



In this week's Tax Credit Tuesday Podcast, Michael J. Novogradac, CPA, talks about reintroduction of the Affordable Housing Credit Improvement Act, a bipartisan bill that would improve and expand the low-income housing tax credit. He also talks about the latest news on privatizing Fannie Mae and Freddie Mac. Then, he shares brief news on HUD's proposal to revise information collected for its low-income housing tax credit database. He closes out with state news from Alabama and California

Summaries of each topic:

1. General News (01:29-08:11) Pages 2 – 4
 - a. Affordable Housing Credit Improvement Act (01:29-06:32)
 - b. Fannie, Freddie Privatization Plan (06:33-07:49)
 - c. House Subcommittee Markup of FY 2020 Treasury Appropriations Bill (07:50-08:11)
2. Other News (08:12-11:25) Pages 5 – 6
3. Related Resources Page 7

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GENERAL NEWS

Affordable Housing Credit Improvement Act

- The Affordable Housing Credit Improvement Act of 2019 is expected to be introduced in the Senate today.
- In fact, by the time you listen to this podcast, it may already have been introduced.
- The comprehensive bill is designed to address the national affordable rental housing shortage by incentivizing an increase in private investment for affordable rental housing.
 - Now the bill would also modernize, simplify, streamline, or otherwise alter the low-income housing tax credit (LIHTC), principally designed to better reach underserved populations and communities.
- Now the bill expands on similar legislation that was introduced in both the House and the Senate during 2017.
 - That would be during the last Congress.
- Now there are two key provisions in that 2017 legislation that have been reintroduced in this current version.
- Other provisions as well, but the two key ones, or at least for me, are:
 - One, the current Senate bill calls for a 50 percent increase in per-capita and small-state minimum LIHTC allocations.
 - This increase would be phased in over five years and annual inflation adjustments would be applied during the five-year phase-in period.
 - Now the proposal for a 50 percent increase was in last year's Senate bill, however, it was not in last year's 2017 House bill.
 - Now the second provision retained from last year's legislation is a permanent minimum 4 percent rate for LIHTCs.
 - That, as you know, would be the tax credits used to finance the acquisition of property or generated by tax-exempt private activity bonds.
- Now in addition to retaining these two provisions from the 2017 bill, the current Senate legislation introduces six new high-profile provisions that were not included in either the 2017 House or Senate bills.
- First, there would be a 30 percent basis boost for rural areas.
- Second, there would be an expansion of tax-exempt multifamily bond recycling.
- Third, the bill would codify recent IRS guidance to clarify the general public use rule for tax-exempt multifamily bond-financed properties.
- Fourth, there's a new provision would streamline the average income test for bond-financed LIHTC developments.
 - It would do this by adding the third minimum set-aside provisions to the private activity bond statute.
- Fifth, the bill would align the LIHTC statute with the Violence Against Women Act to clarify protections for domestic violence victims in LIHTC properties.
- And sixth, the bill would establish a development cost criterion in qualified allocation plans.
- Now as I said, these are six of the high-profile additions to this year's version of the bill.
- There are 20 other provisions introduced previously that would increase affordable rental housing development resources, improve the financial feasibility of developments and make the LIHTC more efficient.



- Now I won't list or tell you all 20 provisions here, but I do outline them in my Notes from Novogradac blog post.
- I actually wrote three blog posts on this bill.
- One is a summary of the bill's provisions.
- The second blog post looks at how a permanent 4 percent floor could finance nearly 60,000 additional affordable rental homes.
- And the third blog post examines how a phased-in 50 percent increase in LIHTC allocations could create more than 384,000 affordable rental homes.
- I also want to thank the lead sponsors of the Affordable Housing Credit Improvement Act for making affordable housing resources a bipartisan priority in Congress.
 - Now in the Senate, the bill is going to be led by Democratic Sens. Maria Cantwell of Washington, as well as Ron Wyden of Oregon.
 - Now on the Republican side of the aisle, it's being led by Republican Johnny Isakson of Georgia and Republican Todd Young of Indiana.
- Now identical companion legislation is expected to be introduced in the House soon.
- Lead sponsors of the House bill are expected to be
 - Democrat Suzan DelBene of Washington
 - Republican Kenny Marchant of Texas,
 - Democrat Don Beyer of Virginia
 - and Republican Jackie Walorski of Indiana.
- Now the next step is to get as many cosponsors for the House and Senate bills as possible.
- It's unlikely that this affordable housing legislation would be considered as a stand-alone bill.
- More likely, the bill or provisions of the bill could be added to tax legislative vehicles.
- Now possible vehicles include
 - debt limit legislation,
 - a budget or spending cap deal,
 - infrastructure investment,
 - tax extenders or
 - tax corrections legislation.
- Now that said, it is crucial to advance legislation this year rather than 2020—it's generally more difficult to pass legislation during a presidential election year.
- If you'd like to learn more about how you can help advocate for the LIHTC, you can find a link in today's show notes to the Affordable Rental Housing ACTION campaign's advocacy toolkit.

Fannie, Freddie Plan

- Now sticking with housing news, the Wall Street Journal reported Thursday that Treasury and the Federal Housing Finance Agency are nearly done drafting a plan to privatize Fannie Mae and Freddie Mac.
- The two government sponsored entities have been under conservatorship since 2008.
- Now the plan to privatize Fannie and Freddie would need to be reviewed and receive signoff by key members of the Trump administration.
 - That's before the plan lands on the president's desk.
- Not the timing on when the public can expect to see the plan isn't entirely clear.



- That said, the Wall Street Journal reports an expectation that the plan will include a “recap and release” approach that would ensure the firms, Fannie and Freddie, have enough capital to absorb future losses.
- Now FHFA estimates that Fannie and Freddie could raise more than \$125 billion, in part by an initial public offering or IPO.
 - That would be the largest IPO ever.
- Now FHFA Director Mark Calabria said in May that an IPO could come as soon as next year.
- Now I’ll keep you posted in future podcasts as details of the plan emerge and how the plan could affect the affordable housing market.

House Subcommittee Markup of FY 2020 Treasury Appropriations Bill

- Now turning more directly to Congress, the House Appropriations Committee’s Financial Services and General Government Subcommittee marked up a fiscal year 2020 appropriations bill last night.
- This bill provides appropriations to the Treasury Department, including the CDFI Fund.
- I’ll have more details on the markup in next week’s podcast.



Other News

- Now turning to other news, HUD has asked for comments on a proposal to establish standards and information that state housing agencies provide every year for HUD's LIHTC database.
 - Now HUD also proposes to help state agencies create systems to gather and submit the information.
 - HUD said it would work with other federal agencies to minimize redundant reporting requirements for properties with assistance under multiple housing programs.
 - You can see the request for comments in today's show notes and comments will be accepted through July 3.
- And moving to state news, the Alabama Legislature passed a bill last week to give taxpayers a capital gains reduction for some opportunity zones investments in the state.
 - Eligible investments would be ones in opportunity funds that have at least 75 percent of their qualified opportunity zone property in Alabama.
 - The legislation also would allow the state to offer tax credits to investors in opportunity funds whose projects fail to meet certain returns by the fifth year.
 - This bill is now on the desk of Gov. Kay Ivey.
- And last Friday was an important day for legislation in California.
 - It was the deadline for chambers to pass bills that they introduced.
 - Otherwise, those bills would die by the deadline.
 - Well, there's some good news.
 - First of all, legislation to create a state historic tax credit (HTC) passed the Senate by a unanimous vote.
 - The bill, S.B. 451 now goes to the Assembly.
 - Another bill in the Assembly, A.B. 10, did pass in the Assembly to increase the annual allocation of the state LIHTC by \$500 million a year, starting in 2020.
 - Now the state currently allocates \$94 million.
 - Now A.B. 1486 is a bill in the Assembly to expand what's defined as surplus land that can be used for affordable housing development.
 - It passed the Assembly and heads to the Senate.
 - And A.B. 1763, a bill that would require an 80 percent density bonus for developers of properties that are 100 percent affordable.
 - That bill also advanced.
 - By the way, that bill would also exempt a development from density controls if the property is close to a major transit stop or corridor.
 - Now among the bills that failed to advance were legislation to override local zoning rules to allow for more housing around transit areas.
 - Also failing to advance: a bill to allow waivers from density and height limitations for affordable housing properties built near transit areas,
 - As well as a bill to reduce the state's requirement of 67 percent voter approval for bonds or tax measures for affordable housing.
 - The bill was trying to get the 67 percent down to 55 percent, but it failed.
 - Now another upcoming deadline in California is June 15.
 - That's the deadline for the State Legislature to pass a budget.



- Gov. Gavin Newsom has asked for an increase from \$100 million to \$600 million for the state LIHTC allocation and we'll see how the Legislature deals with that request.
 - The fact that the Assembly passed a bill with that provision, or something close to that, is reason for optimism.
- I'll keep you posted on what happens next.



RELATED RESOURCES

HUD LIHTC Database

[HUD notice seeking information on data collection for low-income housing tax credit database](#)

Alabama OZ Bill

[Alabama H.B. 540 to create state incentives for opportunity zones investments](#)

California Bills

[California S.B. 451 to create state historic tax credit](#)

[California A.B. 10 to increase annual state low-income housing tax credit allocation](#)

[California A.B. 1486 to expand definition of surplus property for affordable housing development](#)

[California A.B. 1763 to provide density bonus for certain affordable housing](#)

NMTC Conference

[Novogradac 2019 New Markets Tax Credit Spring Conference Registration](#)