ISSUE BACKGROUND

• The United States is facing a severe housing shortage. According to Up for Growth’s Housing Underproduction in the U.S. report, the country underproduced 7.3 million housing units in the years 2000 – 2015.¹

• In addition to underproduction of new units, the more than 11.25 million unoccupied homes across urban, suburban, and rural communities create existing neighborhoods that further threaten housing affordability and availability.²

• The housing shortage is a complex issue that requires robust solutions. Real progress cannot be made toward increased affordability and availability if the large supply of vacant and decaying existing homes.

• The millions of vacant homes and lots in the United States have large negative impacts. From a community stability perspective, distressed neighborhoods often struggle to combat poverty, crime, and economic stagnation. Similarly, remaining residents of these areas often feel left behind and trapped in increasingly distressed communities.

PROBLEM STATEMENT

• Many urban, rural, and suburban communities have high concentrations of foreclosed, vacant, and abandoned homes. These distressed neighborhoods are trapped in a cycle of decline as property values remain too low to attract renovation and new construction, but the lack of quality housing further lowers the property value, which only makes reinvestment that much more difficult.

• Because construction and rehabilitation costs outweigh the appraised values of homes in these distressed neighborhoods, there is no incentive for private investment to revitalize communities.

• Currently, federal tax incentive programs for affordable housing do not include provisions to help existing homeowners in distressed areas to rehabilitate their homes, which keeps them locked in areas with declining property values and deteriorating infrastructure.

SOLUTION

• The Neighborhood Homes Investment Act (NHIA) provides federal income tax credits to close the gap between construction and rehabilitation costs and the appraised value of the home, making it financially feasible for investors and homeowners to invest in these neighborhoods.

• NHIA would mobilize private investment and revitalize distressed communities that are trapped in cycles of low property values and underinvestment, by awarding tax credits to rehabilitate existing homes and build new homes on vacant lots.

• In order to ensure the greatest impact for at-risk communities, the bill specifically targets low-income rural, urban, and suburban communities. Eligible neighborhoods must: have poverty rates that are 130% or greater than the metro or state rate; have incomes that are 80% or less that area median income; and have home values that are below the metro or state median value.

• NHIA lessens the impact of displacement associated with rapid revitalization by providing rehabilitation tax credits to homeowners with incomes up to 140% of the area or state median income. Additionally, the program requires that homeowners remain in the home for at least 5 years after receipt of the credit. These elements help support neighborhood revitalization and lessen the effects of gentrification and displacement.

• The bill gives states the power to allocate and administer the tax credits in their communities. Every locality has different needs, and this program ensures that credits are used efficiently and effectively to revitalize communities.

BENEFITS

• NHIA would mean the creation or rehabilitation of 500,000 homes and $100 billion of total development activity.

• NHIA would spur the creation of homes in struggling communities, restore vacant areas to productive use, create construction jobs, increase property values, and expand the tax base for local governments.

• Homes that are created and rehabilitated via the NHIA will help spur critical economic growth in some of the country’s most distressed neighborhoods. Increased property values in these areas will also create a positive cycle of investment in housing, infrastructure, and schools in these areas.

• The production and rehabilitation of homes will help chip away at the housing shortage and provide high-quality, affordable homes to low-, moderate-, and middle-income homeowners.