So You Want to Be a LIHTC Developer: Location and Market Considerations

Novogradac Tax Credit Tuesday is launching its "So You Want to Be a LIHTC Developer" series, which is meant to be a useful guide to executing a successful low-income housing tax credit development. In this week's episode, Michael Novogradac, CPA, and guests Jeff Nishita, CPA, and Melissa Chung, CPA, discuss assessing the financial feasibility of a proposed LIHTC development or redevelopment, including location and market considerations. They discuss the benefit of properties in qualified census tracts and difficult development areas, gross rents and utility allowances, as well as LIHTC market studies.

Summaries of each topic:

Transcript

Introduction

[00:00:10] **Michael Novogradac, CPA:** Hello, I'm Michael Novogradac and this is Tax Credit Tuesday. This is the November 1st, 2022, podcast. This week's episode is part of a series that we're launching on Tax Credit Tuesday that we're calling "So You Want to Be a LIHTC Developer." Throughout this series, we will cover the basics of the low-income housing tax credit and how to use this incentive to build affordable rental housing for low-income households.

But before beginning this week's podcast, I do want to share a scheduling note for our listeners about next week's episode. The new markets tax credit awards were announced last Friday, and yes, that was the day of the second day of our new markets tax credit conference in New Orleans. Since these awards were released last Friday, we're going to have our new markets tax credit awards analysis episode next Tuesday, November 8th. I'll be joined by my partners, Brad Elphick and Rebecca Darling.

Now back to this week's episode. The low-income housing tax credit is the most successful affordable rental housing production incentive in U.S. history. According to data from the U.S. Department of Housing Urban Development, more than 3.4 million low-income housing tax-financed homes were placed in service between 1987 and the year 2020.

Still, there's much work to do to fill the gap between national affordable housing supply and demand. This is why the role of the low-income housing tax credit developer is so crucial, and this is why we're launching this series to help developers learn more about this critical financing source. Now, maybe you're a market-rate developer that's contemplating the low-income housing tax credit for the first time, or perhaps you're an experienced developer looking to revisit low-income housing tax credit basics. Maybe you were recently hired by an experienced developer looking to better understand the low-income housing tax credit. Or maybe you're an investor or syndicator who wants to have a better understanding of the developer side of the low-income housing tax credit. Whatever role you play or hope to play in affordable housing, this series is meant to be a useful guide to executing a successful low-income housing tax credit development.

Last year, we had an episode called LIHTC Basics, in which we discussed fundamentals of the incentive. In an episode posted in May, we discussed how developers and investors who are new to the low-income housing tax credit can use the incentive to finance affordable housing for low-income families and individuals, covering the differences between what are called 4% and 9% credits, how developers get compensated for their work for the risk they assume, and more. We plan to build on those concepts with this series. I'll provide links to both of those previous episodes in today's show notes.

In this week's episode, we'll start where most real estate developers begin a project: assessing the financial feasibility of the proposed development or redevelopment. This process involves consideration of several factors, and we're going to focus on three of the main considerations today.

First, we'll start with the golden rule of real estate. Yes, you know, location, location, location. specifically, we'll discuss how building low-income housing tax credit properties in qualified census tracts and difficult development areas can increase your eligible basis by up to 30% for new construction and rehabilitation costs. This increase in eligible basis allows for correspondingly larger maximum low-income housing tax allocation, and is particularly important for tax-exempt and bond-financed developments. For this reason, qualified census tracts and difficult development areas are of great interest to developers. If you don't know what qualified census tracts or difficult development areas are, don't worry. That's what we're going to cover today.

The second feasibility and consideration we're going to discuss concerns how to determine the amount of net rental income a tax credit development will generate. In other words, how do you calculate gross rents and how do utility allowances come into play? The third financial feasibility consideration we're going to discuss today is the role of market studies.

Real estate developers will be familiar with the concept of market studies, but the question is how are low-income housing tax credit market studies unique and what do they entail? We'll discuss market studies in detail.

Joining me today for the discussion are two returning guests to Tax Credit Tuesday, Jeff Nishita and Melissa Chung.

Both Jeff and Melissa work out of our San Francisco office. Melissa is a principal who provides tax, audit and consulting services to for-profit and nonprofit housing developers and nonprofit organizations not involved in housing. She also assists clients in preparing applications for low-income housing tax credits and private-activity bonds. Jeff is one of my partners and a co-founder of our LIHTC Working Group, a membership group that addresses technical issues in the low-income housing tax credit industry. And I will note if you're interested in becoming a part of that group, please send an email to me at Michael.Novogradac@novoco.com.

Now Jeff provides numerous services in the real estate industry. These services include audit, tax preparation, and consulting, forecasting training and assisting clients prepare low-income housing tax credit and tax-exempt bond applications. Additionally, Jeff is the chair of our upcoming Novogradac 2022 Tax Credit Housing Finance conference being held next month in Las Vegas.

The conference is 30 days away. It takes place Thursday and Friday, December 1st and 2nd. The day before our conference on November 30th, we will host a pair of workshops. One workshop will cover the basics of the low-income housing tax credit and the other will explore financial forecasting in depth as well as advanced eligible basis issues.

I'll have a link to the conference in the show notes for this week's episode. We have a lot of ground to cover, so as I like to say each week, if you're ready, let's get started.

[00:06:34] **Michael Novogradac, CPA:** Jeff and Melissa, welcome back to Tax Credit Tuesday.

So you're both experienced low-income housing tax credit consultants, tax advisers and auditors. And are very familiar with the different periods or stages in what is a many-year process from the light-bulb moment of an idea to a fully realized and occupied low-income housing tax credit property. So Jeff, let's start with you. What are some of the first questions you hear from developers and others in community development who are new to the low-income housing tax credit and want to get into or are least considering using the housing credit incentive?

[00:07:13] **Jeff Nishita, CPA:** Sure. Thanks, Mike. Usually when I get a call from a developer new to LIHTC, they typically start off by asking, you know, where should we start? So what I'll try to do is I'll try to determine how much they know about LIHTC and then ultimately probably talk about structuring, some financing. And then of course, suggest, various trainings like our LIHTC basics workshop we have before our upcoming Las Vegas conference on November 30th that you had mentioned, as it really is the quintessential training that someone new to LIHTC could attend. After I talk to them about that, we usually try to get into what state they might be, thinking about building in. And I make sure to suggest that they read the qualified allocation plan to better understand, you know, their state's preferences and ultimately the points system that the state will use to determine how they will allocate, the credits and bonds.

And then at some point in our conversation, we'll usually start talking about land. For example, they'll either ask, you know, how to decide where to build their project or mention that they have or looking to purchase a piece of land in a certain area and wondering what they should do next in order to build affordable housing.

Difficult Development Areas and Qualified Census Tracts

[00:08:27] **Michael Novogradac, CPA:** So thank you for sharing that, Jeff. Let's continue on this path in terms of the land. Because if I'm a developer, as you noted, one of the first things I have to focus on is where I want to build my low-income housing tax credit property. And there's a variety of considerations, not the least of which is looking at the qualified allocation plan for the state and identifying what types of areas are most likely to be the most competitive if I'm applying for 9% credits.

But one of those considerations is whether or not to build in a qualified census tract or difficult development area. And those are desirable areas because developers can maximize their financial feasibility because of the 30% basis boost. So for our listeners, Melissa, maybe you can explain in more detail what qualified census tracts and difficult development areas are and why the eligibility for this location-based boost is particularly important for tax-exempt bond financed properties, or often referred to as 4% financed properties.

[00:09:29] **Melissa Chung, CPA:** Sure. So thanks, Mike. And before we get into those definitions of difficult development area or qualified census tract, I do want to say that the Department of Housing and Urban Development, otherwise known as HUD, recently issued their-- I have to read this part -- their list of statutorily, mandated designations of difficult development areas and QCTs for 2023.

So this is information that's already posted on their website, as well as ours. So for those who are interested in checking that out, those are available. So onto the definitions. So qualified census tracts or QCTs are census designated areas in which 50% or more of the households in the area have an income, at or below 60% of area median income or where the poverty rate is more than 25%. Difficult development areas, or DDAs on the other hand, are areas that have high construction, land and utility costs relative to the area median gross income. So like you said in the intro, it's a tired trope for a reason. It's always location, location, location.

And in affordable housing, this is still true. QCTs and DDAs provide what I like to call extra credit because I love a double entendre. Low-income housing tax credits are based off of how much a property costs. So let's just say if eligible project costs are $10 million, credits are based on that $10 million spent.

So $10 million times, either 4% or 9%, multiplied by 10 years. But when a property's in a QCT or DDA, they can provide up to an additional 30% more in credits. So basically, if you're in one of these areas and they only spend $10 million, it's as if they, spend 1$3 million instead. So they get credits on extra $3 million that they didn't spend.

So when you're in one of these areas, it's very beneficial because the more credits you get, the more tax credit equity you get and therefore you lower the amount of permanent debt that you need to pay for the project. And I think, you know, looking at my portfolio, I would say the majority of the projects I see are in QCTs or DDAs, especially when it comes to 4% projects because that 30% extra on that 4% credit provides a lot more in sourcing for the uses of the project.

[00:12:01] **Michael Novogradac, CPA:** Great. Thank you for that, Melissa. And thanks also for mentioning that the 2023 DDAs as they're called or QTCs, the acronyms or the initialisms for both those, maybe you could discuss a little bit more about how those are designated and the impact of the fact that every year some areas fall in and some areas fall out.

[00:12:25] **Melissa Chung, CPA:** Right. So, yes. So Section 42 of the Internal Revenue Code, which governs the low-income housing tax credit, says that HUD has to designate QCTs each year. And so each year, HUD posts on the Federal Register that the list, the two designations are out and they're on their website. Not to go into too much detail, but basically the designations are based on census data and American Community Survey data and the areas are limited to capture only 20% of the national population.

Now, as you mentioned, this is an annual designation. So you know, areas can fall on, fall off or be added, so developers need to be careful about these areas and when income levels change. And because we are a one-stop shop for all things affordable housing, if you go on novoco.com, you can find all the QCT and DDA designations all the way back to 1998.

I think HUD's website only posts them as far back as five years. So because these change, obviously, you know, developers might freak out and go, oh, what do I do? The area I'm looking at is no longer to be on a list. What should I do? Well, luckily HUD actually gives a bit of time for the next year's designations to kick in.

So, and there are also mechanisms in place that the developer can use to lock in that designation to the extent that area is going to fall off a subsequent list. And the specifics are noted in each of the Federal Register notices that HUD posts in. And we have a QCT and DDA specific podcast from last year that talks more about these mechanisms.

But basically, as long as a developer applies for tax credits or private-activity bonds, whichever is applicable to that project while the designation is effective and they move the project timely in a timely manner, the project can keep the designation. And I think we're posting a link to that podcast as well, right, Mike?

[00:14:27] **Michael Novogradac, CPA:** Yes, we are. So thank you for sharing that and I would encourage listeners to listen to that earlier podcast. I would also note for listeners that the manner in which an area is grandfathered in the steps at develop press to take to grandfather an area can change on a year-to-year basis. So do listen to the podcast, but also know that this more recent release of the census tracts, you have to make sure that there hasn’t been any modification in how the Department of Housing and Urban Development and by extension Treasury is treating these extensions.

And also be very focused on how your state agency is treating these extensions. One of the themes that you’ll get in the course of this series is that you have to comply with all the federal rules and you have to comply with all your credit allocation agency rules. And I say credit allocating agency, generally it’s a state, but it could be a city or a possession of the United States.

So thank you very much for the discussion on difficult development areas in QCT and the importance of the significance the 30% boost can have with respect to low-income housing tax credit properties. I would note that with the 9% credits, the state can actually deem a property to be an QCT or DDA, but they cannot do that with tax-exempt bond financed properties, which is one of the reasons why this boost is particularly significant for private-activity bond financed developments because the state can’t deem you to be a QCT or DDA where, which they can, if they so choose, with respect to 9% credit allocations.

Gross Rent Calculation

[00:16:10] **Michael Novogradac, CPA:** So if there's nothing else, I think I'll move on to the gross rents and rental income calculations. I appreciate that explanation, Melissa. So in terms of a gross rent, the gross rent of a property will determine the amount of hard debt a property can support, which is critical to financial feasibility.

I'd like to note for listeners that Novogradac does provide a Rent and Income Limit Calculator on our website. It provides historical data on rents and you can access it through our website. More importantly, during the development process is Novogradac also has a Rent and Income Limit Estimator. The calculator is the historical, the estimator is our estimates with respective future rents a given area.

You could reach out to us through our website if you're interested in getting our estimates of rents for a given area. So, Jeff, if you could explain to our listeners how the calculation of rents work for low-income housing tax credit properties, that would be very helpful as they're working through determining the finance feasibility of a given development.

[00:17:19] **Jeff Nishita, CPA:** So LIHTC gross rents are generally determined looking at the area median income of the location your project is in the income limits you agree to in your LIHTC application. And then the number of bedrooms of the unit you're trying to calculate, you know, the rent for the– ultimately the allowable rent is limited to 30% of the income limit for the imputed family size for each unit.

HUD releases the area medium income or AMI for each metropolitan statistical area or MSA. They use trailing data, meaning information from the past know to determine the current year AMI, but because they use trailing data, this allows us to predict what might happen to AMI going forward. And as this, you mentioned the Rent and Income Limit Estimator.

I don't know that it's really important for a new developer to fully understand how to calculate LIHTC rents, as it can get very complicated when you dive into HUD's AMI, most will just use our Rent and Income Limit Calculator that you mentioned, to do the heavy lifting. In fact, some city agencies, maybe, perhaps many state agencies, even point developers to our calculator to make it easier for them. The main things to look out for when you're looking at LIHTC rents is to make sure that you have a difference between market rents and LIHTC rents probably at least 10%, which would indicate hopefully a demand for affordable housing.

There could be a problem if the gap is too large, in that you might not have high enough rents to support your hard debt. But ultimately, again, you can go to our website and we have a calculator that can help you calculate the rents for your project area.

[00:19:01] **Michael Novogradac, CPA:** Thank you for that, Jeff. That's a good overview. I would note that, if you were listening closely, you will have heard that Jeff said imputed family size. And there is an imputed family size that's based upon the bedrooms, the number of bedrooms in a unit, and that imputed family size is what you use for purposes of this 30% gross rent calculation. And you might wonder why there's an imputed family size. Originally, when the low-income housing tax credit was created back in 1986, rents were determined based upon the actual size of a family in a given unit. So if a property had, you know, a three-person family or four-person family or five-person family, that would determine what the actual gross rents would be, which as you can imagine, made it very difficult to underwrite the income because you wouldn't know what your family sizes were yet.

So the industry itself got together. Members of Congress said we should have an imputed family size. We could have an underwritable rent stream to allow for the maximum amount of hard debt to be placed on the property. And then that led to a change in the law to have this imputed family size.

But the actual eligibility of tenants, when you're looking at their income eligibility, it is based upon actual family size. So Jeff, or actually maybe I'll, ask you, Melissa, with respect to the role of utility allowances, we mentioned that the rent limits are based on 30% of area median income. And I will note that at the federal level, it's either going to be 60% of area median income, or it's going to be 50% of area median income.

Or there'll be this average income approach that is, the average income is 60% of area median income. And we did have a recent podcast on the average income test, but you'll fall under one of these three categories. But when we're thinking of 30% of area median income, that at the 60% or 50% level, or the average income level, that's the federal requirement, noting that state agencies or credit agencies might have lower restrictions.

But the whole concept at 30% of area median income is intended to be the entire, the maximum rent that a property can generate and or I should say, what the tenant has to pay. And if you could discuss, Melissa, that if a tenant is or isn't paying a show of the utilities, how that affects the maximum rent allowable to be charged rule.

Utility Allowances

[00:21:45] **Melissa Chung, CPA:** Sure. So, you're right. So, in the market-rate housing world, right, they don't really pay attention to what utility expenses the tenant has to pay. But in the low-income housing tax credit world, utility expenses are considered cost of housing. So when you're trying to limit rent to 30% of the imputed income, if the tenant pays for utilities, it would eat into this 30% imputed.

So obviously it's hard for property owners to monitor actual usage each month and change the rent for each unit. So what comes in is this concept of an utility allowance. So this is an estimate of the utility bills that the tenant would have to pay out of pocket. And so this amount, this utility allowance is subtracted from the max rent an owner can charge to the tenants.

And so this amount is based off of characteristics of the property like electric stoves or gas stoves being provided, like if it's a garden-style or a high-rise type of development. Let's just say for example, the rent limit for a unit is $600 and the tenant's expected to pay $30 out of pocket for utilities.

The maximum rent the owner can charge is $600 minus $30, or $570. Whether the tenant actually pays more or less, utilities won't matter to the owner. It's just an estimate of what they're expected to pay. And so that means the higher utility allows are the less rent an owner can actually collect from the tenants. And so owners can choose to pay for utilities themselves, maybe for convenience, like say for garbage, or they can, excuse me, or they can pay for the expenses like electric or water, but it doesn't really incentivize the tenant to lower their usage if someone else is floating the bill.

So even though your revenues from rent might be higher, your expenses might also be higher because you're paying the tenant's share of utilities.

[00:23:57] **Michael Novogradac, CPA:** So thank you for that, Melissa. Maybe we can delve a little bit deeper into the determination of utility allowances. There are Treasury regulations that create several ways in which a property can determine the utility allowances, depending on the type of property and depending upon the studies that a developer could get.

So maybe you could walk through briefly. It's a very important issue and to the extent a developer is moving forward with the LIHTC development, they'll want to give real, focused attention on determining utility allowances. But maybe you could just give a quick overview on the different approaches knowing that a listener would have to reach out to you or Jeff or their tax adviser if they don't throw with utility allowances already to understand the specifics for their given property.

[00:24:47] **Melissa Chung, CPA:** Right. So there are a few different ways to calculate utility allowances. But in my experience, I think I probably only see two out of those several options. But as you and Jeff both mentioned, it's always imperative to check their state or local credit agencies qualified allocation plan to see what they allow in the state or the locality. The most commonly used option I see is owners will go and check the local housing authority published amounts for the tenant for households receiving housing choice vouchers. They usually post these utility allowance schedules on the public housing authority website. These change usually once a year, but it can happen more often.

So developers need to be careful and check frequently and make sure they're using the most current schedules. Another option that we see being used is that developers will hire an energy consultant or an engineer to make an energy consumption model specific to that project. So this is really helpful where there are energy saving measures that are above and beyond what's normally used in the area.

So if you're looking at Energy Star appliances, you're at net zero, something like that. They can cater or customize the utility allowance to something lower and therefore charge higher rents. Less often I see used are possibly credit agency estimates. Sometimes they publish the allowances on their website.

Developers can also reach out to utility companies to get an estimate for their projects. Or there's also a HUD utility schedule model that's on the HUD website. But I will say I looked at it the other day on the website and it's not necessarily for the faint of heart. So I would just say proceed with caution and make sure you're using a professional to help you and guide you through those options.

Market Studies

[00:26:46] **Michael Novogradac, CPA:** Super. Thank you for that, Melissa. That's a good overview and it is a critical piece of the underwriting model, even though it at some level, it's minor on the other hand. It can be significant in terms of sizing your hard debt. So let's now turn to market studies and how they're a factor for developers who are considering developing a low-income housing tax credit property.

So I'll turn to you, Jeff. If I'm a developer that's interested in building a low-income housing tax credit financed property, why do I get a market study done and what's involved with it?

[00:27:24] **Jeff Nishita, CPA:** So the tax code actually does require market study to be submitted in order to receive an allocation of credits. The IRS wants to, you know, make sure that a project would be able to serve the area's population, whether it be the income level, the households in the area or even the type of household, like say senior focused or multifamily.

However many states have a timing requirement. So this early in the development stage, you can't really do a full market study or at least a market study that you produce wouldn't necessarily be eligible to be submitted with your application. So if a developer in these early stages are looking at a property and wondering what size of a project, say, makes sense for their plot, our, we have a GoVal group who can help with this and help start to determine what might be a good size for your project and the types of income levels that might your project might be able to capture as well.

[00:28:20] **Michael Novogradac, CPA:** Thank you for that, Jeff. I will also note that it is important to use a market analyst that is experienced with low-income housing tax credit properties just as you don't want to use a tax consultant who isn't experience with low-income housing tax credits. You don't want to use a market study analyst or a market analyst that isn't familiar with market studies for low-income housing tax credits.

There's a lot that goes into that, this specialized area. But I will just note one of the critical components is when you're looking at your development, you'll end up setting aside a certain number of units at certain income levels, certain qualifying income levels. And the purpose of the market study in part is to identify the number of potential tenants in the market area that you have low enough incomes to be eligible and can are in a position to pay the lower rents that are going to be charged.

And then getting that band of eligibility is a critical piece of the market study. And as you know, we've discussed generally there's a desire to have at least a 10% gap between market rents and tax credit rate rents. So part of the other purpose of the market study is to identify market rents and confirm that the property is at least 10% below market rents.

So thank you, Jeff. Thank you, Melissa. I appreciate you joining us. Is there anything else that you wanted to share with respect to financial visibility of a development within the three areas that we've, talked about so far? Knowing that we're going to have an additional several, additional podcasts delving into some of the other areas?

[00:30:13] **Jeff Nishita, CPA:** Right. And maybe we can actually have someone from GoVal join us on our next one. So I just want to remind listeners, since I am the chair for it, that we will be covering financial feasibility and plenty of other issues next month at the Novogradac 2022 Tax Credit Housing Finance Conference at the Four Seasons Hotel in Las Vegas on December 1st and 2nd. 'We'll also have those workshops that Mike mentioned at the intro the day before on November 30th, covering the basics of low-income housing tax credits, as well as exploring the sources and uses in forecasting.

[00:30:47] **Michael Novogradac, CPA:** So thank you for that, Jeff. I'll actually, interject here. I think I interrupted you, Melissa, but I just wanted to encourage listeners who are attending to make sure you go up and say hi to Jeff. He loves meeting new people, so it's a great opportunity for you to meet, Jeff. Go ahead Melissa.

[00:31:06] **Melissa Chung, CPA:** On our website, obviously, like I mentioned, it's a one-stop-shop for everything affordable housing. But one of the things that is offered on there is a link to purchase our LIHTC Handbook. And you know, a lot of people come up to us and go, "Oh yeah, this is the LIHTC Bible."

So this is something that a lot of people in the industry use as just a reference guide for everything affordable housing. And so that's a great resource. And then as Jeff and Mike mentioned, the Rent and Income Limit Calculator is on our website. That's free of charge and you can actually even enter the utility allowances in to help you calculate rents that you can charge.

And then the Rent and Income Limit Estimator is available for purchase or a subscription. And that can help people predict 2023 rents before HUD publishes them next year.

Exit

[00:31:59] **Michael Novogradac, CPA:** Great. Thank you, Melissa. Thanks for that. And I would encourage listeners to, you know, reach out to us for the Rent and Income Limit Estimator. It's super useful during the development process. It can be helpful as you're trying to size your permanent debt to have evidentiary matter for your lender as to the amount of rent you expect will be charged.

It's also a great tool, obviously, for lenders as well to underwrite and syndicators and the rest, so it's widely used. So thank you again, Jeff and Melissa. I will include a link in the show notes to the conference. I will be there at the conference as well, so please come by and say hello to me as well.

We'll also provide a link to the long, I think Tax Credit Handbook and the written Income Limit calculator, and more about the written limit. Thank you, Melissa and Jeff, for being on this week's episode, and I look forward to seeing you in a few weeks. And I say in a few weeks because from a scheduling now perspective, I wanted to note that next week, November 8th, we're going to discuss, as I mentioned in the intro, the recently announced new markets tax credit awards.

I'll be joined by my colleagues, my partners, Brad Elphick and Rebecca Darling, and then a week after that, November 15th, Jeff and Melissa won't be back on that one either because we're going to discuss the results of the November 8th federal elections, or at least as much of the results as we know. There is the potential that control of the Senate won't be known by then and may not be known until December. And the House may be close enough. Those elections that will be waiting on absentee ballots and the rest to be calculated. But we'll discuss as much as we know about the results of November 8th federal elections with my colleague, the head of our government relations at Novogradac, Peter Lawrenc. Unless something surprising happens over the next few weeks, we'll have Jeff and Melissa back for an additional episode in our “So You want to Be a LIHTC Developer” series.

That episode will cover forecasting for the low-income housing tax credit and how developers can project sources and uses and operating income and much more in how they all interrelate to each other. You can make sure that you're notified of next week's episode and each week's episode by following or 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 the Tax Credit Tuesday, on iTunes, Spotify, Google Podcast, Stitcher, and Radio Public.

Off-Mike

[00:34:36] **Michael Novogradac, CPA:** So now I'm pleased to reach our Off-Mike section where listeners usually get some off-topic advice and words of wisdom from our podcast guests.

I say usually because in this episode we're going to flip the script and Jeff and Melissa are going to ask me some questions.

[00:34:55] **Melissa Chung, CPA:** Yeah, thanks, Mike. We thought it might be fun for listeners to maybe get some insight from you. So the first question is what's a book that you would recommend to others? Maybe you can give us one that's nonaffordable housing, professional development, and then one that's, another one that's fun. Not that professional development isn't fun.

[00:35:14] **Michael Novogradac, CPA:** So you're saying I can't say the Low-Income Housing Tax Credit Handbook? Can't say the New Markets Tax Credit Handbook? I can't say the Historic Tax Credit Handbook? I can't say–the real question, well, maybe I'll start with that question by addressing how is it that I access books and I say, how do I access books? Because I don't just read books. I'm a big fan of Audible. I'm also a big fan of Kindle, and I do also like paperback and hardcover books. So I do use all three as ways to read or listen to books.

And in terms of listening to books, I actually listen to books in the shower. And you might be thinking, how do I listen to books in the shower? I actually have waterproof headphones that I'll listen to books in the shower. I'm a somewhat voracious reader of late in part because of COVID, so I now can't wait to get through the different books that I'm reading or listening to.

And I'm also one who will have multiple books going at a time, depending upon what's capturing me at the moment. I'll be flipping around to different books. And there are two books that sort of come to mind in terms of, you know, one sort of from a development perspective and they're both sort of development oriented.

You know, one's a little bit more fun and engaging maybe than the other, but they're both fun. The first is "The 7 Habits of Highly Effective People" by Stephen Covey. That probably won't be much of a surprise to a lot of folks. I can be very focused on trying to enhance my own personal project production, and it's not always about doing more.

I also recently read a book essentialism, about actually achieving more by doing less. But the book "The 7 Habits of Highly Effective People" does go through seven habits and I think it's useful to go through and review it and take the various tips and habits and the rest that are discussed and apply them to your own life with a degree of moderation or application to what works for you. One of the habits, I think it's the second habit, discusses beginning with the end in mind. And that's something that both of you have probably heard me say before talking to you about different projects. You always want to kind of begin with the end of the project in mind so you can get there if you don't know where you're going, you'll never know if you've arrived much less, you know how to get there.

But I do think that I mentioned kind of with moderation because on the one hand you want to begin with the end in mind. On the other hand, if you're so focused on trying to identify the end, you may never begin. So it's emphasis of end in mind, not formulating the exact end you want to get to because at some point you also have to start because you can't finish until you start. But I do think that the book is very thought provoking and very provocative. It allows you to develop a lot of tools for yourself. So I would definitely put that in the must-read category.

I'd also put "Tools of Titans," and that's a book by Tim Ferriss. The more formal title is "Tools of Titans: The Tactics, Routines and Habits of Billionaires, Icons, and World-Class Performers." And this book is a easy read and over the course of COVID, I would get up in the morning and read one or two of the, I'm not sure, really chapters or sections. And it's broken out in terms of chapters or sections among various guests. And those of you who aren't familiar with Tim Ferriss, he has a weekly podcast and he does, and he has interviews with what he calls world class performers for his podcast.

It's called “The Tim Ferriss Show.” And I listen to it quite frequently. And he basically took these interviews with over 200, what he calls world-class performers for his podcasts, as well as some interviews. He sourced other places and creates these really distilled tools, you know, tactics, tips, life lessons that he's learning from these world-class performers.

And each section is a particular world-class performer, and he has distilled, you know, some of those tools, tips and the rest. So it's an easy read and every morning I would read one or two sections, one or two of the tips from different interviewees. And every one you read, you know, there are things that relate, that you can relate to, that you can bring into your life.

There's others that you look at and they don't fit right for you. But it's definitely very useful in terms of growing as an individual. I'd also note that Tim Ferriss also has a weekly email. It's free and it's really bite sized, and it's always fun to read what he's thinking about, what he's quoting, what he's pondering, things of that nature.

It's very engaging and it comes out on Friday. So probably a lengthier answer than you were expecting. But you know me, once you get me started.

[00:40:37] **Melissa Chung, CPA:** I do have a follow up question though. Since you do listen to audiobooks, are you listening to them at normal speed or quicker than that?

[00:40:47] **Michael Novogradac, CPA:** That is a great question. You must be an Audible fan as well. I was going to ask you, what do you think? I would listen to them at, but I do listen to them at about 1.2.

[00:40:58] **Melissa Chung, CPA:** 1.2.

[00:40:59] **Michael Novogradac, CPA:** I want to listen to it at a speed that I can actually process it. So I don't want it to go too fast. I do find at like 1.0, my mind can wander a bit, so I'm trying to find the right timeframe at which my isn't as likely to wander.

[00:41:14] **Melissa Chung, CPA:** Got it.

[00:41:15] **Jeff Nishita, CPA:** So for your second question, for people who might be coming to a Novogradac conference for the first time, or maybe people who are actually frequent, guests or attendees to our conferences, what do you think is the best way to get the most out of a conference?

[00:41:34] **Michael Novogradac, CPA:** Well, I would start, That's a great question. I'd start by saying go to conferences. I do think it's important to get out and meet others and learn and there's something about being in the presence, at the event that helps on the learning front. And it's been a challenge to do that during COVID. And now it's great to be back in person with our events and I didn't really appreciate how significant being in person at conferences was then when we were doing them remotely.

And there's lots to be gained with remote events, but being in person is really powerful. And when you're thinking about a conference, I always think the education is always central, so, you want to, you know, obviously be picking conferences that are going to help you kind of advance the areas that you're looking to advance in terms of getting the most out of it.

It's all about, as with most things in life, preparation. And I would be focused on preparing to be at the conference. When you get to the conference, it can be a bit of a whirlwind and you're not there as long as you think you're going to be. Obviously you're, from a measurement perspective, you are there the time you expected to be there for the most part.

But it goes by really quick. And if you prepare in advance, you'll get much more out of the conference. And in terms of pairing in advance, it's both looking at the various sessions, identifying the sessions, you want to make sure that you're in and attending so that you're learning the areas that you really want to be focused on.

It's also, in terms of preparing in advance, you want to identify who else is attending that you want to meet. Either the individual people, like someone coming to the Las Vegas conference saying, I want to meet Jeff, or I want to meet Melissa. Meet either of you. But also different practice areas, if you will, are different roles that different people play in a given area. Who in that realm you want to meet? If you're a developer, you may, and you're a new developer, you may want to be meeting tax attorneys or either business attorneys that have experienced with low-income housing tax credits. You may want be meeting lenders, you may want be meeting syndicators, you may want to be meeting investors.

Similarly, if you're a syndicator or one of these other roles, you may want to be meeting developers. So identifying who it is you want to meet in advance and then reaching out to them. And that's one of the reasons why at Novogradac we have this app. So we have a conference app and you can download it in advance of going to the conference.

Get a sense of attendees and the rest and be reaching out to folks. So do reach out to those who are in attendance that you want to meet with. You know, send them an email in advance saying you're looking forward to attending the conference and you'd like to meet with them, even if it's just, you know, after a given session, during a break.

Things of that nature and all that preparation in advance can really help you, get the most out of an event. You also want to, if you're coming to the conference, you're oftentimes coming with others from your office, others from the company that you work at, and when you're at the conference, don't hang out with those people from your office. You should sit next to different people. You'll have lots of time to be with the people from your office, when you get back to the town that you work in, but the conference and opportunity to meet others.

So sit in different parts of the conference, sit next to different people. Introduce yourself and network as much as you can. So the combination of networking and the actual learning that you'll get is really valuable, but the relationships will likely be the greatest benefit. And I will share one last example of that and I'm just going to go down memory lane here.

Right after the low-income housing tax credit was created, I started writing the Low-Income Housing Tax Credit Handbook. And I went to a low-income housing tax credit conference and met an attorney, Herb Stevens. And I met others at that conference and I built a relationship with Herb Stevens and he was gracious enough to review and read the first edition of the Low-Income Housing Tax Credit Handbook and gave me comments.

And based upon that and my total respect for Herb Stevens, he and I became good friends. And we worked together for a number of years, probably 25 plus years we worked together. He's retired, since retired. That's an example of a relationship that really impacted my own professional growth and growth of the firm through attending at a conference and reaching out to others.

So I just, you know, I can't say enough about the benefits of attending conferences and networking.

[00:46:36] **Melissa Chung, CPA:** Agreed.

[00:46:37] **Michael Novogradac, CPA:** So, thank you both. I appreciate you flipping the script with me. It was fun to get to answer the questions after asking myself for so many years. So thank you, Melissa. Thank you, Jeff again, and thanks for our listeners. Thanks for listening.

Additional Resources

Email

Melissa Chung

Jeff Nishita

Previous "So You Want to Be a LIHTC Developer" Podcasts

May 10, 2022: Comparing 4% LIHTCs and 9% LIHTCs

Oct. 5, 2021: LIHTC Basics

Conference

Novogradac 2022 Tax Credit Housing Finance Conference

Rent and Income Limit Tools

Novogradac Rent & Income Limit Calculator ©

Novogradac Rent and Income Limit Estimator ©