



May 14, 2020

Speaker Nancy Pelosi  
House of Representatives  
H-232, the Capitol  
Washington, DC 20515

Minority Leader Kevin McCarthy  
House of Representatives  
H-222, the Capitol  
Washington, DC 20515

Dear Speaker Pelosi and Leader McCarthy:

On behalf of the more than 80,000 combined members of the National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA) and the millions of residents who live in apartment homes, we wish to thank you for your continued efforts to provide relief to American families and businesses negatively impacted by the COVID-19 pandemic. We are writing to share our views on H.R. 6800, the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act.

Apartment operators provide homes for 40 million Americans and take seriously the responsibility to ensure our residents are safe and secure. Part of that responsibility is to ensure that the continued operation of a rental housing community remains viable despite strains on rental income. With over 30 million Americans unemployed as a result of COVID-19, the need for continued and sustained federal assistance to renters and rental property owners is great. Moreover, as the crisis continues and renters' savings are depleted, these ongoing challenges will interfere with renters' ability to pay their rent, which could have cascading effects not only on the rental housing system, but state and local governments and the broader economy. We are pleased to see several components of the HEROES Act which respond directly to these critical concerns.

### **Direct Financial Assistance for Americans**

The direct and sustained economic assistance to renters and their families provided in the HEROES Act can play an important role in ensuring they are able to meet their financial obligations, including rent. Continued, supplemental unemployment insurance benefits, recovery rebates and even hazard pay for frontline workers, many of whom call apartments home, is critical as the nation's economy slowly recovers from the COVID-19 emergency.

## **Additional Housing Program Support**

We also applaud the inclusion of significant and necessary additional resources to a variety of HUD programs in the HEROES Act. Of special importance is the \$75 billion for homeowners, including those housing providers who own 2 – 4-unit rental homes and are at greatest risk of foreclosure during the COVID-19 emergency. We also appreciate the additional \$1 billion for Emergency Housing Choice Vouchers for those at risk of homelessness or survivors of domestic violence, as well as investments in Rural Rental Assistance, the Community Development Block Grant program and Homeless Assistance Grants (ESG).

## **Critical Tax Provisions**

NMHC and NAA support and appreciate Congress's work to provide necessary tax relief and financial assistance to renters and rental housing providers throughout this crisis and as part of the HEROES Act. In particular, renewing Recovery Rebates, expanding the Employee Retention Tax Credit, establishing a Tax Credit for Employer Expenses, and extending the Paid Sick and Family Leave Credits are key fiscal tools that will enable multifamily housing firms and their residents to weather the adverse effects of this public health and financial crisis. At the same time, the multifamily industry has concerns with tax proposals in the HEROES Act that would curtail the ability of affected multifamily owners to claim and carryback business losses. Taxpayers adversely affected by COVID-19 require the ability to fully utilize losses for tax purposes in the current tax year, including the ability to carryback those losses as a means of sustaining cash flows and meeting their financial obligations.

## **Emergency Rental Assistance**

Establishing an emergency rental assistance program is a top priority for NMHC and NAA as the apartment industry expects a significant number of residents will be affected by furloughs or job loss inhibiting their ability to pay their rent, even with the assistance provided in the CARES Act. Rental income pays employee wages, mortgages, taxes, insurance and, importantly, provides the funds to maintain continuity of essential services for apartment communities as many renters must shelter in place. In fact, according to [NAA's Breakdown of \\$1 of Rent](#)<sup>1</sup>, 27 cents of every \$1 of rent covers payroll expenses, including paying employees who operate and maintain the property, ongoing maintenance, utilities, insurance and the like. Housing providers are gravely concerned

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<sup>1</sup> National Apartment Association 2019 Survey of Operating Income & Expenses in Rental Apartment Communities; U.S. Census Bureau 2015 Rental Housing Finance Survey; Real Capital Analytics; Redstone Residential

about their ability to keep up with their financial responsibilities during an extended period of economic instability because of COVID-19.

The HEROES Act includes \$100 billion for rental assistance utilizing the U.S. Department of Housing and Urban Development's (HUD) Emergency Solutions Grant (ESG) program. We appreciate the work done to develop this critical economic lifeline to struggling renters. However, we have serious concerns relating to capacity of the ESG program to effectively and efficiently provide relief to the myriad renters and rental housing providers who are struggling to survive in the current environment.

We want to work with members of the House and Senate to ensure any emergency rental assistance program that is created can be administered in an efficient and timely manner to renters of all income levels who are in need as a result of COVID-19.

### **Multifamily Mortgage Forbearance & Servicing**

The HEROES Act includes critical protections for multifamily mortgage borrowers, servicers and rental property owners. Establishing a credit facility for mortgage servicers and providing mortgage forbearance for all multifamily property owners and loan types is an important step to protecting the financial viability of rental properties and the multifamily housing finance system. In particular, multifamily mortgage forbearance prevents a drop in rental income from forcing rental properties into financial distress and possible foreclosure. And while providing forbearance protections to multifamily borrowers is an important step to prevent foreclosures that put all residents at risk of losing their housing, it is important to note that only 39 cents of every \$1 of rent pays for the mortgage on the property. NMHC and NAA would urge that similar financial protections for property owners also be provided for so that financial obligations outside of mortgages, such as property taxes, utility services, etc. do not ultimately put the property and its residents at risk via tax liens being filed, insurance coverage lapses, utility service disruptions or other negative legal actions taking place.

### **Eviction Moratorium**

Housing providers have a shared goal with their residents in preserving housing stability and minimizing displacement during this crisis. Yet, the dramatic extension of the eviction moratorium first established in the CARES Act risks serious harm to the rental housing industry. The HEROES Act substantially expands the eviction moratorium to virtually all single family and multifamily homes, extends the moratorium period for 12 months and remains unconnected to those truly impacted by COVID-19. A prolonged, blanket eviction moratorium would result in some residents not paying rent, knowing they cannot be evicted. We oppose this proposal for the untenable situation it creates for



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housing providers by significantly interrupting the revenue needed to operate properties, including payment of employee salaries, property taxes, cleaning, maintenance, and utilities. This is especially damaging to smaller housing providers who ultimately make up the majority of rental property owners.

Many housing providers are encouraging active communication with their residents and are working together to overcome hardships through payment plans and other mitigation. At the same time, it remains critically important that those able to meet their payment obligations continue to do so. However, the moratorium in the HEROES Act greatly prolongs economic uncertainty for housing providers and undermines the industry's ability to manage their cost and revenue expectations in a reasonable way.

We believe a protracted extension of the federal eviction moratorium could be catastrophic to the housing industry. Notably, emergency renter protections and court closures are already in place in a majority of states and the District of Columbia. Further, it could be counterproductive and frustrate state and local efforts to stabilize their housing market and address local conditions. These policymakers are best situated to deploy the eviction restrictions appropriate to their circumstances, given the varied and unique eviction laws and judicial processes across jurisdictions. This is especially important as they begin to reopen their economies and workers return to their jobs. An overlapping protracted federal moratorium needlessly creates duplicative, sometimes confusing, compliance for housing providers.

Finally, plans for critical new development and rehabilitation of rental housing are endangered by this provision, seriously discouraging investment where risk cannot be effectively managed and community operations are compromised. NMHC and NAA believe the moratorium should be much more limited in duration directly tied to COVID-19 and include a provision that requires renters to notify the property owner of their inability to meet their rent obligation.

### **Student Housing Relief**

We urge Congress not to forget the challenges faced by private student housing providers. While many colleges and universities intend to offer in-person instruction, others will offer courses only online, offer some courses online and others in person, or have not yet determined how they will proceed. Private student housing operators work side-by-side with colleges and universities to house their student populations and are an integral part of campus life. Student housing leases operate under a different model than other multifamily housing leases, which pose significant financial challenges if prolonged absences at college campuses are ordered.



In addition, possible construction delays at ongoing projects could threaten the opening or viability of entire student housing communities. These challenges will require financial relief to assist with meeting debt, utility, tax, employee, and other obligations.

The unique nature of the rental housing industry puts apartment operators and employees on the front lines of responding to the COVID-19 outbreak in communities across the nation. NMHC and NAA representing our 80,000 members and the 40 million residents who call an apartment home, stand ready to assist Congress in its continued work to respond to this crisis and protect American families.

Sincerely,

Douglas M. Bibby  
President  
National Multifamily Housing Council

Robert Pinnegar  
President & CEO  
National Apartment Association

cc: Members, U.S. House of Representatives