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Lawmakers propose ‘neighborhood homes’ tax credit to attract investment in blighted housing, expand homeownership, revitalize communities

500,000 deteriorated homes could be renovated and resold under the new House bill

WASHINGTON (June 20, 2019)— Bipartisan legislation introduced this week would create a new federal tax credit to fuel rehabilitation of deteriorated single-family homes and attract $100 billion in development activity to distressed communities across the country.

The Neighborhood Homes Investment Act (NHIA), introduced by Reps. Brian Higgins (D-N.Y.) and Mike Kelly (R-Pa.), would encourage private investment in an estimated 500,000 homes that, because of their poor condition, depress nearby property values and thwart broader revitalization efforts.

NHIA is designed to address a difficult market reality in many communities: the cost for developers to acquire and rehab blighted properties or build new homes exceeds what they could earn when they sell the homes. The NHIA tax credit would help them fill that gap, up to 35 percent of the eligible development cost, and thereby reduce their risk of loss. It would encourage investment, create affordable homeownership opportunities, and support widespread revitalization in urban, suburban, and rural communities.

“We’ve seen great success with historic, new markets and other tax credit programs that encourage investments in larger projects that have the ability to transform communities,” said Rep. Higgins, who represents the 26th district in western New York. “But true community revitalization must reach into the heart of our neighborhoods. This legislation seeks to provide an incentive to tackle some of the projects that may be more challenging but serve a much larger goal of preserving the character of our communities and lifting up working families and neighborhoods.”

Rep. Kelly, from northwestern Pennsylvania’s 16th congressional district, added, “Too many of America’s neighborhoods of single-family residences are falling into disrepair, and the incentive to invest in these communities is non-existent. I am excited to offer this solution because it will do so much for so many communities, like Erie, throughout our country.”

NHIA tax credits would be awarded to project sponsors—which could include developers, lenders, or local governments—through statewide competitions administered by state housing finance agencies. Sponsors could use the credits to raise investment capital for their projects, and the investors could claim the credits against their federal income tax when the homes are sold and occupied by moderate- and middle-income homebuyers.

“Every state has neighborhoods where the homes are in poor condition and the property values are too low to support new construction or substantial renovation,” said Carey Shea, a New
Orleans-based developer who is part of the Neighborhood Homes Investment Coalition, a group of nonprofit and financial organizations advocating for the bill’s passage.

“The lack of move-in ready homes makes it difficult to attract or retain homebuyers, which causes property values to decline. A modest subsidy through the tax credit would break this downward spiral by simply filling the gap between the cost of building or renovating homes and the price at which they can be sold,” Shea said.

The Coalition estimates that the NHIA would support a substantial economic impact over the next 10 years. In addition to the 500,000 homes that would be rehabbed and $100 billion in development activity, estimated impacts of this legislation include:

- 785,714 jobs in construction and construction-related industries
- $42.9 billion in wages and salaries
- $29.3 billion in federal, state, and local tax revenues and fees

About Us
The NHIA Coalition is a national advocacy group comprised of 17 organizations, including housing and community development nonprofits, financial institutions, and related trade associations—all supporting enactment of the NHIA. Please visit neighborhoodhomesinvestmentact.org for additional information.

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