Neighborhood Homes Investment Act Talking Points

Audience
For states where the Neighborhood Homes Investment Act (NHIA) is a priority: every member of Congress, with special focus on members of the Senate Finance and House Ways and Means Committees.

Request
Ask all members of Congress who have not already done so to cosponsor the Neighborhood Homes Investment Act (S. to be assigned/H.R. 3316). Urge members of Congress to support advancing this highly-targeted legislation if it is a priority of your state to do so.

Support the Neighborhood Homes Investment Act
- The Neighborhood Homes Investment Act (NHIA) tax credit is a proposed new federal tax credit that would attract capital to build and rehabilitate an estimated 500,000 affordable owner-occupied homes in distressed urban, suburban, and rural neighborhoods over the next decade.
- NHIA would fill a gap in the toolbox states have to address the challenge facing older single-family housing stock in distressed neighborhoods and in many rural areas: After-rehabilitation costs exceed market values (“value gap”). For example:

<table>
<thead>
<tr>
<th>Property acquisition cost</th>
<th>$50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction or rehab cost</td>
<td>$150,000</td>
</tr>
<tr>
<td>Total development cost</td>
<td>$200,000</td>
</tr>
<tr>
<td>LESS: Sales price</td>
<td>$160,000</td>
</tr>
<tr>
<td>NHIA tax credit = value gap</td>
<td>$40,000</td>
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</tbody>
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- While the Low Income Housing Tax Credit (Housing Credit) has provided an effective means of closing development gaps in low-income, multifamily rental housing, there is no reliable reinvestment tool to close the value gap for aging single-family housing stock.
- The NHIA tax credit program is highly targeted by area poverty, income, and median home values — 22 percent of census tracts nationwide (23 percent in the Senate bill) and 24 percent of non-metro census tracts are eligible for NHIA assistance. Additionally, purchasers of the rehabilitated units (or owner-occupants of older units that will be improved with the tax credit) may not earn more than 140 percent of area median income.
- The NHIA tax credit program requires only limited federal bureaucracy to operate because state Housing Finance Agencies (HFAs) would administer the allocation, underwriting, and monitoring responsibilities. HFAs, which currently also administer the Housing Credit in nearly every state, have statewide perspective and a deep...
understanding of the needs of their local markets and players, such as developers, investors, and lenders, who would utilize the NHIA program.

- The Neighborhood Homes Coalition, of which NCSHA is one of more than 20 member organizations, estimates each $1 billion (the estimated annual amount allocated) in NHIA tax credit investment would result in the following impacts nationwide:
  - 25,000 homes built or substantially rehabilitated
  - $4.25 billion of total development activity
  - 33,393 jobs in construction and construction-related industries
  - $1.82 billion in wages and salaries
  - $1.25 billion in federal, state, and local tax revenues and fees

- The NHIA tax credit program harnesses the market forces of a tax credit to raise private capital from investors to finance or conduct construction/renovation and instills market discipline, because those investors bear the construction and property marketing risks — the tax credit may be claimed only after construction, inspection, and owner occupancy of the home have been completed.

- The NHIA tax credit is meant to spur activity that is not now taking place because development costs exceed sales prices in distressed neighborhoods. Over time, as the NHIA program helps turn currently blighted, low-value, abandoned or vacant homes into owner-occupied housing, neighborhood single-family home values will gradually increase, and the targeted neighborhoods will again become thriving communities where home values are stabilized and investment will occur without the need of the tax credit.

- All states have census tracts that would benefit from NHIA.

**Cosponsor the Neighborhood Homes Investment Act (S. To Be Assigned/ H.R. 3316)**

- The NHIA fills a nationwide gap in housing investment — no current tax incentive meets the needs of older, in-need-of-rehab single-family housing in distressed neighborhoods and rural areas.

- This legislation would channel private capital — without risk to the federal government — into homeownership by overcoming the financial barriers to single-family development in many areas. The bill would build upon the existing capabilities of the states, which already administer the Housing Credit, and leverage their well-regarded ability to develop and administered state-tailored allocation plans and oversee program compliance.