Novogradac 2017
Tax Credit Developers Conference

Jan. 5-6  Eden Roc Miami Beach
Agenda

The Political Landscape

Timeline for 2017

Potential for (and Challenges of) Tax Reform

Affordable Housing Improvement Act

Advocacy

HUD/GSEs
DONALD TRUMP
306 ELECTORAL VOTES
Incoming HUD & Treasury Secretaries

**HUD**

Dr. Ben Carson  
*Former GOP Presidential Candidate & Retired Neurosurgeon*

**Treasury**

Steven Mnuchin  
*President Elect Trump’s Campaign Finance Chairman & Wall Street Insider*
Key HUD Officials

Nani Coloretti  
Deputy Secretary

Tonya Robinson  
Acting General Counsel

Edward Golding  
Principal Deputy Assistant Secretary for Housing

Lourdes Castro Ramirez  
Principal Deputy Assistant Secretary for Public and Indian Housing

Harriet Tregoning  
Principal Deputy Assistant Secretary for Community Planning and Development

Katherine O'Regan  
Assistant Secretary for Policy Development and Research

Gustavo Velasquez  
Assistant Secretary for Fair Housing and Equal Opportunity
Key Treasury Officials

Sarah Bloom Raskin
Deputy Secretary

Vacant
Undersecretary for Domestic Finance

Amias Gerety
Acting Assistant Secretary for Financial Institutions

Mark Mazur
Assistant Secretary for Tax Policy

John Koskinen
IRS Commissioner
Changes in Congress
Congress – January 3, 2017
President Trump Elected

46 DEMOCRATS
2 INDEPENDENTS
52 REPUBLICANS

194 DEMOCRATS
241 REPUBLICANS
Who has been in office since January 1, 2009?

- 51% of Senate: 26 Democrats, 1 Independent, 24 Republicans
- 36% of Congress: 64 Democrats, 78 Republicans
- 33% of House: 36% of Congress
Current House and Senate Leadership

**HOUSE**

REP. RYAN  
Speaker  
Wis. - 1

REP. PELOSI  
Minority Leader  
Calif. - 12

**SENATE**

SEN. MCCONNELL  
Majority Leader  
Kentucky

SEN. SCHUMER  
Minority Leader  
New York
# Senate Finance Committee

## Current Roster

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<thead>
<tr>
<th>Republicans</th>
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<td>Ron Wyden, OR</td>
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<td>Claire McCaskill, MO</td>
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<td>Michael Bennet, CO</td>
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<td>Rob Portman, OH</td>
<td>Robert Casey, Jr., PA</td>
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<td>Patrick Toomey, PA</td>
<td>Mark Warner, VA</td>
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- John Thune, SD
- Richard Burr, NC
- Johnny Isakson, GA
- Rob Portman, OH
- Patrick Toomey, PA
- Dean Heller, NV
- Tim Scott, SC
- **Bill Cassidy, LA**

### Democrats
- Ron Wyden, OR
- Debbie Stabenow, MI
- Maria Cantwell, WA
- Bill Nelson, FL
- Robert Menendez, NJ
- Thomas Carper, DE
- Benjamin Cardin, MD
- Sherrod Brown, OH
- Michael Bennet, CO
- Robert Casey, Jr., PA
- Mark Warner, VA
- **Claire McCaskill, MO**
## House Ways and Means Committee

### Current Roster

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<td>Adrian Smith, NE</td>
<td>Earl Blumenauer, OR</td>
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<td>Lynn Jenkins, KS</td>
<td>CA Attorney General</td>
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<td>Erik Paulsen, MN</td>
<td>Secretary of Health and Human Services</td>
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<tr>
<td>Kenny Marchant, TX</td>
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<td>Diane Black, TN</td>
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**Note:** The Secretary of Health and Human Services is a designated official, not a member of the committee.
# House Ways and Means Committee

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  - John Lewis, GA
  - Larry Kiss, NC
  - Lloyd Doggett, TX
  - Mike Thompson, CA
  - Tim Ryan, OH
  - Tom Rice, SC
  - Sarah Wold, MN
  - SORELY, K.
  - Linda Sánchez, CA

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Note: This list is specific to the House Ways and Means Committee and does not include the full roster of House members.
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Ways and Means Leadership

Kevin Brady
R-TX

Richard Neal
D-MA

Replacing Sander Levin
# House Ways and Means Committee

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### Possible Democratic Candidates:

- Brian Higgins, D-NY
- Judy Chu, D-CA
- Terri Sewell, D-AL
Dec. 31
Various extenders expired, including ITC for certain technologies, 45L, 179D

Jan. 1
FY 17 budget resolution ACA repeal reconciliation instructions?

Jan. 5
Today

Treasury to employ measures to avoid breaching the limit

Mar. 15
Debt ceiling suspension expires

Mar. 15
Debt ceiling suspension expires

Apr. 15
FY 18 budget resolution “due”
Tax reform reconciliation instructions?

Apr. 28
CR expires

Apr. 28
CR expires

May 20
CR expired

June 18
150th Day

July 31
FY 17 budget resolution "due"
ACA repeal reconciliation instructions?

Aug. 31
100th Day

Sep. 30
Fiscal year end

Various extenders expired, including ITC for certain technologies, 45L, 179D

Dec. 9
CR expired

Feb. 15
Debt ceiling suspension expires

Mar. 15
Debt ceiling suspension expires

Apr. 15
FY 18 budget resolution “due”
Tax reform reconciliation instructions?

Apr. 28
CR expires

FY 18 budget resolution “due”
Tax reform reconciliation instructions?
Infrastructure

Military Spending

Tax Reform

PRESIDENT ELECT DONALD TRUMP
CHAIRMAN
KEVIN BRADY

SPEAKER
PAUL RYAN

Repeal & Replace

Comprehensive
Tax Reform

NOVORADAC & COMPANY ... 2017

www.novoco.com/miamiihtc2017
House GOP Tax Reform Task Force

- Calls for top 20% corporate tax rate
  - No deduction for net interest expense, but immediate depreciation of new investments (excluding land)
- Top 33% individual tax rate, with 50% exclusion for capital gains and investment income
- Silent on LIHTC, NMTC, HTC and tax-exempt bonds
- Document does say that tax reform as proposed “generally will eliminate special-interest deductions and credits in favor of providing lower tax rates.”
- Tax Reform Task Force describes the blueprint as “the beginning of our conversation about how to fix our broken tax code.”
- Legislative language by the first quarter of 2017
- W&M Republican tax reform retreat informal “vote” on retaining LIHTC in tax reform blueprint legislation
Transition Rules

- Tax Reform Act of 1986: 2-4 years of transition rules
- Former W&M Chairman Dave Camp’s Tax Reform Act of 2014: 5 years of transition rules
Corporate Integration

SENATOR ORRIN HATCH
Tax Reform?
Obstacles to Tax Reform

- Many tax preferences in the Code have substantial Congressional support and key defenders, and well organized and funded advocacy efforts
- Overcoming these constituencies will be difficult
- Last substantial tax reform proposals from former Chairman Camp went nowhere as Members and Congressional leadership ran away
- The process will be lengthy
- Questions as to process—Budget Reconciliation or regular order
Affordable Housing
S. 2962 Affordable Housing Improvement Act of 2016
Announced May 19, 2016
Projected Increase in Affordable Rental Homes Due To 50% LIHTC Allocation Increase

If annual LIHTC allocation per unit is roughly $15,300, Sen. Cantwell’s 50 percent increase will fund approximately 200,000 additional affordable rental homes.

If annual LIHTC allocation per unit is roughly $13,200, Sen. Cantwell’s 50 percent increase will fund approximately 225,000 additional affordable rental homes.

Source: Novogradac & Company LLP
Affordable Housing Improvement Act of 2016, Part 2

S. 3237

Sen. Cantwell
D-Washington

Sen. Hatch
R-Utah
Affordable Housing Improvement Act of 2016, Part 2
S. 3237

New, expanded bill includes provisions in first LIHTC bill, S. 2962:

- 50 percent increase
- Income-averaging
- Minimum 4 percent rate

Sen. Cantwell
D-Washington
Affordable Housing Improvement Act of 2016, Part 2
S. 3237

Additional Resources

- Give states discretion to provide 30% basis boost for bond-financed projects
- Repeal QCT population cap
- Relocation costs included in eligible basis
- No basis reduction for certain energy tax incentives
- Indian areas generally treated as DDAs
Affordable Housing Improvement Act of 2016, Part 2

S. 3237

**Financial Feasibility**

- 50% basis boost for ELI units
- Modify student occupancy rules
- Codify increased tenant income guidance
- Modify 10-year rule
- Limits apply to acquisition basis
- Adopt uniform income eligibility for rural projects

Sen. Cantwell

*D-Washington*
Affordable Housing Improvement Act of 2016, Part 2
S. 3237

Other

- Simplify the LIHTC student rule
- Clarify the ability to claim LIHTCs after casualty losses
- Replace the ROFR with a purchase option
- Add Native American projects as QAP selection criterion

Sen. Cantwell
D-Washington
Affordable Housing Improvement Act of 2016, Part 2
S. 3237

Other
• Modify the rent-setting rule
• Clarify the community revitalization plan
• Prohibit local approval or contribution requirements
• Change the official name of the LIHTC to Affordable Housing Tax Credit

Sen. Cantwell
D-Washington
Affordable Housing Improvement Act of 2016, Part 2

S. 3237

Largest impact on equity for bond deals:
- Minimum 4 percent
- State discretionary boost of up to 30% in areas outside of DDAs/QCTs
- Repealing population cap on QCTs
- Automatic DDA for Indian areas

Sen. Cantwell
D-Washington
The ACTION state and district show the impact of the Housing Credit in every congressional district, including the number of affordable apartments created or preserved, the jobs that Housing Credit development supports and other benefits to local economies. For the first time, the fact sheets also provide information on the affordable housing crisis in each state, underscoring the vast need for the Housing Credit. See our National Fact Sheet showing the impact of the Housing Credit throughout the U.S.

The AFFORDABLE HOUSING NEEDS THAT STILL REMAIN

Though the Housing Credit has had a tremendous impact in Florida, much more affordable housing is still needed.

In Florida alone, 800,392 HOUSEHOLDS pay more than half of their income monthly on rent, leaving too little for other expenses like health care, transportation and nutritious food.

And in Florida, a minimum wage worker has to work 98 HOURS PER WEEK in order to afford a modest two-bedroom apartment.

The ACTION Campaign calls on Congress to expand and strengthen the Housing Credit.
# Table of Contents

## About This Showcase
- About the Low-Income Housing Tax Credit
- Who Lives in LHTC Properties?

## LHTC Timeline
- Residents' Incomes and Eligibility
- LHTC Property Types, Sites and Locations
- LHTC Rental Homes Change Lives
- State Housing Leaders Call LHTC Crucial
- LHTC ‘Center of Solar System’ for Developers

## Investors, Syndicators Max Value of LHTC
- History of Housing Credit Pricing
- Map of Featured Affordable Properties

## Featured Affordable Properties
- About: Alabama Makes More Affordable Family Housing
- After the Storm, Affordable Housing Rebuilt in Birmingham, Ala.
- Arizona: Maricopa Apartments Preserve Affordable Senior Housing in Phoenix
- California: LHTC Food Affordable Housing for Disabled Adults
- Affordable Senior Housing Preserved in Atascadero
- Southern California Town
- Jet Set New Homes Become Upgraded Apartments
- Los Angeles Apartments a Model for Families
- Senior Apartments Get a Little Bit of Privacy, Ease, Comfort
- Struggling Off Neighborhood Gets Lift from LHTC
- Senior Apartments Get Financial Help
- Senior Housing in Santa Cruz, Calif., Gets Upgrade
- Wall Worth After Affordable Housing in Santa Monica, Calif.

## More Information
- About Novogratz & Company LLP

## Featured Affordable Properties (cont.)

### New Jersey
- New Jersey Affordable Housing Gets Fixworth

### New York
- Brooklyn Hospital Property Becomes Affordable Housing

### Ohio
- LHTC Provides New Life for Aging Public Housing Sites

### Oregon
- LHTC Funds Senior Facilities for Aging Portland Population

### Pennsylvania
- LHTC Development Helps Families Near Penn State

### South Carolina
- Affordable Apartments Burying Poverty in Columbia, S.C.

### Texas
- Texas Nonprofit Builds Development

### Utah
- Growing Utah Towns Gain Affordable Senior Housing

### Vermont
- Lessons in Affordable Housing in Vermont

### Wisconsin
- LHTC Preserves Affordable Homes in Poverty Forums County, Wis.

---

**Colorado**
- Pilot Program, LHTCs Preserve Colorado Senior Housing
- Denver Neighborhood Getting Long-Needed Affordable Housing
- Denver Apartments Get Stabilization
- New Approaches Brings New Housing for Homeless

**Connecticut**
- Affordable Housing Preservation in Priority Connecticut City
- Victory for Affordable Senior Housing in Washington, D.C.
- District of Columbia

**Florida**
- Tax Credit Combined to Renovate Dilapidated Apartments

**Georgia**
- Georgia Apartments Get Much-Needed Overhaul

**Pennsylvania**
- Formerly Deteriorated, New Housing Brings New Life

**Mississippi**
- Former Dilapidated, Affordable Housing Gets Redevelopment

**Missouri**
- Missouri"’s Senior Apartments Get Stabilization

**Ohio**
- Ohio’s Affordable Apartments Get a Little Bit of Privacy, Ease, Comfort

**Oregon**
- Oregon’s Senior Apartments Get New Life

**Virginia**
- Virginia’s Affordable Housing Gets a Little Bit of Privacy, Ease, Comfort

**Wisconsin**
- Wisconsin’s Senior Apartments Get Stabilization

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**About Novogratz & Company LLP**

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Map of Featured Affordable Properties
GSEs
(Fannie Mae and Freddie Mac)
GSEs

Capital Requirement and Investment Portfolio

- 2008 Agreement with Treasury - GSE bailout
- Capital Reserve
  - Quarterly Dividend
    - Net Worth over Capital Reserve
  - Fannie Mae and Freddie Mac will have no Capital Reserve by 1/1/2018
- Wind down Investment Portfolio
  - $250 billion by 12/31/2018
In calendar year 2015, contributions were set aside by Fannie Mae & Freddie Mac
  • Watt December 11, 2014 letters to Fannie Mae, Freddie Mac
  • Grants for affordable rental housing that targets extremely low-income individuals and households
  • HUD released interim rule on January 30, 2015
  • HUD announced HTF state allocations on May 5
  • Once state HTF allocation plans are approved, states can award HTF grants to developments
Housing Trust Fund

2016 State Housing Trust Fund Allocations

- California: $10,128,143
- New York: $7,013,963
- Texas: $4,778,364
- Florida: $4,598,821
- Illinois: $4,302,012
- Pennsylvania: $3,862,285
- Ohio: $3,740,578
- New Jersey: $3,733,566
- Michigan: $3,522,622
- Massachusetts: $3,419,569

Top 10 State HTF Allocations

HUD/Treasury Reported Amounts

- Housing Trust Fund: $174M
- Capital Magnet Fund: $93M
Housing Trust Fund

Preliminary 2017 estimate using 1st, 2nd and 3rd quarter of 2016 10-Q filings from Fannie/Freddie

Top 10 State HTF Allocation Estimates

<table>
<thead>
<tr>
<th>State</th>
<th>Allocation Estimate</th>
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<tr>
<td>California</td>
<td>$11,166,661</td>
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<tr>
<td>New York</td>
<td>$7,939,376</td>
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<tr>
<td>Texas</td>
<td>$5,264,187</td>
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<tr>
<td>Florida</td>
<td>$5,060,640</td>
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<tr>
<td>Illinois</td>
<td>$4,779,210</td>
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<td>Pennsylvania</td>
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<tr>
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<td>$3,877,193</td>
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<tr>
<td>Massachusetts</td>
<td>$3,789,231</td>
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Mel Watt
Federal Housing Finance Agency Director

• Watt announced his intention to remain FHFA Director until end of his term (Jan. 2019)
  • Unless, of course, Congress reforms FHFA to be a commission structure rather than single director
• If Watt leaves, status of HTC and CMF would be uncertain
  • New appointee could decide to suspend GSE contributions
<table>
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<tr>
<th>Program</th>
<th>FY 2015 Enacted</th>
<th>FY 2016 Enacted</th>
<th>President’s FY 2017 Proposed</th>
<th>Senate FY 2017 THUD Bill</th>
<th>House FY 2017 THUD Bill</th>
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<td>Housing Choice Voucher</td>
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<td>HOME</td>
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Note: amounts in Millions
# The 2017-2018 HUD Budget

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<tr>
<th></th>
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