PROBLEM
The unmet demand for walkable, transit-connected neighborhoods leads to expensive housing in towns and cities, and oversupplied development in sprawling suburbs far from jobs and affordable transportation.

Existing incentives are also too narrowly focused on individual buildings or businesses.

SOLUTION
Meet the demand for new attainable housing and growth in walkable, transit-connected areas by boosting infill and redevelopment. The REHAB Act would create a tax credit for rehabilitating non-historic buildings at least 50 years old and near an existing or proposed transit facility.

What other expenses are eligible?

- Housing, either whole residential buildings, or mixed-use structures.
- Adjacent buildings and parcels, both commercial and residential.
- Other public infrastructure, such as street/road improvements, upgraded utilities, parks, and transportation connections.

This credit goes beyond mere rehabilitation—it provides additional incentives for investing private dollars in public infrastructure and attainable housing:

In addition to the baseline credit of 15 percent, rehabilitation expenditures related to public infrastructure and attainable housing are eligible for an additional 10 percent credit.
Investments made in public infrastructure and attainable housing are eligible for an additional 10 percent credit, upping the total credit to its maximum of 25 percent.

(Attainable housing units are rent-restricted and occupied by individuals whose average income does not exceed gross area median.)

**Encouraging grassroots solutions for affordable housing in hot markets**

With no complicated pre-approval process, this new credit makes a way for individuals and small-scale developers to help provide bottom-up affordable housing solutions. The Twin Cities have made major investments in bus and rail transit over the last decade, and Minneapolis has also recently moved to allow more density city-wide. Yet affordable homes near transit are in short supply. A senior who owns their own 50-year-old home on the Green Line could use the credit to help finance a project to build an accessory apartment or expand the house and convert it into a duplex, allowing them to stay in their home and age in place while adding more housing near transit. If they choose to make that unit affordable, those expenditures would be eligible for a 25 percent credit.

**Breaking down major barriers to redevelopment in legacy cities**

It’s a tough sell to invest a lot of money in restoring a single building when the sidewalk on the entire block needs to be rebuilt or other core infrastructure is lacking. A major barrier to revitalizing downtowns with good bones in more economically distressed communities is that existing community development incentives don’t allow the private sector to improve basic infrastructure so they can bring their renovations to bear. The existing tax credits focused on affordable housing, historic preservation and economic development are valuable, but they are also too limited in scope or volume. The REHAB Act would encourage private developers to do more to revitalize neighborhoods by allowing them to receive a bonus credit for repairing local or public infrastructure, whether better bus stops, new street lighting, broadband, sidewalks, bike lanes, water management, or street repaving, to name just a few.

The more private money invested to improve the neighborhood, the higher the tax credit.

**15 percent baseline credit**

**+10 percent bonus (25% total)**

A non-historic building 50+ years old, AND within a ½-mile of existing or planned public transportation facility. The project-based credit includes residential rental property, building expansion, rehabilitation and new construction on adjacent lots on the same block.

Investments made in public infrastructure and attainable housing are eligible for an additional 10 percent credit, upping the total credit to its maximum of 25 percent. (Attainable housing units are rent-restricted and occupied by individuals whose average income does not exceed gross area median.)

Proposal subject to change. Re-introduced in the House of Representatives as HR 1483 in March 2021. Find the most current version of this graphic and proposal at www.locusdevelopers.org/rehab-act Contact: locus@locusdevelopers.org Last updated: 03/16/21

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