NMHC NATIONAL MULTIFAMILY HOUSING COUNCIL RETTC Real Estate Technology & Transformation Center

April 25, 2025

The Honorable Mike Flood
Chairman
Subcommittee on Housing and Insurance
United States House of Representatives
343 Cannon House Office Building
Washington, DC 20515

The Honorable Emanuel Cleaver
Ranking Member
Subcommittee on Housing and Insurance
United States House of Representatives
2217 Rayburn House Office Building
Washington, DC 20515

Sent Via Email: FloodCleaver@mail.house.gov

Dear Chairman Flood and Ranking Member Cleaver:

Thank you for your effort to gather public information on the potential reauthorization of the Department of Housing and Urban Development's (HUD) HOME Investment Partnership Program (HOME) and Community Development Block Grant (CDBG). The National Multifamily Housing Council (NMHC) has developed a proposal to incentivize states and localities to reduce their barriers to development and preservation of affordable housing that we believe would work well as a component of a reauthorized HOME program.

HOME has a proven history of providing gap financing for the development and preservation of affordable rental housing financed with other Federal, state, and local affordable housing programs as well as financing other important sources of affordable housing. NMHC believes it can go further by helping state and local governments learn to reduce their own barriers. Recent research sponsored by NMHC[1] has shown that local tax incentives, in particular, spur new housing development including creating affordable housing opportunities. In that vein, NMHC urges the adoption of the Housing Production Partnership Program (HPPP) as part of a reformed HOME.

Specifically, the proposal would establish HPPP as a new stand-alone grant program within HOME that incentivizes states and localities to establish tax-abatement programs for newly constructed, substantially rehabilitated, and converted multifamily properties that provide otherwise-unsubsidized affordable housing. On a first come/first served basis, appropriated grant funds could provide matching funds to states and localities that invest in housing by providing tax abatements. Qualifying jurisdictions would have to ensure all tax abatements are used at developments that provide quality housing, as well as demonstrate progress and a commitment to overcoming local barriers to housing production and preservation. Please see attached for more details.

[1] RCLCO, Hewlett, Flax Ganz, & Browning, 2025, Building Blocks: How Tax Incentives Lay the Foundation for Housing Growth, Douglas M. Bibby NMHC Research Foundation, https://www.nmhc.org/globalassets/research--insight/research-reports/nmhc_wp_taxabatement_report.pdf

Again, thank you for your leadership in helping identify and implement innovative ways for addressing the long-standing problem of housing affordability across the country through reform of HOME and CDBG. As always, we are eager to collaborate with you to address the nation's affordable housing crisis.

Sincerely,

Sharon Wilson Geno
President
National Multifamily Housing Council

Kevin Donnelly
Executive Director and Chief Advocacy Officer
Real Estate Technology and Transformation Center

HOUSING PRODUCTION PARTNERSHIP PROGRAM ACT OF 2025

Summary

The proposal establishes a new Housing Production Partnership Program as a component of the existing HUD HOME program to incentivize states and localities to establish tax-abatement programs for newly constructed, substantially rehabilitated, and converted multifamily properties that provide otherwise-unsubsidized affordable housing. Appropriated grant funds could be used to match funds states and localities would invest in housing by providing tax abatements. Qualifying jurisdictions would have to ensure all tax abatements are used at developments that provide quality housing, as well as demonstrate progress and a commitment to overcoming local barriers to housing production and preservation.

Program Establishment & Funding Mechanism

1. There is established a Housing Production Partnership Program (HPPP) within the Department of Housing and Urban Development's HOME program.

2. Non-Federal jurisdictions assessing property taxes may apply for grants to match tax abatements for affordable multifamily housing. Newly constructed, substantially rehabilitated, or commercial-to-residential converted multifamily property would be eligible. Construction for all property types would have to begin following the date of enactment, and the tax abatement would have to incentivize the newly produced, substantially rehabilitated, or converted affordable housing. The following additional requirements would apply to substantially rehabilitated and converted properties:

    1. Substantial rehabilitation: Expenses must exceed the greater of: (1) 20 percent of the adjusted basis of the property (determined immediately prior to such rehabilitation), or (2) $20,000 per unit.

    2. Conversion: Expenses must exceed the greater of: (1) 50 percent of the adjusted basis of such building (determined immediately prior to such conversion), or (2) $100,000. A converted building must be one that immediately prior to conversion was real property as defined in IRC Section 168.

3. Such sums as necessary authorized to be appropriated for HPPP per year.

4. HPPP would provide matching funds as part of a grant program to applicant taxing jurisdictions meeting program requirements.

Incentive -- Federal & State/Local Partnership

1. Properties would receive a property tax abatement (amount determined by agreement between taxing jurisdiction and property owner).

2. Federal grant would be a 50 percent match to the cost of the abatement to the local taxing jurisdiction.

3. Davis-Bacon requirements would not be applicable to projects participating in the tax abatement program.

Qualifying Properties

1. Property owner would agree to at minimum set-aside 20 percent of units affordable at 80 percent of area median income or less at inception of tax abatement period. Rent would be limited to 30 percent of income.

2. Adjustments to income limit for high-cost areas are allowed at the HUD Secretary's discretion.

3. Tax abatement period would last at least 10 years.

4. Property owner would enter into LURA or similar agreement with taxing jurisdiction to enforce agreement, and non-compliance could lead to a lien being placed on the property to serve as collateral for repayment of tax abatement. Taxing jurisdiction would repay Federal government match pursuant to its agreement to participate in the grant program. The property itself – not the owner – would be subject to the LURA, and the abatement remains with the property even upon sale.

5. Minimum 20 units per property.

6. Property owners would have to engage in a self-certification process that the property still meets qualification requirements at half the period of the property abatement period. HUD could randomly audit the self-certification. To ease the process, any household meeting initial qualification could earn up to 140 percent of AMI at the time of self-certification. A next available unit rule would apply to ensure properties are able to remain in compliance to the degree new qualifying households are necessary.

Other Requirements

1. Units receiving abatement would have to meet local building code standards for safety and soundness at all times with a cure period for temporary non-compliance. Otherwise, the abatement could be revoked. Non-compliance could lead to a lien being placed on the property to serve as collateral for repayment of tax abatement plus interest at rate applicable to underpaid Federal tax for period of non-compliance. Taxing jurisdiction would repay Federal government match pursuant to its agreement to participate in the grant program

2. Property taxes could only be abated in developments located in jurisdictions that demonstrate (1) progress and commitment to overcoming local barriers to housing production and preservation; and (2) an acute demand for housing affordable to households with incomes below 100 percent of AMI.