

June 30, 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 are writing today to applaud your consideration of HR 2, *the Moving Forward Act*, legislation to address America's critical transportation, infrastructure and housing needs.

The apartment industry believes that there is an undeniable link between housing and infrastructure. Infrastructure is an important factor in meeting growing housing demand and to closing the housing affordability gap nationwide. We appreciate that Congress understands that infrastructure and housing are linked in significant ways. NMHC and NAA believe that a cooperative approach to housing development and infrastructure planning maximizes community benefit and promotes efficiencies in transportation, land use and public works.

Recent NMHC and NAA research finds that we must build 328,000 apartments annually through 2030 to meet the nation's housing needs. Yet our industry has faced significant challenges to new apartment construction, development, and renovation, all of which have been greatly exacerbated by the COVID-19 crisis. Housing development and rehabilitation nationwide is inhibited by construction shutdowns, unavailable labor and materials, supply chain disruptions, financial uncertainty, shifting lending and transactional requirements, and indefinite delays on land transactions and project entitlements. This continued supply deficit seriously jeopardizes housing affordability, limits availability, and undermines broader economic recovery.

Any major investment in the nation's infrastructure should recognize the inherent relationship between America's growing demand for rental housing and the industry's ability to meet it, by seeking to remove barriers to housing development and rehabilitation. New mechanisms and federal incentives are immediately needed to avoid further exacerbating America's housing affordability crisis, and we appreciate that the *Moving Forward Act* includes a number of NMHC and NAA-supported provisions.

First, we support the inclusion of *the Housing is Infrastructure Act*. This legislation invests over \$100 billion in our nation's housing stock and looks to ease barriers to the development of multifamily housing. Rising costs and regulatory burdens at all levels of government depress apartment development and rehabilitation nationwide, and often the most significant barriers are imposed by state and local governments.

One way to incentivize localities to remove or reduce burdensome regulations, shorten entitlement processes and reduce barriers is to provide new federal funding through competitive grants to incentivize localities to remove these and other obstacles to multifamily rental housing



development. To this end, this bill and the *Moving Forward Act* include a \$10 billion Community Development Block Grant (CDBG) set-aside program that will be available to jurisdictions that streamline and eliminate structural barriers to housing including increasing zoned capacity, eliminating off-street parking requirements, and eliminating or reducing impact fees. These and similar efforts by Congress are needed to incentivize localities to overhaul antiquated and counterproductive measures that deter or slow the construction of multifamily rental housing nationwide, making it increasingly unaffordable.

The *Moving Forward Act* also includes critical tax provisions that would help address the nation's shortage of affordable housing. Specifically, we strongly support the Act's proposal to expand and enhance the Low-Income Housing Tax Credit by significantly increasing state allocations and establishing a minimum 4 percent credit rate. Enhancing program authority will spur the production of critically needed units. A minimum 4 percent tax credit rate, akin to current law's minimum 9 percent credit rate will enable investors to utilize the full value of the incentive. Under current law, the 4 percent credit rate floats and in July 2020, will be worth just 3.08 percent due to low interest rates.

Additionally, the Act extends and modifies two beneficial energy efficiency provisions through 2025, namely the New Energy Efficient Home Credit and the Energy Efficient Commercial Buildings Deduction. This term of extension will provide taxpayers certainty regarding the availability of these incentives.

NMHC and NAA support efforts to increase the maximum amount of the New Energy Efficient Home Credit to \$2,500 which benefits low-rise multifamily properties (three stories or less), while making reasonable modifications to efficiency standards that must be met to claim the credit. Since its inception, the New Energy Efficient Home Credit has provided a powerful incentive for contractors to install higher performance building systems and upgraded appliances than they otherwise could justify within the proforma for developing the property.

Notably, the Act also sensibly increases the Energy Efficient Commercial Buildings Deduction to \$3 per square foot and updates the efficiency standards. While these are positive steps, NMHC and NAA continue to encourage Congress to modify this incentive to spur the retrofitting of existing buildings. Nearly 80 percent of the current apartment stock was constructed before 2000. Investment in modern high-performing building systems would markedly increase the energy performance of these older properties; however, due to the age of the specific property, it may still be unable to meet the performance metric specified by the Act's updated ASHRAE reference.

This is why considering significant improvement of building performance over the building's own baseline performance (as opposed to rating against the exogenous ASHRAE standard) is more effective and will meaningfully spur investment in upgraded systems. To spur the retrofitting of existing buildings, NMHC and NAA strongly support modifying the Energy Efficient Commercial Buildings Deduction to incentivize reduced energy consumption by establishing a sliding scale relative to a building's own energy usage. A tax deduction should be provided based on the amount of energy efficiency achieved relative to the building's baseline.

Lastly, this bill also includes language that recognizes the important link between transit and housing. Provisions in the bill, based on H.R. 4307, the *Build More Housing Near Transit Act*,

would provide incentives for housing feasibility studies to be conducted by transit agencies as part of the federal grant process. Access to housing in high density, transit-served areas is an important step to address the housing affordability crisis in America.

The *Moving Forward Act* represents a much-needed step forward in addressing the nation's transportation and infrastructure needs and would help ensure the production and rehabilitation of the housing needed to mitigate the effects of the country's housing affordability crisis. The enormity of the challenges we are facing as a nation and as an industry are evolving. Yet, our shared goal of ensuring that the millions of Americans who live in apartments nationwide have a safe, secure place to call home is more important than ever. We stand ready to work with Congress to address and meet the country's infrastructure and housing needs.

Sincerely,



Douglas M. Bibby
President
National Multifamily Housing Council



Robert Pinnegar
President & CEO
National Apartment Association

Copy to: U.S. House of Representatives