

2019 National Policy Agenda



The Real Estate
Roundtable



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Mission

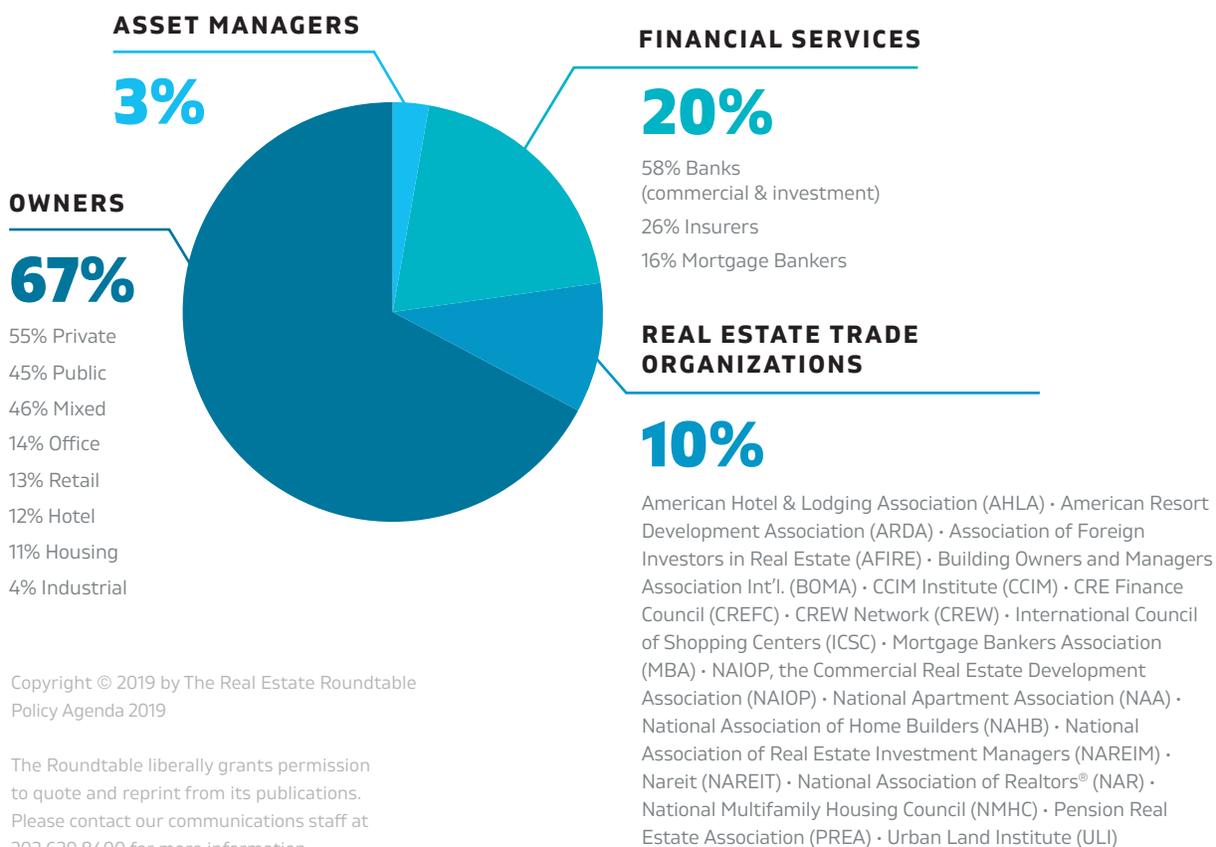
The Real Estate Roundtable brings together leaders of the nation's top publicly-held and privately-owned real estate ownership, development, lending and management firms with the leaders of major national real estate industry trade associations to jointly address key national policy issues relating to real estate and the overall economy.

By identifying, analyzing, and coordinating policy positions, The Roundtable's business and trade association leaders seek to ensure a cohesive industry voice is heard by government officials and the public about real estate and its important role in the global economy. Collectively, Roundtable members' portfolios contain over 12 billion square feet of office, retail and industrial properties valued at more than \$2 trillion; over 1.5 million apartment units; and in excess of 2.5 million hotel rooms. Participating trade associations represent more than 1.5 million people involved in virtually every aspect of the real estate business.

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Who We Are



Intro

The Real Estate Roundtable's 2019 National Policy Agenda presents a range of national policy ideas and perspectives that support economically sound, growing real estate markets to help expand our national economy; create sustainable jobs; fund local budgets; respond to national housing and infrastructure needs; and enhance Americans' retirement savings options.

Our members are real estate owners, developers, managers, brokers and financiers, as well as the leaders of 17 national real estate industry trade associations. Our work gives voice to millions of plumbers, electricians, carpenters, architects, engineers, teachers, school bus drivers, municipal civil servants, retirees and others. Together they all depend on the continued stability and growth of healthy real estate markets. So, too, do our country's state and local budgets — nearly three-quarters of funds for local schools, police and fire protection, and other community services are generated by real estate transactions and assessments every year.



Roundtable Chair Debra A. Cafaro (Chairman and CEO, Ventas, Inc.).

We provide data and research to positively inform national policy. Collectively, our members' portfolios are valued at over \$2 trillion. They contain millions of office, retail and industrial properties, apartment units, medical and healthcare properties, senior housing and assisted living facilities, and hotel rooms. We draw on the experiences of our diverse membership to identify and coordinate specific data-based policy insights and positions that best serve the dynamic income-producing real estate industry, its stakeholders, and the evolving global economy.

Our policy advocacy is rooted in solid facts and clear data. We support fact-based analysis informed by the potential real life consequences of proposed policy initiatives. Our work is non-partisan and informed by evidence gathered from all relevant sources and stakeholders.

We support bipartisan policy action to further strengthen our economy, our workforce, our resilience, and the American experience. We offer—and warmly welcome—collaboration with policymakers of all political perspectives.

We urge policy action to spur greater investment in our nation's infrastructure. Greater and smarter investment in our national infrastructure systems—including transportation, utilities, and telecommunications—will boost productivity and expand the national economy for everyone. Policies must more fully coordinate with state and local governments, embrace the credit and capital opportunities of public-private partnerships, streamline the permitting process, and modernize revenue sources beyond increasing the gas tax which we support.

The nation must improve and maintain public policies to provide adequate housing for all Americans.

Access to affordable housing for everyone – both ownership and rental – is critical to vibrant, healthy communities.

Meeting housing demands of lower income Americans has always been a challenge. Increasingly, moderate income and millennial families are finding difficulties (especially in our nation’s urban areas) as well, due to many factors including rising costs associated with labor, materials, land, financing, and permitting. Our quickly growing senior and assisted living population must also be part of the conversation. A fresh look at housing policy and the challenges faced by all stakeholders is needed and should include issues related to the low income housing tax credit program; the mortgage secondary market; and local zoning, density and permitting.

The Terrorism Risk Insurance Act (TRIA), set to expire at the end of 2020, must be extended.

Terrorism continues to threaten our nation and our economy. It cannot be accurately predicted or anticipated by private industry. TRIA addresses this reality and ensures that property insurance and reinsurance terrorism risk coverage is available to commercial policyholders. Congress enacted this successful, cost effective program following 9/11 and has extended the law multiple times. Lenders to owners of office buildings, shopping malls, sports facilities, hospitals and others require “all risk” insurance coverage—including terrorism coverage. Without TRIA, the coverage would not be available and the financing needed for acquisition, construction and improvements to properties nationwide would dramatically decrease, and in many cases end. A longer term, more permanent, program is warranted after many years of temporary action evidencing the lack of a private market solution.

We urge additional policy action to support national economic growth and prosperity regarding:

rapid regulatory implementation of the 2017 tax reform law (specifically relating to rules regarding the new Opportunity Zone program, pass through entities, and the deductibility of business interest expenses); refinement of smart energy conservation incentives such as ENERGY STAR for tenants; achievable immigration law updates; sensible credit and capital laws; modernized taxation of foreign investment in real estate and infrastructure; improved integrity and fairness in the EB-5 financing program; reform of the foreign business and tourism travel process; positive sharing of building security information through our industry information sharing partnership (RE-ISAC) with federal, state, and local protection agencies; and many other important issues.

We look forward to working with you on the ideas offered in our 2019 National Policy Agenda, as well as on other positive public policies to advance the American experience for all.

We are committed to the success of the policymaking process, and we are honored to be available to Congress, the Administration and all others wherever we can be helpful.



Roundtable President and CEO Jeffrey D. DeBoer.

Tax Policy

In 2017, Congress passed the most comprehensive and far-reaching changes to the tax code in more than a generation. Today, The Roundtable is working actively with policymakers to ensure that the Tax Cuts and Jobs Act is implemented smoothly and efficiently, in a way that reduces economic disruption and achieves Congress's reform objectives: capital formation, productive investment, and job creation.

The real estate industry is one of the leading job creators—employing more than one in every ten full-time U.S. workers—and taxes on real estate represent close to 70 percent of local tax revenues. The Tax Cuts and Jobs Act influences all aspects of real estate activity, including development, construction, ownership, and management. The positive effects of the tax changes already are evident in the economy. However, the final regulatory rules for new provisions, such as the 20 percent deduction for pass-through business income, will be critically important

to the long-term success of the tax law. Smart and well-designed Treasury rulemaking and guidance will help real estate continue to drive economic activity and create jobs.

In 2019, The Roundtable tax policy agenda includes stimulating investment in distressed areas through the effective implementation of the Opportunity Zone program; removing barriers to outside investment in U.S. real estate and infrastructure through repeal of the Foreign Investment in Real Property Tax Act (FIRPTA); and ensuring that new Treasury regulations protect key elements of tax reform, such as the deductibility of business interest for commercial real estate. In addition, The Roundtable will work with lawmakers to enact important technical corrections and with stakeholders to preserve and sustain the Supreme Court's recent *Wayfair* decision, which promotes a level economic playing field by allowing States to impose sales tax collection requirements on internet retailers.



Sen. Tim Scott (R-SC), who serves on the Senate Banking, Housing and Urban Affairs; and Finance Committees, discusses the importance of Opportunity Zones for job growth and communities across the U.S. (Photo courtesy of Gage Skidmore)

Opportunity Zones—Boosting Real Estate Investment & Economic Development in Distressed Communities

The Tax Cuts and Jobs Act includes a new tax incentive aimed at spurring economic development and job creation in distressed areas. The tax incentives allow Qualified Opportunity Funds that make long-term investments in designated zones to reduce the burden of capital gains tax for their investors. The Roundtable provided comments to the Treasury Department last June detailing ways in which the program could attract capital, stimulate job-creating investment, and fulfill its objectives. Many of the Roundtable recommendations were included in October's proposed regulations.

Opportunity Zones offer enormous potential to channel investment and spur economic growth in low-income communities. Unlike previous attempts to use tax incentives to spur private investment in distressed areas, investors do not have to compete with one another for a limited number of tax credits in a costly, centralized process. Opportunity Zones also promote the pooling of capital through Opportunity Funds. This pooling could be transformative in mobilizing capital from disparate sources to support jobs and growth. Moreover, the fund structure that underlies the program may result in a business model where local entrepreneurs with knowledge and expertise partner with outside investors, creating a new cadre of business leaders and lasting benefits for the community.

Real estate investment is an economic multiplier and a catalyst for permanent, lasting job creation. The ability of Opportunity Zones to unlock private capital for real estate investment will be a principal determinant of the program's effectiveness. Final Opportunity Zone implementing guidance should seek to maximize the flow of real estate investment, capital, and jobs into the designated communities by providing greater clarity and comfort to potential investors regarding the types of activities and investments that qualify.

Eliminating Barriers to Foreign Investment in U.S. Real Estate and Infrastructure

The Roundtable supports the Invest in America Act, legislation introduced last September by Representatives Kenny Marchant (R-TX) and Joseph Crowley (D-NY) to repeal the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA). FIRPTA subjects foreign investment in US real property to a much higher tax burden than foreign investment in any other class of assets. Congress passed important FIRPTA reforms in 2015, including an exemption



Sen. Charles E. Schumer (D-NY), who serves as Minority Leader in the Senate, discusses the importance of international tax reform, and its potential impact on the commercial real estate industry with Roundtable members.

for foreign pension funds, but more is needed. FIRPTA effectively deters billions of dollars of capital that would strengthen US real estate and infrastructure, expand the tax base, and create well-paying domestic jobs. Its repeal would expand the availability of capital, improve market liquidity, and directly create jobs in construction, finance, and real-estate related industries, in addition to supporting industries that provide goods and services.

The Roundtable is also seeking administrative relief for inbound real estate and infrastructure investment through the repeal of IRS Notice 2007-55. The Notice improperly subjects the liquidating distributions of domestically controlled REITs to FIRPTA. In 2017, 32 Members of Congress wrote to Treasury Secretary Mnuchin noting the negative effect of the Notice on real estate investment and asking that he repeal it.

Tax Reform Implementation—Treasury Regulations and Technical Corrections

Qualified Improvement Property. The Roundtable is working to advance a much-needed technical correction to the Tax Cuts and Jobs Act that would fix a drafting error that has unintentionally pushed the cost recovery

Opportunity Zones: Promoting Economic Development Through Productive Real Estate Investment

8,762

Number of designated and certified Opportunity Zones

35 Million

People in the US, including Puerto Rico, live in Opportunity Zones

75%

Of Opportunity Zones are in zip codes that experienced at least some employment growth from 2011 to 2015

50

Median age in years of housing stock in the average Opportunity Zone, more than 10 years older than the U.S. median

Source: Economic Innovation Group (November, 2018)

period for qualified improvement property (QIP) from 15 to 39 years. QIP covers a broad category of improvements to the interior of nonresidential real estate, including leasehold improvements. Congress intended to allow the immediate expensing of qualified improvements, or provide a 20-year recovery period in the case of taxpayers electing out of new limitations on the deductibility of business interest. As a result of the mistake, some businesses across the country are delaying or significantly reducing capital expenditures for building improvements, undermining job creation and economic activity.

The QIP issue could be addressed through technical corrections legislation or administrative guidance from the Treasury Department. "In 2015, Congress voted overwhelmingly to permanently extend the 15-year recovery period for certain property improvements. By passing tax reform, Congress intended to consolidate those changes. Treasury should now use its authority to provide taxpayers with relief until a technical corrections bill is enacted. Treasury guidance will remove taxpayer uncertainty, unlock investment, and spur job-creating property upgrades and renovations."

20% Pass-through Business Deduction. The Tax Cuts and Jobs Act reduced the top tax rate on corporations from 35% to 21%, but also included a new 20% pass-through deduction (section 199A) that can lower the top tax rate on qualifying pass-through business income to 29.6%. Such income was previously taxed at a top rate of 39.6%. The Roundtable has offered several suggestions to the Treasury to maximize the economic benefits of the pass-through deduction and avoid unnecessary restructuring costs or disruptions to business activity. For example, final section 199A regulations should allow real estate owners to aggregate properties and entities when calculating their deduction, and should not penalize taxpayers for participating in a like-kind exchange transaction. The Roundtable is committed to ensuring that the new tax law treats all types of business, including real estate, fairly and equitably.

Limitation on the Deductibility of Business Interest.

Tax reform also included rules that allow real estate businesses to continue fully deducting interest related to business debt. The exception for interest allocable to a real property trade or business reflects policymakers'

understanding that limits on the deduction for interest expense could have severe negative consequences for property values, real estate markets, and economic growth. Final Treasury regulations should clarify that interest (other than investment interest) on debt that is allocable to an owner of an entity engaged in a real property trade or business is exempt from the new business interest limitation rule—if that trade or business has elected out of the rule.

As Treasury and Congress continue to focus on implementation and corrections to the new tax law, The Roundtable and TPAC will continue to play an active role in seeking appropriate clarifications affecting the most significant changes to the tax code.

Working with Policymakers to Implement *Wayfair*

Last June, the Supreme Court ruled in *South Dakota v. Wayfair* to expand states' authority to collect sales and use taxes on internet consumer purchases from retailers who do not have a physical presence in the state. The Roundtable submitted amici briefs in support of South Dakota at various stages of the litigation. The *Wayfair* decision will enable states to collect much-needed revenue to provide public services and invest in local infrastructure projects. The decision marks a monumental step forward in the effort to create a level playing field between internet retailers and Main Street stores.

In September, The Roundtable and seven other national

trade organizations wrote to congressional leaders to oppose legislation that would reverse or limit the Supreme Court's decision. The proposed legislation would have barred states from collecting taxes from out-of-state internet vendors until 2019. It would have prohibited states from requiring remote sellers with less than \$10 million in national annual sales to collect and remit sales and use taxes, pending a "simplification compact" that Congress would have to approve. Legislation hastily enacted post-ruling could create unnecessary uncertainty and complicate states' implementation of *Wayfair*.

The Roundtable supports a level playing field between online and brick-and-mortar sellers that reflects the changing dynamics of today's omnichannel marketplace. We remain committed to working with Congress on any problems that may arise from state implementation of remote internet sales tax collection allowed by *Wayfair*.

Tax Policy in a Divided Congress

The tax policy landscape will change dramatically in 2019 as control of the House of Representatives shifts to Congressional Democrats. The new Majority in the House will seek to leave its own imprint on tax and economic policy. As Congress reexamines recent legislation, including the Tax Cuts and Jobs Act, The Roundtable will continue to work with lawmakers to raise awareness of how elements of the tax law encourage capital formation, reflect the economics of real estate assets and entities, and contribute to strong property values and well-served, livable communities.

Capital & Credit

The US economic expansion is now in its ninth year, the second-longest on record, and unemployment is the lowest it has been since 1969. The Trump administration hopes the economy will accelerate further, aided by sizable tax cuts and increased government spending. The administration's economic team continues to pursue an ambitious agenda of legislative and final regulatory measures that will help grow the economy.

Continued economic growth, job creation, and a sustainable real estate sector all require reliable credit capacity, capital formation, and liquid markets. They are the prerequisites of a healthy economy. Commercial and multifamily real estate make a significant contribution to the nation's GDP, employing nearly 10 million people and producing approximately 70% of tax revenue for state and local governments for essential public services. Without adequate credit capacity for this key sector, jobs and tax revenue will be lost.

The Roundtable remains committed to supporting pro-growth measures to encourage stable credit capacity, liquidity, and capital formation, and to minimizing regulatory overreach.

Reforming the HVCRE Rule

President Trump signed the bipartisan Economic Growth, Regulatory Relief, and Consumer Protection Act (S.2155) into law on May 24, 2018. This measure will help "right-size" regulations on regional banks and relax restrictions on parts of the banking industry, representing the most significant changes to Dodd-Frank since its enactment in 2010.

Sec. 214 of the law includes the Clarifying Commercial Real Estate Loans language from the House-passed H.R.

2148 and S.2405, clarifying the treatment of High Volatility Commercial Real Estate (HVCRE) and High Volatility Acquisition, Development, or Construction (HVADC) loans.

Following the enactment of the law in May of last year, federal regulatory agencies were tasked with developing a rule to clarify the treatment of High Volatility Commercial Real Estate acquisition, development, or construction (HVCRE ADC) loans in accordance with the new statute. The proposal by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation also asks for comment on certain terms contained in the revised definition of high-volatility commercial real estate.

The Roundtable's HVCRE Working Group and industry coalition partners have played a key role in advancing these reforms to the HVCRE Rule, and submitted a comment letter in November to the three agencies detailing its support for the current proposal. The measure is expected to provide as much as \$120 billion in additional lending capacity.

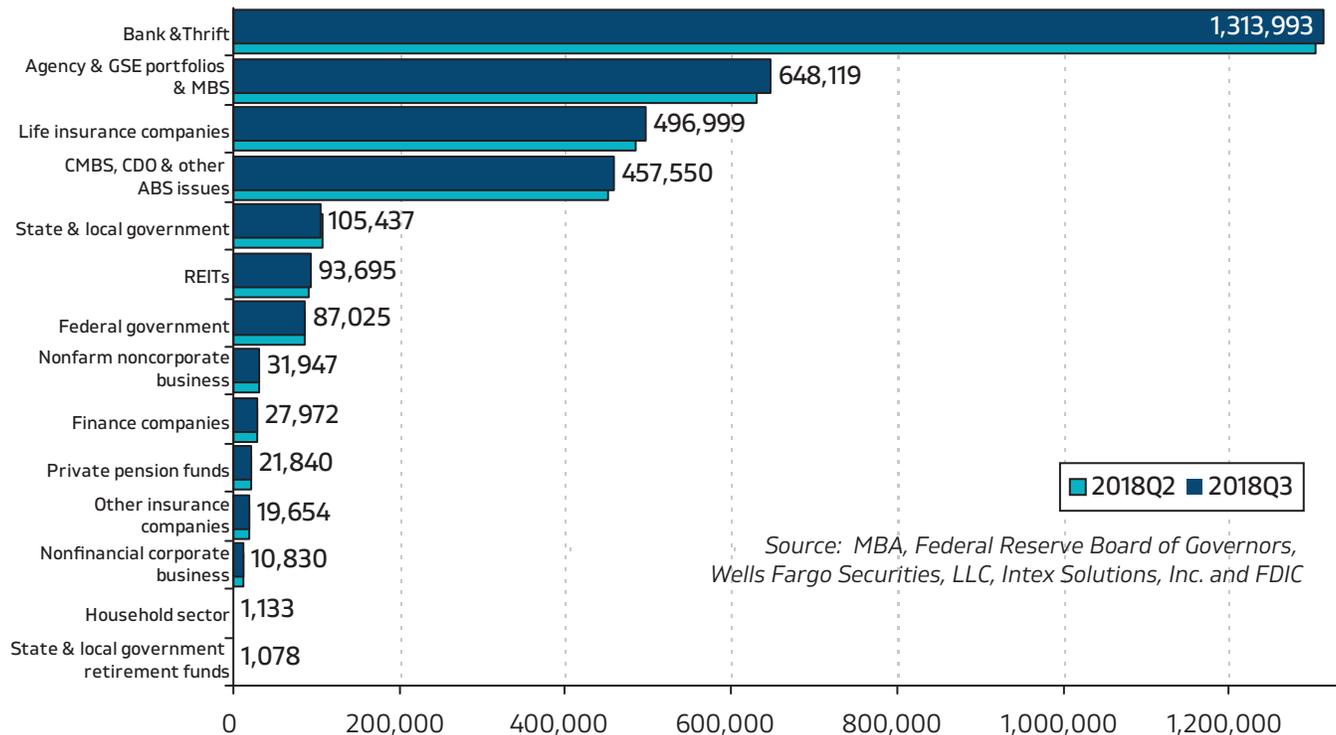
Reforming the Government-Sponsored Enterprises (GSEs)

The housing market remains vital to the American economy. It requires a sound and reliable finance system to provide Americans with the credit they need, while protecting taxpayers. However, ten years after Fannie Mae and Freddie Mac were put into conservatorship, the US housing finance system has still not been reformed.

Successful reform should meet the housing finance needs of the American economy while protecting the taxpayer. The Roundtable encourages lawmakers to build upon successful risk-sharing mechanisms and products by

Commercial and Multifamily Mortgage Debt Outstanding

Total Commercial and Multifamily Mortgage Debt Outstanding, by Sector (\$ millions)



employing the existing multifamily finance structures that Fannie Mae and Freddie Mac use.

Improving and Reauthorizing the National Flood Insurance Program (NFIP) For The Long-Term

Floods are the most common and most destructive natural disasters in the US, and there is limited private market capacity to manage their risk. The Roundtable and its partner associations support a long-term reauthorization of, and improvements to, NFIP that would expand private markets.

The NFIP has been given a number of temporary extensions. The House passed a reform bill in 2017, but the Senate has yet to act on a reauthorization bill.

Reauthorization of the NFIP is important for residential

markets, overall natural catastrophe insurance market capacity, and the broader economy. However, under the NFIP, commercial property flood insurance limits are low--\$500,000 per building and \$500,000 for its contents.

Lenders typically require this base NFIP coverage, and commercial owners must purchase Supplemental Excess Flood Insurance for coverage above the NFIP limits. The NFIP's low commercial limits make it problematic for most commercial owners. The Roundtable has been seeking a voluntary exemption from mandatory NFIP coverage if property owners have flood coverage from commercial insurers.

The Roundtable supports a long-term reauthorization of and improvements to the NFIP that would expand private markets, and the exemption of large commercial loans from mandatory NFIP purchase requirements.



(L-R) Rep. Gregory Meeks (D-NY), Rep. John Larson (D-CT), and Roundtable President and CEO Jeffrey DeBoer discuss the importance for a long-term approach for a federal terrorism risk insurance program.

Developing a Long-Term Approach to Terrorism Risk Insurance

Terrorism continues to pose a clear and present danger to our nation and to the American economy. Originally enacted in 2002 in response to the failure of insurance markets to offer terrorism risk coverage to commercial policyholders, the Terrorism Risk Insurance Act (TRIA) was extended in 2005, 2007, and again in 2015.

TRIA is essential for commercial real estate as lenders require “all risk” insurance coverage—including terrorism coverage—to cover the risk of loss to the collateral. At virtually no cost to the taxpayer, TRIA has allowed our economy to move forward even in the face of terrorist threats.

Working with the Treasury’s Federal Insurance Office (FIO), the TRIA Advisory Committee on Risk-Sharing Mechanisms (ACRSM), the insurance industry, and Congressional policymakers, The Roundtable is focused on developing an effective, long-term approach for a federal terrorism risk insurance program. Such a long-term program should enable policyholders to secure the terrorism risk coverage they need without facing periodic renewals by the federal government.

Supporting and Shaping LIBOR Reform

The Roundtable is actively involved in supporting and shaping reform of the London Inter-Bank Offered Rate (LIBOR), which is set to expire at the end of 2021.

LIBOR is a key reference rate for commercial real estate and the broader economy, underlying approximately \$373 trillion worth of cash and derivative contracts globally. Its credibility was undermined a decade ago by a rate-manipulation scandal which damaged the public’s trust in LIBOR, financial markets, and institutions.

The Federal Reserve Bank of New York last April began publishing an alternative U.S. benchmark to work alongside LIBOR: The Secured Overnight Financing Rate (SOFR). SOFR is seen as more reliable than LIBOR, since it is based on interest rates in the U.S. market for repurchase agreements instead of LIBOR’s estimated quotes by bankers in the relatively thin interbank loan market.

The Roundtable’s Real Estate Capital Policy Advisory Committee (RECPAC) has formed a LIBOR working group to work toward the development and implementation of an effective, new replacement benchmark that does not impair liquidity, needlessly increase borrowing costs, or cause market disruptions. We are also working to minimize the need to make modifications to existing loan documents.

Guiding CFIUS Reform

President Trump signed the Foreign Investment Risk Review Modernization Act (FIRRMA) into law on August 13th. FIRRMA reforms and modernizes the Committee on Foreign Investment in the United States (CFIUS) review process, and represents the first update to the CFIUS statute in more than a decade. CFIUS is a US interagency committee that conducts national security reviews of foreign investment.

FIRMA expands the review authority of CFIUS to review national security implications of transactions that could result in control of a US business by a foreign person and to block transactions or impose measures to mitigate any threats to US security.

The Roundtable, working with other industry groups, worked to ensure that the legislation included language exempting real estate located in an “urbanized area” from the criteria of a covered transaction.

New Beneficial Ownership Rule Affects Real Estate Transactions

A new rule from the Financial Crimes Enforcement Network (FinCEN)—“Customer Due Diligence Requirements for Financial Institutions” (the CDD Rule)—was enacted in May. The rule amends Bank Secrecy Act regulations to improve financial transparency and prevent criminals and terrorists from misusing companies to disguise their illicit activities and launder their ill-gotten gains. The rule’s intent is to assist authorities in counteracting money laundering, tax evasion, and other financial crimes.

Reforming the EB- 5 Foreign Investment Program

Partnering with the U.S. Chamber of Commerce, the EB-5 Investment Coalition, and other groups, The Roundtable continues to urge responsible reforms to the EB-5

program to attract direct foreign investment into the United States. Consistent with our goals of promoting economic growth and capital formation, we support EB-5 reforms that deter investor fraud, safeguard national security, and promote both urban and rural development. Congress should extend EB-5 for at least five years, to maximize the program’s job-creation potential and end the current cycle of short-term “patches” that create uncertainty for businesses and investors. EB-5 reform should also be a vehicle to promote important policies that encourage greater investments in Opportunity Zones; leverage successful federal infrastructure finance programs; and support apprenticeship programs to train a competitive, modern American workforce.



Sen. Mike Crapo (R-ID) serves as Chairman of the Senate Committee on Banking, Housing, and Urban Affairs.

Energy

Responsible economic growth depends on the efficient use of energy and other resources. Real estate policy should promote energy efficiency not only to achieve better building performance, but to spur innovation, create construction jobs that cannot be exported, and enhance the country's energy security through a more resilient building stock.

Guiding a Review of EPA's ENERGY STAR Scoring Models

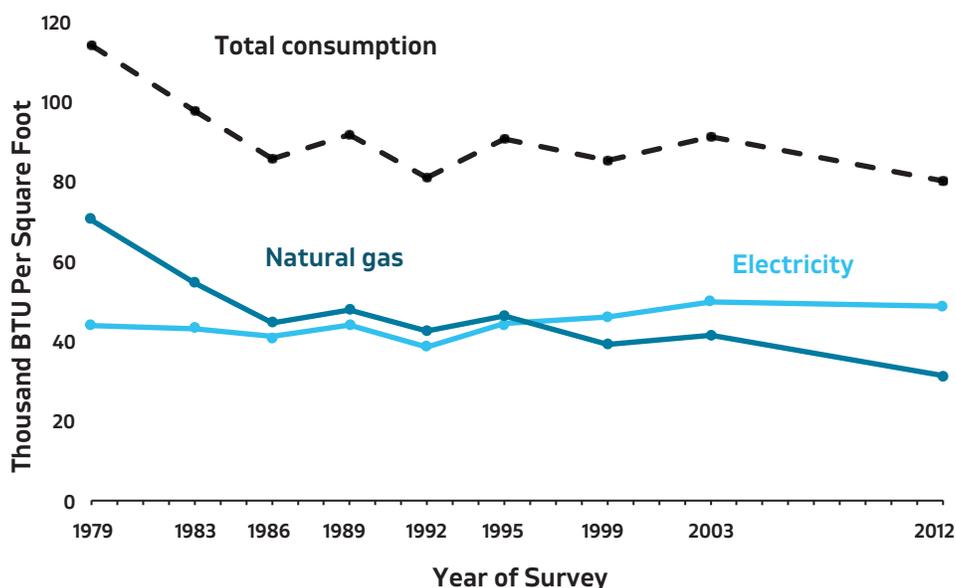
ENERGY STAR is the U.S. Environmental Protection Agency's brand to recognize building energy efficiency. A high ENERGY STAR score signals a well-managed asset with a reduced carbon footprint. Pensions, sovereign wealth funds, and other institutional investors commonly rely on—and place value in—EPA's label. Business tenants also prefer EPA-certified buildings for their lower utility expenses and to better attract a Millennial workforce.

Nearly 35,000 properties representing more than 5 billion square feet of commercial space have earned EPA's ENERGY STAR. EPA estimates that 44 billion square feet of floor space—about half of U.S. commercial real estate—use "Portfolio Manager," ENERGY STAR's online tool to measure energy, water, and waste consumption.

The pervasive reach of ENERGY STAR compels a rating system that is transparent, fair, and accurate. Last August, the EPA updated the data and equations it uses for ENERGY STAR ratings. The re-vamped scoring models produced inconsistent outcomes based on variables beyond the control of a building owner who wants to invest in enhanced energy efficiency. For example, both the size of an existing building, as well as its geographic location affect the EPA's ratings.

As a result of these limitations in the EPA's revised methodology, the agency has temporarily suspended new ENERGY STAR certifications and is reconsidering

Commercial Building Energy Use Has Decreased Since the Late 1970s Oil Crisis



Source: *EI A Commercial Buildings Energy Consumption Survey*

its scoring methods. The Roundtable will encourage adjustments to ENERGY STAR methods so that properties are scored fairly regardless of size, fuel mix, or the number of days that heating is necessary for occupants' comfort.

Improving Critical National Data on Building Energy Efficiency

The U.S. Energy Information Administration – the Energy Department’s data-gathering arm – periodically conducts the only nationwide survey that collects energy data from commercial buildings. Known as CBECS, the Commercial Building Energy Consumption Survey provides the critical data EPA uses to generate ENERGY STAR scores.

CBECS reports an important trend in U.S. commercial real estate: growth in building size is outpacing absolute numbers of buildings. Although there are relatively few very large buildings in the U.S., they account for more than one-third of total commercial building floorspace.

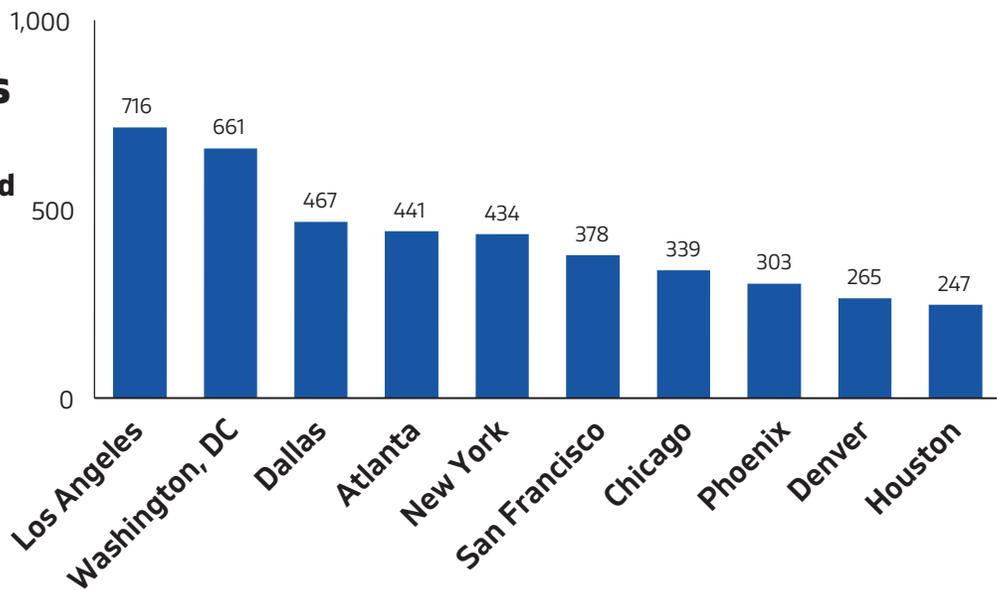
Despite the increasing prevalence of large buildings that dominate major gateway markets, virtually no buildings



Roundtable Chair Debra A. Cafaro (Chairman and CEO, Ventas, Inc.) and Sen. Debbie Stabenow (D-MI), who is a member of the Senate Energy and Natural Resources Committee.

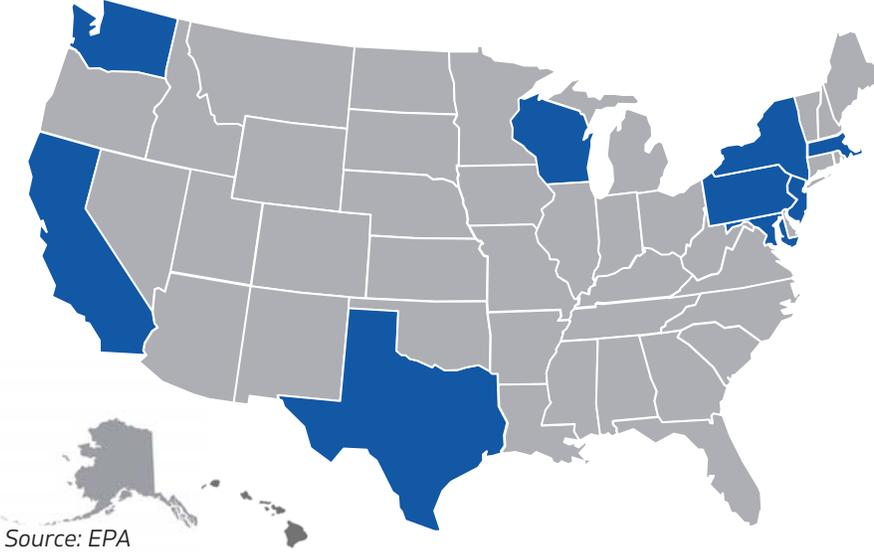
500,000 square feet or larger were included in the last CBECS effort from 2012. Going forward, the EIA must plug this conspicuous gap in its data collection. When the federal government asks U.S. building owners to complete the next CBECS survey in 2019, it must reach many more buildings at least 500,000 square feet in size and obtain their actual energy consumption data.

2018 ENERGY STAR Top Cities Cities With The Most ENERGY STAR-Certified Buildings



Source: EPA

Top States For Green Power Usage



	# of GPP Partner	Total GP Usage (kWh)
CA	203	11.2 B
WA	51	5.8 B
NY	107	3.6 B
TX	429	3.6 B
DC	66	3.5 B
WI	62	2 B
NJ	30	2 B
PA	64	2 B
MA	48	1.3 B
MD	75	1 B

Source: EPA

Supporting the “ENERGY STAR for Tenants” Program

The EPA announced the inaugural recipients of its ENERGY STAR for Tenants award last June. The program, originally envisioned by The Roundtable’s Sustainability

Policy Advisory Committee, is the first-ever federal label for high-performance leased spaces.

This new award motivates commercial tenants and landlords to demonstrate their commitment to energy efficiency in leased commercial building space. Tenant engagement and recognition programs such as these should be prioritized by EPA and other government agencies. They are as important in reducing building energy use and minimizing carbon output as more traditional whole-building recognition programs.



Sen. Rob Portman (R-OH) is a long-time sponsor of building energy efficiency legislation, including “Tenant Star.”

Seeking a Meaningful Tax Incentive for High Efficiency Building Improvements

Since 2005, the federal tax code has included the section 179D deduction intended to encourage private sector “retrofits” that lower energy consumption and reduce buildings’ carbon footprints. But the requirements to qualify for 179D have proven too complicated for existing building renovation projects.

Congress should take a fresh look to incentivize building energy efficiency through the tax code. Provisions in the Tax Cut and Jobs Act that passed in 2017 are designed to stimulate building investments by allowing immediate expensing of the costs of certain capital improvements. However, these “cost recovery” rules were not drafted with the goal of energy efficiency in mind. In many cases, the new expensing rules have the unintended impact of raising the after-tax cost of investing in certain kinds of HVAC, windows, lighting and other high performance improvements.

Such building investments should be encouraged – not penalized – for the benefits they can bring to spur job growth, enhance energy independence, and reduce carbon emissions. The Roundtable encourages lawmakers to consider appropriate depreciation periods for energy efficient systems and equipment in light of the TCJA’s new framework to expense building improvements.

Smart Sectors

The Roundtable is pleased to continue its partnership with EPA through its “Smart Sectors” program, which the agency launched in 2017 to achieve positive environmental

outcomes that help grow the economy and create jobs.

Through Smart Sectors, The Roundtable will continue to advocate for responsible environmental regulation on matters such as renovation and repair of commercial buildings to address potential lead-based paint hazards, and the stormwater runoff and wetlands permitting programs under the federal Clean Water Act.



Sen. Amy Klobuchar (D-MN) serves on the Senate Democratic Steering and Outreach Committee. This Committee brings together senators, businesses, community leaders, policy experts and intergovernmental organizations to help develop policies to strengthen the economy.

Homeland Security

As a critical element of the nation’s infrastructure, real estate continues to face a range of threats from natural catastrophes, international and domestic terrorism, criminal activity, cyberattacks and border security. Strengthening the security and resilience of the commercial facilities sector remains a top Roundtable priority, and is an important aspect of managing any facility where people live, work, shop, and play.

Sharing Information to Strengthen the Commercial Facilities Sector

Protecting the country from complex and evolving threats requires a strong homeland security enterprise that shares information across organizational boundaries. The Roundtable has spent nearly two decades building trusted relationships between government and industry to improve our security and responsiveness together.



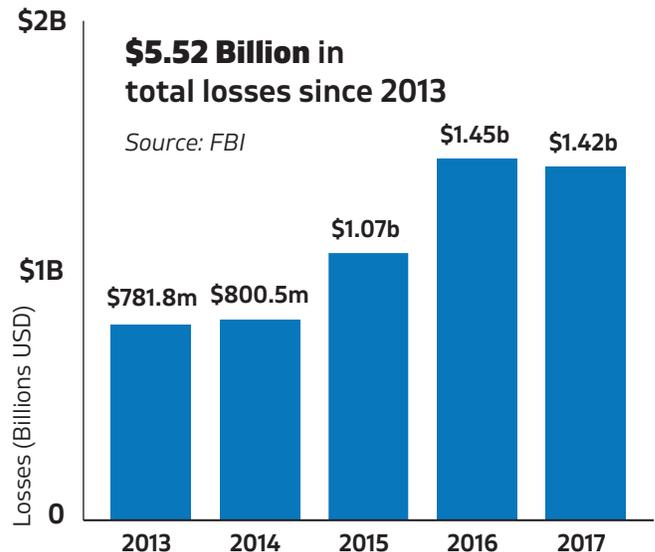
Sen. Lindsay Graham (R-SC) is the Chairman of the Senate Judiciary Committee, and also serves on the Foreign Relations, Appropriations, and Budget Committees.

The Homeland Security Task Force

The Roundtable’s Homeland Security Task Force (HSTF) works with government officials and private sector partners to detect, protect, and respond to a multiplicity of key threats. The HSTF focuses on enhancing the commercial facilities sector’s ability to meet its current and future security-related challenges by analyzing threats, sharing information, and fostering resilience through a broad threat matrix of physical and cyber risks.

The HSTF continues to meet regularly and coordinate briefings with the Office of the Director of National Intelligence (ODNI), the Federal Bureau of Investigation (FBI), the Joint Terrorism Task Force (JTTF), the Department of Homeland Security (DHS), and other agencies to discuss potential threats to the sector and enhance risk management and mitigation. Special sessions of the HSTF and Risk Management Working Group (RMWG) have been held recently in the FBI’s New York City office and Washington, DC headquarters to

Losses From Internet Crime



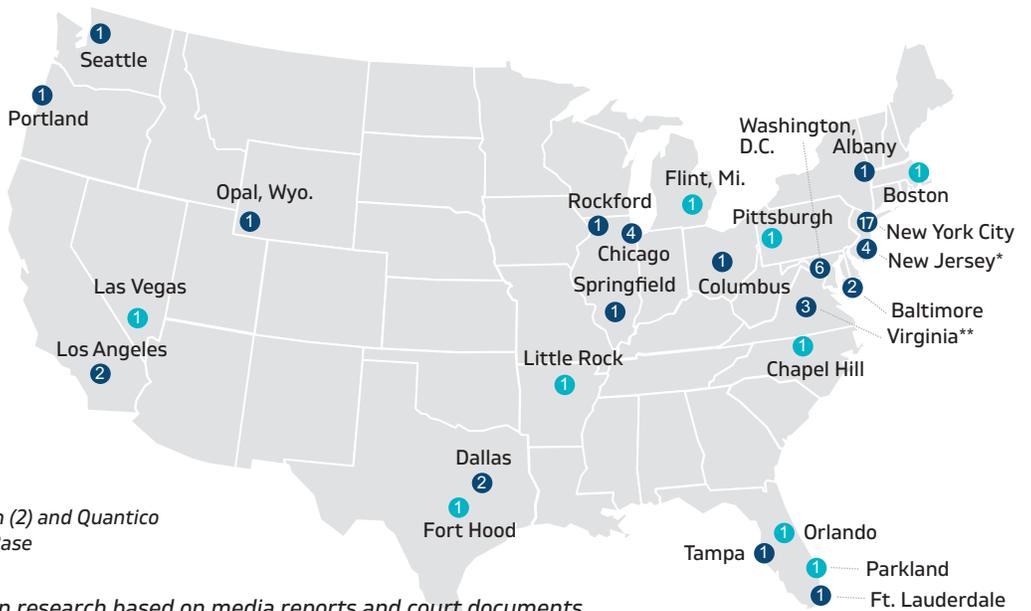
Terrorists Have Targeted Locations Across the U.S.

This map locates over 50 specific sites targeted for terror attacks since September 11, 2001. More than 10 additional plots with no clear target were also foiled.

Number of Terror Plots

1 Foiled 1 Successful

*Newark, Perth Amboy, and Trenton **The Pentagon (2) and Quantico Marine Corps Base



Source: FBI & Heritage Foundation research based on media reports and court documents.

discuss the threat landscape and real estate industry concerns.

The HSTF also oversees the work of the Real Estate Information Sharing and Analysis Center (RE-ISAC), a public-private partnership between the US commercial facilities sector and federal homeland security officials that The Roundtable started in 2003.

The Real Estate Information Sharing and Analysis Center (RE-ISAC)

The RE-ISAC serves as the primary conduit of terrorism, cyber and natural hazard warning and response information between the government and the commercial facilities sector. The RE-ISAC proactively manages risk and strengthens the security and resilience of the US commercial facilities sector to aid protection and prevention.

The RE-ISAC operates in full compliance with Presidential Policy Directive 21, "Critical Infrastructure Security and Resilience" (February 12, 2013), which mandates that the public and private sectors share information about physical and cybersecurity threats and vulnerabilities to help protect US critical infrastructure. The RE-ISAC

includes the entire commercial facilities sector critical infrastructure (CI) component of the US economy.

RE-ISAC members include the principal owners, investors, and managers of commercial facilities in the US.

The RE-ISAC is part of the National Council of ISACs, whose mission is to advance the physical and cyber security of the critical infrastructures of North America by establishing and maintaining a framework for valuable interaction between and among the ISACs and with government.

Through a Cooperative Research and Development Agreement with DHS's National Protection and Programs Directorate, the RE-ISAC team maintains an on-site presence within the National Cybersecurity and Communications Integration Center (NCCIC) to conduct joint analytical activities and coordinate cybersecurity analysis and collaborative activities.

Through its information sharing network, the RE-ISAC engages in operational efforts to coordinate activities supporting the detection, prevention, and mitigation of a full range of physical, data, and cyber threats to the nation's critical infrastructure.

Infrastructure

Infrastructure could be a key area of compromise between President Trump and Congressional Democrats in 2019. A holistic infrastructure re-building effort will create American jobs and boost GDP, amplifying the pro-growth impacts from 2017's Tax Cuts and Jobs Act. Every \$1 billion spent on infrastructure creates an estimated 13,000 jobs.

The quality of infrastructure systems—including transportation, utilities, and telecommunications—has been cited as the most important factor influencing real estate decisions around the world. The productivity of our cities, towns and workforce depend on systems that safely and reliably transport people, supply power, and share information across the built environment.

In January 2018, The Roundtable wrote to President Trump, urging action on infrastructure legislation and outlining several priorities:

- ✓ **“Pay at the Pump”:** Responsibly increase the “pay at the pump” federal gas user fee that funds most US infrastructure and index it to inflation going forward.

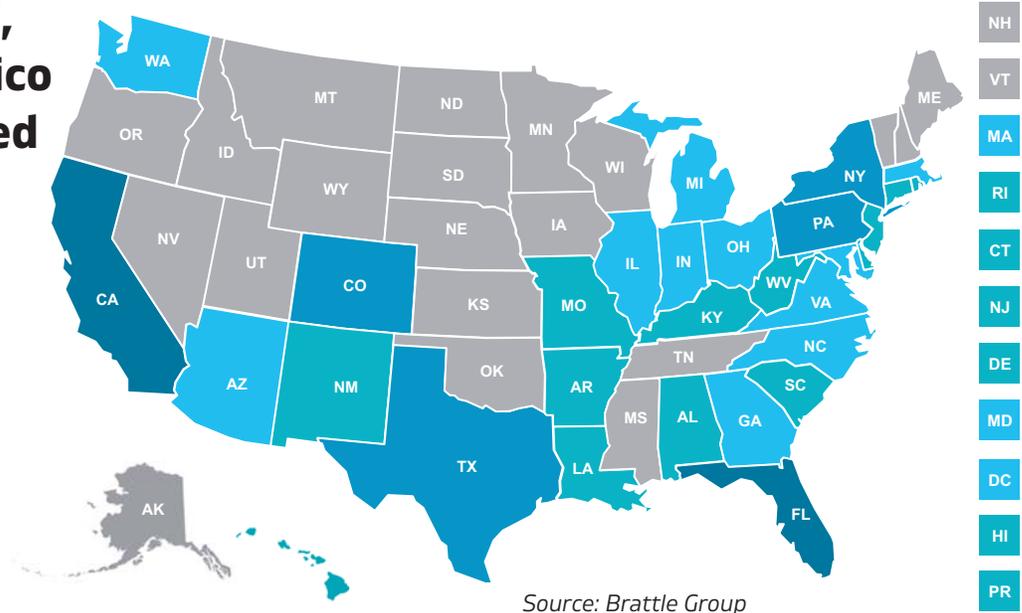
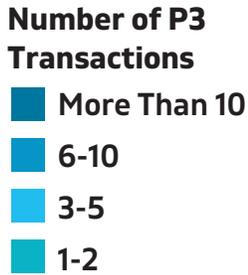
- ✓ **Public-Private Partnerships:** Support P3s so public funds can leverage private debt and equity.
- ✓ **Attracting Foreign Capital:** Optimize policies to bring foreign investment capital into the US to pay for infrastructure – such as through repeal of FIRPTA and EB-5 investor fees.
- ✓ **Fair Tax Policy:** “Marketplace fairness” for states to collect sales taxes on internet purchases, with revenues to support infrastructure finance.
- ✓ **Streamlined Permitting:** Remove redundancies in the approval process for infrastructure projects and require better coordination among permitting agencies.
- ✓ **Leverage “Value Capture” Strategies:** Couple revenue collected from state and local tax increment finance (TIF) districts and special assessment districts (SAD), with federal loan programs to generate more capital for infrastructure development.

Autonomous Vehicles: Less Need for Parking, Increased Value of Office Space

<p>\$3,914,957 Additional yearly office revenue</p>	<p>40% Reduction in required parking</p>	<p>\$66,155,520 Present value of additional office space</p>
<p>90,624 Additional office space from parking reduction, sq. feet</p>	<p>2% Office rent annual growth rate</p>	

Source: Henderson, J., & Spencer, J. (2016). *Autonomous vehicles and commercial real estate*. *Cornell Real Estate Review*, 14(1), 44-55.

30 States, DC, and Puerto Rico Have Launched At Least 1 P3 Since 2015



Source: Brattle Group

Shoring Up the Highway Trust Fund

Congress should sustain the Highway Trust Fund, the main federal funding source for roads and mass transit, with a reasonable and responsible increase to the pay-at-the-pump gas “user fee.” The fee has not been raised since the 1990s even while inflation and improvements in fuel efficiency diminish the fund’s purchasing power. It is time for Congress and the Administration to focus efforts on a serious commitment to raise the per-gallon federal fee on gas and diesel.

Moving forward, the fee should be indexed to inflation.

Supporting Public-Private Partnership (P3) Financing

Taxpayers alone cannot foot the entire bill to address the nation’s evolving infrastructure needs.

A less car-dependent workforce – with mounting use of ride-sharing applications and burgeoning interest in driverless vehicle technologies – will drive demands for varying transportation options and transit-oriented real estate developments. The traditional paradigm of formula grants to fund more roads is falling short. The nation’s changing demographics now demand innovative



The safe integration of automated vehicle technology into our transportation system will increase productivity, facilitate freight movement and create new types of jobs.

- Secretary of Transportation Elaine L. Chao



Sen. Mitch McConnell (R-KY) who serves as Senate Majority Leader, addresses concerns for barriers to U.S. economic growth and competitiveness, such as excessive regulation, and federal debt.

finance strategies to develop projects that will sustain our infrastructure into the future.

Congress and the Administration should thus encourage public-private partnerships (P3s) to help fund appropriate projects. P3 programs leverage government dollars with private debt and equity to help maintain and build new infrastructure.

Federal credit support programs like TIFIA (roads, transit), RRIF (railroads) and WIFIA (water systems)—designed to fill market gaps by encouraging greater private co-investment in public infrastructure—should be authorized, improved and expanded by Congress.

Real estate frequently boasts a mass transit “premium” of higher values where it is located in transportation

corridors. Increased property values can generate greater sources of state and local taxes to help finance nearby infrastructure. Federal finance programs should leverage such “value capture” strategies to combine revenue sources from all levels of government.

Streamlining the Project Permitting and Approval Process

Policymakers should ease regulatory burdens for projects of the same size and scope in the same location as existing infrastructure. For example, if a bridge or road is proposed in the same place as a crumbling one in disrepair, and adds no or minimal traffic, regulatory approvals to obtain federal dollars should be streamlined. Likewise, if lead-tainted water pipes need to be replaced and safe ones will be located in the same spot, public-private partners should be able to swiftly cut through the red tape and bring the project to fruition.



(L-R) Roundtable Chairman Emeritus Christopher Nassetta, (President & CEO, Hilton Worldwide) and Rep. Nancy Pelosi (D-CA), who was elected by her peers to serve as Speaker of the House in the 116th Congress. She was previously House Minority Leader from 2011-2018.

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