



Infrastructure, Affordable Housing & GSE Reform

The connection between functioning communities, productive real estate, and reliable infrastructure is patent. Our nation's ability to remain globally competitive depends on continued public and private sector investments in infrastructure.

We also urgently need more housing. The United States is facing a severe shortage of affordable housing, with an underbuilding gap totaling more than 3.8 million housing units—undermining economic growth, driving up prices, and making it more difficult for all individuals to find safe, affordable housing. Innovative policy solutions and incentives to develop and rehabilitate new housing are central to closing this gap.

Targeted and Actual U.S. Housing Stock²⁸

| Housing (in millions) | 2018 | | | 2020 | | |
|-----------------------|--------|--------|-----|--------|--------|-------------|
| | Actual | Target | Gap | Actual | Target | Gap |
| Households | 121.2 | 122.5 | 1.3 | 125.8 | 126.2 | .4 |
| Vacant Units | 17 | 18.3 | 1.3 | 15.4 | 18.9 | 3.5 |
| Housing Stock | 138.3 | 140.8 | 2.5 | 141.2 | 145 | 3.8M |

Note: Totals may not add up due to rounding.

These 3.8 million units are needed to not only meet demand, but also to maintain economists' target vacancy rate of 13%. Between 2018 and 2020 the gap in our housing stock increased by approximately 52%.



Sen. Katie Britt (R-AL), a member of the Senate Banking, Housing & Urban Affairs committee discussed affordable housing policy with Roundtable members.

Infrastructure Implementation

In November 2021, President Biden signed into law the bipartisan Infrastructure Investment and Jobs Act (IIJA).

The IIJA allocates \$550 billion in new spending to improve the nation's "physical" infrastructure (transportation, water, sewer, electric grid, and broadband systems). The Roundtable strongly backed the IIJA as it moved through the legislative process. The law is a down payment on the long-term investments our country must make to productively move people, goods, power, and information from home to work, business to business, community to community, and building to building.

Throughout 2022, the administration focused on getting the *IJA* money “out the door.” It has developed a guidebook focused on spending for transportation, energy, and broadband infrastructure for states and local governments to apply for federal grants, loans, and public-private partnership resources under more than 375 programs across federal agencies. The Biden administration has also developed an “Action Plan for Accelerating Infrastructure,” which details federal policy initiatives for new infrastructure projects and efforts to ensure that those projects are completed “On-time, On-task, and On-budget.”

The Roundtable continues to support the *IJA*’s rollout. It is a crucial measure to keep our job markets robust, enhance productivity—and provide the roads, bridges, tunnels, mass transit, water pipes, broadband, and power grid systems needed to sustain healthy communities.

Housing Tax Incentives and Property Conversions

In many parts of the country, there is a severe shortage of affordable and workforce housing. Supply constraints, often related to restrictive state and local policies, exacerbate the problem. The impact of this growing undersupply of affordable housing is far-reaching and undermines economic growth—particularly in urban areas.

In the last Congress, The Roundtable promoted greater housing affordability by supporting smart policies that incentivize builders, developers, and owners to build more affordable housing for low-and middle-income tenants.

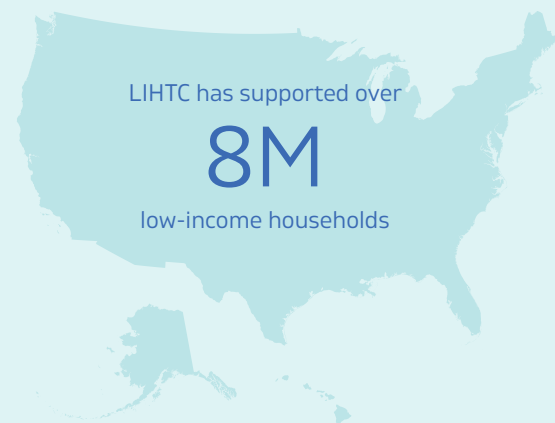


Miami Mayor Francis X. Suarez speaks to Roundtable members at the 2023 State of the Industry meeting.

Housing Tax Incentives

Fundamental tax incentives, like the Low-Income Housing Tax Credit (LIHTC)—regarded as one of the most successful public-private partnership programs in history—help increase the nation’s stock of affordable, workforce, and market-rate housing.

Since its inception, the LIHTC has financed the development of nearly 3.7 million affordable rental homes, supporting over 8 million low-income households.²⁹



Despite this success, recent congressional hearing attention, some bipartisan support, and The Roundtable’s best efforts, policymakers have been reluctant to expand the program in recent years.

In March, the White House released its *EY 2024 budget*, which included \$59 billion to increase the supply and availability of affordable housing, as well as \$10 billion “to incentivize state, local, and regional jurisdictions to make progress in removing barriers to affordable housing developments, such as restrictive zoning.” President Biden’s budget includes an expansion of LIHTC and a new tax credit for the development of affordable, owner-occupied housing.

The Roundtable has long supported and will continue advocating for the expansion of well-designed, targeted tax incentives like the LIHTC that are aimed at boosting the construction and rehabilitation of sorely needed affordable and workforce housing. Bicameral, bipartisan legislation such as the *Affordable Housing Credit Improvement Act* would help reduce housing costs by expanding the supply and affordability of rental housing.

Property Conversions

The COVID-19 pandemic and the rise of remote work have dramatically changed the landscape for offices and other commercial properties. Where appropriate, the conversion of underutilized buildings to residential use can be a cost-effective means to develop new housing, create jobs, and generate critical sources of local property tax revenue while saving energy and reinvigorating communities. The Roundtable recently developed a broad-based industry coalition to promote the creation of a meaningful new federal tax incentive to stimulate commercial-to-residential property conversions.

In Q1 2023, the average office vacancy rate in the U.S. national market stood at 18.6%—5.9 percentage points higher than Q4 2019, according to [Cushman & Wakefield](#).³⁰

12.7% ↑ 18.6%
Q4 2019 Q1 2023

While many major cities have embraced adaptive reuse projects, conversions continue to be a small share of the overall picture, facing a range of obstacles including permitting bottlenecks, property acquisition, development review, toxic contamination, property age and code conformance, and local “Not In My Backyard” (NIMBY) sentiment.

The *Revitalizing Downtowns Act* would create a new tax credit, based on the historic rehabilitation credit, for the conversion of office buildings. In October 2022, a Roundtable-led coalition of 16 national real estate organizations recommended certain enhancements and expansions to the bill including expanding the category of properties eligible for the credit to various types of commercial buildings, such as shopping centers and hotels. Going forward, The Roundtable will continue urging Congress to move forward with a property conversion incentive to help realign the supply of real estate assets with current needs.



Illustrative office-to-residential conversion.

Land Use and Permitting Reforms to Reach Housing and Climate Policy Goals

Excessive land use regulations hinder housing construction and worsen the affordability crisis. Aside from financial incentives, hastening the permit approval process must be a critical part of any policy package aimed to increase affordable housing supplies.

Of course, zoning and land-use reviews are state and local government prerogatives. However, Congress and the administration should and must do more to incentivize localities to adopt Yes-In-My-Backyard (“YIMBY”) policies that result in approvals of transit-oriented development. Whether grant dollars come from the U.S. Departments of Housing, Transportation, or some other arm of the Executive Branch, federal funds should be closely connected to local “value capture” techniques that capitalize on increased property values that typically accrue from high-density projects located near mass transit hubs.

In this regard, The Roundtable will continue to urge Congress to pass measures like the *Housing Supply and Affordability Act*, the *Build More Housing Near Transit Act*, the *YIMBY Act*, and the *Better PLAN Act*. These measures encourage more housing supply rather than subsidizing demand with financial incentives at a cost to taxpayers.

Duplicative and unnecessarily burdensome permit requirements also impede the nation’s ability to address climate goals. Long-distance, high-voltage transmission lines must be constructed at a more rapid pace to bring solar, wind, and other forms of renewable energy generated in rural areas to our cities and suburbs.

Yet, when these projects cross state borders, there is no clear federal authority to permit them. The pace at which our country shifts toward carbon-free energy will accelerate if Congress gives the Federal Energy Regulatory Commission (FERC) the ability to swiftly approve the construction of interstate electricity transmission lines determined to be in the national interest. Congress should pass the [energy-permitting reforms](#) long championed by Senate Energy Committee Chairman Joe Manchin (D-WV) to spur our economy's clean energy transition.

GSE Reform

The government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac—the primary funding sources for housing in the U.S.—have been in conservatorship for over a decade while debate over reforms continues.

To increase our housing supply, GSEs must expand support for underserved areas and mortgages to aid low- and

moderate-income families with home ownership and rental housing. However, successful reform must appropriately balance taxpayer protections and establish an efficient marketplace with a strong, efficient, and sustained financing environment for homeownership, rental housing, and sustained mortgage liquidity.

In October 2022, the White House announced it would reform and streamline Fannie Mae's and Freddie Mac's Forward Commitment programs, which allow developers to secure financing to pay off a construction loan when construction has been completed and the housing project has been approved for occupancy. Each GSE will be able to provide \$3 billion in Forward Commitments per year—above and beyond the multifamily purchase cap.

While some policymakers have privately indicated at Roundtable meetings that GSE reform isn't necessarily a top priority for Congress, The Roundtable will remain active in the conversation about reforming Fannie and Freddie.

The Roundtable will continue to be a staunch advocate for innovative solutions that help bolster the supply of affordable housing and ease the bottlenecks hampering improvements to our nation's critical infrastructure.



Director of the Congressional Budget Office Philip Swagel talks to Roundtable Members about the debt ceiling and the economy at The Roundtable's 2023 Spring Meeting.