



# The Real Estate Roundtable

## Fall 2023 Policy Priorities: Executive Summary

The Real Estate Roundtable works with national policymakers everywhere to build a fairer, healthier, and more equitable America.

### Tax Policy

The Roundtable advocates for tax policies that promote capital formation, reward risk-taking, and bolster productive private investment. The U.S. must maintain a competitive tax code grounded in enduring, pro-growth principles to move our economy forward.

#### **Avoid Taxing Unrealized Gains**

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

#### **Preserve Like-Kind Exchanges**

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

#### **Reward Capital Formation and Investment**

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

#### **Equitable Tax Treatment of Pass-Through Businesses**

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

### Homeland Security

#### **Preparing for and Improving Resilience to Cyber and Physical Threats**

The Roundtable continues to work with our Homeland Security Task Force and the Real Estate Information Sharing and Analysis Center (RE-ISAC) on threats facing the industry. We recently commented on proposed federal cybersecurity disclosures—and support the efforts of the Cybersecurity and Infrastructure Security Agency to develop a Continuity of the Economy Plan (COTE) plan in response to a significant event.

### Capital and Credit

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

#### **Addressing Pro-cyclical Regulatory Proposals and the Wave of Maturing CRE Debt**

While well intentioned, a “perfect storm” of regulations—Basel III Endgame and others from the SEC,—could stall credit markets and impair capital formation at just the wrong time for the industry. Further, \$1.5 trillion in commercial real estate loans maturing in the next three years—many financed when base rates were near zero—now need to be refinanced in an environment where rates are much higher, values are much lower, and markets are illiquid. At this critical time, it is imperative that policymakers and regulators do not engage in pro-cyclical policies such as requiring financial institutions to increase capital and liquidity levels to reflect current market models.

#### **Expanding Commercial Insurance Coverage**

The proliferation of natural catastrophe and pandemic threats has raised concerns about commercial insurance coverage for commercial real estate and the importance of closing the gap between insured and economic losses resulting from natural catastrophe perils. It is important to enhance financial protection against catastrophic risks with reauthorization of the National Flood Insurance Program (NFIP) and the development of an effective pandemic risk program that would help, close coverage gaps, protect jobs, and ensure a sustainable and speedy economic recovery from future shutdowns.

#### **Restrictions on Foreign Investment**

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



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### Energy and Climate

Real estate companies must reduce carbon emissions to sustain our environment, create jobs, respond to investor demands, and attract employee talent. The Roundtable advocates for national and attainable guidelines, incentives, and data that help our industry progress toward a net zero emissions economy.

#### Clean Energy Tax Incentives

The Inflation Reduction Act (IRA) is the largest federal policy investment ever made to tackle the climate crisis. The IRA substantially revises the federal tax code to leverage greater private sector investment in low-carbon technologies. New and revised tax incentives can help U.S. real estate improve building energy efficiency, deploy solar panels and other renewable power projects, store clean energy so it can be sold back to grid or saved for on-site usage, and expand the nation's fleet of EV charging stations. Smart rules from the Treasury Department and the IRS are needed to make the law's incentives usable and accessible. Further changes to the law will be needed to optimize clean energy building investments.

#### “Scope 3” Indirect Emissions Disclosures

A long overdue climate reporting rule from the SEC is expected this fall. It will likely require registered companies to quantify “material” climate-related financial risks in 10-Ks. The California legislature has moved faster than the SEC. Gov. Newsom has signed the first laws in the U.S. requiring businesses to calculate and disclose emissions—including remote Scope 3 “indirect” emissions from sources in the “value chain” that are not owned or controlled by a reporting company.

There should not be mandates for Scope 3 disclosures. CRE companies typically lack the means to collect or confirm emissions data from their external suppliers—such as from manufacturers regarding emissions embodied during the fabrication of concrete, windows, and other building materials. Further, industry standards do not exist to guide accountants to certify emissions numbers based too heavily on estimates.

#### Need for Voluntary, Unifying Fed Standards

An inconsistent patchwork of climate regulations exists at the city and state level. Meanwhile, international frameworks set their own climate-related requirements on CRE owners, developers, and investors. The U.S. government has no authority to impose climate mandates on buildings. But workable and usable federal-level guidance, tools, and standards – developed by US-DOE and US-EPA with our industry's input and practical knowledge—can go a long way to bring uniformity and consistency to the chaotic regulatory landscape. U.S. DOE's imminent definition for “Zero Emissions Buildings” has the potential to provide a major, unifying, and workable standard.

### Housing, Infrastructure, and Cities

The Roundtable champions policies that bolster the health of our cities—the forefront of our post-pandemic transition—alongside policies that aim to enhance housing availability to promote equity, resiliency, and job growth while modernizing our nation's critical infrastructure.

#### Return to the Workplace

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

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

#### Expand Affordable Housing Through Tax Incentives and Property Conversions

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

Affordable housing is critical to America's well-being. An expanded low-income housing tax credit could create and preserve more than two million additional affordable homes, support three million jobs, and generate \$119 billion in sustainable tax revenue. Congress should also enact a tax incentive to encourage the conversion of older, under-utilized buildings to housing.

#### Investing to Strengthen America's Physical Infrastructure

Our ability to remain globally competitive depends on continued public funding that leverages private-sector investments in our nation's infrastructure. The Roundtable will continue to advocate for consistent investments in our nation's infrastructure to build and rebuild American communities and maintain U.S. competitiveness.

The bipartisan Infrastructure Investment and Jobs Act (IIJA), strongly supported by The Roundtable, represents a historic investment in infrastructure that will enhance how we productively move people, goods, power, and information across homes, businesses, and communities. Policymakers should consider this a down payment for future funding and grant process reforms.

