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THE BUZZ

Neighborhood Homes Investment Act Introduced; 500,000 Homes Would Rebuild Communities

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Reps. Brian Higgins (D-NY) and Mike Kelly (R-PA) introduced legislation (H.R. 3316) yesterday that would build or rehabilitate 500,000 owner-occupied homes in distressed urban, suburban and rural, communities over the next decade. The Neighborhood Homes Investment Act (NHIA) promises complement the Low Income Housing Tax Credit (LIHTC) and New Markets Tax Credit as powerful drivers of redevelopment.

In most struggling neighborhoods, deteriorated and sometimes abandoned single-family homes are a major obstacle to community stabilization and revitalization because the cost of homebuilding or rehabilitation exceeds the price at which homes can be sold. The NHIA would address this problem by creating a new federal income tax credit to mobilize private investment that will cover this cost-price gap, up to 35% of eligible development costs. The NHIA would also help current homeowners seeking to rehabilitate their homes.

States would administer NHIA tax credits, as they already do for LIHTC and other federal affordable housing policies. The states would access tax credits in two ways: (1) through a direct allocation of about $1 billion annually, based on population size; and (2) by electing to convert some of their authority to issue tax-exempt private activity bonds into NHIA tax credit authority. The states would publish a plan for awarding the tax credits on a competitive basis to project sponsors, which in turn would enlist investors. The investors would claim the tax credits when the homes are completed and owner-occupied.

Although similar to the LIHTC in some respects, the NHIA is specifically designed to develop owner-occupied homes in distressed neighborhoods. NHIA tax credits would generally be limited to neighborhoods with low or moderate incomes, elevated poverty, and subpar home values - 22% of neighborhoods nationwide and 24% of all rural communities. Investors could claim NHIA tax credits immediately after the homes are completed and occupied, with no exposure to recapture of the tax credits. Eligible homeowners could have incomes up to 140% of the area median income - about $100,000 in the typical metropolitan area.

Sales prices could not exceed four times the area median income - typically about $270,000 - so the homes will be broadly affordable to middle-income homebuyers. Neighborhood eligibility screens, sales price limits, and anti-flipping penalties are designed to promote revitalization while discouraging gentrification.

The projected production of 500,000 homes over ten years would generate about $100 billion in development, 785,714 jobs in construction and related industries, $42.9 billion in wages and salaries, and $29.3 billion in federal, state, and local tax revenues and fees.

Reps. Higgins and Kelly are members of the House Ways and Means Committee, which oversees tax policies. NAAHL has been working to develop the proposal as part of broad-based NHIA Coalition. In the coming months we will work to encourage additional bipartisan sponsorship and a companion bill in the Senate. NHIA's most likely path to passage would be as part of broader tax legislation.