

Affordable Single-Family Legislation: Some Ask, Too Much of a Good Thing?

By Michael J. Novogradac, CPA

On April 10, Sen. John Kerry (D-Mass.) introduced the Community Development Homeownership Tax Credit Act, S.875 that would create a new, state-administered homeownership tax credit much like the credit the Bush administration proposed in its 2004 budget. The bill's co-sponsors are Sens. A. Wayne Allard, (R-Colo.), Hillary Rodham Clinton (D-N.Y.); Thomas A. Daschle, (D-S.D.); Edward M. Kennedy (D-Mass.); Rick Santorum (R-Penn.); Paul S. Sarbanes (D-Md.) and Debbie Stabenow (D-Mich.).

S. 875 calls for states' housing financing agencies to award credits to the developers of for-sale housing in state-designated areas of chronic economic distress, census tracts with median incomes that do not exceed 80 percent of area or statewide median income, rural areas as defined under Section 520 of the Housing Act of 1949, and Indian reservations.

Kerry's bill joins several others introduced over the last several months, proposals that are intended to make homeownership easy and readily available for a majority of Americans. Other proposed legislation for homeownership made easy include H.R. 32, First-Time Home Ownership Made Easy; H.R. 839, Renewing the Dream Credit Act; S. 198, New Homestead Economic Opportunity Act; and H.R. 1132, Home at Last Tax Credit Act of 2003. Such an abundance of proposals causes one to ask why, when a record number of Americans, 68 percent, already own their own homes that Washington sees the need to raise that number to 70 percent.

Indeed, some in the industry are asking 'is homeownership for everyone'? According to Rutgers University urban planning professor Donald

Krueckeberg, who has written "The Grapes of Rent: A History of Renting in a Country of Owners," too much is made of ownership and "stigmatizes those who don't, can't or won't buy property."

According to Leanne Lachman, a research strategist and principal at Lend Lease Group who is quoted in CBS Market Watch, encouraging low-income families to buy homes may be good politics but it's not always good policy. Lachman has authored "Homeownership: Too Much of Good Thing?" In it, she argues that owning a home is not necessarily the best solution for every household and can pose challenges for families with limited financial reserves.

Causes for concern cited in Lachman's study are the all-time high and rising number of mortgages in foreclosure; slowing home-price gains, causing those who refinanced to lose their equity cushion; falling incomes; high household debt; excessive housing costs for millions of households; and higher personal bankruptcies.

In the March issue of the LIHTC Monthly Report, I wrote that a variety of affordable housing programs are needed for the nation's wellbeing. This was in response to a growing concern that the Bush administration is focusing too much attention and willing to apply significant resources to affordable single-family housing while overlooking the great need for providing low-income tax credit multifamily housing. In light of the abundance of legislation to provide single-family homeownership and Lachmann's study pointing to the financial challenges of homeownership, that need becomes even more evident. ❖

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**10TH ANNUAL AFFORDABLE HOUSING CONFERENCE
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