NAIOP

COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION

Carey-Gomez: The Revitalizing Downtowns and Main Streets Act (H.R. 9002)

- Creates a temporary investment tax credit designed to spur the conversion of underutilized office and other commercial buildings into housing, helping to revitalize city centers, suburban and rural areas, while increasing the supply of affordable housing.
- The conversion tax credit is equal to **20% of the eligible costs** of converting a commercial building to residential use.
- Provides **$15 billion in conversion tax credits**, $12 billion of which are allocated to states based on their population, with $3 billion specifically designated for conversions in economically distressed areas.
- The tax credits must be allocated on or before **December 31, 2027**.
- Buildings must be **at least 20 years old** at the start of the conversion. Conversion expenditures must exceed 50% of the adjusted basis of the building, excluding property acquisition costs.
- To qualify, at least **20% of the residential units must be reserved for individuals whose income is 80% or less** of the area median income.
- **State housing finance agencies will allocate the credits** on a competitive basis. States are required to develop credit allocation plans that consider financial feasibility, amount of affordable housing provided, and other factors to promote economic revitalization.
- The credit is designed to work in conjunction with existing federal incentive tax credits such as the Historic Tax Credit (HTC), and the Low-Income Housing Tax Credit (LIHTC).
- **Bonus credits:**
  - For historic preservation tax credit projects in rural areas, the credit amount is increased from **20% to 35%** on the first $2 million of qualifying expenditures.
  - The credit increases from 20% to 30% if the conversion occurs in a **low-income census tract or difficult development area** (defined in statute). To be eligible for bonus credits, the conversion must meet higher affordability requirements of 20% of the residential units reserved for individuals below 60% of area median income.
- The tax credits **will be transferable**, ensuring that real estate investment trusts (REITS) and nonprofit housing providers will be able to utilize the tax credit, and facilitating external financing for eligible conversion projects.

FOR MORE INFORMATION, CONTACT:

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