

WS886_ Atif Qadir

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0:00:01.5 ANNOUNCER: Welcome to the Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication. And now your host, Whitney Sewell. this is your daily real estate syndication show. I'm your host, Whitney SOL.

0:00:23.0 WHITNEY SEWELL: This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell.

0:00:28.7 WS: Today our guest is Atif Qadir, thanks to be on the show again Atif.

0:00:32.5 ATIF QADIR: Thank you so much for having me Whitney.

0:00:34.9 WS: Atif was just on the show, he's a repeat guest and it was show number 847 and a great conversation I wanted to having back, very educated, very knowledgeable about many things in our business that I wanted him to share with us and a few more things today that I know it was going to be of interest to our listeners. And that show was on February the 14th, but a little about Atif, he founded Redist, a prop tech startup based in Columbia startup lab in 2020. And so I'll let him share a little about that, but he's also the host of American Building a new podcast coming out launching this fall. Atif, welcome again to the show, and won't you share just a little more detail about those things and then let's dive in.

0:01:12.2 AQ: Sure, absolutely. So background was, I'm a real estate developer. So I come from the industry, primarily the New York City area, I worked for a huge developer called extell development and then started my own development firm, and Whitney mentioned my technology company called Redist, and we are focusing on making it easy to find and use the 100 billion dollars of real estate incentives that are given out every single year in the United States, it's a real interest for me from a particular perspective of real estate because not only have I had the opportunity to work in the private sector, but I'm also a city planning commissioner, and the city I live in, in New Jersey. So it's given me a great perspective of the two points of view that often come to play in real estate projects, both large and small.

0:01:55.9 WS: Nice, well, I wanna see maximizer time Atif... And I know you're right there close to DC as well, and have a great handle on a lot of the tax credits and things that are happening. And why don't we just jump right into that? And some of the things that are happening, I'm sure I'll have some questions as I'm trying to figure out those things or what to expect, and our listeners are wondering the same thing, wondering what's coming down the pack and being able to plan... So help us with a few of those things that we're briefly talking about before we get started.

0:02:19.3 AQ: Sure, absolutely. So I'm going to level set and explain what incentives are and I really dive into the tax credit portion and why the real estate developers or investors or other professionals that are in your, amongst your listeners can look for in this year, particularly, how it is going to affect their work and the projects they do. So real estate incentives are a class of public financing for private real estate development, so that can take the form of property tax abatement, Tax Credits, low interest, financing grant programs, rebates, there's a whole slew of different incentives that are considered part of that pan bean. You could say every single year, there's 100 billion dollars given out that's redistributed at the... Both the federal, the state, and the local level. So why does that particular matter, tax credits are a particular part of the kind of body of rules

incentives that exist, and essentially what they do is use reductions in future tax obligations for typically large companies in order to raise money at the present time to build... It's a great way of driving construction and markets, they may not be seeing a lot of investor interest.

0:03:29.1 WS: You said using future tax obligations to raise money to build. Did I get that right?

0:03:34.5 AQ: Yeah, absolutely, I think you might be a tax credit for yourself,

0:03:37.0 WS: I don't think so... Apart from that.

0:03:39.0 AQ: So basically the idea is that everyone has to pay taxes, and if the US government allows you to forgo paying future taxes and instead give a certain amount of money that you have now at a healthy discount, that creates private money for developers and investors to build. It's a great structure that exists that doesn't actually take money from taxpayers. It's directly through the government. It comes from private entities, and it goes to private entities, so it's a rather efficient structure. There's a number of different incentives that people probably have heard of, low income, housing tax credits are the largest. There were 9 and a half billion dollars in 2019, and that's such a wildly increase under the HR 2, the house resolution 2... the infrastructure bill people talk about, and then also more broadly under the Biden build back better plan. So now some of the hot topics, some of the things that are going on that people or industry should look for, number one is the fact that the build-back better plan has real estate infrastructure as the core backbone of building back the economy through...

0:04:40.3 AQ: And then after their crony depression. So what that breaks down to specifically for tax credits, is that the four core tax credits that exist at the federal level, that's the low-income housing tax credits, the new market tax credits, the historic tax credit program, and the brownfields tax code program, each one's administered by different groups of the federal government, but all of them will see incredible increases in their allocations, so specifically low-income housing tax rates are set to go from 9 and a half billion dollars a year to 21 billion dollars a year. So that's the main driver of the housing growth that's expected over the next couple of years, I think another hot topic to think about and consider is a power changes in the Senate. The fact that the Democratic Party now holds the majority with Kamala Harris presiding and casting a tying vote. The leadership or key committees in the Senate are going to be incredibly telling about how tax credits are gonna be part of the upcoming budget for this year. So number one, Vermont is getting a lot of reps. So Bernie Sanders is now the head of the Budget Committee and Patrick Lay, he bought the centers from Vermont, is the head of the Appropriations Committee. Both are strong supporters of developments in general, especially when it drives affordable housing and other social goods like that.

0:05:55.2 AQ: So I think you're gonna see a lot of support procedurally for the expansion of these tax credit programs, and I think number three is the needs only again, bigger. So for example, some of the initial estimates are that the taxable receipts from corporations overall, not just real estate, have reduced 80% over last year, so there's a lot of hurt... So there's a lot of good in this idea of future tax obligations being used to drive development now, so that's kind of the way the line of what's happening in DC and with tax credits.

0:06:25.0 WS: I'm sure those things will be tracked heavily and ensuring you're using those funds for the proper thing, right?

0:06:30.9 AQ: That's actually a really good point, 'cause a huge part of... For example, the hurricane Sandy relief that happens, the primary Tractate area in New York, New Jersey, Connecticut, similarly to 2020. Guys of money went out really quickly with a relatively little oversight, so for example, Chris Christie, when he was... I believe he was the Attorney General of the State of New Jersey. One of his particular focuses was on rooting out fraud related to that, and obviously, I think there are some initial estimates that up to a quarter of the money that's been given out through PPP and other SBA relief programs have been miss out... I don't know if that's correct them or not, but I've seen that number of floating around, which means that it's gonna keep lawyers pretty busy on the next couple of years.

0:07:13.0 WS: For a long time. No doubt about it. You know... What about winter relief , you know, and the effects of that amongst numerous other things?

0:07:20.0 AT: For any listeners that are multi-family, investors or developers, this is a really critical point because the CDC eviction moratorium has been extended numerous times since last spring when covid started... So the current one, the current eviction moratorium ends March 31st, but there hasn't been any large-scale relief for landlords from their mortgage obligations and their tax obligations, so through this soup of PPP and SBA relief loans, small timescale developers and investors like me, I've been able to keep the lights on and keep operating and maintaining their buildings, but in particular, what's interesting is the federal government is pushing a 25 billion dollar renter relief package, which essentially what that does is provide direct relief to landlords that are able to substantiate employment loss and other financial disruptions for their tenants. That's not just for affordable housing. That is meant for all classes of housing, so that 25 billion dollar rent relief package, I think is gonna be the cornerstone of maintaining the multi-family industry in 2021.

0:08:25.8 WS: Who's gonna qualify for that?

0:08:27.9 AQ: So it's the exact requirements of it are being laid out currently, so Novogradac at major accounting firm in the United States has done a great initial assessment of that, so if your listeners are indeed, they should check out Novogradac tax credit Tuesday podcasts, which shops in detail about that but namely, what it does, the initial template of what this plan will be is focusing on unemployment declarations of at least three months ago. So if someone has been unemployed for at least three months, and that's the main criteria, and the idea is for the relief that a landlord receives on behalf of the tenant is meant to pay back rent as opposed to future obligations to bring people current, so it doesn't necessarily cover late fees, but there is a flexibility in around that because that relief can also be used for maintenance, utility obligations that help defray some of those costs that landlords will have been incurring despite not having percent...

0:09:22.9 WS: Okay, wow. Well, a lot right there that I'll probably have to listen to that again myself, just take some of that in, but yeah, 25 billion is that gonna be in this calendar year? Do you know that?

0:09:31.5 AQ: Yeah, it's absolutely this calendar year, so with the current leadership in the senate, there is a lot of reality, as if there's a reality check that you need to go big or go home. So I think in this particular case, a middle-of-the-road approach doesn't necessarily work because I'm not sure what a middle of the road means when a quarter of the United States is under threat of eviction or is under financial distress and could be in a position to have housing insecurity and not do this in the future, this is one of those large opportunities to get things right, and I think that motivation is very

clear because I know that our particular industry, the multi-family sector... Our industry is absolutely hurting. So last year, for example, when they reach residential index, end of the year at negative 22% return, negative 22% return.

0:10:24.7 AQ: So it's not easy to come up with some... Here's 50 bucks for your problems, maybe you can solve that, so that's not gonna work.

0:10:31.0 WS: Well. What some other things too, that we need to be aware of, I know you mentioned numerous things before we get started...

0:10:36.6 AQ: Yeah, I think what's pretty interesting as well is a slew of new tax credit programs that are on the docket to really add to the existing ones that I mentioned, so particularly for multi-family, developers, investors, a low income housing tax credit has long in the Cornerstone. But other realities that you limit your rent to 60% of the area median income, which means that the math of that doesn't always work for every single developer in every single situation, so the reality being that the middle class in United States should generally a writ large has seen declining purchasing power, declining wealth accumulation over the past decade. Because of that, the build-back better plan is focusing on six new tax credits, or four of which are focused on middle income housing. So I think particularly for market rate developers that made us ignore tax credits all together by associating them automatically with affordable housing, that there should be a lot of interest around that in order to drive development peculiar in expensive periphery markets. So for example, New Jersey, Southern Connecticut, high construction costs, but not necessarily the receipts that warrant housing production, particularly for middle class levels.

0:11:49.0 WS: Interesting. You mentioned reduction and taxable receipts, maybe you can elaborate.

0:11:53.8 AQ: Sure. Yeah, so what that means is the taxation of the corporate level is something that is really indicative of interest in tax credits, and the connection that you can do is this, is that if a company, for example, at Sherwin Williams is a huge fire of tax credits, so as American Express. Not that much in tech, for example, Google is really the only one that has gone big into this, but I think that's actually an area of growth, but any of these corporations have tax credit obligations, and if you are able to shield those tax obligations by purchasing tax credits, you can actually make out in the situation because you buy those tax credits at a discount, which means that if you needed to pay, say, the math is not perfectly right and ... related purposes, but if you had to pay 10 dollars of taxes, the next year, you're able to forgo that by providing 8 dollars of financing now for a syndicator to give to a developer. So if people are much smarter than me, will do the math at the accounting department and the legal departments of these companies to see how a particular works, but when the taxable receipts are wildly down through the next domino effect is that there is a very little necessary to shield in terms of tax, and when there's very little to shield, there isn't necessarily a huge impetus to buy tax credits. So the idea is to get the economic engine of America growing again, because the taxable receipts are essentially the core idea that drives many things.

0:13:17.3 AQ: One of which is the tax credit market.

0:13:19.0 WS: How do you stay up-to-date on all these things and learn this much about our current tax plan for this year?

0:13:25.1 AQ: Yeah.

0:13:26.0 AQ: I would say for me, I nerd out on a lot of things, and one of them is related to policy, so from being a city planning commissioner before I took that public role as a private developer, I think many of my colleagues, I would just rail against the public sector with everything wrong, everything they're doing that's related to this incompetence or that incompetence. But I think the reality is that the story is much more complex and involves incredible numbers of competing priorities and stakeholders. So for me, having started in that role, for example, in our city, we did a master plan re-examination that the first year that I started. And that's like the redistricting for the first in legislature for congressional seats. That level of importance. Doing that, I saw how important it is to understand what dynamics are applied at the state level and the federal level because of funding for certain things. For example, like Parks has a big part to play in what we do with our zoning. So for me, it's probably just the curiosity because it has such incredible implications to what I do in my private sector role and then my public sector in my private businesses, but I would say in terms of how I keep in rest of it, I would say those people do some dooms for a lane on Instagram. I subscribe to a bunch of feeds, I think besides the traditional news sources that people are quite very much aware of, cable TV.

0:14:45.8 AQ: The one in particular that I like is Mother Jones. It's a news magazine that is named in honor of an Irish woman from the early 1900s who is a prominent labor organizer in Philadelphia. So she was a huge part of the organization process that led to unionization, which is a big foundational element of our industry. So their magazine does a lot to identify and call out issues that are at play in terms of federal government policy, so I really enjoy looking at that, and the other one I would say is I actually particularly enjoy following the social media feeds of politicians because off the cuff remarks often are much more powerful in telling than some prepared formal statement on the floor of the House or the Senate. So...

0:15:31.7 AQ: I think seeing the winds of change or the opinions on social media, particularly, I think is a great way of seeing what I particularly will be happening.

0:15:39.0 WS: Nice. Well, you definitely shared a lot that I know the listeners I myself have not heard much about, but our time as fun by anything else as far as the incentives or just tax, the information that's happening or anything that's happened with this next year, you wanna leave us with... Before we move to a few final questions...

0:15:55.0 AQ: Yeah, absolutely, so I would say for me, from having been in the industry for 15 years, I can tell you that the incentive process is just... It's a mess, it's just really, really hard to figure out as a principle of how do you find incentives? How do you use them? So I think for me, what I really enjoy about having built and continuing to build a Redist is preparing a product and producing a product that is in service of our customers, which are developers and investors, just like me, so I think for anyone that's interested in this world, particularly because 2020 is gonna be a tough year, a tough tough year for our industry, and for people that are looking to make their cap stocks work, they're still looking for new deals that are trying to keep driving their business, but obviously it's a lot harder to underwrite deals now. If you've never looked at public financing before in all of its forms, this is the perfect time to do it, so the best thing to do right now is just head to our website, redist.us. That's redist.us. We'll commercialize. Right now, we're doing a pilot program for a small group of companies, including for example, Tishman capital, but really opening up to the public in April, so we'll be happy to have anyone come by, check out our products and get a better grasp of the incentives that are available to them, there are specific projects that they're

working on.

0:17:10.6 WS: Nice. So Atif... What about a couple of daily habits that you have that have helped you achieve success?

0:17:15.5 AQ: Sure, I would say number one would be curiosity about the world around you, particularly if you are new to the industry and you just joined. I can tell you that everything you've seen in the past year and this year, nobody has any clue... Nobody has any clue what's going on. And I think times like this are super hard because it's really tough to get a job, for example, but I think it's also an opportunity to really learn a lot about things that people don't know about. So for example, at Redist were a team of seven, we have three product managers, all of them could probably have gotten excellent jobs at Tishman Speyer or any other Goldman Sachs or anything like that, but all three of them are getting an incredible boot camp in public financing and what that means, and that will make them incredibly successful developers down the road, if that's what they choose to do, or investors or PE folks down the road, so I would say fine. In particular niches of things that are unusual and weird right now that people don't understand and really go after that, I think opportunity and answers like, Oh, last year a story.

0:18:17.6 AQ: But find the opportunity that... And so this year, and go after that. Like Hemp is another one, for example is a City Planning Commission where I... at a public sector role. Hemp does come up in Marijuana has come up quite frequently. So if that's an area of interest, just find out how to make that work and go after that, that's probably the biggest piece of advice that I would have. Stay curious and keep learning about things that people don't know about.

0:18:37.6 WS: And maybe you just talked about it, but the number one thing that's contributed to your success.

0:18:41.0 AQ: I would say it's honestly, it's having people to ask questions about and to level set. So I think for me, in terms of, for example, Redist. The reason that we've been able to be so successful. I have 125 pilot users at this point that are interested in what we're doing, is we have incredible investors that have been really good at keeping us on the course and giving us their feedback, so I think one in particular would be the founder of Honest Building. So it's another technology company. I actually interned for them when I was at Columbia. The founder's Riggs Kubiak used to work at Tishman Speyer as well, and he built and sold his company to Procore. So he made it, he did it. The whole story, he did it. So in him and people like him are a big part of the reason that I've been successful. In Redist and also in generally in the other endeavors that I've pursued prior to Redist as well.

0:19:31.2 WS: And how do you like to give back?

0:19:33.4 AQ: So I would say for me, a huge part of it is by ensuring that everyone that wants to vote has the ability to vote. So a lot of these issues that we've talked about are being designed, developed and executed by people that are voted into office, and I think sometimes it's easy to forget that the people that are in Trent, in the case of New Jersey or Washington DC are meant to answer to us, the taxpayers. So if we aren't able to understand what their priorities are and what they actually do once they get to office, and then secondarily not necessarily have the information to vote and vote intelligently... That's a big problem. That is a big, big problem. Not only as a professional or an industry, to make sure our industries priorities are protected, but as taxpayers in

general, to make sure that our money is used for good use. So for me, particular over the past six months, I've really focused and I will continue doing focusing to make sure particularly young people, older people, new Americans, all understand the process of voting and what it means to vote, so I speak a couple of languages.

0:20:42.0 AQ: So in particular, I've been focusing on Spanish language outreach in Arizona, and Pennsylvania and Georgia. So unfortunately having a chance to go to Arizona or Georgia yet, but I spend a lot of time in Pennsylvania, and I can really emphasize how critical it is for people to understand the process of voting, have all the information they need, and then go road and make the best choices for them in their communities and their businesses.

0:21:08.0 WS: Nice. Well... Grateful again for your time and just being on the show of being willing to share so much with us and send it as a tax credit, that it seems very detailed and complicated, but it's tough that we need to know or at least be aware of as we're planning and thinking through our business for this year and years to come. No doubt. And so, thank you again. Tells how they can get in touch with you again.

0:21:28.4 AQ: Sure, absolutely, the best way to get in touch is on LinkedIn, just LinkedIn message me and I'll be happy to respond there, so... my name is Atif Qadir, so there's probably not too many name like me... with that name, so, you'll be able to find me in LinkedIn.

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