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 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.

The Roundtable’s membership represents nearly 3 million people working in real estate; about 12 billion square feet of office and industrial space; over 2 million apartments; and nearly 3 million hotels rooms. The collective value of assets held by Roundtable members is approximately $3 trillion.
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Who We Are

![Asset Managers](image1)

3%

![Financial Services](image2)

20%

- 58% Banks (commercial & investment)
- 26% Insurers
- 16% Mortgage Bankers

![Real Estate Trade Organizations](image3)

10%

- American Hotel & Lodging Association (AHLA)
- American Resort Development Association (ARDA)
- Association of Foreign Investors in Real Estate (AFIRE)
- Building Owners and Managers Association Int'l (BOMA)
- CCIM Institute (CCIM)
- CRE Finance Council (CREFC)
- CREW Network (CREW)
- International Council of Shopping Centers (ICSC)
- Mortgage Bankers Association (MBA)
- NAIOP, the Commercial Real Estate Development Association (NAIOP)
- National Apartment Association (NAA)
- National Association of Home Builders (NAHB)
- National Association of Real Estate Investment Managers (NAREIM)
- Nareit (NAREIT)
- National Association of Realtors® (NAR)
- National Multifamily Housing Council (NMHC)
- Pension Real Estate Association (PREA)
- Urban Land Institute (ULI)

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Real Estate is the Foundation for a Strong Economy

We begin a new decade on a strong foundation for continued national economic growth. Our country’s real estate sector remains fundamentally sound: supply and demand are in relative balance, debt and equity capital markets are favorable, average asset debt-to-equity is historically low and manageable, consumer and business confidence are strong, unemployment is low, wages are rising, and energy prices have been relatively stable. The consistency of these core metrics – and the federal policies on which they depend – have created a stable commercial real estate industry that can in turn support state and local budgets, provide housing, react to the evolving needs of large and small businesses, and build both jobs and retirement savings for millions of Americans.

A strong, healthy real estate market is a key component of a growing US economy.

Again this year our national public policy goals will be focused on maintaining and improving policy through fact based analysis that will allow our industry to respond to evolving consumer expectations and technological advances, business needs and social policy goals, while anticipating the many challenges that will confront our sector and our economy. We know what some of those challenges are – housing affordability and availability, labor shortages, changes in climate and transportation, advances in technology and robotics. But this decade, like those before it, will present new kinds of risks and opportunities for our industry, each demanding policies that allow our industry to respond to the changing environment around us. We are honored to support policy makers in Congress and the Administration in their important work on these and many other issues. Toward this end, we pledge the support, collaboration and collective “on the ground” experience of Roundtable members so that, together, we can continue to build communities in which generations of American will live, work, shop, receive healthcare and vacation.

Strengthening Housing Options and Infrastructure for all Americans

Increasingly, for a variety of reasons, moderate-income and millennial families, individuals, as well as our quickly-growing senior and assisted-living populations, struggle to rent and own long-term housing. The Roundtable remains focused on legislative and regulatory action that will increase the availability of housing, like a more robust low-income housing tax credit program from Congress and a plan to reasonably reform Fannie Mae and Freddie Mac.

Moreover, federal policies could adopt more of a “Yes In My Backyard” approach to housing development. Federal grants could put a premium on local commitments to high-density zoning, the expansion of by-right multifamily zones, transit-oriented growth and affordable housing. Rent control should be rejected as it fails to actually address underlying market shortages, discourages new housing construction and the necessary repair of existing housing and creates shortages of quality housing alternatives. Alternative solutions to housing shortages, like increased use of manufactured housing or the authorization of under-utilized federal properties for development, more effectively strengthen housing options without further widening existing gaps in quality.

Lawmakers and regulators could also encourage and catalyze necessary infrastructure projects through policies that incentivize responsible development. Real estate development both requires and improves surrounding infrastructure, creating a virtuous cycle of long-term stability for services like transportation,
Building our Nation’s Real Estate Resiliency and Energy Efficiency

The Roundtable remains committed to strengthening national real estate assets against future threats, be they from climate or other natural events, changes in the economy, or the growing needs of our local communities. Builders and owners want to invest in properties that are resilient to these threats so that commerce can continue with minimal disruption, but they cannot do so without reasonable protection. They rely on federal policy that helps reduce the vulnerability of buildings to natural events so that managers can focus on environmental performance, economic development, and quality of life for our communities.

Our response to climate change will also require policies that allow us to modernize our energy infrastructure and reduce both cost and emissions. We support investments in “smart grid” and “microgrid” technologies, as well as EPA’s “ENERGY STAR for Tenants” program and the Energy Savings and Industrial Competitiveness (ESIC) Act, which would improve data to inform energy code revisions and standards to assess energy-efficiency investments in buildings, especially for small businesses. Accelerated tax depreciation for investments in high-performance HVAC equipment, energy-saving windows and other building equipment will also improve energy efficiency nationwide.

Supporting Economic Growth With Appropriate Liquidity and Sound Taxation

Our industry supports policies that facilitate the operation of stable, liquid and predictable mortgage and other capital markets. Real estate assets depend on predictability and long-term policy commitments like Congress’s recent seven-year reauthorization of the Terrorism Risk Insurance Act (TRIA), which will facilitate continued investment in buildings of all type and size across the nation. Policies must also be flexible and adaptable, like the new rules governing lenders and borrowers as the global financial markets shift away from LIBOR, a decades-old benchmark interest rate.

Equally essential to our economy are tax rules that reflect the economic realities of real estate transactions and encourage the kinds of long-term capital investments necessary to meet the needs of a growing economy. Capital investment incentives must remain, but they must be balanced with market realities to ensure that investments are not overly stimulated or penalized. Likewise, the new tax treatment for partnerships, REITs and other “pass-through” businesses that Congress recently enacted are positive for capital formation and long-term investment. These and other capital-related policies are drawn from essential economic principles that have propelled our country’s financial health for generations and undergird so much of our nation’s economic strength and durability.

We look forward to supporting you and your colleagues this year as you help advance the American experience through positive public policy, strengthening the real estate industry in all its variations and the US economy.
Tax Policy

In 2020, The Roundtable will continue to work closely with policymakers to preserve and strengthen tax rules that support the rational taxation of real estate assets based on sound economic principles.

As we share insight based on the experiences of our diverse membership, certain overarching principles will guide The Roundtable’s tax policy agenda. First, the tax code should encourage capital formation (from domestic and foreign sources) and appropriate risk-taking, while also providing stable, predictable, and permanent rules conducive to long-term investment. Second, tax rules should closely reflect the economics of underlying transactions – avoiding both excessive marketplace incentives and disincentives that can distort the flow of capital investment. Third, in limited and narrow situations (e.g., low-income housing), tax incentives are needed to address market failures and encourage capital to flow toward socially desirable projects. Lastly, tax changes should always be accompanied by a well-designed transition regime that minimizes dislocation in real estate markets.

Among the tax policies that are front-and-center today and most important to the continued strength of real estate markets and our national economy are: capital gains incentives, the cost recovery of real estate assets, the fair treatment of pass-through businesses, and the promotion of affordable housing and economic development. In these areas and others, The Roundtable will seek to advance tax policies that support sustainable economic growth, job creation, and healthy, livable communities.

Capital Formation

Promoting Investment and Growth through Tax Rules that Support Capital Formation

From cost recovery rules to the taxation of capital gain or the treatment of losses, tax policies decided in Washington heavily affect the cost of capital for businesses and investors. Favorable tax rules for capital formation promote productive economic growth and job creation. For example, a low tax rate on capital income reduces the cost of capital; drives patient, long-term investment; and encourages productive entrepreneurial activity. Unfortunately, in recent years, the tax burden on capital has increased relative to the tax burden on corporate income and ordinary wages (see table on pg. 8). Legislation that would discourage capital formation further by raising the tax rate on capital gain is misguided. Similarly, policymakers should reject well-intentioned but detrimental proposals to reverse longstanding tax principles, such as the axiom that capital gain is deferred until an asset is actually sold.
On the contrary, policymakers should take additional steps to encourage and reward productive investment through tax policies, such as Opportunity Zones, that mobilize long-term investment and support job growth and economic development.

**Capital Gain, Inflation, and Mark-to-Market Proposals**

A low tax burden on capital can help attract investment from around the world, increase the productivity of the American workforce, and improve U.S. competitiveness. In the case of real estate investment, a reduced tax rate on capital gain can partially offset the higher risk associated with illiquid, capital-intensive projects and encourage capital to flow to entrepreneurial activities that improve communities. Relative to its peers, however, the United States levies a heavy tax burden on capital income. According to the Tax Foundation, 30 of the 36 developed countries in the OECD have a lower maximum tax rate on individual capital gain than the United States.

An accurate measurement of capital gain should exclude the amount of gain that is attributable to inflation. Excluding inflationary gains would ensure that taxpayers are only liable for the true economic gain that reflects the appreciation of an asset above the rate of inflation. Inflation could be taken into account when measuring capital gain by adjusting the basis of an asset to reflect a measure of inflation when the asset is sold.

Regrettably, recent proposals to tax capital gain on an annual, mark-to-market basis would move the tax code in the opposite direction. Moving to a mark-to-market tax system defies the fundamental principle, enshrined since the 1920s, that income is taxed when it is realized, i.e., when an asset is sold and its owner receives actual compensation for its appreciation in value. Taxing capital gain before it is realized would impose tax liability on nonexistent, phantom income and would create an administrative and tax compliance nightmare. More
importantly, it would chill the long-term investment that drives economic progress. Efforts to moderate such proposals for assets like real estate by substituting a “lookback charge” for annual, mark-to-market taxation would still stifle productive investment by dramatically raising the overall tax burden on the asset.

Like-kind Exchanges
The ability to defer capital gain when a taxpayer exchanges one property for another is an essential feature of the current tax system that spurs capital investment, especially during times of market corrections and liquidity shortages. Like-kind exchanges under section 1031 of the tax code support capital expenditures and job growth, while also contributing to critical land conservation efforts and facilitating the smooth functioning of real estate markets. Real property like-kind exchanges were preserved in the Tax Cuts and Jobs Act and should be retained in any future tax reform efforts.

The capital gains tax rate has increased as other tax rates have declined or held steady.

Over the last 10 years

- The tax rate on corporate income has decreased from 35% to 21%
- The top tax rate on ordinary income (wages) has increased from 35% to 37%
- The top tax rate on capital gains has increased from 15% to 23.8%*

*20% rate on individual, long-term capital gains, plus 3.8% tax on net investment income (which includes capital gains).
Asset Class’ Share of Total Foreign Investment into the US
Source: Bureau of Economic Analysis, July 2019

FIRPTA discourages job-creating foreign investment in U.S. real estate and infrastructure. As a result of FIRPTA, other asset classes attract a disproportionate share of foreign capital.

Carried Interest
Carried interest arises when a partnership decides to allocate a share of its profits to one (or more) of the partners for reasons unrelated to the partner’s initial capital contribution. Carried interest typically is granted for the value a general partner adds to a real estate or other venture beyond routine services, such as business acumen, experience, and relationships. It is also recognition of the risks the general partner takes with respect to the partnership’s liabilities. These risks can include funding predevelopment costs, guaranteeing construction budgets and financing, and exposure to potential litigation over countless possibilities.

The Roundtable opposes efforts to tax all carried interest at ordinary income rates, including the Carried Interest Fairness Act. Such changes would discourage risk-taking and reduce economic mobility by increasing the tax burden on cash-poor entrepreneurs who want to retain an ownership interest in their business. This poorly designed legislation would result in a huge tax increase on countless Americans who use partnerships in businesses of all types and sizes. It would discourage individuals from pursuing their business vision, encourage debt rather than equity financing, tax sweat equity, and slow economic growth.

Removing Discriminatory Capital Gains Taxes on Foreign Investment in US Real Estate
The Roundtable encourages lawmakers to pass the widely supported and bipartisan Invest in America Act. The legislation would build on important 2015 reforms and repeal the outdated Foreign Investment in Real Property Tax Act of 1980 (FIRPTA), which penalizes foreign investment in U.S. real estate and infrastructure through a discriminatory capital gains tax on the sale of a U.S. real property interest. A study by University of California-Berkeley professor Ken Rosen concluded that FIRPTA
repeal would create 150,000 – 280,000 new construction-related jobs in the U.S. by way of investment in U.S. real estate and infrastructure. In addition, The Roundtable is urging the Treasury Department to provide administrative relief from FIRPTA by withdrawing a controversial 2007 IRS Notice that effectively blocks certain inbound investment.

**Cost Recovery Rules**

Few areas of the tax law are more important to real estate than the cost recovery rules. Buildings are long-lived, are subject to both wear and tear and obsolescence, and require constant infusions of capital. While existing depreciation schedules are too long, the real estate industry opposed the potential expensing of buildings proposed in the 2017 tax reform debate, which could have triggered tax-motivated, uneconomic investment in properties.

However, The Roundtable supports moving cost recovery rules closer to the actual economics of real estate assets. According to MIT, a 20-year straight-line recovery period would more closely align with the useful life of structures (taking into account wear and tear, obsolescence, etc.).

In addition, specific technical corrections are needed today to rectify mistakes made during the drafting of the Tax Cuts and Jobs Act. The Restoring Investment in Improvements Act would restore the 15-year recovery period for leasehold improvements and other improvements to the interior of nonresidential real property. A technical correction is also needed to clarify that residential rental housing placed in service before 2018 and owned by taxpayers opting out of the new limitation on business interest is subject to a 30-year recovery period (not 40 years). Both of these corrections would support economically sound real estate investment and modernization.

**Fair Treatment for “Pass-Through” Businesses**

Half of the 3.7 million tax partnerships in the U.S. are real estate partnerships. Pass-through entities (partnerships, LLCs, and S corporations) and REITs are ideal for real estate investment because they give investors flexibility in how they structure the risks and rewards of the business. Our pass-through regime is a strength of the U.S. tax system relative to our international competitors and contributes to our entrepreneurial culture and dynamic economy. Last year, the Treasury Department issued final regulations on the new 20% deduction applied to qualified pass-through business income (section 199A). The pass-through deduction provides relief to the 30 million businesses in the United States that did not qualify for the corporate tax cut. The Roundtable supports efforts to permanently extend section 199A. (The current legislation is scheduled to sunset at the end of 2025.)
Promoting Housing Affordability and Economic Development

Opportunity Zones

Congress created Opportunity Zones in the Tax Cuts and Job Act as a new, place-based, capital gains tax incentive to stimulate capital formation and economic development in targeted, low-income communities. Prior efforts to spur economic growth in distressed communities through tax provisions have largely failed or underperformed. Congress structured the Opportunity Zone tax incentives to avoid repeating these mistakes, and The Roundtable believes Opportunity Zones can be a powerful incentive for channeling long-term real estate investment and development to areas of need.

The Roundtable’s Tax Policy Advisory Committee has worked closely with Treasury and IRS officials on the Opportunity Zone rulemaking. The Roundtable is also collaborating with Members of Congress to address specific concerns regarding the incentives, including: data collection and information reporting, the potential for “land banking” without new investment, and the risk that capital will flow where it is not needed. With the regulatory regime now coming into focus, Opportunity Zones have the potential to be a powerful catalyst for transformative real estate investment in parts of the country that need capital and well-paying jobs.

Enhancing the Low Income Housing Tax Credit

The low-income housing tax credit (LIHTC) is the principal federal program supporting the construction and rehabilitation of affordable housing. By reducing the corporate tax rate by 40 percent, the Tax Cuts and Jobs Act indirectly reduced the market value and stimulative impact of the LIHTC. The Roundtable supports congressional efforts to strengthen and modernize LIHTC, including the Affordable Housing Credit Improvement Act. The bipartisan legislation would increase the amount of low income housing credits allocated to states by 50 percent and incentivize the building of more than 500,000 affordable homes.

Real Estate Partnerships - Major Economic Contributors to the U.S. Economy


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Capital & Credit

The Roundtable remains committed to supporting pro-growth measures to encourage stable credit capacity, liquidity, and capital formation, manage risk, and grow jobs. These are the prerequisites of a healthy economy. The Roundtable urges policymakers to pursue measures that encourage stable valuations, appropriate transparency, and support efforts to sustain appropriate systemic safeguards – all key factors for a reliable credit system.

To that end, Congress must stop legislation that would place punitive beneficial ownership reporting burdens on millions of small businesses, defer an accounting measure that could impair real estate credit capacity, revise a measure that could discourage foreign investment in U.S. real estate, enact housing reform that would promote sustained single family and multifamily mortgage liquidity and housing affordability – while protecting taxpayers, and pass legislation to protect real estate businesses as they participate in legitimate state-compliant cannabis transactions.

Terrorism Risk Insurance Act (TRIA)

In December 2019, a seven-year reauthorization of the Terrorism Risk Insurance Act (TRIA) was enacted that reauthorizes TRIA through 2027, a year ahead of its slated sunset date of Dec. 31, 2020. Originally enacted in 2002 in response to the inability of insurance markets to predict, price, and offer terrorism risk coverage to commercial policyholders, TRIA is a vital public-private risk-sharing mechanism and is essential for commercial real estate liquidity and expanding the broader economy. It allows the economy to grow even in the face of terror threats. At virtually no cost to the taxpayer, it has been essential in stabilizing the market after the events of 9/11 and has successfully provided for the availability of terrorism coverage for commercial policyholders.

Beneficial Ownership

In 2019, the U.S. House of Representatives passed the Corporate Transparency Act of 2019 (H.R. 2513), and Congress continues to consider additional measures to aid law enforcement in the investigation of shell companies potentially engaged in money laundering, tax evasion and terrorism financing. While well-intentioned, the proposals currently under consideration would have negative, unintended consequences on the broader real estate market. Several of these bills would place a significant compliance burden on owners of small businesses classified as corporations and LLCs, subject these businesses to potentially harmful privacy breaches and expose them to excessive and punitive damages.

While we support efforts to eliminate terrorism financing and money laundering, we remain concerned about the burden of imposing additional beneficial ownership reporting requirements on limited liability companies (LLCs) and real estate transactions – and the extent to

Commercial and Multifamily Real Estate
Market v. Real Estate Debt

Source: Federal Reserve; Nareit

Estimated Value of U.S. Commercial Real Estate Market
$16 Trillion

U.S. Commercial Real Estate Debt
$4.2 Trillion
which these provisions could impair capital formation and threaten important privacy protections. As part of a large business coalition, The Roundtable has raised concerns about the proposed measures and is working with policymakers to stake out a balanced position on the issue that would inhibit illicit money laundering activity but not place unnecessary costs and legal burdens on the real estate industry.

**Reauthorizing the National Flood Insurance Program (NFIP)**

The National Flood Insurance Program Administration Reform Act would reauthorize the National Flood Insurance Program (NFIP) for five years, increase the availability of private flood insurance, reduce costs for lower-income policyholders, and require updated flood zone maps for coverage. The NFIP has been operating under temporary extensions since 2017. The NFIP was established in 1968 to provide an insurance alternative to disaster assistance to meet the escalating costs of repairing damage to buildings and their contents caused by floods. The Roundtable supports the long-term reauthorization and reform that would help property owners and renters prepare for future flood losses.

**A Safe Harbor Rule for LIBOR Reform**

The United Kingdom’s Financial Conduct Authority (FCA), which regulates London InterBank Offered Rate (LIBOR), announced in 2017 that it is phasing out the global borrowing index by the end of 2021. The Roundtable recommended that the U.S. Treasury Department and IRS reduce the risk of market disruption by clarifying the tax treatment of financial contracts that replace the expiring LIBOR with a substitute reference rate. The Roundtable recommends that a safe-harbor rule be established to confirm that a replacement index or formula identified by
regulators, broad industry groups, or objective sources in good faith is not considered an alteration or modification of the original index instrument. The proposed rule offers borrowers and lenders the flexibility needed to replace LIBOR with other index rates that reflect changes in the cost of borrowing money. In order to prevent potential abuse, the proposed regulations should require that the fair market value of the modified index instrument be “substantially equivalent” to its value before modification.

Current Expected Credit Losses (CECL)

Beginning in 2020, the Financial Accounting Standards Board (FASB) will require banks to estimate and report loan losses. The new CECL model will change the way banks calculate reserves on assets, requiring certain financial institutions to estimate the expected loss over the life of a loan beginning in January 2020. For real estate, there is concern that banks may reduce lending volumes as they build up additional capital reserves to be in compliance with CECL. The new standard may cut into earnings and regulatory capital by forcing some banks to boost their loan-loss reserves. The Roundtable continues to urge the FASB and the Securities and Exchange Commission (SEC) to delay implementation of the CECL standard, which could impair real estate credit capacity and aggregate bank lending.

CFIUS Reforms to Expand Review of Certain Real Estate Transactions

The Foreign Investment Risk Review Modernization Act (FIRRMA) of 2018 allows the Committee on Foreign Investment in the United States (CFIUS) to review certain real estate transactions – including leases, sales, and concessions – should such transactions involve properties that are in “close proximity” to sensitive U.S. government facilities. In a recent comment letter regarding the proposed Treasury rules – Provisions Pertaining to Certain Investments in the United States by Foreign Persons (31 C.F.R. part 800) and Provisions Pertaining to Certain Transactions by Foreign Persons Involving Real Estate in the United States (31 C.F.R. part 802) – The Roundtable raised concerns about aspects of the proposed rules that not only are unnecessarily complex but undermine predictability and transparency from the standpoint of investors (and may even result in decreased or delayed foreign investment in urban areas). The letter also encourages CFIUS to establish a streamlined petition process and urges caution about the unintended consequence of either delaying or dissuading investment and foreign investors in urban areas in the U.S.

Reforming Freddie Mac and Fannie Mae

Over a decade after Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac were put into conservatorship, the U.S. housing finance system has still not been reformed. As stated in a recent letter to the Senate Banking Committee, The Roundtable supports aspects of the Treasury Department’s Housing Reform Plan, which includes a number of useful reform principles, including an explicit, fully paid for guarantee, taxpayer protection, an emphasis on more private sector involvement in housing finance, and a recognition of the disincentives posed by regulatory barriers such as rent control. We are also encouraged by Treasury’s effort to

House Financial Services Committee Chairwoman Rep. Maxine Waters (D-CA) played a key role in the reauthorization of the Terrorism Risk Insurance Program.
enhance private involvement in multifamily lending by refocusing the GSEs on affordable and workforce housing. We continue to urge the Treasury and the Federal Housing Finance Agency (FHFA) to work with Congress to end conservatorship through comprehensive, bipartisan, legislative reforms. Care must be taken to appropriately calibrate any restrictions on multifamily lending to avoid any unintended consequences to aggregate credit capacity – particularly in times of economic distress. It is essential that long-term housing finance reform efforts intended to permanently end GSE conservatorship establish the foundation for a stronger, stable system that helps ensure all in America have access to affordable housing opportunities.

### Harmonizing State and Federal Cannabis Policy

47 states and DC currently legalize marijuana to varying degrees, but use, possession, and sale remain illegal under federal law. Real estate owners, lessors, brokers, and financiers need certainty when they transact with legitimate cannabis-related businesses (CRBs). The Roundtable supports the bipartisan Secure and Fair Enforcement Banking Act (SAFE) and the acceptance of state-licensed cannabis-related businesses into the federal banking system without the threat of penalties or federal enforcement action for real estate owners, law firms, and other businesses that provide services to state-approved CRBs. Congress should also pass legislation to clarify that state-compliant marijuana transactions do not constitute illegal “trafficking” and do not result in “unlawful proceeds” under money laundering statutes.

### 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 legislative reforms to the EB-5 program that brings foreign investments into the United States. Department of Homeland Security (DHS) rules that became effective last year depress EB-5 investments in urban job centers. Congress should supersede these regulations with reforms that promote economic growth and capital formation in rural areas and distressed Opportunity Zones, while still allowing projects in downtown business districts (with the most job creation potential) to compete for EB-5 capital. The Roundtable also urges Congress to enact EB-5 reforms that deter investor fraud and safeguard national security – key objectives that the DHS rules do not accomplish.
Energy & Climate

The U.S. commercial building stock has made major strides in becoming more energy efficient over the last decade, and increasingly relies on renewable energy sources for power. The clean energy transition in U.S. real estate is occurring without any federal-level energy mandates on private sector buildings. Congress should strengthen existing incentive programs so the real estate sector can make even more strides in lowering its carbon footprint.

Continuing the Collaboration with EPA’s ENERGY STAR Program

EPA’s ENERGY STAR for buildings – established in 1998 with input and support from The Roundtable – is the real estate industry’s premier program to signal optimal energy efficiency performance across asset classes. Investors, tenants and the workforce demand the ENERGY STAR label to signal well-managed, sustainable, and profitable buildings.

EPA reports that:

- More than 8,100 buildings earned the ENERGY STAR in 2018, bringing the total to more than 34,000.
- In 2018 alone, more than 270,000 buildings, comprising 26 billion square feet of floorspace, used the ENERGY STAR Portfolio Manager® tool to measure and track their energy and water use, and waste disposal.
- Studies correlate ENERGY STAR certified buildings with a premium of up to 16 percent for sales prices and rental rates.

The omnipresence of ENERGY STAR buildings across the U.S. compels The Roundtable’s continued collaboration with EPA. In 2019, we concluded a year-long “study period” with the agency to update the equations underlying the ENERGY STAR scoring process. Technical expertise provided by The Roundtable’s Sustainability Policy Advisory Committee (SPAC) successfully urged EPA to revise its proposed scoring models to ensure that buildings – regardless of their size, location in colder or warmer climates, or the fuel sources that power them – are on a level playing field as they seek ENERGY STAR recognition.

The Roundtable’s coordination with EPA in 2020 will support the agency’s development of the next round of high performance labels under the “ENERGY STAR for Tenants” program. The last round (in 2018) resulted in the first-ever office tenant space labels awarded by the federal government. The Roundtable urges EPA to expand version 2.0 of ENERGY STAR for Tenants to also include retail and industrial leased spaces. SPAC will also provide input to EPA to ensure that its tenant-level award criteria reflect current market trends and energy estimation tools deployed in our industry.

While ENERGY STAR is voluntary at the federal level, an increasing number of states and municipalities are

Sen. Jacky Rosen (D-NV) plays a key role in national policymaking as a member of the Senate Commerce, Science and Transportation Committee.
The Roundtable advocates for EPA to coordinate with its non-federal partners and develop guidance and standards for local policy makers that synchronize with the national ENERGY STAR platform.

**Supporting Development of Cost-Effective Model Building Energy Codes**

The Roundtable supports the Energy Savings and Industrial Competitiveness (ESIC) Act, co-sponsored in the Senate by Rob Portman (R-OH) and Jeanne Shaheen (D-NH), and in the House of Representatives by Peter Welch (D-VT) and David McKinley (R-WV). The ESIC Act would promote further gains in energy efficiency for new real estate construction by improving the stakeholder consensus process that develops model energy codes. The bill proposes no mandates on building owners or managers, and would:

- Provide real estate stakeholders with new opportunities to comment on model energy code revisions offered by the Department of Energy (DOE);
- Import new economic and cost considerations into the energy codes development process;
- Direct DOE to consider impacts on small businesses when developing federal energy code submissions;
- Clarify standards for real estate appraisers and banks regarding energy efficiency capital investments in buildings when assessing an asset’s market value.

*Estimated energy cost savings represent the present value of net energy cost savings, calculated by taking the difference between total energy bill savings and the incremental additional investment in energy-efficient technologies and services.*

- The ENERGY STAR program for commercial buildings helped businesses and organizations save nearly $10 billion in energy costs in 2016, contributing to cumulative energy cost savings of over $150 billion since 1992.*
- On average, ENERGY STAR certified buildings use **35% less energy** than typical buildings nationwide.

- In 2018 alone, **more than 270,000 buildings**, comprising 26 billion square feet of floor space, used the ENERGY STAR Portfolio Manager® tool to measure and track their energy use, water use, and waste and materials.
- Studies find that ENERGY STAR certified buildings command a premium of up to **16 percent for sales prices and rental rates.**

**National Policy Agenda**
Improving the Quality of Federal Data on Building Energy Use and the Electricity Grid

Federal data regarding the power consumed by U.S. buildings and their occupants, and the carbon footprint of the nation’s electricity grid, are essential to inform energy policies. The Roundtable seeks to enhance our industry’s understanding of critical energy-related data sets collected by the federal government.

In 2019, the U.S. Energy Information Administration (EIA) – DOE’s data-gathering arm – conducted its periodic Commercial Building Energy Consumption Survey (CBECS). The CBECS is a national random sample survey that estimates energy usage across U.S. commercial building infrastructure. The EPA will ultimately rely on 2019 CBECS data for future revisions to ENERGY STAR building scores. The Roundtable advocates that EIA must adequately represent all sizes and types of commercial real estate in the CBECS survey. We support provisions in the ESIC Act that would direct EIA and EPA to enter into a formal “information sharing and coordination agreement” to harmonize the data in their respective programs.

As local governments (particularly those in urban gateway markets) consider policies to address climate change, they will evaluate greenhouse gas (GHG) reduction mandates on buildings. Data collected by EPA regarding the carbon footprint of the nation’s electricity grid is emerging as a key information resource for state and local decarbonization efforts. A priority for The Roundtable is to raise our industry’s awareness of this information held by EPA, known as the Emissions & Generation Resource eGrid Green Power vs. Carbon Usage

Source: EPA

![eGrid Green Power vs. Carbon Usage](Image)

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Integrated Database (“eGRID”). **We aim to assess eGRID’s suitability as a foundational data source for state and local carbon registries** and other programs that convert various fuels powering our nation’s commercial buildings, homes and businesses into estimated GHG emissions.

**Advocating for Energy Tax Incentives to Retrofit Existing Buildings**

Over 80 percent of the commercial buildings standing in the U.S. were built prior to the year 2000 – and before the advent of modern energy codes. Impactful energy and climate policy compels a focus on measures to modernize and retrofit America’s aging commercial assets because they use a lot more energy and occupy a bigger carbon footprint compared to newer, more efficient construction.

Just as the federal tax code includes incentives to create renewable energy, The Roundtable advocates for tax incentives that avoid energy consumption in the first place. In a coalition with other real estate and environmental groups, **we recommend that Congress create a new category of Efficient Qualified Improvement Property – “E-QUIP” – that provides accelerated depreciation** for high performance HVAC, envelope, controls and other building equipment to promote investments and upgrades in older commercial and multifamily buildings.
Homeland Security

The Roundtable works to strengthen physical and cyber resilience for real estate and critical infrastructure. As a critical part of the nation’s infrastructure, real estate continues to face an array of threats from natural catastrophes, international and domestic terrorism, criminal activity, cyber-attacks and border security. To address such threats, The Roundtable continues to help build a more secure and resilient industry against both physical and cyber threats. The Roundtable’s Homeland Security Task Force (HSTF) and Real Estate Information Sharing and Analysis Center (www.reisac.org) remain focused on actionable information sharing and advancing measures that businesses can take – such as creating resilient infrastructure that is resistant to physical damage and cyber breaches – through increased cross-agency information sharing and cooperation with key law enforcement and intelligence agencies. Strengthening the security and resilience of the commercial facilities sector remains a top Roundtable priority.

Terrorism and Cyber Risk

Terrorism continues to pose a clear and present danger to our nation and to the American economy. According to the Department of Homeland Security, the U.S. continues to face one of the most challenging threat environments since 9/11, as foreign terrorist organizations exploit the Internet to inspire, enable, or direct individuals already here in the homeland to commit terrorist acts. In addition, real estate faces a growing number of cyber-attacks – particularly for retail, hospitality and multifamily. The Roundtable continues to work to help its members and partners manage and mitigate such risks through constructive policy initiatives and broad information sharing.

Geographic Locations of Terrorist Incidents in the United States, 2002-2016

Source: Homeland Security Operational Analysis Center
Homeland Security Task Force

The Roundtable works with various federal, state, and local law enforcement agencies through its Homeland Security Task Force (HSTF). The Task Force identifies, analyzes, and advocates positions on physical and cyber security policy affecting the real estate community and commercial facilities sector in relevant homeland security and intelligence issue areas. In addition to working with relevant law enforcement and intelligence agencies, the HSTF is working to find new sources and methods to secure high-profile commercial facility sector assets and improve their emergency preparedness. The HSTF also oversees the Real Estate Information Sharing and Analysis Center (RE-ISAC), the primary conduit of terrorism, cyber, and natural hazard warning and response information between the government and the commercial facilities sector. Through the work of the HSTF and RE-ISAC, real estate firms are regularly updated on cyber, criminal and physical threats and how to appropriately implement security measures to help mitigate risks.

As a member of the Senate Homeland Security and Governmental Affairs; Budget; and Commerce, Science and Transportation Committees, Sen. Rick Scott (R-FL) discussed the efforts of policymakers to reach solutions on homeland security issues such as the growing number of cyber-attacks, border security and visa reform.
Infrastructure & Housing

The relationship between real estate and infrastructure is synergistic. Roads, bridges and mass transit enhance the values of nearby properties, which in turn generate greater tax revenues to fund even more infrastructure assets.

Highways, public transportation, water delivery, the power grid, and affordable housing are all essential networks for the well-being of America’s families, businesses, and communities. The productivity of our workforce depends on multi-modal transportation for mobility options, while economic mobility is hastened by safe and decent home environments.

The Roundtable recommends the following measures for policy makers to consider when addressing the nation’s infrastructure and housing challenges.

Secure Public Funding and Encourage Private Sector Co-Investment

The U.S. faces a $5 trillion shortage of public funds to meet the nation’s infrastructure needs through 2040. As a first step to address this infrastructure deficit, Congress should pass a multi-year reauthorization of the Highway Trust Fund (HTF) – the largest federal capital source for highways, bridges and mass transit.

In 2019, the Senate’s public works committee authorized $287 billion over five years for the HTF. This is an important start and Congress must pass the measure before the HTF expires on September 30, 2020. However, more is needed to shore-up the fund’s long-term solvency. The Roundtable joins other business groups in supporting a gradual increase in the “pay at the pump” user fee on gas and diesel – not raised since 1993 – to sustain the HTF.

Whatever durable funding mechanisms might emerge to support a solvent HTF, taxes and user fees cannot foot the entire bill for the country’s extensive infrastructure.

Two Trends Have Eroded Gas Tax Purchasing Power Over Time

Source: Institute on Taxation and Economic Policy

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**Cumulative Growth Since 1993**

- **Fuel Efficiency**
- **Construction Cost Inflation**

- **131%**
- **20%**

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challenges. Private sector capital must be part of any comprehensive financing strategy. **We urge Congress to consider Public-Private Partnership (P3) strategies** to unleash private co-investment in infrastructure, such as:

- **Repeal the Foreign Investment in Real Property Tax Act (FIRPTA).** As explained earlier in the tax policy section of this report, the FIRPTA regime is a major obstacle to mobilizing greater private capital investment in U.S. infrastructure. Repealing FIRPTA would have an immediate and profound impact to spur private investment in U.S. infrastructure systems.

- **Streamline the Transportation Infrastructure Finance and Innovation Act (TIFIA) program.** Low-interest TIFIA loans are the federal government’s main tool for encouraging transportation P3s. TIFIA can stimulate...
even more capital market investments with further refinements that streamline its loan underwriting process. Policy makers should also make clear that TIFIA loan proceeds – when repaid from non-federal sources – must count towards state/local cost-share requirements necessary for transit grant awards that help finance massive public transportation projects of regional and national significance.

- **Expand private activity bonds as a tool for infrastructure investment.** Congress should revisit the categories of private activity bonds (PABs) eligible for tax-exempt status and raise "volume caps" that limit debt capital to finance infrastructure assets. For example, PABs should be authorized to help finance schools, hospitals, first-responder stations, tech incubators, and other public buildings that make our communities safe and liveable.

**Ease Duplicative Permitting Barriers and Promote “Yes In My Backyard” Land-Use Policies**

Burdensome and duplicative federal government reviews, necessary to obtain transportation and real estate development permits, must be minimized while still protecting environmental resources. The Roundtable supports a “one federal decision” framework that consolidates federal-level permitting into a more manageable, swifter process.

Local land-use rules and community opposition are major obstacles that block high-density zoning designations usually needed to develop transit-oriented and multifamily housing projects. Federal policy makers can help overcome these impediments by taking a “Yes In My Backyard” – or “YIMBY” – approach when awarding incentives. Grants from federal agencies (like the Transportation and Housing Departments) to states and municipalities should be conditioned on the localities’ commitments to high density zoning, expanding by-right multifamily zones, and other techniques that create an atmosphere for approval of transit-oriented smart growth and affordable housing.

**Address Climate Change and Modernize Our Energy Infrastructure**

Infrastructure policies must address climate change and should include measures to improve building energy efficiency through tax incentives, reduce carbon pollution, and promote investments in smart grid and microgrid technologies.
The Roundtable recommends a 10-year accelerated depreciation period for investments in high performance HVAC, windows, and other building equipment (as further described above in the energy policy section).

We also believe that private investment should be better leveraged to help repair the nation’s leaking national gas pipeline network, and to improve both the resilience and de-carbonization of the electricity grid that powers our homes and buildings. As TIFIA’s credit enhancement platform has expanded to help finance other infrastructure asset classes beyond surface transportation, The Roundtable recommends a federal loan pilot program to encourage more P3 investments into U.S. energy infrastructure.

**Housing costs are rising faster than costs of short-term accommodations or overall consumer goods**

*Price indices for short-term travel accommodations and overall personal consumption expenditures (PCE), 2016–2000

*Source: Institute on Taxation and Economic Policy*
Increase Affordable Housing Supplies for Families on the Frontline and in the Workforce

The Roundtable aims to galvanize policy makers and like-minded real estate organizations around a set of pro-housing recommendations designed to increase the dearth of affordable units across the nation. “One-size-fits-all” rent control mandates and anti-eviction laws will only further distort the housing supply-and-demand curve without addressing the underlying conditions that create market shortages in the first place. We recommend more enduring solutions such as the following:

- **Ensure that banks receive “credit” under the Community Reinvestment Act (CRA) for lending to middle class families.** Existing CRA rules give banks credit for serving the lending and mortgage needs of low-income households and areas. The CRA should also be implemented to value lending services in middle class communities and sustainable mortgages provided to teachers, first responders, and other critical segments of America’s workforce earning between 80% - 120% of Area Median Income.

- **Support the production of manufactured housing.** Nearly 22 million Americans live in manufactured housing, which opens the door to homeownership for many families who cannot afford a site-built home. Federal lawmakers should encourage localities that receive community and other place-based incentives to include manufactured housing as a critical component in comprehensive neighborhood development plans.

- **Free up under-utilized federal properties for affordable housing development.** The General Services Administration should prioritize sales and leases of U.S.-owned surplus real estate to private sector developers who can efficiently bring low-income, moderate-income, and workforce housing to market.

- **Consider the impact of student loan debt on federally-backed mortgage qualification.** The Federal Reserve reports that high student loan debt is a main culprit for lower homeownership rates over the past decade. Criteria to qualify for mortgages backed by the Federal Housing Administration (FHA) should be re-assessed for first-time home buyers paying down their student loans.

- **Short-term housing rentals must be regulated to combat long-term housing shortages.** A growing body of research shows that “sharing economy” platforms for short-term property rentals are reducing supplies for more permanent residential options. Traditional tax and regulatory structures governing hotel accommodations should also apply to absentee property owners running short-term rental businesses with multiple dwellings.
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