



## The Real Estate Roundtable

# Property Conversions and Housing Tax Incentives

## Housing, Infrastructure, and Cities

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### Summary

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

### Key Takeaways

- Congress should help expand and grow the supply of affordable and workforce housing by investing greater resources in time-tested tax incentives like the LIHTC and adopting creative new approaches that support the conversion of underutilized, existing buildings to housing.
  - The conversion of underutilized and often vacant buildings offers a tremendous opportunity to improve the built environment and lift the surrounding locality. Property conversions are a cost-effective means to develop new housing supply, create jobs, and generate critical sources of local property tax revenue.
  - The LIHTC is an efficient, market-based housing solution that relies on the private sector to finance, build, and operate affordable housing by creating a federal incentive for new construction and redevelopment.
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### Background

#### Property Conversions

- Bipartisan legislation introduced by Representatives Mike Carey (R-OH) and Jimmy Gomez (D-CA), the *Revitalizing Downtowns and Main Streets Act of 2025* (H.R. 2410), would create a new tax credit to reduce the costs associated with converting older office buildings to housing or other uses. The legislation is supported by a broad coalition of pro-housing and real estate-related organizations.
- Conversion projects can occur in a variety of settings, from central business districts and suburban office parks to rural communities and industrial facilities. The repurposing of existing structures can save energy while reinvigorating communities and reigniting economic growth where it is most needed.
- The inherent risks and elevated costs associated with property conversions, combined with the numerous social and economic benefits of conversions that flow to the broader community, justify proactive government policies that incentivize owners to adapt existing properties to new uses.

#### The LIHTC

- Since its inception in 1986, the LIHTC has financed the development of nearly 3.5 million affordable rental homes that house over 8 million low-income households. Proposed legislation would make major new investments (\$29-32 billion) in expanding and improving the LIHTC.
- Under the successful LIHTC program, states can award housing credits based on their own affordable housing priorities. They can target credits to housing units dedicated to certain populations such as seniors or veterans, or to specific regions most in need of affordable housing.
- The One Big Beautiful Bill Act (OB3 Act) included a permanent 12 percent increase in the amount of LIHTC allocations to states and permanently lowered the requirement for private activity bond financing for LIHTC projects from 50 percent to 25 percent.

### Recommendations



**Implement Property Conversion Incentives:** Congress should pass the *Revitalizing Downtowns and Main Streets Act of 2025* (H.R. 2410) to incentivize property conversions, increase the housing supply, and revitalize downtowns.

- The bill would create a 20 percent tax credit for the costs associated with converting older commercial buildings to housing, provided the housing includes a significant set-aside for affordable rental units.
- The current administration should also build on the progress made in the last administration, based on RER input and listening sessions, to streamline federal agency loan programs to provide financial support for CRE conversions.
- In particular, the administration should gear Department of Transportation loans for transit-oriented development (RRIF and TIFIA) to better enable commercial-to-residential building conversions.

**Expand the LIHTC:** Congress should further expand LIHTC, and RER continues to support elements of the *Affordable Housing Credit Improvements (AHC) Act* (S.1136, H.R. 2573 in the last Congress) that were not included in the OB3 Act.

- The *AHC* would create and preserve more than 2 million affordable homes, support 3 million jobs, and generate \$119 billion in sustainable tax revenue.

**Support a Robust Single-Family Rental (SFR) Market:** In January 2026, President Donald Trump said he would move to ban “large institutional investors” from purchasing single-family homes, framing the proposal as part of a broader push to improve housing affordability. However, research shows that **large-scale SFR investments have helped revitalize distressed properties and communities**, contributing to economic growth and stability.

- For example, a UNC Charlotte study released in May 2024 found that children from low- and moderate-income households see **improved achievements in school** when they rent single-family homes in neighborhoods where they cannot afford to buy.
- Additionally, an August 2025 report from the [American Enterprise Institute](#) found that **institutional investors are not a primary driver of housing unaffordability**, noting that housing shortages stem largely from restrictive zoning, limited new construction, and inflationary pressures.
- On March 24, 2025, RER responded to the FTC’s request for public comment regarding the impact that large-scale SFR operators and institutional investors are having on home prices and rents in single-family housing.
- RER will continue to work with policymakers to demonstrate why institutional capital is essential to expanding housing supply and addressing the chronic housing shortage affecting affordability nationwide. RER will also advance initiatives that remove barriers to housing development, incentivize capital investment in housing, and help people achieve the American Dream.