National Council *of*
State Housing Agencies

Neighborhood Homes Investment Act

Below is a summary of "Neighborhood Homes Investment Act (H.R. 2854)" which was introduced by Representatives Mike Kelly (R-PA) and John Larson (D-CT) on April 10, 2025. Senators Todd Young (R-IN) and Mark Warner (D-VA) are expected to introduce companion legislation soon.

NCSHA will update this summary as events require.

Updated April 22, 2025

Authorization:	Establishes the "Neighborhood Homes Credit," (NHC) a federal tax credit to support the new construction or substantial rehabilitation of affordable, owner-occupied housing located in distressed urban, suburban, and rural neighborhoods.
Administration:	Tax credits will be allocated at the state level by state housing finance agencies (HFAs) or other agencies chosen by the state. At the federal level, the program will be overseen by the Treasury Department and Internal Revenue Service. States are required to develop qualified allocation plans (QAP) outlining how they will allocate the NHC tax credits. The QAP must include criteria pertaining to a neighborhood's need for new or rehabilitated homes: neighborhood revitalization strategy and impact, sponsor capability, likely long-term homeownership sustainability, and any additional state-determined criteria (e.g., construction standards, developer fees). Ten percent of each state's allocations would be set aside for nonprofit sponsors. The QAPs are subject to a public hearing and comment process.
Credit Allocation Formula:	Each state's NHC allocation would be equal to its state population times $9, with a small-state minimum of $12 million. States could carryforward any unused NHC allocations for the next three calendar years.
Use of Credits:	Similar to how the Housing Credit spurs the development of affordable multifamily housing, NHC credits would be used to incentivize the construction or substantial rehabilitation of

affordable for-ownership housing by bridging the value gap between the costs of constructing/rehabbing the home and the home's sale price.

For example:

Property acquisition cost =	$ 50,000
Construction or rehab cost =	$150,000
Total development cost =	$200,000
LESS: Sales price	– $160,000
NHIA tax credit = value gap	**$ 40,000**

Allocating agencies may allocate credits worth up to 120 percent of a project's development costs if they determine such an allocation is necessary to ensure the project's financial feasibility.

The NHC tax credit is capped at: 40 percent of the lessor of (1) total development costs (acquisition, rehab, demolition, and construction) or (2) 28 percent of the national median sales price for new homes (which was $419,200 in 2024). Additionally, eligible building acquisition costs are limited to 75 percent of rehab costs, and a minimum amount of $20,000 per unit of rehab must be completed.

States would allocate only the NHC tax credits that are reasonably needed to make a project financially feasible. After receiving an NHC tax credit allocation, project sponsors next would raise capital from investors and use it to develop or rehab the home or work with the builder and homeowners. Investors would receive a one-year tax credit after the home is sold to a qualified homebuyer. If a home is not sold to qualified homebuyer five years after the NHC credit is allocated, the investor cannot claim the credit.

Qualified Census Tracts: At least 60 percent of NHC credits must be allocated for projects in neighborhoods located in census tracts:

- With a median income at or below 80 percent of area median income;
- A poverty rate not less 130 percent of the metro area's as a whole; and
- A median home value below the median home value in its metro area;

Qualified Census Tracts, continued:	**OR** projects in census tracts: • Located in a city with at least 50,000 residents that has a poverty level at or above 150 percent of the area level; • With a median income at or below the area median average; and • With a median home value at or below the area median. Such census tracts account for 20 percent of metro census tracts nationwide, and 25 percent of non-metro census tracts. HUD will be required to publish a list of eligible census tracts each year. States would also be able to use up to 20 percent of their tax credits for non-metro tracts with median incomes below the state median income. In addition, states could allocate up to 20% of their tax credits to "locally designated communities," census tracts anywhere in the state that the HFA identifies as needing additional housing investments. The 11 that would receive the minimum credit allocation under the bill (AK, DE, HI, ME, MT, NH ND, RI, SD, VT, and WY) can allocate up to 40% of their credits to such tracts.
Eligible Homebuyers:	NHC funded homes must be sold to homebuyers who will use the home as their primary residence and have an income at or below 140 percent of area median income (AMI), except for homes located in "locally designated communities," for which the limit is set at or below 120 percent AMI.
Home Sale Price Limits:	Sales prices are limited to four times the metro area or state median family income. Higher limits apply to homes with 2-4 units.
Homeowner Repayment:	If a homeowner sells a home they bought from an NHC project less than five years after purchasing it, they are required to pay the state an amount equal to 50 percent of the gain realized on the sale. The required repayment amount declines by 20 percent for each year the homeowner remain in their home and becomes zero after five years. States will be required to put a lien on each home built or rehabbed with the NHC to ensure potential repayment. States can waive the repayment requirement if the homeowner experiences a hardship.