

Funding Affordable Housing Development: An Introduction



November 2024

Regional Housing Legal Services

RHLS is a nonprofit law firm with unique expertise in affordable, sustainable housing and its related components — community and economic development, utility matters, and preservation of home ownership. RHLS provides innovative project and policy solutions that help create sustainable communities offering decent, safe, and affordable housing for lower-income Pennsylvanians.

Webinar Overview

- ❖ For people who are new to housing development or have limited experience who want to know more about how to fund the creation of affordable homes.
- ❖ Just an overview; each program has detailed guidelines.
- ❖ Focusing on resources for housing development; not covering programs for tenants, homebuyers, or homeowners.
- ❖ Covering the major and most commonly used programs.
- ❖ Not including COVID funding (CARES Act, ARPA)
- ❖ If you have a development in mind and want more information, get in touch with us and we will connect you with one of our attorneys.

Disclaimer

The information included in this presentation is not legal advice. Regional Housing Legal Services has verified that the information about each program is accurate as of early November 2024, but it is subject to change. Please visit the websites of the administering agencies to get the most up to date information about program requirements and contact them directly with specific questions.

Neighborhood Assistance Program (NAP)

72 P.S. §8901-A, et seq.

<http://dced.pa.gov/programs/neighborhood-assistance-program-nap/>

NAP provides tax credits against state business taxes for contributions to nonprofits that address the needs of residents in low-income neighborhoods, and for contributions to food banks. It is the oldest program of its kind in the nation, dating back to 1971.

NAP: What's It For?

- Provide resources to organizations working in impoverished communities.
- Encourage charitable contributions to nonprofit organizations that work to alleviate poverty
- Build public-private partnerships

NAP: Who Administers It?

- PA Dept. of Community and Economic Development (DCED)

NAP: Who Can Use It?

- Businesses with PA tax liability
with
- Nonprofits working in low income or
“distressed” communities
or
- Food banks

NAP: How Does It Work?

- Nonprofit finds potential donor
- Nonprofit applies to DCED for NAP tax credits to offer to donor
 - ❖ Begin with DCED Regional Office
- Once approved, business makes contribution and complies with DCED and PA Dept of Revenue requirements

NAP: How Does It Work?

➤ Three categories; three levels of credits

❖ Basic NAP

- 65% credit; one year contribution
- serve low-income persons or residents of economically distressed neighborhoods
- affordable housing, community economic development, community services, crime prevention, education, job training, neighborhood assistance, or neighborhood conservation

NAP: How Does It Work?

❖ Special Program Priorities (SPP)

- 90% credit; one year contribution
- DCED selects priorities; 2024's are: disaster or economic recovery, integrating weatherization and housing rehabilitation, diversity initiatives, mortgage foreclosure prevention, blight elimination, veterans' initiatives, rural issues, supportive housing and initiatives for vulnerable and at-risk populations, and integrated health and housing initiatives

NAP: How Does It Work?

- ❖ Neighborhood Partnership Program
 - 90% credit; business commitment to contribute for five years
 - 95% credit; business commitment of six years or more
 - Large scale project; program areas: affordable housing, community services, education, community economic development, job training, crime prevention, and neighborhood assistance or conservation
 - Minimum contribution: \$50,000/business
 - Minimum application: \$100,000; contributions secured before applying

NAP: How Much Money Is There?

- \$72 million per year in tax credits = \$75 M to \$110 M in contributions, depending on credit amount
 - ❖ \$50,000 contribution at 65% = \$32,500 tax credit
 - ❖ \$50,000 contribution at 90% = \$45,000 tax credit
- Maximum credit per contributor:
 - ❖ \$1,000,000/year 1-3 projects
 - ❖ \$2,500,000/year 4 or more projects

NAP: Citizen Participation

- No formal process
- Get to know your Regional Office staff:
<https://dced.pa.gov/dced-regional-offices/>

For More Information

Regional Housing Legal Services

www.rhls.org

215-572-7300

RHLS presentation: www.rhls.org/pafundingreport