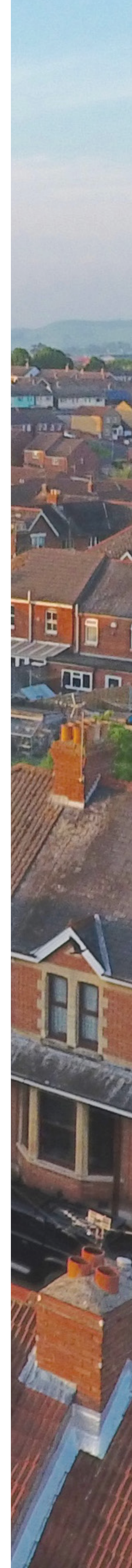
2025 NATIONAL POLICY AGENDA

NALHFA
National Association of Local Housing Finance Agencies

ABOUT

NALHFA

Founded in 1982, the National Association of Local Housing Finance Agencies (NALHFA) is the national association of professionals working to finance affordable housing in the broader community development context at the local level. As a non-profit association, NALHFA is an advocate before Congress and federal agencies on legislative and regulatory issues affecting affordable housing and provides technical assistance and educational opportunities to its members and the public. Members are city and county agencies, non-profits, and private firms, such as underwriters, lenders, master servicers, consultants, financial advisers, bond counsel, and rating agencies, which help in producing housing from concept to completion.



DEAR POLICY MAKERS

WIn the previous year, the National Association of Local Housing Finance Agencies (NALHFA) worked with both Administration officials and Congress to advocate on behalf of its members for affordable housing priorities. The expansion of federal funding opportunities in both housing affordability and supply, creation of sustainable infrastructure grant programs and streamlined federal rulemaking have guided NALHFA in strengthening our members' goal of achieving enhanced aid for vulnerable communities.

NALHFA will continue its mission in working with policymakers on legislation and regulations that will provide communities with access to safe and affordable housing options. In partnership with Congress and federal agencies, NALHFA will drive the conversation on affordable housing and engage senior federal officials on member focused program development and reform, tax resources and financing tools.

Access to affordable housing improves numerous aspects of a family's quality of life. Research shows that when a family has access to affordable housing, there is an increase in their economic mobility. Additionally, children receive numerous benefits from living in an affordable housing community in high opportunity areas. These children excel in school and advance beyond the classroom to live fulfilling lives in stable neighborhoods in adulthood. Furthermore, affordable housing helps local economies and creates jobs by leveraging public and private funds to increase earnings, increase tax revenue, and put people to work. Building just 100 affordable rental homes can generate $11.7 million in local income, $2.2 million in taxes and other revenue, and can create 161 local jobs in the first year of construction.

According to HUD, an estimated 16.5 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing. A family with one full-time worker earning minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States. These realities are further amplified by the challenges communities have faced with decreased home ownership and rental affordability, which has threatened the housing security for millions of Americans.

While NALHFA is pleased by recent efforts to increase affordable housing resources, it is imperative that these tools are further strengthened and expanded to help American families access the housing they need to succeed. NALHFA looks forward to working with Congress and the Administration to expand, strengthen and preserve affordable housing resources in 2025.

Sincerely,

Jonathan M. Paine, CAE
Executive Director
National Association of Local Housing Finance Agencies

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LOW-INCOME HOUSING TAX CREDIT (HOUSING CREDIT) PROGRAM

The Housing Credit program was created by the Tax Reform Act of 1986, and is our nation's most successful tool for encouraging private investment in affordable rental housing. It has financed over 3 million apartments nationwide since 1986, providing roughly 7.2 million low-income families, seniors, veterans, and people with disabilities homes they can afford.

Despite the success of this and other housing programs, there are still millions of families struggling to find affordable housing.

According to HUD, an estimated 16.5 million renter and homeowner households spend more than 50 percent of their annual incomes on housing. Families who pay more than 30 percent of their income for housing are considered cost burdened and will likely have difficulty paying for necessities such as food, clothing, transportation and medical care.

The Housing Credit program has been one of the most successful tools for rental housing production; however, the current authority available is not enough to adequately respond to affordable housing needs and increasing demands on the program.

- NALHFA supports the passage of the Affordable Housing Credit Improvement Act (AHCIA). AHCIA would increase the Low-Income Housing Tax Credit (LIHTC) and enhance the effectiveness of the most successful tool available for incentivizing private investment in the production and preservation of affordable housing. Additionally, AHCIA would lower the tax-exempt bond financing requirement from 50 to 30 percent for bonds with an issue date before 2026.
- NALHFA supports increasing the allocation of the Housing Credit by 50 percent for acquisition and bond-financed projects to allow for the creation and preservation of more affordable homes in the United States. An increase in the allocation of Housing Credit by 50 percent will allow the program to create and preserve approximately 400,000 more affordable homes over the next decade.
- NALHFA supports inclusion of AHCIA housing language in any future tax package legislation.

PRIVATE ACTIVITY BONDS (PABS)/ MUNICIPAL BONDS

Private Activity Tax Exempt Bonds (PABs) generate 4 percent Low-Income Housing Tax Credits (Housing Credits), which finance approximately 50 percent of all Housing Credit developments. PABs are a critical affordable housing tool, leveraging private and public resources, creating tens of thousands of jobs, and facilitating the creation of millions of low-income homes. Currently, the cap on PABs is a major limiting factor for a growing number of states and localities as they seek to preserve existing affordable and public housing and create new housing to meet the growing need. Increasing the cap on PABs for affordable and public housing would help create a public good and support the country's continuously growing housing infrastructure needs.

Without PABs, nearly 1 million affordable homes go unbuilt in the next ten years. PABs and the 4% Housing Credits they generate are among the most successful models of public-private partnerships because they leverage additional public and private resources for housing, create tens of thousands of jobs every year, and help address the affordable housing crisis ravaging every city and state in the country. Any proposed cuts for PABs would be detrimental to the efforts of increasing housing supply for affordable homes. Enhancements to infrastructure resources, specifically, improvements to PABs, provide communities with the necessary resources to support homeownership opportunities and to facilitate low-income housing tax credit developments.

Over 12 million renter and homeowner households spend more than 50 percent of their annual incomes on housing and the United States housing market cannot afford to lose this critical resource.

- NALHFA supports the preservation and enhancement of all tax-exempt housing bonds.
- NALHFA supports approaches to promote the expanded use of tax-exempt housing bonds, including lifting the volume cap, exempting affordable and federally assisted housing preservation projects from counting towards the cap and expanded bond recycling to boost our nation's affordable housing supply.
- NALHFA also supports the exemption of Mortgage Revenue and Multifamily Housing bonds from being counted towards PAB volume caps in future legislation.
- NALHFA supports enhanced PABs support in future tax package legislative efforts.

LOCAL HFA DOWN PAYMENT ASSISTANCE PROGRAMS

The Department of Housing and Urban Development (HUD) has indicated that it would initiate a rulemaking regarding the Federal Housing Administration's (FHA) insurance rules for down payment assistance (DPA) programs. In a recent report to Congress regarding the FHA mutual mortgage insurance fund (MMIF), HUD addresses FHA loans that use DPA programs funded by governmental entities and outlines a decrease in default rates attributed to these governmental DPA programs.

HUD's FHA plays a central role in providing underserved households with affordable housing financing. The FHA mortgage insurance program insures lenders against mortgage default for single and multifamily housing for low- and moderate-income families. Unlike private originators, local HFAs are government entities, meaning they automatically qualify for FHA- insured loans to use in conjunction with their DPA programs. This means HFAs are able to help creditworthy individuals with a down payment they might not otherwise be able to obtain.

At a time when our nation is facing an affordable housing crisis, local HFAs are providing quality affordable housing resources to low- and moderate-income families without reliance on tax-payer dollars. It is important that HUD strengthen these programs through any new guidance, not obstruct them.

- NALHFA supports policies to strengthen and enhance local HFA DPA programs, specifically focusing on preserving the ability of local HFAs to provide DPA and other secondary financing on a preferred basis with FHA single-family loans.

FEDERAL HOUSING ADMINISTRATION (FHA) – HOUSING FINANCE AGENCY (HFA) MULTIFAMILY LOAN RISK-SHARING FEDERAL FINANCING BANK (FFB) PROGRAM

The Federal Housing Administration (FHA) – Housing Finance Agency (HFA) Multifamily Loan Risk-Sharing Federal Financing Bank (FFB) Program is an important option for many HFA's affordable rental housing developments. The Federal Financing Bank (FFB) and Risk- Sharing Program is a partnership between HUD and the U.S. Department of Treasury that provides low cost capital through a strong network of state and local HFAs across the country, efficiently leveraging private investment and state and local government resources, with little risk to the federal government.

Treasury and HUD finalized an agreement in 2021 to restart FFB's support of HUD's Risk Sharing program, which had been suspended in 2019, for a period of three years. In 2024 the program was indefinitely extended. The agreement provides low-cost Ginnie Mae-comparable rates to HFAs that finance affordable housing development, enabling the development of new quality and affordable housing. Throughout 2024 NALHFA held meetings with senior HUD and Treasury officials on risk share program improvements for HFA access and use.

- NALHFA supports the permanent extension of the Multifamily Loan Risk-Sharing Federal Financing Bank Program at the agency level and passage of federal legislation to make the program permanent.
- NALHFA supports an extension of the current risk share rate collar period from 36 months to 60 months for additional HFA program utilization opportunities.

HOME INVESTMENTS PARTNERSHIPS (HOME) AND THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAMS

The HOME Investments Partnerships (HOME) and the Community Development Block Grant (CDBG) Programs have been model federal block grant programs for improving the nation's crumbling infrastructure, expanding affordable housing opportunities, and undertaking neighborhood revitalization. Despite the success of these programs, HOME funding had declined by 55% and CDBG by 49% since 2000 which has severely hampered local governments' ability to foster sustainable and economically resilient communities. The HOME and CDBG programs have recently received increased funding levels over the last several fiscal years. These increased funding levels are a huge win for the local governments across the country, but due to the chronic underfunding of both programs, there is still more work to be done to restore funding for this essential programs.

HOME Program

For communities across the nation, the HOME Program is vital to increasing home ownership and expanding the availability of affordable rental housing. Since 1990, over one million units of housing have been produced with HOME funds. Despite the program's performance, annual funding for the HOME Program has been cut in half since 2010. HUD indicates that each dollar of HOME funding leverages an additional $4 in other public and private funding. Every $1 billion in HOME funding creates or preserves more than 17,000 jobs.

According to HUD, an estimated 12 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing. A family with one full-time worker earning minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States.

In the wake of the COVID-19 pandemic, HOME received $5 billion of funding through HUD under the American Rescue Plan (ARP). With this increased funding greater assistance has been provided to vulnerable communities by increasing affordable housing, rental assistance, supportive services and non-congregate shelter to reduce homelessness and increasing housing stability nationwide. Although the programs share similar names, HOME-ARP is different than HOME. HOME-ARP was a one-time authorized program that allowed grantees to provide support for homelessness populations following COVID-19. HOME is an annually appropriated program with HUD that allocates federal funding to support grantee affordable housing construction and rehabilitation.

- NALHFA supports legislative and regulatory policies that strengthen and expand the HOME Program to help more American families access affordable housing.
- NALHFA supports continued focus and recognition of the difference between federally allocated HOME-ARP and HOME funding utilization.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Local governments use CDBG funds for critical community development activities including, infrastructure improvements such as roads, water and sewer systems; expanding homeownership opportunities; eliminating slum and blight; employment training; business and job creation; transportation services; services at libraries, community centers, adult day care and child and after school care facilities; homeless housing assistance; and crime awareness programs.

Every $1 million in CDBG funding supports nearly 26 jobs and since 2005 CDBG program resources have created over 300,000 jobs. This important housing and community development program has been a catalyst for economic growth and has helped local officials leverage funds for community needs. CDBG allocation continues to be underfunded, however, at a time when the nation's housing infrastructure is ailing and is in dire need of improvements.

- NALHFA supports legislative and regulatory policies that increase CDBG funding to give communities the ability to address their housing and development needs at the local level.
- NALHFA supports policy changes to the CDBG program that would allow for such funds to be used to finance the creation of new affordable housing.

HOUSING SUPPLY FEDERAL ASSISTANCE

The Federal Housing Supply Action Plan aimed to increase assistance to underfunded communities who are most in need. The plan incorporates federal agency and congressional action to address affordable housing availability through multiple regulatory rulings and proposed legislative action. A successful implementation of the plan would result in new affordable homes and the preservation of existing low-income units.

Key strategies from the action plan include providing federal incentives to local governments to reduce restrictive zoning laws, increase financing for affordable housing projects, streamline the administration of affordable housing programs, expanding the use of existing federal funds, and promoting the construction of manufactured, single and multifamily homes. The initiative also seeks to address racial disparities in homeownership and housing access, with the goal of creating a more equitable housing market over the next decade. By continuing the work and goals of the previous administration's Housing Supply Action Plan, needed resources to address the nation's affordable home shortage crisis can be achieved.

- NALHFA supports federal policies that take into account drastic economic circumstances, support local communities, drive supply chain best practices for affordable housing and protect especially vulnerable populations from homelessness.
- NALHFA encourages the federal government to continue its work to streamline and modernize housing programs across all relevant agencies in order to improve operations and speed up construction and lease up times for tenants.
- NALHFA supports the advancement of the Housing Supply Action Plan to preserve affordable housing and assist low income communities in achieving relief through federally funded programs.

HOUSING CHOICE VOUCHERS

Housing Choice Vouchers (HCV) are an important resource for low-income Americans in need of affordable housing options. Also known as tenant-based Section 8, HCV provides reimbursement to landlords for the difference between what a household can afford to pay in rent and the actual market rent of a housing unit. Assisting more than five million people in 2.2 million low-income households, the program is HUD's largest rental assistance program and it serves those in the most need of rental assistance due to income targeting guidelines.

As part of ARP, HUD awarded $1.1 billion to public housing authorities (PHAs) for administering the newly created Emergency Housing Voucher (EHV) program. HUD allocated these vouchers to communities with the greatest need for EHVs and where local housing authorities demonstrated capacity to administer this vital assistance. The EHV program serves geographically diverse housing needs, from high-cost urban areas to a large number of rural communities. EHV funding gives communities significant resources to assist individuals and families who are homeless; at risk of homelessness; fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking; or recently homeless. EHVs also help individuals and families find housing and remain stably housed long-term.

- NALHFA supports the protection and expansion of Section 8 tenant and project-based based vouchers as well as dedicated funding for housing search support and post move-in assistance associated funding for all HCVs.

PROJECT-BASED RENTAL ASSISTANCE

Project-based Rental Assistance (PBRA) is a public-private partnership between HUD and private owners of multifamily rental housing. Through this program, HUD helps more than 1.2 million extremely low-, low- and very low-income families obtain decent, safe and sanitary housing by making up the difference between what families can afford for rent and market rents.

HUD provides multifamily housing owners a long-term PBRA contract or a subsidized mortgage to make units affordable. These contracts are administered by HUD and state and local housing authorities. Eligible tenants must pay the highest of 30 percent of adjusted income, 10 percent of gross income, or the portion of welfare assistance designated for housing or the minimum rent established by HUD.

Recent draft solicitation released by HUD jeopardizes the role HFAs play in PBRA administration by regionalizing the Performance-Based Contract Administrator functions currently carried out by HFAs or public housing authorities. If codified, this approach would divide contract administration responsibilities amongst 15 Housing Assistance Payments (HAP) Contract Support Services. HFAs would be limited participants in bidding on PBRA payments, contract renewals and responses to tenant complaints after historically serving as facilitators carrying decades of expertise and long-term relationships with the communities they serve. PBRA has a long history of serving populations most in need of housing. HUD prioritizing the preservation and strengthening of local stakeholder engagement of this program is an effective means of investing in housing infrastructure.

- NALHFA supports policies that fully fund renewals on all project-based contracts for 12 month terms.
- NALHFA supports HUD rescinding proposed solicitation of HAP and urges the department to reconsider guidance that strengthens local stakeholder engagement in PBRA.

BABA IMPACTS ON FUTURE HOUSING

The creation and implementation of the Build American, Buy America, (BABA) has introduced new challenges for affordable housing development. Allowing affordable housing projects to be exempt from BABA will further increase the supply of affordable homes. This ensures projects focusing on affordability, including those funded by HOME and CDBG, can still meet program requirements and local market needs while mitigating the impact of increased costs associated with BABA sustainability measures and general construction costs. By exempting affordable housing projects from BABA oversight, regulators will act in the public's best interest to eliminate obstacles that prevent practical approaches in ensuring vulnerable

communities are given affordable housing opportunities and streamline federal oversight for increased housing access. Additionally, increased coordination from HUD on BABA implementation for HOME and CDBG will alleviate cross-agency affordable housing grant program funding administrative burden.

When communities do not have adequate affordable housing for their workforce, wages and productivity will suffer. The affordable housing access obstacle prevents families from increasing their earnings and causes a slower GDP growth. The shortage of affordable housing in major U.S. cities costs our economy $2 trillion a year in lower wages and productivity and prevents low-income households from moving to areas with more economic opportunities.

Access to affordable housing improves numerous aspects of a family's quality of life. Research shows that when a family has access to affordable housing, there is an increase in their economic mobility. Additionally, children receive numerous benefits from living in an affordable housing community in high opportunity areas. These children earn more as adults, live in better neighborhoods as adults, and are less likely to become a single parent. These children also do better in school and have greater opportunities to learn outside the classroom.

Furthermore, affordable housing infrastructure helps local economies and creates jobs by leveraging public and private funds to increase earnings, increase tax revenue, and put people to work. Building just 100 affordable rental homes can generate $11.7 million in local income, $2.2 million in taxes and other revenue, and can create 161 local jobs in the first year of construction.

- NALHFA supports delayed implementation of BABA until further information has been collected from grantees on the program's impacts for affordable housing.
- NALHFA supports granting waivers and flexibility for impacted grantees under BABA to allow for streamlined statute enforcement that does not interfere with affordable housing administrative and financial assistance.
- NALHFA supports funding sharing between affordable housing federal programs to increase available resources for housing supplies.

GREEN HOUSING AND DISASTER RECOVERY ASSISTANCE

The Inflation Reduction Act (IRA) of 2022 opened new opportunities for federal funding. With increased focus on climate friendly initiatives, a priority has been placed on generating projects that improve green affordable housing. The IRA created HUD's Green and Resilient Retrofit Program (GRRP) which aims to provide energy or water efficiency, enhanced indoor air quality or sustainability, the use of zero-emission electricity generation, supplying low-emission building materials, increasing energy storage, building electrification strategies, and establishing overall housing climate resilience. HUD's GRRP is specifically geared toward Section 8 PBRA, Section 811 Housing for Persons with Disabilities and Section 202 Housing for the Elderly. NALHFA commends flexibility provided to GRRP grantees and urges federal regulators to adopt a similar approach with BABA.

Additionally, the IRA created the Greenhouse Gas Reduction Fund (GGRF). GGRF invests $27 billion aimed at leveraging financial resources and private capital to increase sustainable infrastructure development. Its goals include safeguarding economic competitiveness, fostering energy independence, reducing energy expenses, and driving economic rejuvenation in historically underserved communities.

HUD's Office of Disaster Management (ODM) serves as the agency lead on assistance with the increasing number of climate-related events nationwide, notably with the recent destruction caused by Hurricanes Helene and Milton. Currently, the main source of disaster assistance from HUD is sourced from the Community Development Block Grant Disaster Recovery (CDBG-DR) fund. CDBG-DR is not authorized by Congress to be annually appropriated and often is faced with inconsistent funding availability. By establishing in law annual CDBG-DR appropriations, impacts on housing and communities brought by climate-events including wildfires, hurricanes, drought and flooding can be met with assistance certainty at the federal level.

- NALHFA supports policies that support the robust expansion of affordable housing resources available to local governments.
- NALHFA supports green housing policies and collaboration with federal agencies to increase funding for low-income climate resilient community infrastructure and generate opportunities for vulnerable housing developments to engage in disaster mitigation activities.
- NALHFA supports GRRP action awareness for HFAs and GGRF HFA opportunities within the National Clean Investment Fund, Clean Communities Investment Accelerator, and Solar for All grant programs.
- NALHFA supports annual congressionally authorized funding for CDBG-DR.

AFFORDABLE BROADBAND ACCESS

Equal broadband access within housing leads to increased community growth. By providing lower-cost internet to affordable housing properties greater workforce opportunities can be achieved through decreasing the digital divide that affects many lower-income households. This deficiency of broadband access also negatively impacts younger members of communities in need who struggle with obtaining modern internet services that are needed to achieve educational success in K-12 learning. By implementing increased broadband development households can gain high-speed internet access at home to increase workforce opportunities and higher education achievements.

- NALHFA supports decreasing the digital divide to advance high-speed broadband access for communities in need.
- NALHFA supports the Federal Communications Commission Affordable Connectivity Program and its continued aid to increase broadband service in underserved households.
- NALHFA supports the integration of broadband access funding into federal infrastructure programs to increase federally sourced opportunities into existing housing programs.

HISTORICALLY DISADVANTAGED COMMUNITY ASSISTANCE

An appraisal is a critical element of homebuying and lending processes as it establishes the value of the property as the collateral for a home loan. The difference between a property's value and the homeowner's loan amount generally represents the homeowner's home equity. One of the core benefits of homeownership is that a homeowner can build wealth by leveraging and growing that home equity. Greater home equity makes it less likely that homeowners will fail to repay a mortgage if they experience financial hardship. Therefore, property valuation is a critical input to the risk evaluations that surround the lending process.

Researchers have observed a market value gap between majority-Black and majority-white neighborhoods for decades. On average, homes in majority-Black neighborhoods are valued at less than half of those in neighborhoods with few or no Black residents. Statistical analyses show that accounting for neighborhood and property characteristics and amenities—such as the age of the property or its proximity to public transportation—does not explain the entire disparity. Recent research has identified appraisals as one of the drivers of the gap. Additionally, corporate investors have taken advantage of the nation's affordable housing supply stock to decrease access from underserved communities.

Homeownership is one of the best paths to building intergenerational wealth, especially within communities historically shut out from fair access to the housing market. For families of all races and income levels to prosper and successfully pursue the American dream of homeownership, home appraisals must be accurate and free of bias. The Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) serves as a valuable source to recommend modernized methods to combat unequal biasness traditional appraisal processes and eliminate racial or ethnic discrimination in home evaluations.

Additionally, the Community Reinvestment Act (CRA) is a critical component of the entire public-private partnership model of affordable housing development as it requires banks to invest and lend in communities that have been historically marginalized and suffered from disinvestment. Despite the federal government's recent rulemaking efforts to modernize CRA's regulatory framework, the final rule has been halted due to a legal challenge, which may require a partial or full revision of the law depending on the outcome of the case.

- NALHFA supports policy that protects homeowners and potential buyers from discriminatory home appraisals and the mission of PAVE.
- NALHFA supports federal policies to increase the number of first-generation homebuyers, specifically in historically disadvantaged communities.
- NALHFA supports the implementation of the the previous administration's final rule to modernize the Community Reinvestment Act.

HOUSING FINANCE REFORM AND DUTY TO SERVE

In 2008, as a result of deterioration in the housing market and Fannie Mae and Freddie Mac's inability to raise new capital, Congress and the administration—through enactment of the Housing and Economic Recovery Act of 2008 (HERA; P.L. 110-289)—placed the government- sponsored enterprises (GSEs) into conservatorship under the control of the Federal Housing Finance Agency (FHFA). During the 113th Congress, policymakers began developing proposals to establish a new secondary market mechanism and winding down Fannie Mae and Freddie Mac.

However, none of these measures received consideration by the full House or Senate.

Congress and the Administration have had ongoing discussions over the need to reevaluate the ongoing status of the GSEs. However, many outstanding details must be agreed to by Congress and the White House before any action would be approved modifying or eliminating the GSEs.

Related to this, the Federal Housing Finance Agency (FHFA) published 2022-2024 Underserved Markets Plans for Fannie Mae and Freddie Mac under the Duty to Serve (DTS) Program. The DTS plans demonstrate a strengthened commitment to serving manufactured housing, affordable housing preservation, and rural housing. The targets and strategies in the plans build on lessons learned and progress made during the first four years of the DTS program.

NALHFA works to ensure the needs of local HFAs and the role they play in financing affordable housing are fully served. This includes ensuring that any successor entity to the GSEs acts as a viable secondary market outlet for affordable single- and multi-family housing finance; provides credit enhancement, insurance programs; and liquidity support for local HFA programs.

- NALHFA supports policies that will strengthen and expand local HFA-GSE collaborations and partnerships,including as part of the GSEs Duty to Serve requirements.
- NALHFA supports GSE credit purchasing limit increases.

AMENDING AND ADVANCING TAX INCENTIVES FOR AFFORDABLE HOUSING

The Tax Cuts and Jobs Act (TCJA), signed into law on December 22, 2017, created a new tax incentive tool for community development projects. Opportunity Zones provide long-term capital to economically distressed communities by providing tax incentives to investors who invest in Qualified Opportunity Funds (QOF). The Opportunity Zones tax benefit held tremendous opportunity for local governments and is the first community development tax incentive program created since the Clinton Administration. Investors are able to receive a temporary tax deferral and other tax benefits by investing unrealized capital gains into QOFs for a minimum of five years. However, the exact scale of this program and its community benefits are unknown since there were no public reporting requirements tied to the program. The program will sunset in 2026 unless it is extended.

- NALHFA supports implementing programs and policies like Opportunity Zones that provide long-term capital to economically distressed communities. However, if there are proposals to extend the Opportunity Zone program, NALHFA will advocate for required public reporting and support additional transparency of the program’s benefits to underserved communities.

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