

The undersigned commercial real estate industry associations strongly support the Community Recovery and Enhancement Act (CRE Act), important legislation introduced by Congresswoman Shelley Berkley to help incentivize equity investment in distressed commercial real estate assets and to address the pending crisis threatening community banks that currently hold significant real estate debt on their books.

According to the February 11, 2010 report by the Congressional Oversight Panel on the Troubled Asset Relief Program, small and mid-sized banks will bear the brunt of coming losses on commercial real estate loans. The report found that nearly 3,000 banks have concentrations in commercial real estate loans, including 2,115 banks with \$100 million to \$1 billion in total assets. Banks hold \$1.5 trillion, or 45 percent, of the \$3.4 trillion of commercial real estate debt in the U.S.

We believe that the CRE Act is a thoughtful and targeted solution to the current credit crisis in commercial real estate. This legislation will enable banks to convert troubled loans into performing assets through modest tax incentives to attract new equity capital to existing commercial real estate projects. The new investments would be specifically used to pay down debt, resulting in lower loan-to-value ratios of existing loans as well as improved debt coverage ratios. Importantly, the CRE Act relies upon market factors and economic incentives, rather than direct government involvement, to determine winners and losers.

Under this temporary tax incentive proposal, qualifying investments must be made before 2013 and only applies to assets purchased before 2009. At least 80 percent of the newly invested project capital must be used to reduce the outstanding balance of debt on the asset, with the balance going toward capital improvements, such as energy efficiency enhancements or leasehold improvements to attract new tenants. The new investment would qualify for a one-time 50% bonus depreciation and investors would be able to deduct any losses associated with the qualifying investment without regard to the passive loss limitations under Section 469 of the IRS Code.

We believe that this proposal has been carefully crafted and will help rebalance the debt vs. equity equation plaguing the commercial real estate and community banking industries. By giving lenders the ability to responsibly refinance debt and rebalance capital reserve levels, the CRE Act will provide the opportunity for additional lending capacity that will help stimulate lending to small businesses, job formation and economic growth in communities across the country.

Signed,

Associated General Contractors
Building Owners and Managers Association International
CCIM Institute
Institute of Real Estate Management
International Council of Shopping Centers
National Apartment Association
National Association of Realtors®
National Multi Housing Council
Society of Industrial and Office REALTORS®