

Biden's Neighborhood Revitalization Plan Looks to Detroit for Inspiration

*The administration aims to renovate 500,000 single-family homes in low-income neighborhoods; the plan's fate is tied to Biden's infrastructure proposal
Contractors worked to renovate a house in Detroit's Rehabbed and Ready program earlier this month.*

By Andrew Ackerman, The Wall Street Journal, May 25, 2021

The Biden administration is looking to a small housing program in Detroit as a possible solution to a big problem: Many crumbling homes in blighted neighborhoods remain vacant because the cost of renovations exceeds the potential selling price.

[The program, Rehabbed and Ready](#), aims to help solve the problem by covering the gap, so renovations are feasible. Seeking to break the cycle of depressed property values and urban decay, the program has renovated about 90 homes since it began in 2015 with plans for 200 more.

Rehabbed and Ready is a rough model for a Biden administration proposal to renovate 500,000 dwellings in a decade by offering \$20 billion in tax credits to developers. The plan, aimed at easing the nationwide shortage of affordable single-family homes, is part of President Biden's broader [\\$1.7 trillion infrastructure proposal](#).

"It's a similar approach to a problem that is particularly acute in Detroit but you can actually see it in almost every geography," said Julia Gordon, an advocate of the Biden plan who is president of the National Community Stabilization Trust, a nonprofit that focuses on neighborhood revitalization.

Much of the Biden administration's agenda—from [two years of tuition-free community college](#) to subsidized daycare—faces opposition from Republicans in Congress. But the tax-credit initiative has broad bipartisan support. It started as a stand-alone bill now backed by five Republicans and five Democrats in the Senate, and 11 Democratic and six Republican co-sponsors in the House.

The problem for many Republican supporters is that the measure has been folded into Mr. Biden's infrastructure plan, which Republicans say is too broad and shouldn't be financed with corporate tax increases, as the president proposes.

"I don't like that it's been thrown into something much bigger, much more invasive when it comes to taxpayers," said Rep. Mike Kelly (R., Pa.), who backed the stand-alone version of the tax-credit bill.

"It's not partisan at all," said Sen. Ben Cardin (D., Md.), one of the bill's main authors in the Senate. "It's mainly for older communities, where you have housing that needs some help, to be attractive and safe and affordable."

Rising housing prices nationwide are providing [a boost to some stagnant neighborhoods in rust-belt cities](#) that have suffered from a lack of investment. But in many areas, the low potential resale value remains a barrier to renovating homes.

“If you can’t sell the home at a price big enough to cover the cost of development, then you can’t develop it in the first place,” said Buzz Roberts, president of the National Association of Affordable Housing Lenders. “It’s a chicken-and-egg problem.”

Proponents say the home rehabilitation initiative would represent the only federal program on a national scale aimed specifically at boosting the supply of single-family homes. New-home construction hasn’t kept up with demand in recent years, as builders took years to recover from the financial crisis and faced shortages of land and skilled labor. Lumber costs have shot up, too.

Debra Tarver has lived in the Grandmont section of Detroit for 21 years and was happy to see the house next door under renovation. She said the home has been vacant for five or six years, and her husband, Oliver, kept the lawn trimmed so the property looked occupied and wouldn’t attract vandals.

“When the builders came, they couldn’t believe the grass was short,” she said.

The house is among those being renovated by Rehabbed and Ready. Run by the Detroit Land Bank Authority, a public repository of vacant properties, the program renovates and then sells blighted properties. The Rocket Community Fund, the philanthropic arm of [Rocket](#) Cos., covers costs of the program and any losses on sales of homes. Rocket is the parent of Rocket Mortgage, the largest U.S. mortgage lender.

Sales through the program chip away at blight while also helping stabilize the values for surrounding homes, said Laura Grannemann, vice president of the Rocket Community Fund. The sales of renovated homes help build comparable sale prices in the neighborhood, which in turn make additional private investment more economically viable.

Sarah Vollmers bought a home through Rehabbed and Ready in November 2019. She paid \$95,000 for the three-bedroom house in Detroit’s Crary-St. Mary’s neighborhood, less than a 10-minute drive from the charter school where she teaches kindergarten.

“I wanted to live in the area where my kids live,” said Ms. Vollmers, 31 years old. Rather than rely on philanthropic support, the White House plan would create a federal tax credit to cover the gap between construction costs and sales prices. Credits would be available to developers after they sell renovated or newly built homes in neighborhoods with high poverty rates, low median family incomes and low home values. Home sales prices would be limited to a maximum of four times the area’s median annual income, among other restrictions.

Brett Theodos, a senior fellow at the Urban Institute, said the proposal has potential to significantly reduce the country's deficit of low- and moderately-priced homes. Data and analytics firm [CoreLogic](#) Inc. puts that deficit at about 1.1 million units.

"We don't actually do much in this country to help people buy their first home," Mr. Theodos said.

While some existing programs such as Community Development Block Grants help fund affordable homeownership, just \$374 million, or 11%, of such grants were used for single-family rehabilitation in the fiscal year ending Sept. 30, according to the Department of Housing and Urban Development. That is much less than the \$2 billion envisioned annually for a decade through the creation of the new tax-credit.

Another existing program, Low-Income Housing Tax Credits, provides incentives for the construction of affordable rental housing, not homeownership. A creation of the 1986 tax law during the Reagan administration, the \$12 billion program helped finance about 132,000 units in 2019, according to the Joint Committee on Taxation.

Now, the fate of Mr. Biden's home-rehabilitation initiative may depend on the president's ability to strike [a compromise with congressional Republicans on his infrastructure plan](#)—or to pass it without Republican support through a budget process known as reconciliation. If all else fails, some supporters say they hope the bipartisan tax-credit idea can pass on its own.