



October 15, 2024

The Honorable Jason Smith
Chairman, Committee on Ways & Means
U.S. House of Representatives
1139 Longworth House Office Building
Washington, DC 20515

The Honorable Mike Kelly
Tax Subcommittee Chairman, Committee on Ways & Means
U.S. House of Representatives
1139 Longworth House Office Building
Washington, DC 20515

RE: Tax Teams Comment on Community Development

Dear Chairman Smith, Subcommittee Chair Kelly, and Members of the Committee,

We, the National Community Stabilization Trust (NCST)¹ and the Homeownership Alliance,² thank you for the opportunity to provide input on the tax priorities for the upcoming Congressional session. We urge the committee to include the **Neighborhood Homes Investment Act (H.R. 3940)** in a forthcoming tax package, which would create the nation's first ever federal tax credit to support affordable homeownership. Our organization also requests the committee prioritize permanency of the New Markets Tax Credit (NMTC) program, as proposed in the **New Markets Tax Credit Extension Act of 2023 (H.R. 2539)**.

Homeownership has been a cornerstone of financial security and wealth generation for many Americans. However, across the country, the shortage of affordable, quality homes is severely limiting these opportunities. The lack of move-in ready homes at accessible price points creates barriers for families looking to establish long-term economic stability through homeownership.

We commend the committee's dedication to practical, achievable solutions to address the housing supply crisis devastating our nation. Homeownership plays a crucial role in fostering wealth, promoting economic growth, and stabilizing communities for families nationwide. **Congress has the opportunity to expand homeownership access and alleviate existing financial pressures on hardworking American families by including both the Neighborhood Homes Investment Act and a permanent New Markets Tax Credit in forthcoming tax legislation.**

¹ The National Community Stabilization Trust ([NCST](#)) is a national nonprofit that supports families and communities by restoring distressed single-family homes, strengthening neighborhoods, and increasing sustainable and affordable homeownership opportunities.

² Established by NCST in 2021, the [Homeownership Alliance](#) is a practitioner-led coalition of CDFIs and nonprofit housing developers serving 16 states, dedicated to fostering housing stability and wealth creation through homeownership.

Today's prospective homebuyers are challenged with navigating a housing market defined by historically high mortgage rates, increased construction costs, and rising home prices. This, combined with a housing shortage in the millions, has put homeownership even further out of reach for everyday Americans. Over the past two decades, the U.S. homeownership rate has dropped nearly 4%, and a growing amount of families feel homeownership is out of their financial reach. A homeowners' median net worth 80 times higher than that of a renter, and diminished homeownership outcomes mean more families are left out of this wealth-building opportunity and, as such, the American Dream. Market forces alone will not fix this issue, and we urge Congress to take steps to reverse these disturbing trends and make homeownership both more accessible and affordable.

The Neighborhood Homes Investment Act offers a forward-thinking solution by establishing a tax credit that helps to close the gap between the cost of building or rehabilitating homes and their sale price to owner-occupants. This credit has the potential to revitalize struggling communities by unlocking private investment that would support the creation or rehabilitation of nearly 500,000 owner-occupied homes for low- and moderate-income families over the next decade.

Nationwide, we are seeing the adverse impacts of a dwindling affordable supply and low homeownership rates. Neighborhood Homes credits can be used by local government, philanthropic, and mission-driven community partners alike to develop affordably-priced homes for sale, serving communities most in need. The Neighborhood Homes Investment Act includes accountability measures ensuring the credit can only be claimed once construction is complete and the home is occupied by the homeowner. Additionally, the credit will facilitate the rehabilitation of homes where repair costs surpass the home's appraised value, offering critical support to working-class homeowners who struggle with repair expenses in today's challenging economy. The credit also enables awardees to acquire and rehabilitate vacant properties, reviving the units as quality, affordable, owner-occupied homes.

The Neighborhood Homes Investment Act would support households across geographies. Both rural and urban areas face challenges with "value gaps" where the cost of building or renovating homes exceeds their market value. This challenge is compounded by lower median incomes in these areas, making it difficult to attract and retain working families, which in turn weakens local economies. In addition to targeting communities at greatest risk of this phenomenon, the legislation also includes a "Rural Wildcard" provision, allowing states to allocate up to 20% of their credits to non-metro census tracts, spurring development and rehabilitation in areas that will benefit most from community-level investment.

In addition to codifying a Neighborhood Homes credit, we call on Congress to make the New Markets Tax Credit permanent. NMTCs provide an invaluable opportunity to incentivize economic and community development to underserved areas, and many nonprofit organizations have creatively utilized NMTCs to foster long-term stability and growth in single-family affordable housing. Permanence of the NMTC program is essential for many community development stakeholders and the demand for these credits is evident. Oversubscription of the program demonstrates the growing need to access flexible capital, as well as the desire for nonprofit housing providers to use the credits, engage community partners, and continue to combat the current deficit of starter homes and affordable supply.

Thanks to the flexible capital provided through the NMTC program, NCST's Homeownership Alliance members are able to contribute toward the growth of homeownership access and opportunities within underinvested communities and for low-income families. Owner-occupied housing, financed in part by

NMTCs, have provided communities with direct and indirect benefits including: increased tax bases, crucial workforce housing incentivizing businesses to move into communities, fees from construction and permitting, construction jobs, and community revitalization.

The NMTC program allows organizations to receive much-needed subsidy support, filling a gap in federal resources dedicated to homeownership. Recognition of the important work these organizations are accomplishing is demonstrated through the awards allocated, with all homeownership-focused projects receiving NMTC awards this past cycle. This work would be further supported with a permanent program, which would work to stabilize housing markets, empower distressed communities, and provide a pathway for wealth-building for low- to moderate-income families.

Making the NMTC a permanent federal tax credit would provide key resources for developers to access reliable funding for the many projects that provide communities with the support to house workers and stimulate economic growth. Ensuring its longevity is a vital step in promoting affordability, homeownership, and economic resilience. We envision a permanent NMTC would complement an enacted Neighborhood Homes credit, with both tax credits serving as a critical resource to leverage private-sector investment and add to the vast need in affordable housing supply.

By advancing this tax package, Congress has the opportunity to tackle the barriers to homeownership and promote stronger, more vibrant communities across the nation. NCST and our Homeownership Alliance members are deeply invested in the promotion and creation of affordable homeownership units, and we see the transformative economic development impacts appreciated by communities upon an investment in affordable housing.

We thank Representative Kelly (R-PA) for his leadership on the Neighborhood Homes Investment Act, as well as Representative Tenney for introducing the New Markets Tax Credit Extension Act. Our organization stands ready to further engage Committee members and their staff on the benefits of a Neighborhood Homes credit and a permanent NMTC. Please reach out to Elisabeth Coats, Director of Homeownership Alliance, at ecoats@ncst.org for any questions or points of clarification.

We thank the Committee for its consideration of our practitioner-informed policy recommendations.

Sincerely,

The National Community Stabilization Trust
The Homeownership Alliance