Habitat for Humanity®

Cost of Home

Neighborhood Homes Investment Act (NHIA)

Background

Representatives Brian Higgins (NY) and Mike Kelly (PA) have introduced the Neighborhood Homes Investment Act (NHIA) – H.R. 3316. The NHIA would revitalize distressed neighborhoods by using federal income tax credits to mobilize private investment to build and substantially rehabilitate homes for moderate- and middle-income homeowners. No current tax incentive, such as the Low-Income Housing Tax Credit, meets this need.

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. The NHIA would break this downward spiral by bridging the gap between the cost of building or renovating homes and the price at which they can be sold, thus making renovation and new home construction possible. The NHIA would also help existing homeowners in these neighborhoods to rehabilitate their homes.

State Control

- States will administer and allocate NHIA tax credit authority on a competitive basis.
- States could access additional tax credits by converting tax-exempt private activity bond cap (each dollar of bond cap converts to $0.60 of tax credits).

Attraction of Private Capital

- Project sponsors raise capital from investors to finance home building and rehabilitation.
- Tax credits cover the gap between development costs and home values, up to 35% of eligible development costs.

Market Discipline

- Private investors – not the federal government – bear construction and marketing risks.
- Investors claim the tax credits only after construction, inspection, and owner-occupancy.

Targeted and Limited

- Eligible neighborhoods must meet three tests:
  - Elevated poverty rates (130% of the metro rate; state rate for non-metro areas); and
  - Lower incomes (up to 80% of the metro median; state median for non-metro areas); and
  - Modest home values (below the metro median; state median for non-metro areas).

Eligible homeowners

- Homeowners with incomes up to 140% of the area/state median are eligible.
- States could use up to 20% of the tax credits for non-metro tracts with median incomes up to the state median, and to help long-standing homeowners in gentrifying lower-income neighborhoods.

Why Habitat supports the bill

Habitat supports the NHIA because it aligns well with the policy goals of the Cost of Home campaign, specifically the focus on ensuring access to and development of communities of opportunity and promoting renter and homeowner housing stability.

How you can support the bill

Please encourage your Representative to co-sponsor this bill. **[You can do so by sending an email through Habitat's online action center.]()**

If you have any questions about this bill, please contact Elisabeth Gehl at egehl@habitat.org.

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