Property Conversions and Housing Tax Incentives

Issue

The U.S. faces a severe shortage of affordable housing. Current production has just not kept up with demand. At the same time, certain other commercial real estate assets like office buildings are under significant stress due to pandemic-related issues, including employers' greater reliance on remote work arrangements. RER is encouraging lawmakers to help revitalize cities, boost local tax bases and address housing challenges by enacting a tax incentive and federal loan support for converting older, under-utilized buildings to housing. RER also supports a meaningful expansion of the low-income housing tax credit (LIHTC).

Bipartisan legislation introduced by Representatives Mike Carey (R-OH) and Jimmy Gomez (D-CA), the *Revitalizing Downtowns and Main Streets Act of 2025* (H.R. 2410), would create a new tax credit to reduce the costs associated with converting older office buildings to housing or other uses. The legislation is supported by a broad coalition of pro-housing and real estate-related organizations.

Since its inception in 1986, the LIHTC has financed the development of nearly 3.5 million affordable rental homes that house over 8 million low-income households. Proposed legislation would make major new investments ($29-32 billion) in expanding and improving the LIHTC.

The *Tax Relief for American Families and Workers Act* (H.R. 7024), passed by the House in early 2024 and supported by RER, would expand LIHTC. The bill would temporarily increase credit allocations to States and lower the amount of private activity bond financing that an affordable housing project must receive in order to receive credits outside of the capped state allocation process.

Furthermore, at RER's urging, the prior administration surveyed existing agency programs that might offer low-interest loans to help support housing conversion projects. The "Guidebook to Available Federal Resources" curates programs from the Departments of Transportation, Housing, Energy and the EPA that can be used to assist adaptive reuse projects—but agency rules and guidelines are necessary to streamline underwriting procedures so proceeds can be issued to borrowers in about six months after an application for financing is submitted.

The Trump administration's position on the expansion and improvement of the LIHTC is not yet clear.

The Roundtable's Position

- Congress should help expand and grow the supply of affordable and workforce housing by investing greater resources in time-tested tax incentives like the LIHTC and adopting creative new approaches that support the conversion of under-utilized, existing buildings to housing.
- A quarter of American renter households spend more than 50 percent of their income on housing expenses. More than 10 million low-income households spend more than half of their monthly income on rent, according to Harvard's Joint Center for Housing Studies.
- The conversion of underutilized and often vacant buildings offers a tremendous opportunity to improve the built environment and lift a surrounding locality. Property conversions are a cost-effective means to develop new housing supply, create jobs, and generate critical sources of local property tax revenue.

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- Conversion projects can occur in a variety of settings, from central business districts and suburban office parks to rural communities and industrial facilities. The repurposing of existing structures can save energy while reinvigorating communities and reigniting economic growth where it is most needed.
- The inherent risks and elevated costs associated with property conversions, combined with the numerous social and economic benefits of conversions that flow to the broader community, justify proactive government policies that incentivize owners to adapt existing properties to new uses.
- LIHTC is an efficient, market-based housing solution that relies on the private sector to finance, build and operate affordable housing by creating a federal incentive for new construction and redevelopment.
- Under the successful LIHTC program, states can award housing credits based on their own affordable housing priorities. They can target credits to housing units dedicated to certain populations such as seniors or veterans, or to specific regions most in need of affordable housing.
- The Tax Cuts and Jobs Act of 2017 (TCJA) indirectly diminished the value of low-income housing credits because the corporate tax cut reduced the underlying tax liability of many tax credit purchasers, thereby decreasing demand for the credits in the marketplace.
- Congress should significantly expand LIHTC, along the lines of the *Affordable Housing Credit Improvements Act* (S.1136, H.R. 2573 in the last Congress). The bill would create and preserve more than 2 million affordable homes, support three million jobs, and generate $119 billion in sustainable tax revenue.
- Congress should also enact a meaningful tax incentive for commercial-to-resident property conversions along the lines of the *Revitalizing Downtowns and Main Streets Act of 2025*. The bill would create a 20 percent tax credit for the costs associated with converting older commercial buildings to housing, provided the housing includes a significant set-aside for affordable rental units.
- Aside from legislative strategy, the new administration should build on the progress made in the last administration, based on RER input and listening sessions, **to streamline federal agency loan programs to provide financial support** for CRE conversions. In particular, the administration should gear Department of Transportation loans for transit-oriented development (RRIF and TIFIA) to better enable commercial-to-residential building conversions.
- The single-family rental (SFR) market also holds great promise to increase the nation's housing supplies. Studies show that SFRs provide opportunities for upward social and economic mobility to households that are unable to buy homes but can rent in neighborhoods with better school districts.
- On March 24, 2025, RER responded to the FTC's request for public comment regarding the impact that large-scale SFR operators and institutional investors are having on home prices and rents in single-family housing. Institutional capital is essential to expanding housing supply and addressing the chronic housing shortage affecting affordability nationwide.

Additional Resources

- Roundtable Weekly, "Ways and Means Members Reintroduce Bipartisan Property Conversions Legislation" (March 28, 2025)
- RER letter to FTC on Single-Family Rental Housing (March 24, 2025)

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- RER letter supporting the *Renewing Opportunity in the American Dream to Housing Act* ("ROAD to Housing Act," S. 5027/H.R. 990) (December 10, 2024)
- RER letter in support of the *Revitalizing Downtowns and Main Streets Act* (June 28, 2024)
- RER letter to White House Council of Economic Advisers, providing recommendations to improve low-interest federal loan programs (RRIF and TIFIA) to assist property conversions (April 15, 2024)
- Roundtable Weekly, "Reports Show Single-Family Rentals Increase Housing Availability, Drive Educational Advancement" (June 7, 2024)

Housing, Infrastructure and Cities

Expanding America's Housing Infrastructure and GSE Reform

Issue

There is a chronic shortage of housing in the U.S. that is driving up housing prices and making it more difficult for lower-income individuals to find safe, affordable housing. Housing production in the U.S. is not keeping pace with expanding housing needs. The underbuilding gap in the U.S. now totals more than 5.5 million housing units. The impact of this growing problem of an under-supply of affordable housing is far-reaching and undermines economic growth—particularly in urban areas.

In addition, the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac—the primary funding sources for housing in the U.S.—have been in conservatorship for 17 years. Debate over reforms continues, but no active legislative proposals are currently under consideration. The first Trump administration pushed hard for reform and, in the end, never got anywhere. The Biden team never tried. A second Trump administration and a new Congress in 2025 once again raise the prospect of renewed efforts to remove Fannie Mae and Freddie Mac (the GSEs) from their federal government conservatorship.

Most of the new housing units in recent years have been single-family homes. Through the end of 2023, production of new single-family homes reached more than 1 million annually in 2022 and 2023 for the first time since the housing bubble burst in 2007. Apartment construction is also at historic levels, with 438,500 units built last year, the highest level since 1987. The number of apartments under construction at the end of the year, about 981,000, was an all-time high since the survey began in 1969.

So, with no change in current housing policy, we can expect annual production of approximately 1,515,000 units, including an estimated 1 million single-family units, some 440,000 multifamily units, and approximately 75,000 manufactured homes. Yet, even at the current pace, this level of production remains inadequate. How do we bridge the gap?

The Roundtable's Position

- Safe, decent and affordable housing is critical to the well-being of America's families, communities and businesses. The COVID-19 pandemic has intensified the nation's persistent housing crisis, prompting RER to mobilize with our national real estate organization partners and jointly advocate for policies that will help to increase housing supplies, grow jobs and modernize our nation's critical infrastructure.
- Having a robust housing finance system is critical to expanding America's housing infrastructure to help meet the nation's longstanding goal of ensuring decent and affordable housing for all. Current efforts have failed to keep pace with the growing need for affordable housing.
- GSE reform must appropriately balance taxpayer protections and establish an efficient marketplace with a strong, efficient and sustained financing environment for homeownership, rental housing and sustained mortgage liquidity.
- As the gap between the number of lower-income renters and the supply of affordable units continues to grow, it is critical for the GSEs to provide support for mortgages to aid low- and moderate-income families—for homeownership and rental housing—as well as underserved areas.

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- As American households increasingly turn to the rental market for their housing, a strong housing finance system should support not only homeowners but also aid the expansion of affordable rental housing.
- Finally, and most importantly, it is important for the industry to focus on sparking a national transformation in housing policy, from the ground up. Through the development of a "battle plan" to unleash a wave of new housing construction, the industry can position itself as the solution to the housing crisis, rather than the problem.
- As efforts to reform the GSEs or privatize these entities are being considered, RER will be engaged, as we have in every prior effort. Sensible GSE reform still makes a lot of sense, but the devil is in the details.