



In this week's Tax Credit Tuesday Podcast, Michael J. Novogradac, CPA, talks about Congressional efforts to avoid a government shutdown on Oct. 1. After that, he shares details on proposed appropriations funding for HUD for fiscal year 2020, then provides an update with details about the Novogradac Opportunity Funds Listing. He also talks about HUD's proposed rule change to implement provisions of the Housing Opportunity Through Modernization Act, shares what cities received Choice Neighborhoods awards, and provides an update about an IRS notice providing relief for low-income housing tax credit properties in areas of California hit by last year's wildfires. He also shares about a California state historic tax credit and efforts in Michigan to promote opportunity zones.

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GENERAL NEWS

Continuing Resolution

- Will there be a government shutdown next Tuesday, Oct. 1?
- Hopefully, not.
- As we speak, Congress is working to avoid a shutdown by virtue of a stopgap funding bill.
- House Democrats unveiled a short-term spending bill last Wednesday.
- The House passed the continuing resolution with a vote of 301 to 123, mostly along party lines.
- The continuing resolution would keep the government funded through Nov. 21, the last day of votes before the state and district work period during the week of Thanksgiving.

FY 2020 THUD Appropriations

- A continuing resolution would allow lawmakers to negotiate and finalize individual appropriations bills, all 12, including Transportation-HUD, or T-HUD, funding.
- The Senate Appropriations Committee on Thursday did advance T-HUD appropriations legislation for fiscal year 2020.
- The Senate Appropriations Committee approved the legislation unanimously, a vote of 31-0.
- That bill provides \$56 billion in total for HUD.
 - \$7.4 billion of that is offset with receipts from the Federal Housing Administration and the Government National Mortgage Association or Ginnie Mae.
 - So in essence, the net funding level for HUD is \$48.6 billion for fiscal year 2020 in the bill.
 - That \$48.6 billion is an increase of \$2.3 billion over the fiscal year 2019 level.
- In terms of rental assistance, this legislation provides:
 - \$23.8 billion for tenant-based Section 8 vouchers,
 - \$7.5 billion for public housing, and
 - \$12.6 billion for project-based Section 8 rental assistance.
- The measure also provides \$3.3 billion for the Community Development Block Grant program and \$1.3 billion for the HOME program.
- The next step for this legislation is full Senate consideration of the bill.
- I expect the full Senate to take up the THUD appropriations bill in the coming weeks.
- As I mentioned in previous podcasts, the House did pass 10 of 12 appropriations bills for 2020 before the August recess.
 - But, those bills were written and passed before the Bipartisan Budget Act set the overall budget.
- The full Senate has not passed any appropriations legislation yet.



- I'll keep you posted on any progress in future episodes.

OZ Funds Update

- Next, I'm excited to share with you an update on Novogradac's Opportunity Funds Listing.
- As you may know, Novogradac tracks and compiles data on opportunity funds and their plans.
- I should note that there's no centralized national database of opportunity funds, nothing that is publicly available at this point.
- Funds do report certain data to the IRS as part of their annual tax filings.
 - And, as you know from listening to this podcast, that there have been legislative initiatives to increase reporting requirements for opportunity funds.
 - If and when that happens, we'd expect the IRS to share more comprehensive information on the funds.
- For now, as I've said, there's no comprehensive, publicly available information on opportunity funds.
- However, the Novogradac Opportunity Funds Listing is a collection of information that's been self-reported by each fund and that's contained in the listing.
- As such, this listing is a subset of all opportunity funds—those that are reporting or making their data otherwise available publicly.
- At the time of this recording, Novogradac is tracking 264 qualified opportunity funds.
- Together, those 264 funds are seeking to raise more than \$63.5 billion for investment in opportunity zones.
- Listed qualified opportunity funds range in size and areas of focus.
- Ten of the 264 funds actually have a capacity of \$1 billion or more, targeted.
- Meanwhile, two-thirds of funds report a capacity or a fund-raising goal of \$100 million or less.
- Out of the 264 funds that are on our list that we're tracking, we have fundraising information, self-reported information, for 112 qualified opportunity funds.
- For 112 of the 264 funds.
 - Those 112 report having raised about \$2.5 billion or 9.7 percent of their goal, their fund-raising goal of \$25.8 billion.
- For comparison, in June of this year, the last time Novogradac measured the amount of funds raised by qualified opportunity funds on the list:
 - Forty opportunity funds reported raising \$790 million.
- That means since June, the amount of reported fundraising on our list nearly tripled.
- Now, that's not that surprising.
- We have a larger data set now—more funds are listed.
- Also, there was a June 28 deadline related to the opportunity zones 180-day reinvestment requirement for 2018 partnership capital gains.



- I did write a Notes from Novogradac blog post on the opportunity funds listing.
- I wrote it and published it last week.
- I'll have a link to the blog post and funds listing in today's show notes and I'll tweet it out as well.
- Also, if you're managing a qualified opportunity fund and would like to be included in our listing and/or share your fundraising information, please contact, please email CPAs@novoco.com.
- I also encourage anyone who is interested in or active in the opportunity zones incentive to join us for Novogradac's 2019 Opportunity Zones Fall Conference in Chicago next month.
- It's being held Oct. 24-25.
- The agenda includes a panel dedicated to fund sponsors.
 - Panelists will talk about the types of opportunity fund investments they've made and what they plan to make.
- I'll include a registration link in today's show notes and send a tweet.



Other News

- In other news, HUD proposed a rule last week to implement changes made by the Housing Opportunity Through Modernization Act, or HOTMA.
 - HOTMA is the legislation enacted in 2016 that updated and improved several HUD programs.
 - HUD's proposed rule includes changes to the Housing Act of 1937 in order to allow provisions of HOTMA to take effect.
 - The proposed rule does include changes to income reviews for public housing and Section 8.
 - As well as other changes that set maximum limits on assets allowed for families in public housing and Section 8 housing.
 - There's a link to the proposed rule in today's show notes.
 - You should note, comments are accepted through Nov. 18.
- HUD also announced more than \$5 million in awards to four communities through the Choice Neighborhoods program.
 - The funds will help local leaders draft comprehensive plans to transform neighborhoods.
 - The lucky cities and public housing agencies that received the awards are in:
 - Huntsville, Ala.,
 - Omaha, Neb.,
 - Rome, Ga., and
 - Trenton, N.J.
- In news from the IRS: The IRS published a notice last week that expanded the emergency housing and compliance monitoring relief for low-income housing tax credit properties affected by last year's California wildfires.
 - This notice extends the temporary housing period for which tax-credit properties can be used through July 31, 2020.
 - This applies to Butte, Los Angeles and Ventura counties.
 - The compliance review delay for low-income housing tax credit properties is until either Nov. 25 or a year after a building was placed back in service.
 - If you have any questions, please contact Jim Kroger in our Walnut Creek, Calif., office.
- In state-level news, the California Legislature has approved a bill to nominally create a state historic tax credit and the legislation is now on the desk of Gov. Gavin Newsom.
 - The California historic tax credit would be for 20 percent of qualified rehabilitation expenditures.
 - That applicable credit percentage jumps up to 25 percent of qualified rehabilitation expenditures in certain cases.
 - For example, developments eligible for the 25 percent state historic tax credit would include rehabilitated structures with affordable housing for low-income households.



- Overall, there would be a statewide program cap of \$50 million per calendar year and there would be two set-asides:
 - There would be \$2 million annually for residences and
 - \$8 million annually for projects with qualified rehab expenditures of less than \$1 million.
- I say the historic tax credit is nominally approved, because the California historic tax credit would not be effective until the year 2021, and it would go through 2026.
- But, the state historic tax credit still requires annual approval by the Legislature of the expenditures, such that a future approval by the Legislature would be needed in order for the funding to take effect.
- Governor Newsom has until Oct. 13 to sign the bill.
- If he doesn't sign or veto the legislation, the bill does become law.
- As you may know, 35 states have state-level historic tax credits.
- So far this year, Hawaii has added a credit and Rhode Island and Delaware extended the sunset date for their state credits.
- The September issue of the Novogradac Journal of Tax Credits does have a special focus on the historic tax credit.
- The issue includes an article by Bill MacRostie of MacRostie Historic Advisors as to what makes a good state historic tax credit.
- I'll include a link to subscribe to the Journal in today's show notes.
- We also have state-level news from Michigan.
 - Two Michigan state-level departments recently launched a website about the state's opportunity zones and corresponding tax incentives.
 - The website is a resource for investors, entrepreneurs, community leaders, developers, builders and others.
 - The website is www.miopportunityzones.com.
 - The site is a joint project of the Michigan State Housing Development Authority, MISHDA, and the Michigan Development Corporation.
 - I will tweet out the link.



RELATED RESOURCES

OZ Funds Update

[Notes from Novogradac: Opportunity Funds Raise Nearly \\$2.5 Billion to Date](#)

[Novogradac Opportunity Funds Listing](#)

Send fund information to CPAs@novoco.com.

[Novogradac 2019 Opportunity Zones Fall Conference](#)

HUD HOTMA Rules

[HUD Proposed Rule for changes from HOTMA](#)

Choice Neighborhoods

[HUD Awards Choice Neighborhoods Planning Grants](#)

Novogradac Journal of Tax Credits

[Novogradac Journal of Tax Credits Subscription Link](#)

California State HTC Legislation

[California S.B. 451 to Create a State Historic Tax Credit](#)

Michigan Opportunity Zones

www.miopportunityzones.com



Novogradac 2019 Historic Tax Credit Conference

[Conference Home Page](#)