had 22.
 - Now the addition of more cosponsors is good news as supporters of the credit look to build momentum and get the program extended beyond the 2019 round of allocations.
- Let's turn now to state news, and we'll start with Alabama.
- A bill was introduced in Alabama last week that would provide a significant incentive for opportunity zones investments.
- The bill includes a provision for up to \$50 million in tax credits to qualifying impact-oriented opportunity funds that invest in projects that meet certain standards.
 - Transactions in opportunity zones that are rural areas would be included, as would:
 - technology companies,
 - companies that do workforce training,
 - affordable housing developments, and
 - Several other specific opportunity zones developments.
 - We'll keep an eye on the bill and keep you updated on its progress.
- Next we have news from Maryland.
- Maryland Gov. Larry Hogan signed a bill last week that expands several state tax incentives to include opportunity zones.
 - Now the most significant incentive that was expanded to include opportunity zones is the More Jobs for Marylanders program.
 - Now the bill also extends the state historic tax credit through the end of 2024.
 - Maryland, by the way, has been very aggressive about promoting opportunity zones and this is another example of how local and state governments are working to encourage investment.



- And finally for today, we'll talk about the state of Oklahoma.
- Oklahoma last week removed its small-county requirement for the state LIHTC.
 - Previously, the credit was available only to properties in counties of 150,000 or fewer residents.
 - Now, it's available everywhere.



RELATED RESOURCES

Novogradac 2019 Affordable Housing Tax Credit Conference, New Orleans, Oct. 3-4

Hearing: Housing in America: Assessing the Infrastructure Needs of America's Housing Stock

- Draft bill: Housing is Infrastructure Act of 2019
- Diane Yentel Testimony
- Adrienne Todman Testimony
- Steven Lawson Testimony
- Daryl Carter Testimony

Novogradac Rent & Income Limit Calculator©

Thomas Stagg email address

Alabama bill with opportunity zones tax credit (H.B. 540)

Maryland bill to expand incentives to OZs (S.B. 581)

Oklahoma bill to allow LIHTC allocations in all counties (H.B. 1411)