With much competition for 9% low-income housing tax credits (LIHTCs), more developers are turning to 4% LIHTCs to fund affordable housing–at the very time that competition for 4% LIHTCs (which are available to properties financed with tax-exempt private-activity bonds) is increasing. In this episode of Tax Credit Tuesday, Michael Novogradac, CPA, and Tabitha Jones, CPA, discuss the key differences between 4% LIHTC-financed transactions and developments financed by 9% LIHTCs. They also discuss various pitfalls that those new to the 4% LIHTC should be careful to avoid, including problems with bond arbitrage, Form 8709 and the 50% financed-by test. They wrap up with information on the 9% LIHTC that developers unaccustomed to that world should know.

Summaries of each topic:

1. Key Differences Between 4% and 9% LIHTCs (5:39-14:13)
2. Pitfalls to Avoid with 4% LIHTCs (14:14-15:22)
3. Specifics of Pitfalls (15:23-26:35)
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Transcript

[00:00:11] **Michael Novogradac, CPA:** Hello, I'm Michael Novogradac. And this is Tax Credit Tuesday. This is the May 10, 2022, podcast.

The low-income housing tax credit is the most important federal subsidy to finance rental housing affordable to low-income households. Since its enactment in 1986, the low-income housing tax credit has financed more than 3 million affordable rental homes. Now there are two ways for a project to be eligible to claim low-income housing tax credits.

First, the project needs to get an award from a tax credit allocating agency. Or second, the project needs to be the beneficiary of an award of tax-exempt bonds, private-activity bonds. Now projects that receive an award from a tax credit allocating agency are eligible for a 9% tax credit for the cost of constructing a new building or renovating an existing one. And generally, those 9% tax credits are claimed over 10 years. I do note though, in the case of an acquisition-rehabilitation development, the tax credit on the acquisition cost is lower. It's not 9%. It's a lower rate of 4%. Nonetheless, projects that receive an allocation of credits from tax credit allocating agencies are colloquially referred to as a 9% project.

Switching now to projects financed with tax-exempt private-activity bonds, these projects are only generally eligible for a 4% credit on their costs of constructing the property, acquiring the property and renovating the building. Projects entitled to credits because they are financed by tax-exempt bonds are colloquially referred to as 4% projects.

In the course of this podcast, when we talk about the 9% credit or 9% projects, we're talking about competitively awarded tax credits. When we talk about the 4% credit or 4% projects, we are talking about projects benefitting from the award of tax-exempt private-activity bonds.

I have done some groundwork on low-income housing tax credit colloquial terms, now let's turn to today's podcast. Today, we'll discuss some of the key differences between 9% and 4% projects. This is a very timely topic, as in recent years, we've been seeing an increasing number of the annual low-income housing tax credit units being financed with 4% tax-exempt bonds increasing as compared to the 9% allocated credit projects. According to information from the 2020 National Council State Housing Agencies' Annual Housing Finance Agency Fact Book, back in 2015, just a few years ago, the majority of low-income housing tax credit units were financed by 9% tax credits, but fast forward to 2020, and the majority of low-income housing tax credit units are being financed by 4% credits.

But this switch in majority percentages doesn't really tell the real story. As an accountant, I want to see the numbers. A better comparison is to look at the actual numbers of units financed in 2015 versus 2020. With respect to the 4% low-income housing tax credit, back in 2015, the 4% credit financed about 49,000 units. That number grew to more than 86,000 units in 2020, that's an increase of over 75%.

This is an increase of about 37,000 affordable rental units in one year. Over the same period, the number of 9% low-income housing tax credit units increased by only about 2%, from less than 59,000 in 2015 to about 60,000 in 2020. Now for those of you that are data junkies, I should note that the data on 9% credits is actually based on the projects receiving an award in a given year, whereas the 4% credit data that I shared with you is based on the 8609s issued by the state housing agency during that year. The actual number of units that receive tax-exempt bond financing in 2020 with expectations of receiving 8609s in later years is much greater than the 86,000 units being reported as receiving 8609s in 2020.

Now in line with those trends, not much of a surprise, we at Novogradac are seeing a greater number of seasoned developers who historically have been working primarily with the 9% credit now considering using the 4% credit to finance their transactions. And we'll talk about some of those reasons today.

We'll also discuss common pitfalls to avoid when you're doing a 4% transaction. And although it's less common to start with the 4% credit and move to the 9% credit for financing, some developers have gone that route. So we'll also discuss what developers in those situations should know.

Now we're fortunate to have joining me on today's podcast, my partner Tabitha Jones from Novogradac's metro Atlanta office. One of Tabitha's areas of expertise, no surprise, is the low-income housing tax credit, not only in the tax and audit side, but also she has extensive consulting expertise. She helps many developer clients navigate the various requirements of the low-income housing tax credit, so she'll share many of her insights and examples with us here today.

If you're ready, let's get started.

So welcome Tabitha to Tax Credit Tuesday.

[00:05:35] **Tabitha Jones, CPA:** Thank you. Thank you for having me. It's a pleasure to be here.

Key Differences Between 4% and 9% LIHTCs

[00:05:39] **Michael Novogradac, CPA:** So let's start with the basics. If you could give our listeners a high-level overview of some of the key differences between the 4% and 9% credit.

[00:05:49] **Tabitha Jones, CPA:** Sure, so the big difference is the 4% credits are generally less competitive than a 9% credit. The availability of the 9% credits are subject to each state's allocation by the IRS, which is limited. However, there can be competition with the 4% credit as well, especially if states are oversubscribed. So as Mike noted, the 4% credits are on the increase. So that is becoming more common now with states becoming oversubscribed. The majority of states allocate 4% credits on a first-come, first-served basis. But several states are now starting to utilize a more competitive process or are implementing a competitive process soon.

Some of those states: California, Georgia is going through a competitive process here in 2022, Hawaii, Tennessee are also moving to the competitive process. Utah and Washington are just a few of those states that have moved to the competitive process.

The second difference is the 4% credits are private-activity bond financed, whereas the 9% credits utilize more of a conventional debt financing structure. The application process is also different for a 4% versus a 9%. The 4% credits are actually allocated by a bond issuer. So, the first step to those is to apply through the bond issuer for the allocation of private-activity bonds and then a project must meet the state agency low-income housing tax credit underwriting requirements, in accordance with the state agency. For the 9% there is, like I said, the competitive application that's in accordance with the qualified allocation plan for each state. So the application process there is a little bit different.

The 4% credits tend to generate close to about 40–now that there's a 4% floor, it, it generates closer to a 40% development equity, whereas in prior years we were more of at like a 30%. So, the 40% now for the 4% credit and then a 70% equity generation for most 9% projects. And then the 4% credit is generally used, as you stated, for the acquisition of existing buildings for rehab and the new construction finance by tax-exempt bonds. The 9% credit is typically used for new construction and for substantial rehab without any federal subsidies.

So those are the high level over overview of the differences. I would like to note that it is possible to combine the 4% credit with the 9% credit on a project. For example, an older property can be acquired with the 4% credits and then substantially rehabilitated with 9% tax credit. So there is that possibility as well.

[00:08:25] **Michael Novogradac, CPA:** I'm glad that you mentioned that combining fours and nines because there was this great housing conference in San Francisco just the other day where there was a particular session on combining fours and nines. So those of you that are interested in that session, yes, it was at the Novogradac Housing Tax Credit Conference in San Francisco just over a little bit more than a week ago. And you can still register if you want to tune in for that particular session or the rest of the conference, which I think you would find enjoyable. Yeah, I like to think of the 4% and the 9% as on the 9% you compete with the credit itself, 4% you have to get, your project has to be financed by tax-exempt private-activity bonds and as you pointed out, in many states, there was no competition for that financing, that tax-exempt bond financing. Whereas there wasn't if you go back six, seven, eight years ago, there wasn't nearly the competition for the private-activity bonds for use in affordable housing. And we do have a map at Novogradac that we periodically publish, in association with Tiber Hudson, where we try to track the number of states that are competitive on the 4% side now. And we will put a link to that in today's show note.

But let's look to your clients, Tabitha. So what percentage of your clients would you say are working on 4% transactions versus 9% now versus maybe just three or four years ago?

[00:09:48] **Tabitha Jones, CPA:** So now I have about 30% of my clients have at least one 4% project. They usually have multiple 4% projects now that they've done in recent years. And then 100% of my clients do 9% projects, that's the bulk of my work is the 9%, but I do have several clients that are moving toward the 4% projects for various reasons which we'll get to later. And then the ratio is definitely higher now versus say five, six seven years ago. You know, about five years ago, only about 15% of my clients were doing 4% transactions, whereas all of them were doing the 9% transaction. So, you know, it's increasing definitely.

[00:10:25] **Michael Novogradac, CPA:** And I will note there has been a bit of an evolution as you know, where if you went back four or five years ago, most of the new construction was at the 9% as you pointed out, the 4% wasn't really 4%.

[00:10:39] **Tabitha Jones, CPA:** Yeah.

[00:10:39] **Michael Novogradac, CPA:** It was floating. It was closer to 3%. And the 3% wasn't really powerful enough to finance new construction, so a lot of the private-activity bonds were being used for acquisition-rehabs. Whereas I noted in the intro, you get the 4% or 3% credit on the acquisition costs so you weren't giving up much, you weren't giving up anything on the acquisition costs. And then you obviously would be giving up the 9% down to the 4% on the renovation costs. But a number of states have since then come up with other means of helping provide other subsidies that could be combined with tax-exempt bond financing that help cover the cost of new construction. And then with the benefit of the 4% floor being enacted, you now had a 4% credit. And if you had a development in a difficult development area with a 30% boost and it's effectively 5.2%, then like California passed some state credits, you've put the 52% in with state credits and suddenly you have enough financing to use tax-exempt bonds for new construction. And then there's also other versions of 80-20s and all the rest, but I'm wonking out here so I'll stop, and just know that there's a more there. If anything I just said strikes your interest, please reach out to Tabitha or me.

Well, let's kind of get back to working with your clients and those that were working with the 9%. What would you say some of the main reasons are that the started looking at 4% tax credit financing?

[00:12:08] **Tabitha Jones, CPA:** Yeah. So, I work with a lot of public housing authorities. Those are my main bulk of clients. So, the RAD program has been huge for that set of clients to convert their public housing units into LIHTC units.

[00:12:20] **Michael Novogradac, CPA:** Okay. Acronym alert, acronym alert.

[00:12:22] **Tabitha Jones, CPA:** Sorry.

[00:12:22] **Michael Novogradac, CPA:** What is RAD?

[00:12:24] **Tabitha Jones, CPA:** Rental Assistance Demonstration program. That program has been huge for public housing authorities to rehabilitate their public housing units. Those have been their larger projects usually, because they do have a lot of the public housing units. So, the tax-exempt bonds work well with those types of things.

Another reason is the 4% floor that we've discussed. That was established with the Consolidated Appropriations Act enacted in late 2020. That has opened up, like you said, more financing and paved the way for more projects to be able to pencil out better for those types of projects. So that’s been a great way for clients to get into more of the 4% arena.

Deal size: Sometimes deals are larger. The larger projects tend to work better with the 4% tax credits or for 4% tax-exempt bond deals due to the high cost of obtaining the bonds. That cost can be pretty high and so smaller projects can't really absorb those costs.

And then geography. The location of a project plays a key role in determining whether their project would be competitive enough for a 9% credit or maybe would be more suited for a 4% credit. So depending on where project is located, that could definitely play into whether it's a 4% or a 9% deal.

[00:13:41] **Michael Novogradac, CPA:** To what extent are your clients finding other sources of financing beyond the tax credits and outside of RAD that are being used to help close the gap to make 4% tax credit financing a little bit more feasible?

[00:13:52] **Tabitha Jones, CPA:** So, like I said, I work with public housing authorities, so they use a lot of soft debt. The soft debt comes usually from the housing authorities. So, the federal government has issued certain debt or certain financing to them and then they're able to utilize that at their project level for these projects that they're trying to rehab. So, a lot of soft debt financing is what they use.

Pitfalls to Avoid with 4% LIHTCs

[00:14:14] **Michael Novogradac, CPA:** Now let's turn into one of my favorite topics on a variety of topics, but that is the pitfalls to avoid. What are some of the common categories of pitfalls that you help your clients avoid when they're working with a 4% credit for the first time? And just give me kind of a high-level overview. When I say categories of pitfalls, assuming you dig down into each one, but I want to initially set some general categories, that would be great.

[00:14:38] **Tabitha Jones, CPA:** Yeah. So, you know, the first category would be understanding the different bond arbitrage requirements that come along with tax-exempt bonds. The different tests that go along with the tax-exempt bonds or different tests related to the low-income housing, there's different tests related to the bonds in general. And then there's certain forms that are required with 4% credit transactions, which like, is, like you said, we'll dive into a little later. And then tenant files. There's certain areas there that you have to be familiar with. And, that the sets of 8609s, the Forms

8609s are a little bit different, when it comes to not different in the sense that the forms look different, but there's multiple forms. So we'll get into that a little bit later as well.

[00:15:16] **Michael Novogradac, CPA:** Right. And the forms are driven more by if they're acq-rehab versus a new construction.

[00:15:21] **Tabitha Jones, CPA:** Yes.

Specifics of Pitfalls

[00:15:23] **Michael Novogradac, CPA:** So now let's drill down each of those categories. So, let's start with the bond arbitrage requirements, tests and additional forms associated with bond transactions. And while when I say bond arbitrage, that's not really an acronym alert. But maybe you can start by explaining what the bond arbitrage rules are about and then talk about some of the requirements.

[00:15:45] **Tabitha Jones, CPA:** Sure. So, bond arbitrage: My clients when they start looking for these deals, they're asking what should we be aware of? What types of, like you said, pitfalls should we run into? What's different between the 9% and 4% when it comes to filing and in different forms that are needed, different tests. So, the bond arbitrage, it's an arbitrage yield restriction. The arbitrage occurs when tax-exempt bond proceeds are invested in securities that yield a greater return than the interest charged on those bonds. There are certain restrictions that exist on the amount of the arbitrage bonds can earn without putting the tax-exempt status of the bonds in jeopardy. So if you earn too much on those bonds, your tax-exempt bond could come into jeopardy and then your whole project could have issues.

But a high-level overview of what a bond arbitrage is, there are calculations that go into those. There are certain restrictions, there are certain exceptions to the rules as well, which we'll not get into too much detail on this podcast, but certain exceptions for calculating that bond arbitrage. That's a high level of overview of the bond arbitrage.

Some other tests that go in line with the 4% the bond tax-exempt is a 95-5 test or it's also referred to as a good cost/bad cost test and so that states that at least 95% of the tax-exempt bond proceeds, including investment earnings on any unspent proceeds, must be spent on so-called good costs. So those are costs paid or incurred by the borrower no early earlier than the date 60 days prior to the inducement or official action resolution date for the bonds, except for certain permitted preliminary expenditures, which we're not getting into those, but the cost by nature a capital costs versus working capital.

One example of bad cost, since we mentioned this earlier is the cost of issuing the bonds, those would be considered what's a bad cost. Cost incurred for rehabilitating the building, that's going to be your good cost and then any certain bad costs would not be included.

There's also what's referred to as a 50% test to be eligible for 4% credits. And this is more along the lines of the low-income housing: at least 50% of aggregate basis of the building and land must be financed by volume cap, tax-exempt private-activity bonds. Bonds must remain outstanding as well until the project's placed-in-service date. So, you can't repay your bonds before your buildings are placed in service or you'll fail that test as well. So, something to keep in mind there.

There's an ongoing, again, this is related to the credit portion of the bonds or the 4% bills, the Forms 8703, those are forms that owners must certify the project's compliance with its applicable minimum set-aside election annually with the IRS by filing form 8703 for each project. The penalty for non-compliance or that is not a corrected in a reasonable amount of time is the interest on the bonds becomes taxable to the bondholders so you definitely want to pay attention there and make sure you're following those forms.

Then another pitfall that I've seen is that there is a bond regulatory agreement that comes along with 4% deals as well that sometimes like take deals don't really know don't really have. So owners and property managers must be familiar with the bond regulatory agreement and/or the declarations of restricted covenants as well as IRC Section 42(b). So those are just some of the pitfalls. Side note, best practice for most projects on its with tax-exempt bonds is to draw down on the bonds first, before any other financing, that will help with your 50% test. Only the drawn amount of the bonds can be included in the 50% tests. So you've got to make sure you draw them down and this is a common misunderstanding for first-time developers with bonds. Obviously, this of course depends on the facts and circumstances of individual situations, but that is a common mistake that I've seen throughout the years is not drawing down all the bonds first.

[00:19:44] **Michael Novogradac, CPA:** Now it's a good point about the 50% financed-by test. And then as a practical matter, you're not going to use exactly 50%.

[00:19:54] **Tabitha Jones, CPA:** Yeah.

[00:19:54] **Michael Novogradac, CPA:** You have some level of a cushion and that's always a question. And then the states themselves, as they've gotten more competitive, as, you know, start putting out, it used to be, maybe you can finance up to 60% of your costs or even more with bonds, but as bonds have become more in demand, more state agencies are putting limits on how much bonds they'll give you. And they'll give you the say 55% or something of that nature so they have more bonds to finance, more developments. So, you have to monitor that test a little bit more closely and ensure that you are financing at least a 50%. And then your point about when the money has to be financing and you have to finance your project with those bonds, so the bonds either need to be used during construction, in which case you could pay them off. We had some situations where bonds used during construction and paid off just as the property is placed in service or other situations where the bonds come in as part of financing, if you will, in which case they have to be in by the end of the first of the credit period and not paid off don't after the end of the first of the credit period, there's different ways in which you can meet the test.

And there definitely are developments out there where the debt service can't support the full 50%, so they basically have to issue the bonds, knowing they're going to pay off the bonds after they've met the 50% test, which is one of the reasons why there's efforts in Congress to lower the 50% financed-by tests down to 25% so that those bonds won't have to get wasted, if you will, on a project where they know they're going to be paying down the bond shortly after using them to bring in 4% credits.

So that's a really good discussion. So, let's now turn to the second category that you mentioned, which is tenant file requirements. So what are the some of the key tenant file differences that you see when developers are used to 9% transactions are now working on a 4% transactions?

[00:21:50] **Tabitha Jones, CPA:** So, like I said previously, I work with a lot of public housing authorities and their projects are mostly RAD conversions that are utilizing the 4% bonds or the 4% credits. So public housing units are not required to be certified, but once they convert to low-income housing, they are required to be certified and the part of that certification will be income-based and depending on how the tenant moved into the public housing units previously, the team may not be accustomed to income certifications. So, it's very important to pay attention to the certifications that go along with converting from the public housing over to the RAD units with low-income housing units. Then public housing authorities utilize multiple different programs and incentives which have a variety of income limits, so some tenants may have qualified at 80% of AMI. A developer will want to understand the composition of the public housing units and be mindful when choosing their minimum set aside. So that's a key area again, with the public housing agencies or public housing authorities.

For acquisition-rehabilitation units, tracking the relocation of tenants can be quite burdensome among projects and understanding the various unit qualification roles can be difficult if there's no prior experience. So, the use of a management company that has experience with tax-exempt bond properties is definitely recommended if you're going from that 9% over to a 4%. And those are the main tenant file areas that I've noticed with my clients.

[00:23:25] **Michael Novogradac, CPA:** Great. Thank you for that. And I would just layer in that you do tend to see more mixed-income transactions with private-activity bonds. That was particularly true when private-activity bonds were less competitive, not quite as much now that the competition for the bonds is more competitive. But to the extent you're going from 9% 100% affordable to a 4% mixed income, then there's an extra level of tenant file issues, but we'll save that for another day.

Let's turn to the third item that you mentioned, which was the 8609s. And I commented earlier that 8609 is the same. If you're doing new construction 4% versus new construction 9%, the 8609s aren't all that different. But, when you talk about it as a critical difference, please expand what you mean by that.

[00:24:15] **Tabitha Jones, CPA:** So, with the 4% credits, there's two sets of 8609s: There's the acquisition and then there's the rehabilitation. The acquisition you'll get one set of 8609s for all your buildings and you'll get one set of 8609s for the rehab portion for all your buildings. So if you have a building that is, or a project that's 100 buildings, you'll get 200 8609s, which is very, it's fun.

As a reminder, I just want to give a little bit of background on 8609s: State housing credit agencies issue the 8609 to projects that have met all the requirements to receive a housing credit allocation from the housing credit agency and then 8609 is, like I said, issued for each building. So when you have a larger project that has 100 buildings or even 20 buildings, you go from 20 8609s over to 40 8609s or 100 8609s over to 200. So, making sure that you're reviewing those 8,609s is critical and once they do get issued, making sure that the information is correct, making sure that the different boxes related to your elections and things like that are correct, but essentially the 8609s are the same, no matter what type of project you have, it's the same form. It's just the way that they're filled out is going to be different.

[00:25:33] **Michael Novogradac, CPA:** And how many acq-rehabs do you work on that are in-place or in-service rehabs where the tenants are occupying the properties during the renovation?

[00:25:43] **Tabitha Jones, CPA:** Since I work with public housing, there's a lot. I think probably I'd say 80% of the projects that I have that are 4% and have the tenant relocation while in place, so that can be very, very daunting exercise trying to follow those tenants from one unit to another unit and requalifying and the different roles that are associated with that. So, a large portion of mine, because of that public housing conversion to the income housing is definitely a big, big factor.

[00:26:14] **Michael Novogradac, CPA:** And that then ends up meaning when you're doing your first year are your first-year tax credit calculations and how many credits they get for a particular unit, both for the acquisition costs and the renovation costs, there's an extra complexity.

[00:26:29] **Tabitha Jones, CPA:** There is, definitely. That that calculation can get pretty extensive and can be pretty, pretty cumbersome.

What to Know about 9% Transactions

[00:26:36] **Michael Novogradac, CPA:** But it's also very critical, since investors would like to get their tax credits as early in the transaction lifecycle as possible from a present value basis. And that could be adjusters and the rest. So, it's something that you want to make sure that you're adequately planning for as you know. So, we've talked a bit about 9% developers and what they should know when they start working on 4% tax-exempt bond transactions.

Now let's think about the inverse situation. I'm a 4% developer and I've been doing 4% of transactions. Let's assume for the moment, I've be doing 4% acq-rehabs and now I'm looking at a 9% transaction. What should I be thinking about in that whole context of moving from 4% to 9%?

[00:27:18] **Tabitha Jones, CPA:** So of course, you've got to start thinking of competitiveness. The competitive process can make it challenging to receive an award of 9% credit. So, the application process, like we talked about before, is different. The application that's administered by the state housing agency in accordance with the qualified allocation plan. The 9% credits are very much land-driven, so you need to identify what states want and where they want them built. In the different requirements, the specific project details, the project specifics, you need to work with the state agency closely to understand what they're looking for to be the most competitive project. So those are the main items that you need to look out for when going from that 4% over to a 9%, because there's a lot of more specifics come into play, especially if you want to get the points on that application.

[00:28:06] **Michael Novogradac, CPA:** I think at some level you're changing your frame of reference. When you're looking at a 4% bond transaction in a state that's not competitive on bonds, then if you can get the financing to work and you can meet the general 4% rules, then you're sort of there. Whereas when you look at a 4% in a state that's competitive on 4%, then that state’s going to be more competitive on 9% to where you have to be very focused on what the state is incentivizing you to do through the threshold criteria and the points criteria and you also have very mindful of foot faults. Do you have any, there's probably a few horror stories of clients that you picked up because they committed a foot fault in a prior application.

[00:28:51] **Tabitha Jones, CPA:** Yeah. I've had a few of those. Yeah. It's always, always the case when you have new developers into the project.

[00:28:58] **Michael Novogradac, CPA:** And when I say foot faults, I mean it's when you're filling out the application, since it is competitive, there are numerous rules that you need to comply with. And if you miss one of the rules, you'll get kicked out of the application cycle and many of those foot faults can't be corrected, you just have to reapply in the following cycle. So, you want to make sure that you're working with someone with experience. Obviously, Tabitha would be someone to be reaching out to on the application process, but also many developers, if they're doing 9% for the first time, will joint venture with somebody just so they can kind of learn the ropes and get the benefits of their expertise.

So that was a great discussion. I appreciate you joining me on the podcast for a discussion of nines versus fours. Before I go, are there any parting words of wisdom for our listeners or looking at either the 4% or the 9% credit for the first time?

[00:29:54] **Tabitha Jones, CPA:** Yeah. So, you know, the key, working with an experienced team of experts, that's the key to success of any project, really. And when you’re working with the 4%, it's even more key because you've got just different nuances that you're dealing with related to that are different from the 9%. Knowing your bond issuing and/or state agency and understanding their specific requirements, its crucial to ensuring you have the right members on your team, so when you're putting that team in place, make sure you're looking for the state agency or the bond issuer. And then review the various requirements often to prevent issues once the project is constructed. For instance, the 50% test, that's the big one, for the 4% credit transaction you should be reviewing those often throughout the construction process, making sure you're drawing down on those bonds the way you need to be. And then of course use a property management company that's experienced. The more experience that you can find with that property management company, the better chances you're going to have of relieving some of these pitfalls that we've talked about or preventing some of these pitfalls. So look to those property management companies for the experience there.

[00:31:00] **Michael Novogradac, CPA:** No, I couldn't agree more in terms of your team having experience, from the property manager, obviously, because they have to be managing the tenant certifications and the rest and they need to have extensive experience, that's a kind of a given. And then obviously your accountants and attorneys need to have experience. Those doing market studies for you need to have experience with low-income housing. Then also I think the developer, if you're co-developing with somebody, you want to co-develop with someone who has experience and assure that your contractor and your architect have experience. So you don't want to kind of go in with a team, each member of which doesn't have experience with the LIHTC or private-activity bonds because there'll be a lot of issues that they're sensitive to that you may not be. And while you can't rely on them, identify all the different issues, it is nice to have experience that increases the chances that the issues won't go unidentified.

So before we go, can you share your email address for listeners that want to reach out to you?

[00:32:04] **Tabitha Jones, CPA:** Sure. It's Tabitha.Jones@Novoco.com.

[00:32:14] **Michael Novogradac, CPA:** And also, if you just Google Tabitha Jones Novogradac, that'd probably get you.

[00:32:21] **Tabitha Jones, CPA:** That's true. I'm out there.

[00:32:20] **Michael Novogradac, CPA:** So to our listeners, please be sure to tune in to next week's episode of Tax Credit Tuesday. My partner, Roy Chou will be my guest, and we're going to discuss what historic tax credit developers need to know about meeting the substantial rehabilitation test. Under historic tax credit rules, as you may know, the cost of the rehabilitation must exceed the pre-rehabilitation basis of the building. The project must generally meet this test within two years or within five years for a multi-phase project. It may seem like a simple test, but there are important nuances that perhaps even experienced developers may not be paying sufficient attention to. Understanding these finer points can help developers not only qualify for the historic tax credit, but also help inform their strategy so they optimize the amount of qualified rehabilitation expenditures, which means there'll be optimizing their amount of historic tax credits, which most importantly means they'll the optimizing the amount of tax credit equity which the historic tax credits can bring to development to make it financially feasible. Roy and I will discuss these strategies and how to avoid potentially costly pitfalls of failing the test.

You can make sure that you're notified at that episode and each week's episode, by following us subscribing to the Tax Credit Tuesday podcast. Go to www.novoco.com/podcast to subscribe to and stream the show on our website. You can also follow or subscribe to tech for Tuesday on iTunes, Spotify, Google podcast, Stitcher and Radio Public.

Off-Mike Section

[00:33:51] **Michael Novogradac, CPA:** So now I'm pleased to reach our Off-Mike section, where listeners can get some off-topic words of wisdom and advice from our podcast guests. So let me start, Tabitha, and since I think this is your first appearance on Tax Credit Tuesday, so you don't have to worry about asking you the same question twice, but I know you've heard me ask other guests these questions, I'll start with what's the best piece of professional advice that you've received.

[00:34:18] **Tabitha Jones, CPA:** So early on in my career, I'm very much a, I want to do everything myself. I wanted to make sure everything was done to my satisfaction. So, I learned, probably in my senior/manager part of my career here, that asking for help is not a weakness, it is a strength. That was the one piece of advice that stuck with me. And I don't know, you can ask my team how many times I say that: speak up if you're feeling overwhelmed or if you've got something that you're not sure about. Asking for help with it is definitely not a weakness, it's a strength. It's going to make the work continue to flow. This is going to apply to your personal life too. I mean, it just asking for help, you've got to be able to ask for help and understand that that is a strength and our weakness.

[00:35:11] **Michael Novogradac, CPA:** No, I think that's great and the more experience you get, the more important that advice is.

[00:35:17] **Tabitha Jones, CPA:** Definitely. Definitely.

[00:35:19] **Michael Novogradac, CPA:** So do you have a favorite work-life balance tip?

[00:35:24] **Tabitha Jones, CPA:** Yeah, I am very organized. Organization and time management are the key for my work-life balance. Working remotely in the past few years has definitely opened up more opportunities, but it's also made it where I have to organize a little better. I have to time manage better. I have to make time, because if you're working from your home or wherever you may be working, it's easy to just continue working and forget that it's five o'clock, I was supposed to log off. It's seven o'clock, I was supposed to log off that two hours ago. So definitely time management and making sure you're taking the time for your work and your life, balancing that out. So organization and time management are the keys to my work-life balance.

[00:36:12] **Michael Novogradac, CPA:** One thing that the whole COVID pandemic working at home and the rest and not being able to do a lot of activities that had gotten accustomed to doing that would use up my day. I certainly got back to doing a lot more reading, but to some level got me back to my sort of high school and college days, where I seem to have more time for reading and so I made an effort to read more. So I'm a big fan of Audible, a big fan of Kindle. Is there a book that you think I should be adding to my list that I haven't read it yet? Or said differently, is there a book that you think everyone should read?

[00:36:44] **Tabitha Jones, CPA:** Yeah. So this is kind of from a personal side. I have a special needs daughter and so a lot of my reading is revolved around different therapies, just reading blogs and listening to podcasts and things of that nature for someone who's in the special needs realm. I recently came across a book, "Forever Boy: A Mother's Memoir of Autism and Finding Joy." It's by Kate Swenson and it's a beautiful memoir of the complexities, it's just a compassionate kind of book. If you don't even have someone in your life that might have autism or you've ever dealt with it, it's compassion, it shows compassion. It shows what she deals with. So it just opened her eyes a little more to that side, if you've never experienced that side of things. Like I said, I listened to a lot of podcasts. I listen to just things of how to manage the special needs that she has, so that book is amazing. I listened to it on Audible. She narrates it. The mom actually is the narrator of the book, so you can feel her emotions and how she deals with the different scenarios that they deal with. So it's a wonderful book and it will open your eyes even if, like I said, if you've never experienced a special needs child or that world.

[00:38:09] **Michael Novogradac, CPA:** Well, super, thank you for that. I'll add it to my audible list.

[00:38:13] **Tabitha Jones, CPA:** Yeah.

[00:38:14] **Michael Novogradac, CPA:** I'll get it on the feed and I look forward to learning more. So thank you again, Tabitha.

[00:38:21] **Tabitha Jones, CPA:** Yes. Thank you for having me.

[00:38:23] **Michael Novogradac, CPA:** And to our listeners, I'm Mike Novogradac. Thanks for listening.

Additional Resources

Email

Tabitha Jones

Map

Blog post and map on volume cap scarcity