

OPPORTUNITY ZONES



FHA INCENTIVES FOR PROPERTY OWNERS



FHA Package of Incentives

- First, FHA is **significantly reducing the application fees** paid by owners that apply for certain multifamily mortgage insurance programs for apartment buildings located in Opportunity Zone neighborhoods
- Second, the FHA is **designating teams of senior underwriters** to review applications in Opportunity Zones and **ensure the most attentive and timely processing.**

These incentives allow a new investment vehicle, called "Qualified Opportunity Funds," to invest capital gains into projects situated in those neighborhoods of America who most need our help.

Investors can defer and reduce their tax liability on capital gains quite dramatically by investing the realized gains in new construction, rehabilitation, or businesses expanding in those areas.

In some cases, the capital gains tax can be reduced all the way down to zero.

Opportunity Zones Aren't Small, Incremental Measure - They Represent **MASSIVE ACTION**

- Treasury predicted that **\$100 billion** of private capital would be attracted to underserved communities as a result of Opportunity Zones.
- National Council of State Housing Agencies announced recently that its Opportunity Zone Fund Directory had expanded to nearly **\$24 billion** dollars in anticipated investments.

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- Of those \$24 billion dollars, **91 percent** of funds plan to invest in multifamily residential, student housing, mixed-use, hospitality, or other commercial developments.
- And nearly **60 percent** of funds plan to invest in affordable and workforce housing or community revitalization.

Reduced Application Fees

- FHA's New Construction and Substantial Rehabilitation (Section 221(d)(4)), Urban Renewal and Concentrated Development (Section 220), and Purchase or Refinance of Existing Multifamily Property (Section 223(f))
- FHA's application fee will be reduced from the current \$3 per thousand dollars of the requested mortgage amount to \$1 per thousand dollars of the requested mortgage amount, resulting in an average cost saving to applicants of approximately \$28,000. 'Broadly affordable' is defined as developments in which at least 90 percent of the units are Section 8-eligible or deemed affordable under the Low-Income Housing Tax Credit (LIHTC) program.

Data from the online real estate database Zillow shows that growth rates for property sales prices in selected vulnerable communities - which were formerly negative - flipped to a **positive growth rate of 20 percent** following Opportunity Zone designation.

Further, counties with a larger presence of Opportunity Zones are showing faster wage growth than those with a smaller presence.

Prior to the creation of Opportunity Zones, there was no difference in these counties' wage growth, suggesting both a causal and palpable connection this initiative has toward rebuilding communities and restoring hope across America.



Designated Senior Underwriters

FHA will designate seasoned underwriters to process applications located in Opportunity Zones to ensure expert and expedient reviews. Applications must meet the following criteria to qualify for reduced fees and designated underwriting.