Returning to the New Normal

by Kelly Wakefield, VP of asset management, Preferred Compliance Solutions

"I wish there was a way to know you were in the good old days before you actually left them," said Andy Bernard in the series finale of *The Office* TV show. Talk of returning to normal, or the new normal, can may make us reflect on "the old days," what might we return to and what is here to stay.

When the IRS issued IRS Notice 20-53 July 1, 2020 — extending relief through Dec. 31, 2020, and subsequently IRS 2021-12 until Sept. 30, 2021 —several main areas were impacted:

1. 10% test for carryover allocations
2. 24-month minimum rehabilitation expenditure period
3. Placed in service deadline
4. Income recertifications
5. Compliance monitoring

Each has been discussed in past issues of *The Credential*, so we won't go in depth. But now many expirations have passed, let's explore what is back and what may be different.

What is Back

1. First-year Occupancy Obligations

Rising cost of building materials, and shortage of supplies and staff all contributed greatly to increased difficulty leasing up at some sites. The extension until June 30, 2021, for the qualified basis helped many. Some still face challenges to meet deadlines, and syndicators are encouraging credit swaps to avoid loss of credit altogether.

2. Recertifications

Recertifications due on or after Oct. 1, 2021, must be completed. Those sites with a recertification waiver, or states that permit self-certifications/short certs for 100% tax credit, can continue to proceed with those. Otherwise, full certifications are needed. Sites have noted difficulties because of fewer staff and unresponsive tenants. Consider hosting bulk appointments and enticing residents with food, gift cards or other incentives.

3. Compliance Monitoring

Although states varied on continued completion of compliance monitoring visits, as of Oct. 1, 2021, all states must resume their reviews. Some states will continue with their current cycle, meaning a site on a three-year cycle that should have been inspected in 2020 may go six years between their last visit in 2017 and their next scheduled visit in 2023. Don’t rely on this. Develop a preventative maintenance plan, and resume unit inspections as soon as feasible.

What May Be Different

1. For first-year files, ensure your housing finance agency (HFA) and syndicator are on the same page; if they aren’t, follow the most restrictive.

We can get comfortable working closely with our state agencies and what we know will pass their scrutiny. It can sometimes be surprising for an investor to audit and see that they may look for, or require things, to be done differently. Each state agency has a slightly different take during COVID of what is acceptable.

For example, before leasing up your building, if your state agency was permitting documentation outside of 120 days, make sure that your syndicator has the same approach. Syndicators work across multiple states, so their approach may be more conservative and based on regulation versus precedent at the state level. COVID created situations where it was hard to obtain paperwork, but as businesses have adapted, make sure you are showing due diligence with strong internal controls, including third-party verifications of tenant income.

2. Don’t lose your ingenuity just because it is no longer required.

I loved visiting different sites throughout the past two years and seeing innovative ways that sites were still serving tenants. If spaces didn’t allow for social distancing during social services, they began offering tax preparation or financial planning classes via Zoom as well as in person. This not only allowed a safe method to gather, but also opened the meetings to those who normally couldn’t attend in person because of childcare or scheduling. Many sites had better attendance than ever before. Others allowed prescheduling of amenities. Who wouldn't want a guaranteed time slot where you know the fitness equipment will be available? As requirements on ceasing amenities and social services have ended, don't stop innovating.

3. Be prepared that some changes are here to stay.

After surveying many state agencies, the overwhelming majority will retain or continue with some type of electronic desk audit file review. Don't let this take you by surprise and leave you unprepared when the time comes. Have staff prepared and ready to scan and submit all required documentation well before the deadline to ensure your audit is off to a good start.

Electronic signatures are another way COVID is allowing us to usher in a new day. This may require new policies and procedures, perhaps new software, or subscriptions. Ultimately this will be a benefit to our residents to get paperwork back in a more timely manner without worrying about office hours.

Difficulties remain with supply-chain disruptions, people leaving the workforce and inflation. But all is not bad news. Legislation is under consideration that expands the low-income housing tax credit. New technology will continue to bridge gaps. As we all examine our areas of responsibility and create our new normal, let's continue to remember who is at the heart of those we serve and consider their hopes, cares and needs.

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