

THE BUILDING HOMES, BUILDING COMMUNITIES ACT

Incentivizing Developers to Build the Housing Our Communities Need

The Problem

America is short between 4 and 7 million homes. Rents have risen nearly 37% over the past decade while wages grew just 13%. More than half the workforce in many metro areas can't afford to live where they work. Existing federal programs like the Low-Income Housing Tax Credit help, but they're not enough. Meanwhile, the tax code lets real estate investors defer capital gains indefinitely through 1031 exchanges with no requirement to build housing communities actually need. Small developers who know their communities best get squeezed out by national firms with better access to capital.

The Solution

The BHBC Act uses the tax code to steer private capital toward the housing Americans need. It rewards developers who build affordable and workforce housing with reduced capital gains rates, reforms 1031 exchanges to favor community-serving investments, strengthens federal financing for high-impact projects, and gives small developers the resources to compete.

How It Works

1. Lower Taxes for Housing That Matters. Developers who build qualifying affordable or workforce housing get reduced capital gains rates: as low as 10% for 30+ year affordability commitments, 12% for 20–30 years, and 15% for 15–20 years. Additional reductions stack for deeply affordable projects, transit-proximate locations, high-need areas, Opportunity Zones, and mixed-income integration — down to a 5% floor.

2. Communities Decide What They Need. Local and state governments can endorse housing developments that don't fit traditional affordability definitions but meet genuine community needs — including single-family homes. Endorsed projects qualify for reduced capital gains rates (12–17%) through a transparent community benefit agreement process, ensuring the incentives serve local priorities, not just federal categories.

3. Redirecting 1031 Exchanges. Rather than eliminating 1031 exchanges, the bill redirects them. Exchanges into qualified housing developments get full deferral plus a 10% bonus basis step-up. Standard non-housing exchanges are capped at \$2.5 million per year. This steers capital toward community housing without killing real estate investment.

4. Opportunity Zone Integration. Developments in Opportunity Zones that meet affordability thresholds automatically qualify for BHBC benefits. Investors can stack OZ deferral benefits with BHBC reduced rates. Qualified Opportunity Funds focused on housing get an extra 5% basis step-up if held 10+ years. Anti-abuse rules ensure the stacked benefits produce real housing, not paper transactions.

5. Supporting Small Developers. A \$250 million annual revolving predevelopment loan fund provides below-market financing with 25% forgiveness for on-time delivery. Small developers get an additional 2 percentage-point capital gains reduction, free technical assistance including feasibility analysis and LIHTC navigation, and simplified reporting for the first two years.

6. Stronger Federal Financing. The Low-Income Housing Tax Credit per-capita allocation increases from \$2.75 to \$3.50, inflation-indexed. State agencies must prioritize deeply affordable, transit-proximate, and high-need-area projects. HUD loans get parallel scoring preferences, and an interagency working group aligns infrastructure investment with housing development.

What This Bill Does NOT Do

This bill does not impose federal zoning mandates. Housing decisions remain local. The community endorsement process empowers local governments, not Washington.

This bill does not eliminate 1031 exchanges. It caps non-housing exchanges and incentivizes housing-focused reinvestment.

This bill does not only help low-income housing. The community endorsement provision covers workforce housing, single-family developments, and any housing a community identifies as needed.

This bill does not benefit only big developers. Small and mid-size developers get the most generous tax treatment, dedicated financing, and technical support.

Key Facts

Capital Gains	As low as 5% for deeply affordable, long-commitment projects
Community Endorsed	12–17% rates for locally endorsed housing developments
1031 Reform	Non-housing exchanges capped at \$2.5M/year; housing gets bonus
LIHTC Increase	\$2.75 → \$3.50 per capita, inflation-indexed
Developer Fund	\$250M/year revolving loan; 25% forgiveness for on-time delivery
Opportunity Zones	Automatic qualification; stackable benefits; extra 5% step-up
Small Developer	Additional 2-point rate reduction + simplified reporting
Enforcement	Annual certification; full recapture + fines for violations

Why This Matters

The housing crisis isn't just about numbers — it's about nurses who can't afford to live near their hospital, teachers priced out of the communities they serve, and young families who can't find a

starter home. The federal government spends billions in real estate tax benefits every year with no requirement that the housing communities need actually gets built.

The BHBC Act changes that equation. It keeps the free market in the driver's seat but steers the incentives toward housing that serves people, not just portfolios. And it empowers communities to define what they need — because the people who live there know better than Washington.

Every American who works in a community should be able to afford to live in that community.
