



June 16, 2010

The Honorable Maria Cantwell
United States Senate
511 Dirksen Senate Office Building
Washington, DC 20510

NATIONAL
ASSOCIATION
OF
REAL ESTATE
INVESTMENT
TRUSTS®
♦ ♦ ♦
REITS:
BUILDING
DIVIDENDS
AND
DIVERSIFICATION®

Dear Senator Cantwell:

On behalf of the National Association of Real Estate Investment Trusts® (NAREIT), I am writing to express NAREIT's support for the amendment to be offered by you and Sen. George LeMieux (R-FL) to H.R. 4213, the "American Jobs and Closing Tax Loopholes Act of 2010," that would extend the Section 1603 Clean Energy Grant Program. NAREIT is the worldwide representative voice for REITs and publicly traded real estate companies with an interest in U.S. real estate and capital markets. NAREIT's members are REITs and other businesses throughout the world that own, operate and finance income producing real estate, as well as those firms and individuals who advise, study and service those businesses.

NAREIT supports the Cantwell-LeMieux amendment – S.Amdt. 4363 – to extend for two years the Section 1603 Clean Energy Grant Program that was authorized in the "American Recovery and Reinvestment Act" (Pub.L. 111-5). In addition, the amendment would amend the Recovery Act to allow REITs to participate fully in the Section 1603 Clean Energy Grant Program.

Under the tax rules, REITs are required to distribute at least 90% of their taxable income to their shareholders in the form of dividends. Most REITs distribute at least 100% of their taxable income. In exchange for doing so, federal law grants a deduction for the dividends they pay, which in 2009 totaled just over \$13 billion for listed REITs. REITs own approximately 6 billion square feet of commercial real estate, or roughly 10% of the entire U.S. commercial real estate space, and private REITs own a substantial amount as well. Despite being designed for this purpose, the Clean Energy Grant Program has been interpreted to allow a REIT to receive a grant only to the extent that it retains taxable income. As a result, the Program's applicability for a key component of the commercial real estate industry is severely limited, which curtails the Program's overall effectiveness. The Cantwell-LeMieux amendment would allow REITs to participate fully in the Clean Energy Grants Program without a limitation based on their statutorily mandated payment of taxable income as dividends to shareholders. The amendment contains language very similar to that contained in S. 3289, the "Sustainable Property Grants Tax Act," introduced by Sen. Ben Cardin (D-MD) on April 29. Absent the change contained in the Cantwell-LeMieux amendment and S. 3289, the complete Clean Energy Grant Program, enacted by Congress to



The Honorable Maria Cantwell

June 16, 2010

Page 2

stimulate the economy in an environmentally sustainable manner, will remain unavailable to a significant sector of the commercial real estate industry that is well suited to deploy renewable energy technologies.

Adoption of the Cantwell-LeMieux amendment would not only further the underlying Congressional policy of encouraging energy efficiency in all aspects of U.S. commerce, but it would promote the greatest possible participation in efforts to increase the use of renewable energy in buildings and other commercial properties by allowing a REIT to receive Clean Energy Grants based on the full amount of its qualified investment, rather than a reduced amount based on its required distributions. This change to current law will encourage these types of investments that should help fuel the U.S. economy's growth, create additional jobs and, over time, reduce the U.S.' reliance on foreign oil.

NAREIT commends you and Sen. LeMieux for your foresight in offering this amendment to extend the Clean Energy Grant Program and allow REITs to be treated more fairly under current law and afforded the same economic incentives as other property owners to make investments in renewable energy projects. We urge all senators to support the amendment.

Sincerely,

A handwritten signature in black ink, appearing to read "S.A. Wechsler", with a stylized flourish at the end.

Steve A. Wechsler
President & CEO

