

# WINTER QUARTERLY MEETING

January 27 – 28, 2021



Statewide Association of Community and Economic Development Organizations

# AGENDA

- Welcome
- CHIP, Habitat for Humanity and New Construction
- Break
- Neighborhood Homes Investment Act
- Break
- Legislative Update
- Breakouts – *see Zoom Link in your email invitation*

# CHIP, HABITAT FOR HUMANITY AND NEW CONSTRUCTION

- Barbara Richards, Manager, Residential Revitalization, ODSA
- Ken Oehlers, Executive Director, Southeast Ohio Habitat for Humanity
- Ryan Miller, Executive Director, Habitat for Humanity of Ohio



**15-Minute Break**  
**Next Session begins at**  
**10:25 a.m.**

January 28, 2021

Statewide Association of Community and Economic Development Organizations

# NEIGHBORHOOD HOMES INVESTMENT ACT

- Matt Josephs, Senior Vice President, Policy, Local Initiatives Support Corporation (LISC)
- Kim Cutcher, Executive Director, LISC Toledo
- Tiffaney Shaver, Planning & Development Coordinator, Great Lakes Community Action Partnership (GLCAP)

# Neighborhood Homes Investment Act

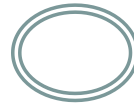


*REINVEST / REPOPULATE / REVITALIZE*

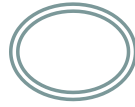


JANUARY 28, 2021  
OHIO CONFERENCE OF COMMUNITY  
DEVELOPMENT

# Neighborhood Homes Coalition



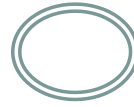
# What Problem Are We Trying to Solve?



- 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.

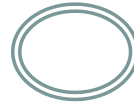


# What Are We Proposing?



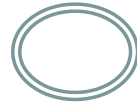
- The Neighborhood Homes Investment Act (NHIA)
  - HR 3316 and S. 4073 (in the 116<sup>th</sup> Congress, 2019-2020)
  - A new federal tax credit to attract capital to build and rehabilitate 500,000 owner-occupied homes in distressed urban, suburban and rural neighborhoods over the next decade
  - No 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

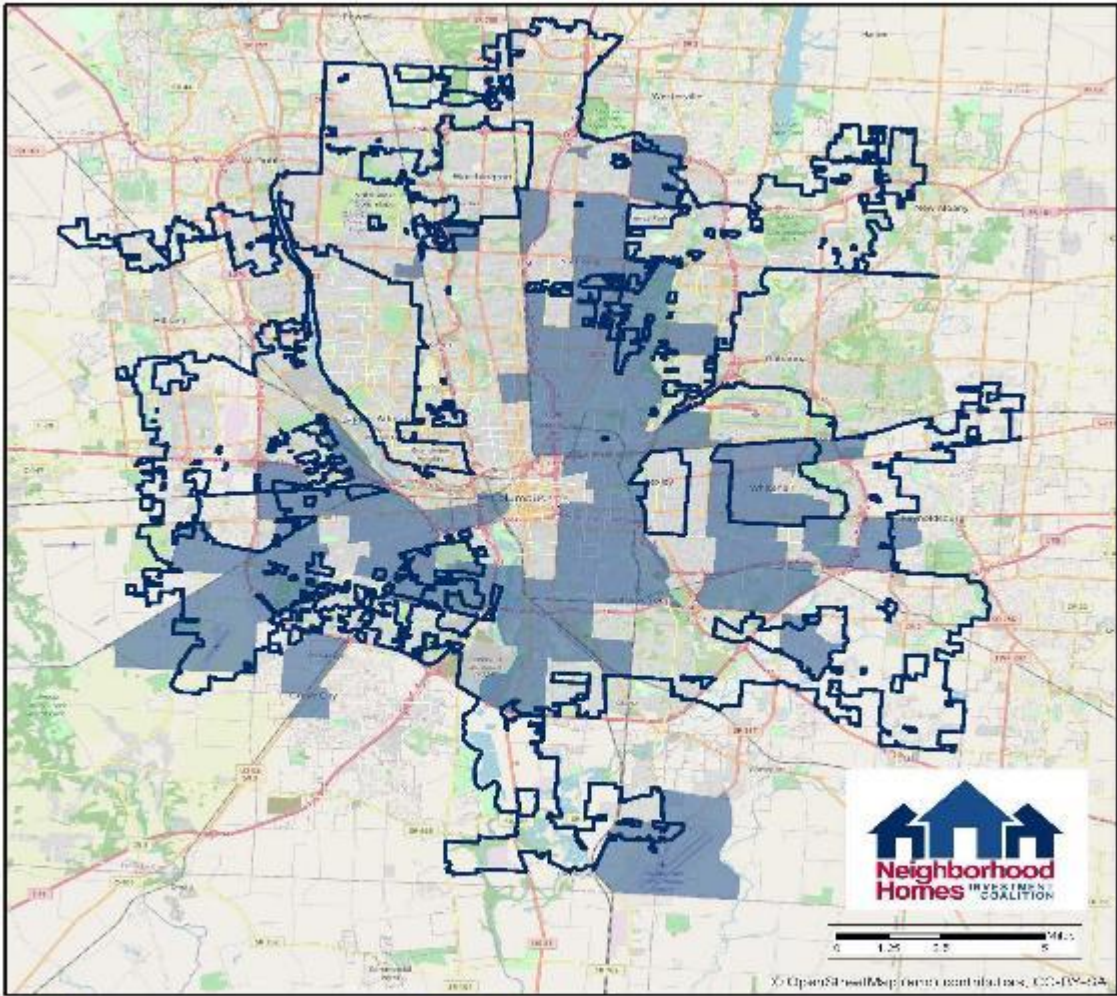
# Eligible Neighborhoods: Ohio



Ohio  
NHIA-eligible tracts, main criteria  
NHIA-eligible tracts, high-poverty city addition



# Eligible Neighborhoods: Columbus, OH

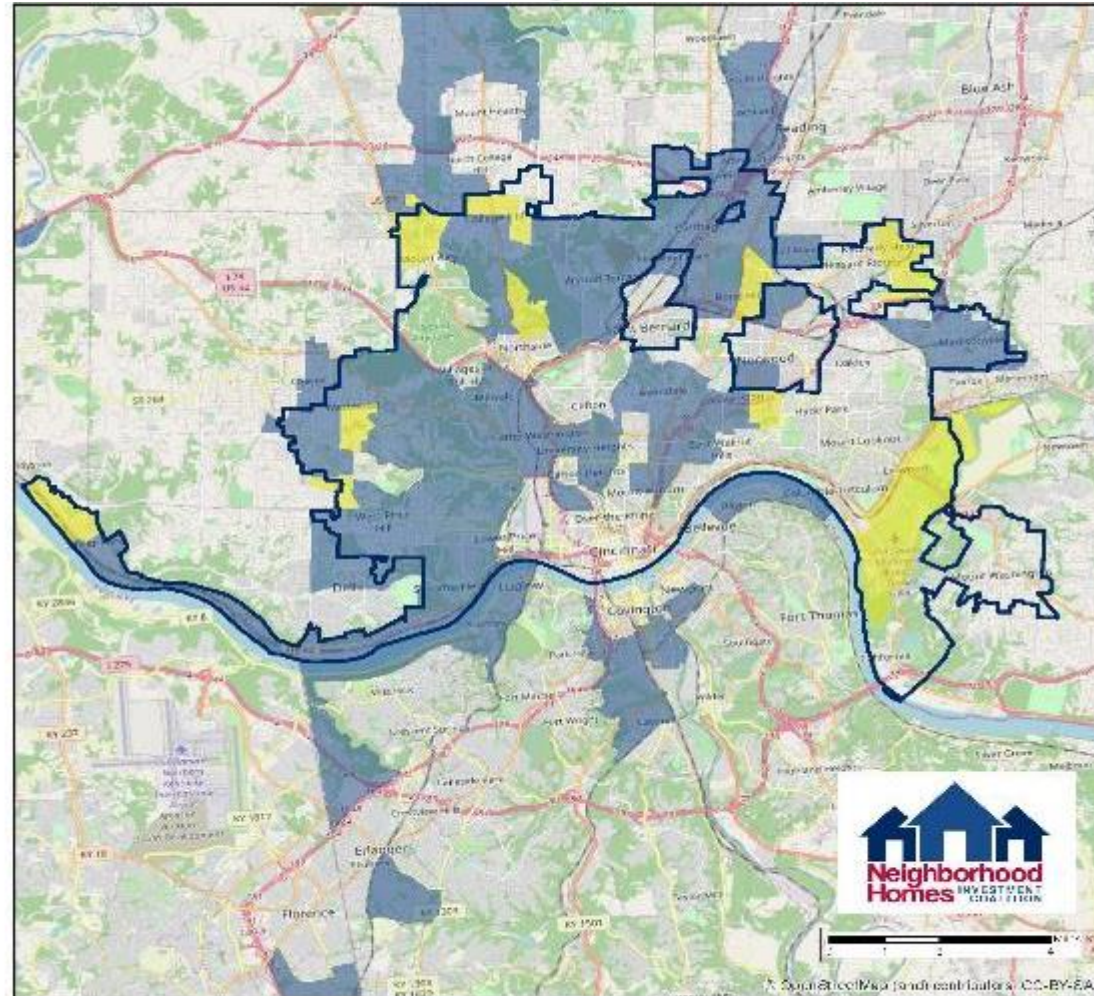


□ Columbus, OH

■ NHIA-eligible tracts, high-poverty city addition

■ NHIA-eligible tracts, main criteria

# Eligible Neighborhoods: Cincinnati, OH



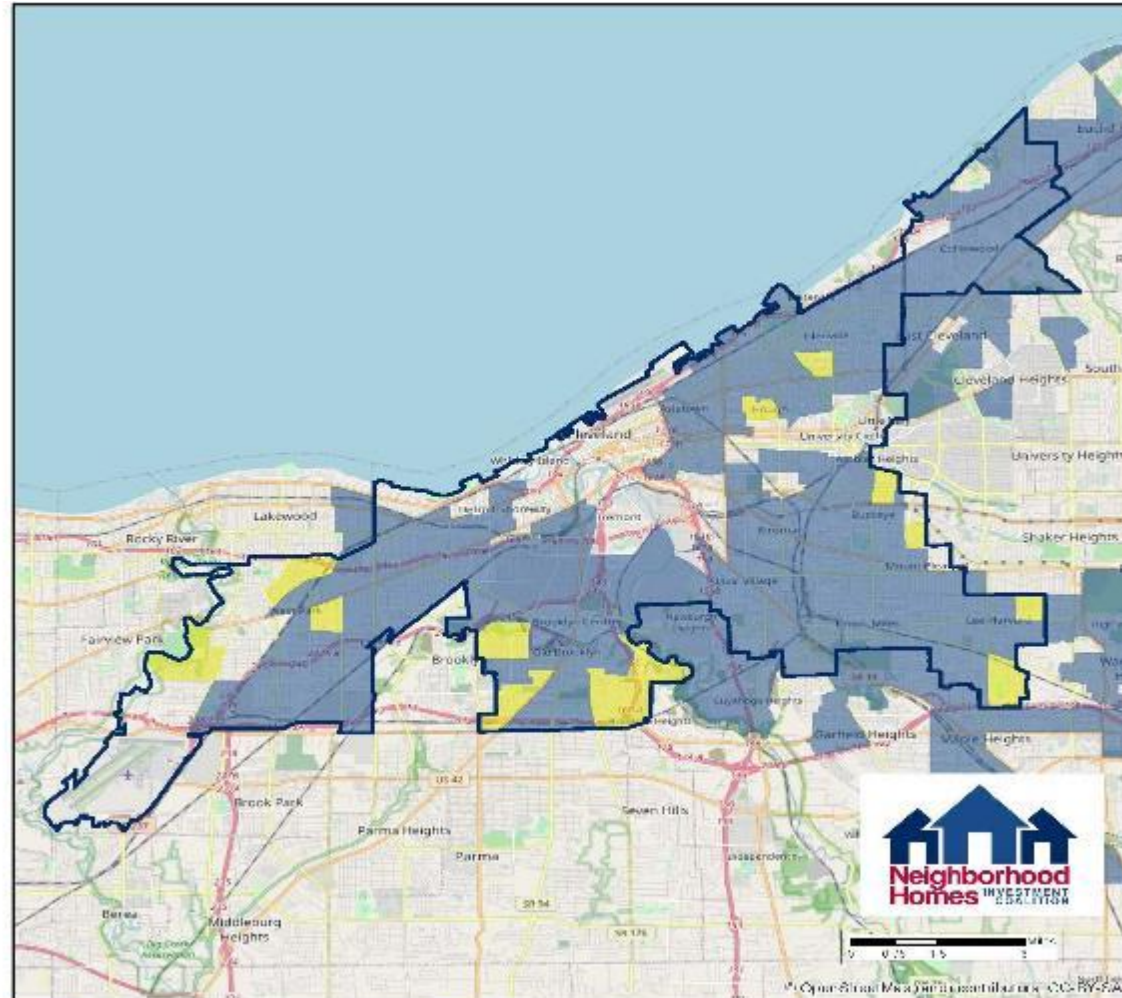
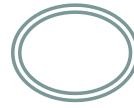
□ Cincinnati, OH

■ NHIA-eligible tracts, high-poverty city addition

■ NHIA-eligible tracts, main criteria



# Eligible Neighborhoods: Cleveland, OH



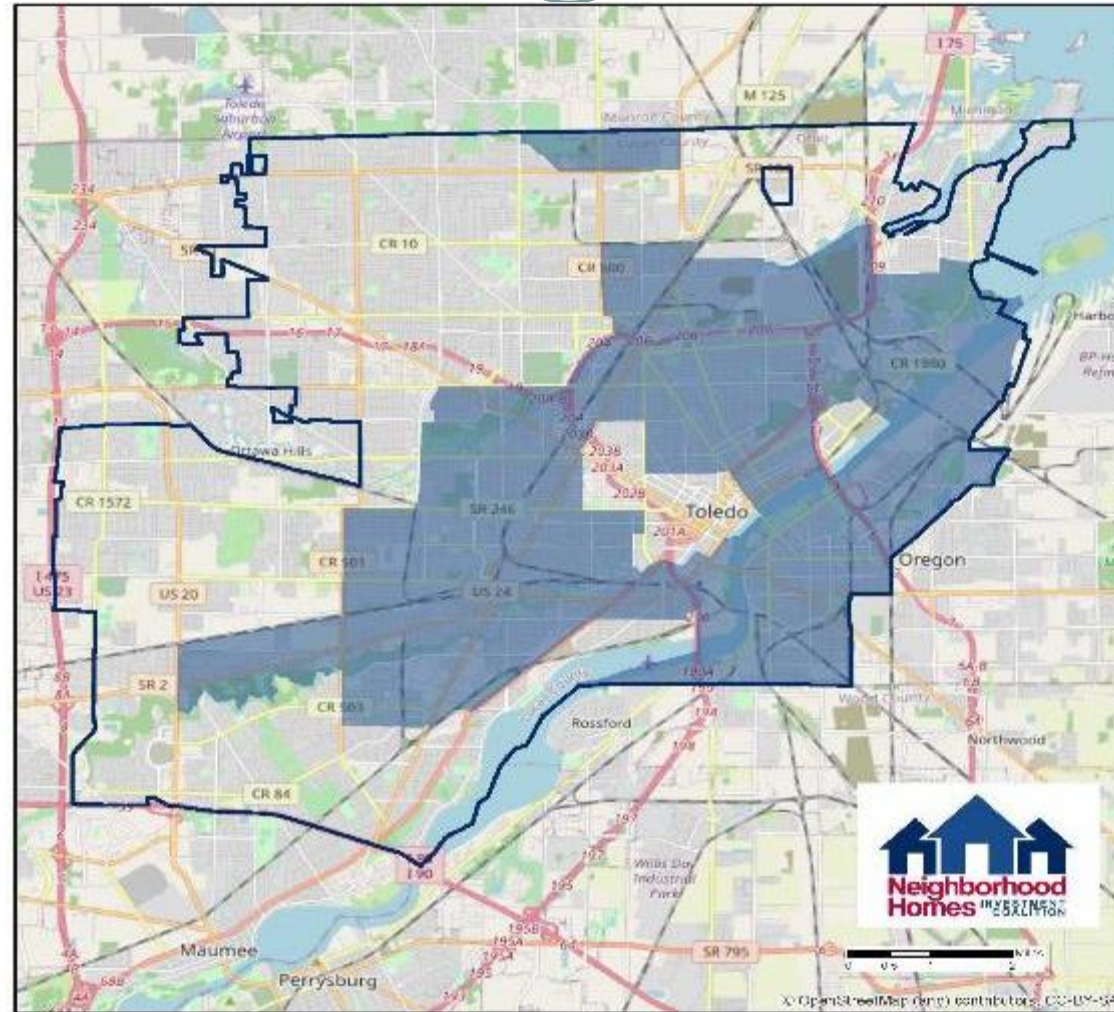
Cleveland, OH

NHIA-eligible tracts, high-poverty city addition

NHIA-eligible tracts, main criteria



# Eligible Neighborhoods: Toledo, OH

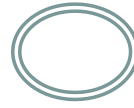


□ Toledo, OH

■ NHIA-eligible tracts, high-poverty city addition

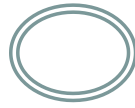
■ NHIA-eligible tracts, main criteria

# Eligible Home Types



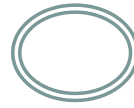
- Home Types
  - Single-family homes with 1-4 units
  - Condominium units
  - Cooperative housing
- Development Types
  - New construction for sale
  - Substantial rehab for sale
  - Substantial rehab for existing homeowners

# Eligible Homeowners and Home Prices



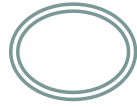
- Homeowners with incomes up to 140 percent of the area median family income (MFI).
- Maximum home price cannot exceed 4 times the area MFI
- Example:
  - MFI = \$75,000
  - Maximum homeowner income = < \$105,000
  - Maximum home price = \$300,000

# NHIA Tax Credit Amount



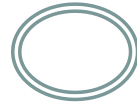
- The tax credit is capped at 35% of the lesser of:
  - total development costs (acquisition, rehab, demo, and construction); or
  - 80% of national median sales price for new homes (\$257,200 in 2019).
- For home sales, the tax credit cannot exceed the difference between the sales price and the total 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



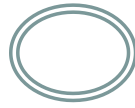
- NHIA credits are claimed when a home is completed, inspected, and occupied by an eligible owner
- Investors not subject to recapture
- If home resells within five years, homeowner must pay a declining percentage of the gain on to the state for re-use on NHIA eligible projects (50% in year 1...10% in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

# Protecting Against Gentrification



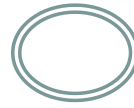
- Eligible neighborhoods have median home values below the area median
- Eligible homeowner income is limited to 140% of the area median
- Home sales prices are limited to 4X area median income
- Eligible basis for tax credits is limited to 80% of the national median new home price

# NHIA Financing Example: **New Construction**



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

# NHIA Financing Example: Rehabilitation



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

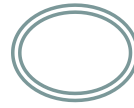


# NHIA Financing Example: Homeowner Rehabilitation



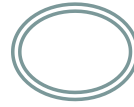
Rehabilitation cost	\$100,000
NHIA tax credit used as borrower grant (35% of \$100,000)	\$ 35,000
Other sources (e.g., loan proceeds, homeowner equity, grants)	\$65,000

# 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

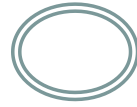


- Senator Sherrod Brown (R) ✓
- Senator Rob Portman (R) ✓

- 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 116<sup>th</sup> Congress

# Contact Us



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

[www.neighborhoodhomesinvestmentact.org](http://www.neighborhoodhomesinvestmentact.org)

**Contact us at:**  
mjosephs@lisc.org



**15-Minute Break**  
**Next Session begins at**  
**11:40 a.m.**

January 28, 2021

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# LEGISLATIVE UPDATE

- Anthony Core, Squire Patton Boggs
- Q&A





# HUD and ODSA Small Cities Breakouts

January 28, 2021

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# BREAKOUT SESSIONS

Login to the Zoom Meeting Link found in today's meeting invitation email

- **Entitlement Breakout with HUD Representatives**

- Login into the [Zoom Breakout Room Meeting invitation for Entitlement Communities](#)

- **State Grantees Breakout with ODSA Representatives**

- Login into the [Zoom Breakout Room Meeting invitation for ODSA / Small Cities](#)





**Thank you for attending the  
OCCCD Winter Virtual Meeting.**