

THE WALL STREET JOURNAL.

Senate Plan Aims to Revitalize Beaten-Down Communities

New proposal would offer tax credits to renovate 500,000 homes



A proposal for a new tax credit aims to cover a developer's costs when the renovation of a crumbling building exceeds a home's potential selling price. PHOTO: BRENDAN SMIALOWSKI/AGENCE FRANCE-PRESSE/GETTY IMAGES

By [Andrew Ackerman](#)

March 7, 2023 9:00 am ET

WASHINGTON—A bipartisan group of U.S. lawmakers is reviving efforts to spur the renovation of single-family homes in blighted neighborhoods, the latest effort to dent a long-term [national housing shortage](#).

Legislation introduced in the Senate aims to create a new tax credit to cover a developer's costs when the renovation of a crumbling building exceeds a home's potential selling price, so the project becomes feasible.

The bill, modeled in part on a much smaller [philanthropic program in Detroit](#), aims to dent the estimated national shortage of millions of new homes, particularly for [entry-level dwellings](#) where most of the demand exists, according to mortgage-finance company [Freddie Mac](#).

Introduced late Monday by Sen. Ben Cardin (D., Md.) and Sen. Todd Young (R., Ind.), the bill envisions fueling the creation of 500,000 new homes in blighted neighborhoods or rural areas by offering about \$2 billion a year in tax credits over the next decade.

“We must continue to make it more attractive to invest in the communities that need it most,” Mr. Cardin said in a written statement. Mr. Young said the bill would help restore communities by directing private capital to low-income neighborhoods,” bridging the gap between the cost of renovation and neighborhood property values.”

The bill has the support of Sen. Ron Wyden (D., Ore.), the chairman of the Senate Finance Committee, which plans to hold a hearing Tuesday to discuss ways tax policy can promote more affordable housing.

During the pandemic, high home prices in much of the country provided [a boost to some cheaper 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.

“There’s a particular dearth of starter homes,” said Buzz Roberts, president of the National Association of Affordable Housing Lenders. “These neighborhoods and rural communities need the help now more than ever.”

Earlier versions of the legislation enjoyed bipartisan support in both chambers of the Congress. While the Biden administration embraced the bill and the then Democratic-run House included it in a [2021 social spending and climate bill](#), a scaled-back version of that legislation that became law last year didn’t include it or other housing-related provisions.

Its prospects in the new Congress are unclear, but supporters say they hope it could be added to broader tax legislation. Any provision to pay for the measure would be for a later discussion tied to a broader bill, they say.

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 over the past decade, as builders took years to recover from the financial crisis and faced shortages of land and skilled labor. Lumber costs have shot up, too.

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 sale prices would be limited to a maximum of four times the area’s median annual income, among other restrictions, to ensure the properties remain affordable.