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The Washington Legislative and Regulatory Update

Final CRA Regulations Better than Proposed, Stakeholder Focus Turns to Implementation

Release of final rule for CRA provides clarity for tax credit equity investment, but sub-regulatory guidance will be crucial.

Page 4

End of a Legendary Career

NAAHL's Buzz Roberts stepping down after career that included helping launch LIHTC, NMTC.

Page 8

Novogradac Working Groups Look Back, Forward

LIHTC, OZ, NMTC, Renewables Working Groups were active in 2023, look ahead to busy 2024.

Page 12

How Will 2024 Income Limits be Calculated?

Release of ACS data brings questions about what formula HUD will use to set next rent and income limits.

Page 41



Historic Tax Credit Industry Updates with Patrick Robertson



CINDY HAMILTON, HERITAGE CONSULTING GROUP

In continuation of our ongoing conversations with Patrick Robertson of Confluence Government Relations, we sat down again to discuss the latest updates from the historic tax credit (HTC) industry and the status of the Historic Tax Credit Growth and Opportunity (HTC-GO) Act. Robertson, who leads the Historic Tax Credit Coalition (HTCC) government relations effort, oversees the legislative lobbying efforts for HTCs.

Earlier this year, the HTC-GO Act was reintroduced in both houses of Congress. Both bills remain in committee and include significant updates to the existing HTC regulations, including an increase to a 30% credit for smaller projects, a basis adjustment elimination, a decrease in the substantial rehabilitation test threshold and an increase in eligibility of historic properties.

Similarly, the HTCC has maintained its routine conversations with the National Park Service (NPS) in a combined effort to enhance the HTC. Earlier this year, the HTCC issued a survey and report outlining the status of the HTC incentive. Through this report, the HTCC hopes to continue to advance the use of the HTC.

The following is a continuation of our interview with Robertson:

Q: The most recent iteration of the HTC-GO Act was introduced in Congress three years ago. What progress has been made since the first iteration of the bill? What are the bill's prospects in this Congress? Have any similar bills been introduced?

A: The HTC-GO Act has gone through many changes since the first version was introduced in the late 2000s. But between the last Congress (the 117th) and this Congress (the 118th), the bill has stayed the same. This Congress's version continues to add co-sponsors and has been well received by tax writers and Congressional leadership. There is still hope Congress will move a tax bill in the coming months that can include some or all of HTC-GO.

There are other bills in Congress that do ancillary things to the HTC, like providing tax benefits for the conversion of office buildings to housing or the

rehabilitation of structures near transit. Neither has gained any significant momentum at this time.

Q: What are the provisions of the HTC-GO Act that the industry believes would be most effective? Which provisions do the HTC industry have the most consensus on?

A: HTC-GO was crafted out of a combination of industry consensus and political reality, and the bill represents the broadest consensus between the industry and our bipartisan political champions. Any of the provisions would have a significant impact on the marketplace and users of the credit.

The elimination of the basis adjustment would make it easier to use the HTC with the low-income housing tax credit and add value back into the HTC. Reducing the requirement that rehabilitation expenditures equal or exceed 100% of the building's adjusted basis to a lower percentage would allow more buildings to qualify for the credit, and result in a more effective use of investor funds. Eliminating the "disqualified lease" rules would significantly facilitate the ability of nonprofits to use the credit. Increasing the credit rate for small deals will allow more rural and Main Street projects to get financed and completed. We continue to ask about restoring the credit to a one-year credit, but that does not have sufficient support from our sponsors at this time.

Q: HTC-GO Act champions Rep. Earl Blumenauer (D-Oregon) and Sen. Ben Cardin (D-Maryland) have both announced that they will not seek reelection. What impacts will their departure have on HTC support in Congress? Has the HTCC identified other members who might champion the cause?

A: Sen. Cardin and Rep. Blumenauer have been stalwart champions of maintaining the HTC and improving it. While they both recently announced they will not seek reelection in 2024, both will remain in Congress until their terms end in January 2025. I expect they will remain committed to the HTC and

will continue to work with us to make the changes they have advocated for over the decades. They will continue to be an important part of our strategy.

Once they have left Congress, we will continue to have many HTC supporters on the tax-writing committees, and we will work with them to find new Democratic leads in the House and the Senate. For now, we are looking forward to getting changes across the finish line with all of our supporters.

Q: Advocacy efforts to gain support, particularly among Republicans, have been more challenging in this Congress. Why is that?

A: While a number of Republicans, like Sen. Bill Cassidy (R-Louisiana) and Rep. Darin LaHood (R-Illinois) have been stalwart and indefatigable supporters of the HTC, other Republicans have been difficult to convince. One reason is that many Republicans in the Senate come from more rural states with fewer potential projects. Although one or two projects in a rural state might be as impactful as dozens of projects in a more urban state, use of the credit in these states can be challenging. On the Senate Finance Committee alone, there are senior members from Idaho, Wyoming, South Dakota and Tennessee. In addition to being rural, none of these states have state HTC programs, which have proven to be an important, and often integral, companion to the use of the federal credit. The same dynamic is true in the House, where Republican districts also trend more rural.

As a result, in these more rural locales, we have to make our argument with fewer projects. Nonetheless, the HTC projects they do have are often particularly iconic and impactful. There are certainly universal benefits associated with the HTC, but where there are fewer, but more iconic, projects, it is valuable to localize the particular narrative in each spot. So, as advocates we need to do the added work of telling the story of the tax credit's favorable impact through a different lens in each Congressional district or state.

We are working hard with our members who have developed these projects to accomplish that objective. For example, we have a significant program to get congressmen and senators to visit HTC projects in their jurisdictions.

Q: The HTCC has had many accomplishments this year centered around efforts to improve the HTC incentive. These included the issuance of a comprehensive survey of historic tax credit consultants and a report on the current standing of the program. What has been the response to the survey and report? What else is on the horizon for the HTCC?

A: The survey, the report, our quarterly meetings with the NPS, our outreach to the IRS, meeting and working with the Advisory Council on Historic Preservation (ACHP), and our ongoing Congressional efforts are some of the major tasks undertaken by the HTCC. And these activities are paying dividends. For example, we are seeing more NPS training and guidance, the ACHP remains committed to the HTC, and we see movement in Congress. We are also working more with other industry groups and associations to best develop our shared objectives.

Looking ahead, we are working on helping develop the narrative of how the HTC is being used and can be used to improve housing stock, enhancing the reputation of the HTC as an environmental benefit (the greenest building is the building that is already built), looking to make new HTC improvements through HTC-GO and working with the IRS, and expanding our reach across the industry. Additionally, our state and local committee continues its work on expanding the availability of companion tax credit programs at the state level.

Q: How can interested parties or individuals get more involved in the HTCC and support improvements?

A: The HTCC has seen a reenergizing this year. We have a dozen or so new members and a lot of new

people helping us with our mission. Our committees have been expanding their efforts in their many missions, including advocacy efforts in Congress and at the state and local levels, and continued conversations with the NPS and IRS. But we can only do it through our members and everyone who cares about the future of the HTC should be a member. We are the leading industry trade group, and we are the only group solely dedicated to the preservation and enhancement of the HTC. Our website has a section about membership (www.historiccredit.com/join).



Image: Courtesy of Historic Tax Credit Coalition; Patrick Robertson
Patrick Robertson of Confluence Government Relations

Patrick Robertson

Patrick Robertson is the principal of Confluence Government Relations, a full-service government affairs and business advisory firm based in Washington, D.C. Since 2009, Robertson has served as the government relations consultant for the HTCC, engaging with members of Congress and the various presidential administrations on the importance of the HTC as a job creator and economic development tool. Robertson oversees the day-to-day operations of the HTCC and assists in strategic planning and the development of legislation to continue to improve upon and expand the HTC. ❖

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Cindy Hamilton is president of Heritage Consulting Group.

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