

Housing Advocates Seek New Tax Credit to Renovate Run-Down Homes

By Brian Collins, National Mortgage News, December 8, 2016

Affordable housing advocates are seizing on President-elect Donald Trump's call for tax reform, hoping that a new tax credit program to revitalize run-down homes in distressed neighborhoods will be attractive to the incoming administration.

The National Association of Affordable Housing Lenders is pushing an initiative to create the Neighborhood Homes Tax Credit, which will provide tax incentives for the renovation and construction of owner-occupied homes.

"It is a strategy to revive distressed neighborhoods with significant poverty that have a lot of single-family homes that are in tough shape," said Buzz Roberts, president and chief executive of NAAHL.

These are neighborhoods where it is difficult to renovate the housing stock because an appraisal generally won't support a construction loan. Such neighborhoods are not attracting capital because they have concentrations of poverty.

The tax credit is designed to retain, as well as attract, middle-income homeowners to hard-hit neighborhoods. The proposal also has safeguards to prevent gentrification and the displacement the current residents.

The tax credit would go to investors in sponsoring entities to raise capital for the renovations. It would transfer construction and market risks from the government to the private sector.

It also could "be flexible," Roberts said in the interview. "It would be suitable for small-scale development and homeowner rehab. It could work for people who don't know anything about the tax credit."

Robert Walker, chairman of the Wexler/Walker lobbying firm, said the credit might appeal to the Trump administration.

"Everything I hear coming out of the transition is public/private partnerships," the former Pennsylvania Republican congressman told the affordable housing group at a meeting last week.

The Trump administration wants to provide targeted investments to vitalize inner cities.

"That is an open door for you to talk to the secretary of HUD about how private/public partnerships can create that kind of atmosphere," said Walker.

He expects Democrats will also be supportive of such an initiative because many are up for re-election in 2018.

"They are going to be looking for ways to cooperate with the administration," Walker said. "In the House, Democrats will also be looking for programs so they can get something out of it."

The current low-income housing tax credit is mainly administered by the states, not in Washington. The states could administer the Neighborhood Homes Tax Credits, too, NAAHL says.

"There are federal parameters to make sure it does not further gentrification," Roberts said. "But the states would have broad latitude to apply it in a way that makes sense locally as they do with the low-income housing tax credit program."