Neighborhood Homes Investment Act

REINVEST | REPOPULATE | REVITALIZE

JANUARY 28, 2021

OHIO CONFERENCE OF COMMUNITY DEVELOPMENT

Neighborhood Homes Coalition

National Community Stabilization Trust
NAAHL National Association of Affordable Housing Lenders
iff capital for healthy families & communities
LISC
Habitat for Humanity
HAC

HOME BY HAND
HOUSING PARTNERSHIP NETWORK
MBA MORTGAGE BANKERS ASSOCIATION
Enterprise

naceda building prosperous communities together
nahrep The National Association of Hispanic Real Estate Professionals
NASLEF The National Association of State and Local Equity Funds
REALTOR NATIONAL ASSOCIATION of REALTORS

NAREB REALTIST NATIONAL ASSOCIATION OF REAL ESTATE BROKERS
NARI NATIONAL ASSOCIATION OF THE REMODELING INDUSTRY Remodeling Done Right.
Center for COMMUNITY PROGRESS Vacant Spaces into Vibrant Places
NCSHA National Council of State Housing Agencies
NFHA National Fair Housing Alliance

NATIONAL HOUSING CONFERENCE
National NeighborWorks Association
PROSPERITY NOW
Quicken Loans
STRUCTURED FINANCE ASSOCIATION
UP FOR GROWTH action

What Problem Are We Trying to Solve?

- 101 million of the 135 million housing units in the US are in buildings with less than 4 units.
- Every state has neighborhoods where the homes are in poor condition and the property values are too low to support new construction or substantial renovation. The lack of move-in ready homes makes it difficult to attract or retain homebuyers, causing property values to decline.
- 40% of U.S. housing stock is at least 50 years old.
- Vacancies persist in many market even as foreclosures decline – there were 3.7 million vacant properties in 2005 but 5.8 million in 2016.

What Are We Proposing?

- The Neighborhood Homes Investment Act (NHIA)
  - HR 3316 and S. 4073 (in the 116th Congress, 2019-2020)
  - A new federal tax credit to attract capital to build and rehabilitate 500,000 owner-occupied homes in distressed urban, suburban and rural neighborhoods over the next decade
  - No other federal tax incentive addresses a key problem: development costs exceed market values for owner-occupied homes in distressed neighborhoods. NHIA complements but does not duplicate:
    - Tax-exempt mortgage bonds: reduce monthly payments, not development cost gaps
    - Low Income Housing Tax Credits: for rentals, not homeownership
    - NMTCs/Opportunity Zones: primarily commercial real estate and businesses, not homeownership

Source of NHIA Tax Credits

- State HFAs allocated NHIA credits based on population
  - $6 per capita annually
  - Minimum for small states: $8 million annually
  - Nationwide total: ~$2 billion annually

- HR 3316 allocates $3 per capita annually, but allows states to exchange unused bond allocation for additional NHIA tax credit authority.

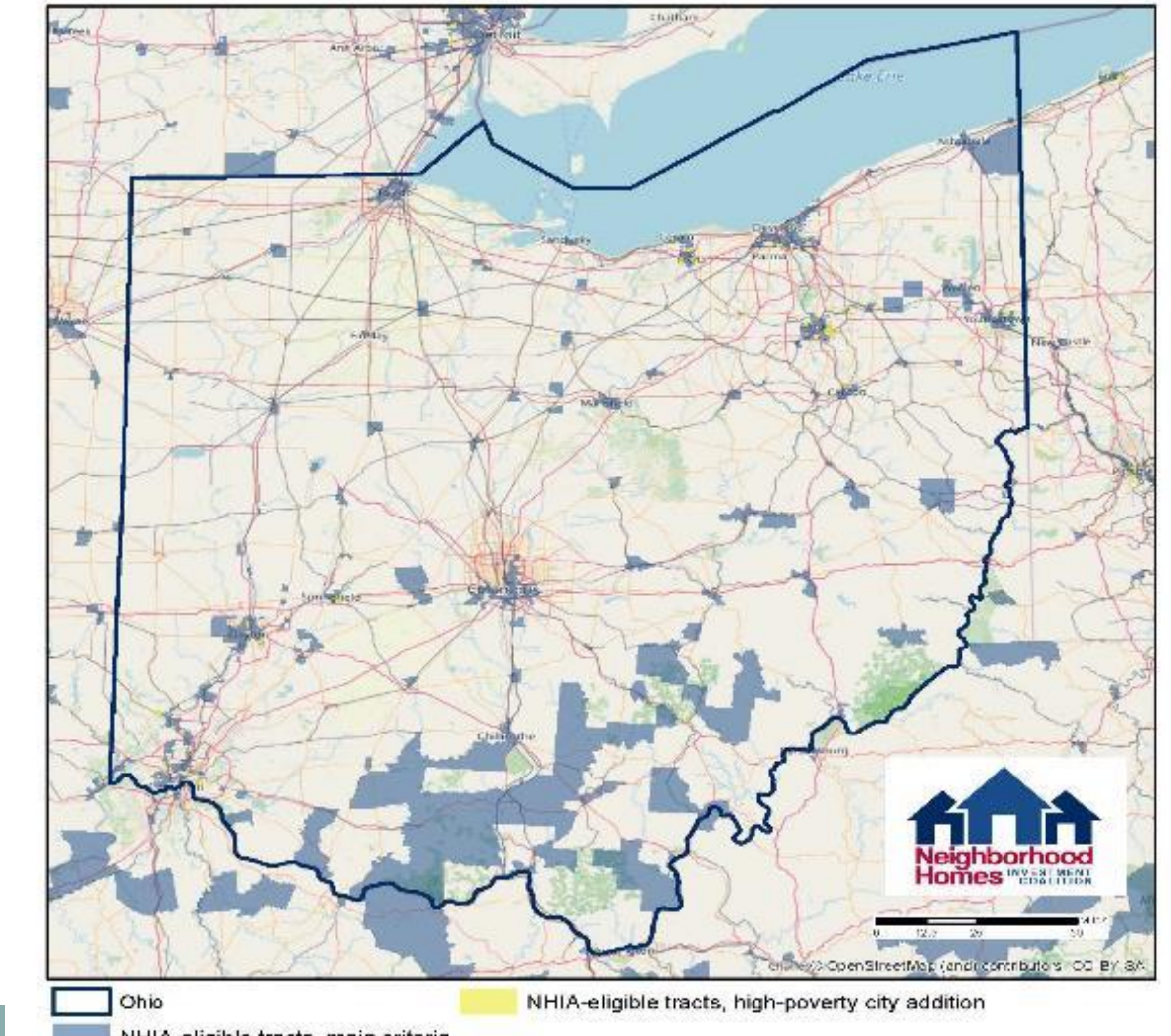
How Would NHIA Work?

- States write allocation plans
- States make allocations to NHIA managers
  - Could include developers, investors, lenders
- NHIA managers use allocation to raise equity capital from investors to build/rehab homes
- Investors can claim credits once the home is occupied by an eligible homeowner

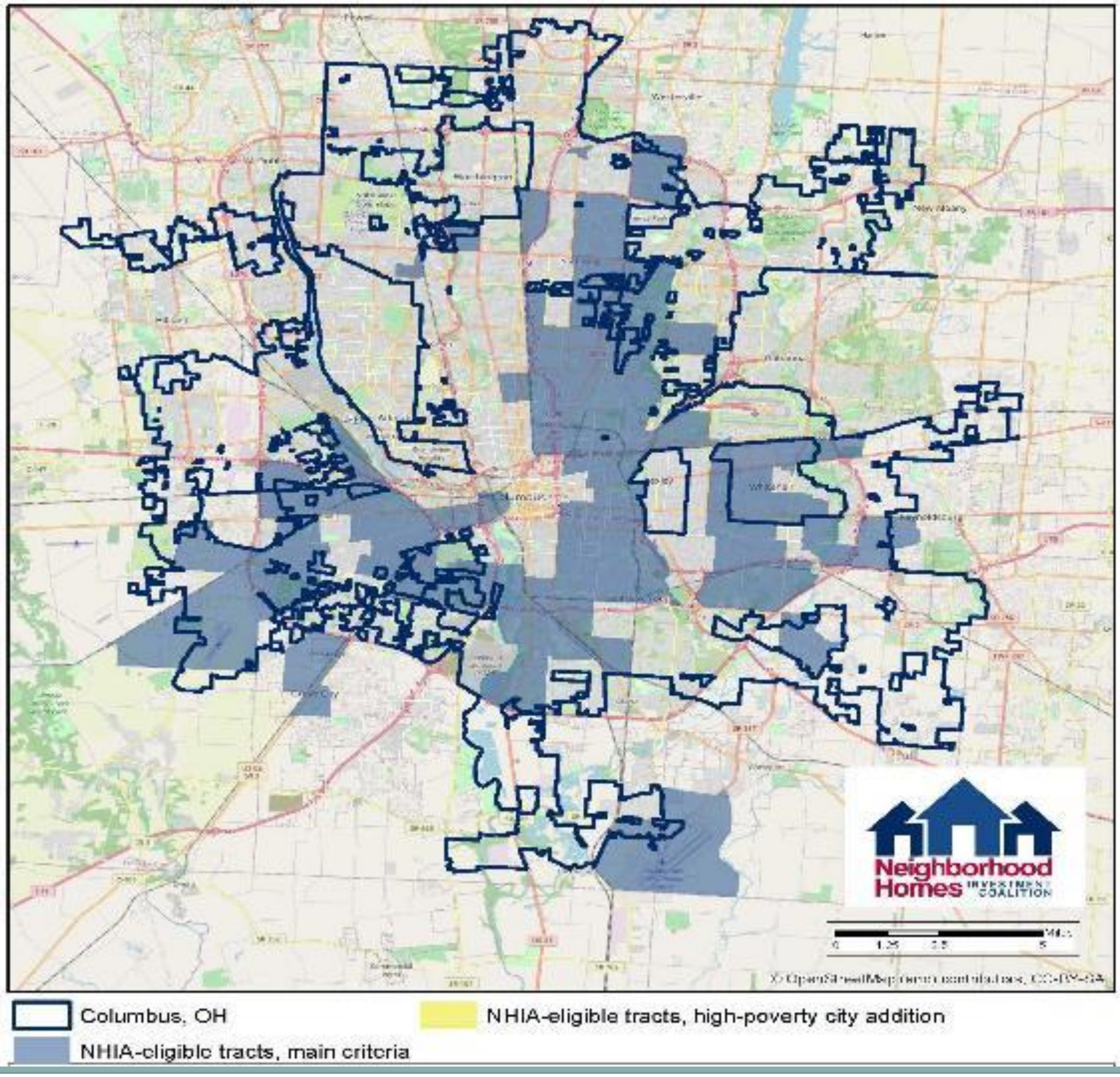
Eligible Neighborhoods

- Eligible census tracts must meet these three criteria:
  - Poverty rate at least 130% of area poverty rate
  - Median family income less than 80% of area median income
  - Median home value less than 100% of area median home value
- Additional census tracts eligible in high poverty cities in Senate version
- Covers 23% of census tracts nationwide; 24% of non-metro tracts
- Up to 20% of allocations may be provided to certain additional rural communities and/or to gentrifying census tracts for owner occupied rehab
- States may develop additional criteria

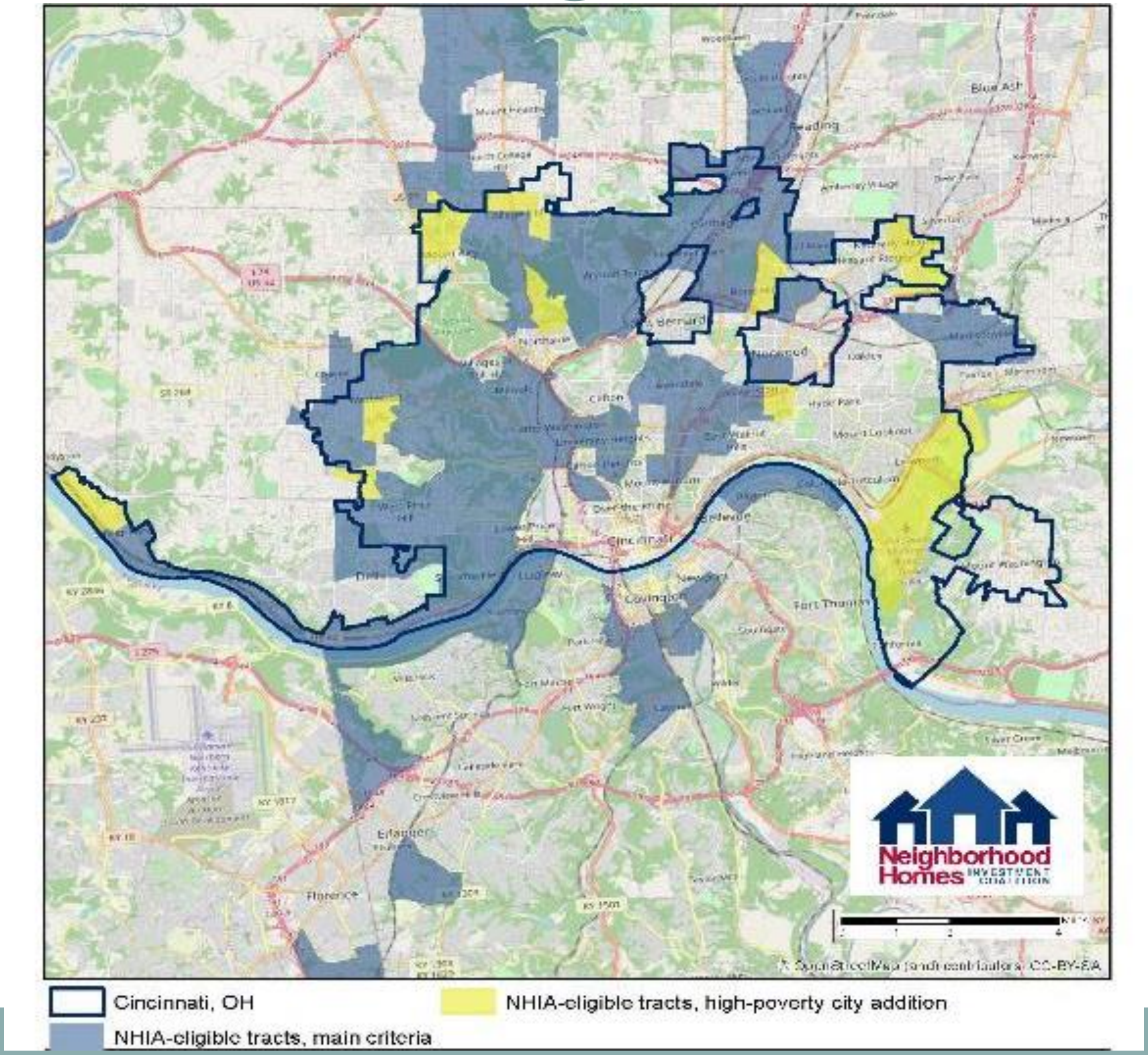
Eligible Neighborhoods: Ohio



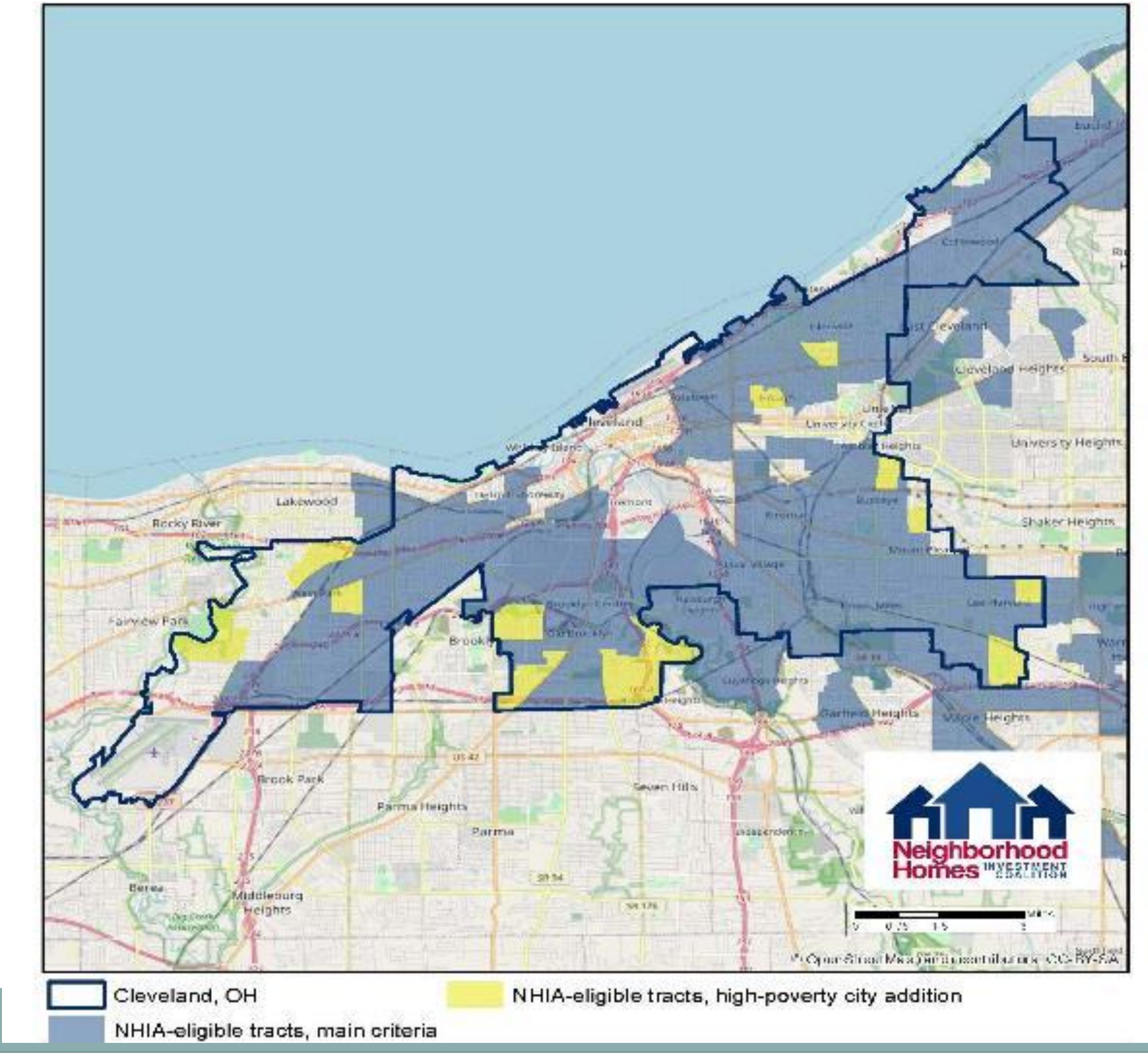
Eligible Neighborhoods: Columbus, OH



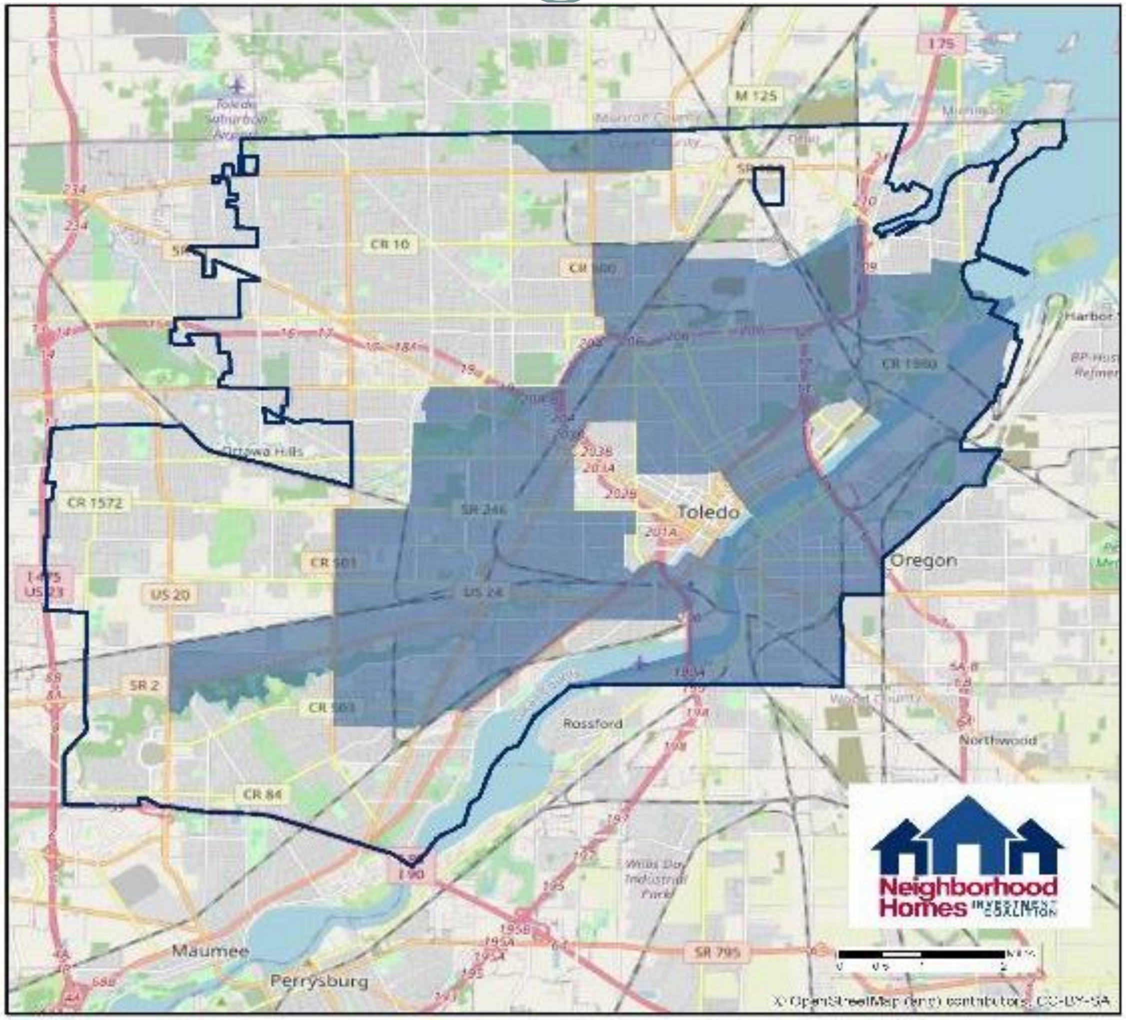
Eligible Neighborhoods: Cincinnati, OH



Eligible Neighborhoods: Cleveland, OH



Eligible Neighborhoods: Toledo, OH



Toledo, OH

NHIA-eligible tracts, high-poverty city addition

NHIA-eligible tracts, main criteria

Eligible Home Types

- Home Types
  - Single-family homes with 1-4 units
  - Condominium units
  - Cooperative housing
- Development Types
  - New construction for sale
  - Substantial rehab for sale
  - Substantial rehab for existing homeowners

Eligible Homeowners and Home Prices

- Homeowners with incomes up to 140 percent of the area median family income (MFI).
- Maximum home price cannot exceed 4 times the area MFI
- Example:
  - MFI = $75,000
  - Maximum homeowner income = < $105,000
  - Maximum home price = $300,000

Source: 2018 HUDUser Database

NHIA Tax Credit Amount

- The tax credit is capped at 35% of the lesser of:
  - total development costs (acquisition, rehab, demo, and construction); or
  - 80% of national median sales price for new homes ($257,200 in 2019).
- For home sales, the tax credit cannot exceed the difference between the sales price and the total qualified development costs
  - Eligible property acquisition costs limited to 75% of rehab costs
- For rehabilitation of owner-occupied homes, the tax credit amount plus other payments to the project sponsor cannot exceed the development cost
- $20,000 minimum rehab per unit

Claiming the NHIA Tax Credit

- NHIA credits are claimed when a home is completed, inspected, and occupied by an eligible owner
- Investors not subject to recapture
- If home resells within five years, homeowner must pay a declining percentage of the gain on to the state for re-use on NHIA eligible projects (50% in year 1…10% in year 5)

Protecting Against Gentrification

- Eligible neighborhoods have median home values below the area median
- Eligible homeowner income is limited to 140% of the area median
- Home sales prices are limited to 4X area median income
- Eligible basis for tax credits is limited to 80% of the national median new home price

NHIA Financing Example: New Construction

Land Acquisition	$ 40,000
Construction Costs	200,000
Total Development Cost	$240,000
Less: Sales Price	(190,000)
Gap	$ 50,000
Maximum NHIA Tax Credit (35% of $240,000)	$ 84,000
NHIA Tax Credit Allowed	**$ 50,000**

NHIA Financing Example: Rehabilitation

Land/building acquisition	$ 35,000
Rehabilitation	85,000
Total Development Cost	$120,000
Less: Sales Price	(100,000)
Gap	$ 20,000
Maximum NHIA Tax Credit (35% of $120,000)	$42,000
NHIA Tax Credit Allowed	**$20,000**

NHIA Financing Example: Homeowner Rehabilitation

Rehabilitation cost	$100,000
NHIA tax credit used as borrower grant (35% of $100,000)	$ 35,000
Other sources (e.g., loan proceeds, homeowner equity, grants)	$65,000

NHIA Outcomes

- 500,000 homes built or rehabilitated
- $100 billion of total development activity
- 785,714 jobs in the construction and related industries
- $42.9 billion in wages and salaries
- $29.3 billion in federal, state and local tax revenues and fees
- Reduction of blight and vacant properties
- Homeownership opportunities and asset-building for wide range of households

Ohio Delegation

- Senator Sherrod Brown (D) ✓
- Senator Rob Portman (R) ✓

- Rep. Steve Chabot (R-1)
- Rep. Brad Wenstrup (R-2)
- Rep. Joyce Beatty (D-3) ✓
- Rep. Jim Jordan (R-4)
- Rep. Bob Latta (R-5)
- Rep. Bill Johnson (R-6)
- Rep. Bob Gibbs (R-7)
- Rep. Warren Davidson (R-8)
- Rep. Marcy Kaptur (D-9) ✓
- Rep. Mike Turner (R-10)
- Rep. Marcia Fudge (D-11)
- Rep. Troy Balderson (R-12)
- Rep. Tim Ryan (D-13) ✓
- Rep. Dave Joyce (R-14)
- Rep. Steve Stivers (R-15) ✓
- Rep. Anthony Gonzalez (R-16) ✓

✓ - Co-sponsored NHIA Legislation in 116th Congress

Contact Us

For more information about the NHIA proposal and coalition advocacy efforts, please visit our website:

www.neighborhoodhomesinvestmentact.org

Contact us at:

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