

## Senators Introduce Tax Credit to Revitalize Distressed Homes

*The Neighborhood Homes Investment Act could encourage private investment in 500,000 homes.*

By Donna Kimura, Affordable Housing Finance, July 1, 2020

Sens. Ben Cardin (D-Md.) and Rob Portman (R-Ohio) have introduced legislation to create a tax credit that would encourage the revitalization of distressed single-family homes.

The Neighborhood Homes Investment Act (NHIA) is based on the low-income housing tax credit (LIHTC) and New Markets Tax Credit. These longtime programs have successfully financed affordable multifamily rental housing and economic development projects, but they can't get to the problem that the new legislation seeks to address, says Benson "Buzz" Roberts, president and CEO of the National Association of Affordable Housing Lenders.

The proposed credit aims to incentivize private investment into neighborhoods where homes are in need of revitalization, 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.

"Every state has neighborhoods like this where the numbers just don't work," Roberts says. "It costs more to build or substantially rehab than the market can support. That's holding back neighborhoods."

Supporters of the bill (S. 4073) estimate that the new credit would encourage private investment in about 500,000 homes that currently cannot be developed or rehabilitated because the costs exceed the value of the home.

A companion bill (H.R. 3316) was introduced in the House last year.

The NHIA isn't expected to rehab individual houses on a one-off basis. Instead, it's aimed at working on a neighborhood basis and targets areas that have poverty rates that are 130% or greater than the metro or state rate; have incomes that are 80% or less than 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, according to a bill summary.

In many of the targeted neighborhoods, much of the land use is housing, and most of the housing is single-family homes, says Roberts.

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 home buyers. State agencies would have annual allocation of either \$6 per capita or \$8 million, whichever is higher.

The maximum credit amount is the lesser of 35% of total development costs (property acquisition plus construction and/or rehabilitation) or 80% of the national median home sale price.

The Senate bill is backed by a strong set of six original cosponsors, including Republicans Tim Scott of South Carolina and Todd Young of Indiana and Democrats Chris Coons of Delaware and Sherrod Brown of Ohio.

Roberts expects many of the same investors, financial partners, and developers active in the LIHTC market to utilize the new credit. He also thinks there's room in the market and enough investor appetite for another credit.

Roberts points out that many tools are needed to revitalize neighborhoods. "We have a number of those tools already," he says. "We have the LIHTC, which has made a huge difference in these neighborhoods. We have New Markets, which has made a huge difference in these neighborhoods. This is another critical tool in that toolbox."

The legislation is supported by Roberts' association as well as several other industry organizations, including Enterprise Community Partners, Housing Assistance Council, Housing Partnership Network, Local Initiatives Support Corp., National Council of State Housing Agencies, National Housing Conference, and National NeighborWorks Association.

Here is a [bill summary](#)