The Real Estate Roundtable

Revitalizing Downtowns and Main Streets Act

- Establishes a temporary investment tax credit equal to 20% of qualified expenditures attributable to converting an older commercial building to housing, provided the housing meets specific affordability requirements.

- The building must be at least 20 years old when the conversion begins.

- Affordability: at least 20% of the residential units must be reserved for individuals whose income is 80% or less of the area median income.

- Generally limits qualifying expenditures to "hard costs" chargeable to capital account and depreciable for tax purposes; excludes property acquisition costs.

- Conversion expenditures must exceed 50% of the adjusted basis of the building.

- In the case of projects qualifying for the historic preservation tax credit, the property conversion credit is reduced by 50%.

- Sets a cap of $15 billion in aggregate credit authority with $12 billion distributed to states based on population and $3 billion specifically designated for conversions in economically distressed areas; in all cases, the credits must be allocated by state housing finance agencies.

- Requires states to develop credit allocation plans that take into account:

    - whether the credit is needed for the financial feasibility of the conversion;
    - the extent to which the conversion results in the creation of affordable housing;
    - the extent to which the conversion results in the creation of housing near; transportation, employment, and commercial opportunities;
    - the extent to which the conversion will support small businesses and economic revitalization in the surrounding area;
    - the degree of local government support for the conversion; and
    - the readiness of the building for a qualified conversion

- Increases the credit amount from 20% to 35% on the first $2 million of qualifying expenditures for a conversion occurring in a rural area if it is part or a historic preservation project.

- Increases the credit amount from 20% to 30% if the conversion occurs in a low-income census tract or difficult development area, provided the conversion meets a higher affordability standard: 20% of the residential units must be reserved for 30 years for individuals below 60% of area median income.

- In order to facilitate external financing for conversion projects, allows for the transferability of property conversion credits to third party taxpayers.

- State authority to allocate credits expires December 31, 20027.