<u>NEIGHBORHOOD HOMES INVESTMENT ACT</u>

SPONSORS: SENATORS CARDIN (MD) AND PORTMAN (OH)
COSPONSORS: SENATORS COONS (DE), YOUNG (IN), BROWN (OH), AND SCOTT (SC)

The Neighborhood Homes Investment Act (NHIA) will create a federal tax credit to revitalize distressed urban, suburban and rural neighborhoods in Maryland, Ohio, and nationwide.

The credit will incentivize private investment into neighborhoods that need it most, where homes are in need of investment but the resale value of properties is too low to attract investment for construction or renovation. The lack of developed single-family homes makes it difficult to bring new homeowners into these areas or renovate existing homes.

To address these issues, the NHIA creates a federal tax credit that covers the cost between building or renovating a home in these areas and the price at which they can be sold (the so-called "appraisal gap"). The NHIA would also help existing homeowners in these neighborhoods to rehabilitate and stay in their homes.

The maximum credit amount is the lesser of 35% of total development costs (property acquisition + construction and/or rehabilitation) or 80% of the national median home sale price. NHIA tax credits would be awarded to project sponsors—developers, lenders, or local governments—through a competitive statewide application process administered by state housing finance agencies. Sponsors would use the credits to raise investment capital for their projects, and the investors could claim the credits against their federal income tax when the homes are sold and occupied by eligible homebuyers. State agencies would have annual allocation of either $6 per capita or $8 million, whichever is higher.

The NHIA is based on the Low Income Housing Tax Credit and New Markets Tax Credit, which support affordable multi-family rental housing and economic development. But there is a gap in providing financing for affordable single-family housing.

Investors, not the government, bear the risk – credits would be received only after rehabilitation is completed and the property is occupied by an eligible homeowner. Treasury is required to provide annual reporting on the performance of the program.

NHIA eligible properties must be located in communities that need it most. NHIA targets neighborhoods that have poverty rates that are 130% or greater than the metro or state rate; have incomes that are 80% or less that area median income; and have home values that are below the metro or state median value.

About 22% of metro areas nationwide and 25% of non-metro areas qualify for NHIA investments. Homeowners with incomes up to 140% of the area/state median are eligible occupants of NHIA-financed properties.