



The Real Estate Roundtable

November 2024 Policy Priorities: Executive Summary

The Real Estate Roundtable works with national policymakers to ensure that real estate assets meet the needs of people and businesses, serve as a strong source of governmental revenues, facilitate job growth, and provide stable returns for pension and retirement investment.

Tax Policy

The Roundtable advocates for tax policies that promote capital formation, reward risk-taking, and bolster private and public investment.

Avoid Taxing Unrealized Gains

Recent proposals to tax unrealized gains would upend over 100 years of federal taxation, require an unprecedented IRS intrusion into household finances, and create unknown and likely unintended consequences for the U.S. economy.

Preserve Like-Kind Exchanges

Fundamental to the health and financing of commercial real estate, like-kind exchanges helped stabilize property markets at the height of the COVID-19 lockdown and are facilitating a faster and smoother transition to a modern economy as many real estate assets are repurposed.

Reward Capital Formation and Investment

Maintaining a reduced tax rate on capital gains and carried interest decreases the cost of capital, drives long-term investment, encourages productive entrepreneurial activity, draws investment from around the world, and increases U.S. workforce productivity and competitiveness. Current business interest deductibility rules also support these same benefits.

Equitable Tax Treatment of Pass-Through Businesses

Our pass-through regime is a competitive advantage of the U.S. tax system. Closely-held partnerships and pass-through businesses drive job growth and entrepreneurial activity. Congress should retain the full 20% pass-through business income deduction.

Homeland Security

Working to Mitigate Risk and Improve Resilience for Cyber and Physical Threats

The Roundtable's Homeland Security Task Force and Real Estate Information Sharing and Analysis Center (RE-ISAC) continue to identify and share information on a broad array of physical and cyber threats facing the commercial facilities sector. RE-ISAC works with our Homeland Security Task Force on strategies to most effectively manage those risks in conjunction with the Cybersecurity and Infrastructure Agency (CISA), the Federal Bureau of Investigation (FBI), and other federal and state intelligence and law enforcement organizations.

Capital and Credit

The Roundtable supports public policy that minimizes regulatory burdens, encourages the availability of credit and the formation of capital in commercial and multifamily real estate markets, while maintaining appropriate systemic safeguards, stable market valuations and appropriate transparency.

Addressing the Wave of Maturing CRE Debt and Pro-cyclical Regulatory Policy

Approximately \$950 billion in CRE mortgages are set to mature in 2024. To help restructure these maturing loans, it is critical to implement measures that promote robust capital formation and support loan restructuring, while avoiding pro-cyclical measures like the Basel III Endgame. Recent regulatory policy statements encouraging financial institutions to work with creditworthy borrowers have facilitated billions in loan restructurings. Removing barriers to foreign investment, including reforming FIRPTA and repealing state-level investment restrictions on foreign investment, could further strengthen U.S. real estate markets. Concerns remain about the potential impact of a revised Basel III Endgame proposal on credit capacity and non-recourse lending, with the industry advocating for regulatory restraint to prevent stifling economic growth and job creation.

Expanding Commercial Insurance Coverage

The cost of insuring commercial real estate has skyrocketed and is expected to further escalate. The proliferation of natural catastrophe events and atypical weather patterns attributed to climate change have raised concerns about cost-effectively managing the risks associated with commercial and multifamily properties. The growing frequency and severity of natural catastrophes warrant greater focus on natural catastrophe risk and resiliency. With the US insurance market regulated at the state level, it is important for states to aid policyholders in enhancing capacity and lowering costs. It is also important for policymakers to enact a long-term reauthorization and reform of the National Flood Insurance Program (NFIP) and to enact measures that will help close coverage gaps, reduce costs, protect jobs, and ensure a sustainable and speedy economic recovery from future events.

Restrictions on Foreign Investment

Foreign investment is a major source of capital for U.S. real estate, leading to job creation and economic growth. Unfortunately, policies at the national and state level have sought to restrict foreign investment in U.S. real estate. We support efforts to protect the nation's security and the integrity of CRE investments, but have concerns about rules that may hinder investment by legitimate enterprises and capital formation by law-abiding entities.



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Energy and Climate

Owners and tenants must work cooperatively to reduce energy use and emissions from buildings. The Roundtable advocates for national and attainable guidelines, incentives, and data that help our industry progress toward a net zero emissions economy.

Building Performance Standards (BPS)

An inconsistent patchwork of climate regulations exists at the city and state levels to reduce energy use and emissions from buildings. Meanwhile, global investors demand that international programs set climate-related requirements on CRE assets. Workable, usable, and voluntary federal guidance, tools, and standards—developed with our industry’s input and practical knowledge—can help bring consistency to the chaotic climate policy landscape. The Roundtable released a BPS Policy Guide that stakeholders should use when creating climate-related performance mandates for buildings.

Clean Energy Tax Incentives

Tax incentives passed by the 2022 *Inflation Reduction Act (IRA)* are mobilizing investments in solar panels, renewable energy storage, and EV charging stations. However, smart rules from the Treasury and IRS, and several legislative tweaks from Congress, are needed to fully optimize the credits and deductions to support retrofits that cut energy use in existing buildings and support cost-effective “electrification” of CRE assets.

In particular, REITs and other building owners should be allowed to transfer the IRA’s energy efficiency incentives (179D deduction and 45L credit). Reforms should also ease the heavy compliance costs associated with Davis-Bacon prevailing wage requirements necessary to access “bonus” tax incentives.

Corporate Sustainability Disclosures

In March 2024, the SEC released its final rules for registered companies to disclose “material” climate-related financial risks. These rules are now the subject of multiple lawsuits. If the SEC’s rules take effect and are not delayed, registrants must include certain climate-related disclosures in annual Form 10-Ks beginning March 2026. Notably, the final rules do not include Scope 3 disclosures, a position for which The Roundtable strongly advocated.

California has enacted laws that go further than those set forth by the SEC. Governments and NGOs should strive for consistent corporate climate reporting rules. For example, disclosures that satisfy any federal SEC rules should be deemed compliant by states and cities that develop their own similar GHG reporting laws.

Installing Building HVAC – Federal Regulations

HFCs are substances used in HVAC and refrigeration systems. While HFCs are used to cool buildings, they also have negative impacts that exacerbate climate change. The EPA is under a mandate from Congress to phasedown HFCs with high global warming potential.

The Roundtable urges EPA to conduct the phasedown in a manner that considers the building design, construction, and approvals process for installation of HVAC systems.

Also, EPA has issued first-ever final rules to detect and prevent HFC leaks from building systems, and to recycle HFCs. The Roundtable is working with EPA to educate our industry on these new requirements.

Housing, Infrastructure, and Cities

America’s housing shortage is the result of ineffective state and local zoning and permitting regulations. At the same time however, national policy can play a strong role in expanding housing supply through innovative policy incentives to develop and rehabilitate new housing, address state and local decision-making, and provide low-cost construction financing options.

Return to the Workplace

Returning to in-person work is critical for the health of our cities, local economies, tax bases, and small businesses. The Roundtable has been and will continue to be a tireless advocate for policies to get employees back to the workplace.

Failure to return to the workplace is hurting the health and well-being of cities, property values and local tax bases, and small businesses. The White House should follow through on its guidance directing federal agencies to bring more of their employees back to the office. Federal employers should lead by example and return to their pre-pandemic workplace practices.

Expand Affordable Housing Through Tax Incentives and Property Conversions

America’s chronic housing shortage is driving up prices and making it more difficult for individuals to find safe, affordable places to live. Innovative policy solutions and incentives to develop and rehabilitate new housing are central to closing this gap.

Affordable housing is critical to America’s well-being. An expanded low-income housing tax credit could create and preserve more than two million additional affordable homes, support three million jobs, and generate \$119 billion in sustainable tax revenue. Congress should enact the bipartisan *Revitalizing Downtowns and Main Streets Act* to encourage the conversion of older, under-utilized buildings to housing through a targeted tax credit. And, existing federal agency programs should be mobilized to offer low-interest federal loans and guarantees to support conversion projects, with streamlined underwriting criteria for the swift disbursement of funds. Improvements have been made to the so-called TIFIA and RRIF loan program to assist transit-oriented development projects, but more improvements are still needed.