



January 18, 2024

The Honorable Bill Huizenga
Subcommittee on Oversight and
Investigations
House Financial Services Committee
2232 Rayburn House Office Building
Washington, DC 20510

The Honorable Al Green
Subcommittee on Oversight and
Investigations
House Financial Services Committee
2347 Rayburn House Office Building
Washington, DC 20510

Dear Chairman Huizenga and Ranking Member Green:

On behalf of the National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA), thank you for holding today's hearing entitled, Oversight of the SEC's Proposed Climate Disclosure Rule: A Future of Legal Hurdles.

For more than 25 years, NMHC and NAA have partnered to provide a single voice for America's apartment industry. Our combined memberships are engaged in all aspects of the apartment industry including ownership, development, management and finance. NMHC represents the principal officers of over 1,700 of the industry's largest and most prominent firms. As a federation of more than 145 state and local affiliates, NAA encompasses over 91,000 members representing nearly 11 million apartment homes globally. The apartment industry today plays a critical role in housing and the health of the broader U.S. economy by providing apartment homes to 40.1 million residents and contributing \$3.4 trillion annually to the economy. As such, fluctuations in the housing market, including those caused by changes to regulations governing entities like our members, can have widespread impacts on the economy.

We appreciate some of the policy goals in the Securities and Exchange Commission's Proposal related to the Enhancement and Standardization of Climate-Related Disclosures for Investors ("Proposal"). NMHC and NAA members are committed to reaching sustainability standards that promote the goals of the rental housing industry, while also creating healthy living spaces for the millions of Americans that rely on such housing. Ultimately, however, the Proposal's disclosure requirements, as written, are unworkable and will result in significant disruption to our industry's long-standing business operations making housing less affordable and more difficult to obtain.

Efforts to improve the consistency and comparability of climate-related disclosures made by public companies could in certain instances be beneficial. For instance, a majority of our members report a mix of quantitative and qualitative information to investors as a Corporate Sustainability Report ("CSR") or ESG report. However, these reports often provide similar information, but due to the emerging nature of this type of disclosure, do not contain a standard set of information nor follow a framework of reporting protocols. Historically, these companies have provided voluntary disclosures with respect to energy reduction targets, GHG reduction goals, building certifications achievements, resident engagement, resident services, progress towards diversity goals, employee engagement, and diversity of decision-makers, to name just a few examples.



NATIONAL
MULTIFAMILY
HOUSING
COUNCIL



These are consistent with a mix of evolving reporting frameworks developed by the Global Real Estate Sustainability Benchmark, Sustainability Accounting Standards Board, Partnership for Carbon Accounting Financials, the Task Force on Climate-Related Financial Disclosures, Global Reporting Initiative, and others. Accounting for the time it takes members to collect, analyze, and disclose climate-related information, our members make these disclosures to investors often in the third quarter of a fiscal year but no earlier than the second quarter.

Importantly, however, current disclosures and the ability to capture information vary widely depending on business models and data availability. Many of our members build new multifamily housing projects, while others renovate and upgrade existing structures. Some member companies have adopted a vertically integrated business model that allows for more control of the development process, as well as heightened control over data collection and retention. Accordingly, the SEC's one-size fits all approach simply does not align with current practices, even those that are already working towards the same public policy goals.

Furthermore, many non-vertically integrated companies rely on contractual work with builders, general contractors, and their hired subcontractors. Often, these downstream partners, including smaller and minority-owned subcontractors, are not public companies and lack the necessary internal capabilities to collect and provide the information required to sustain these partnerships if the Proposal is adopted as written. Consequently, this has significant implications for our shared goal of increasing ownership, management and service provider opportunities for women- and minority-owned businesses in the rental housing business. We have serious concerns that the Proposal would impede these initiatives.

We recognize the Proposal's goal of providing more standardized disclosure to enable investors to compare climate impacts across companies. However, there is an important distinction between existing standardization efforts and pursuing new data collections that are, in some cases, unrelated to any reasonable activity associated with business activities, both of which would be required under the Proposal. In the United States and across the globe there are myriad existing and emerging standards for climate-related disclosures, further complicating matters for companies attempting to respond to growing investor interest in such figures.

Unfortunately, as currently drafted, the Proposal does not adequately provide the harmonization necessary to ensure investors receive consistent, comparable disclosures. It also fails to appropriately recognize the current practices of our members who are already collecting and reporting through their existing CSR or ESG reports. In short, complying with the Proposal's requirements will be overly burdensome and unrealistic in the near future.

To that end, we have recommended to the SEC that the Proposal be amended as follows:

- Require climate disclosures to be made on a stand-alone form;
- Require disclosure to harmonize with the availability of data and no earlier than the end of the second quarter after the end of a fiscal year
- Provide additional flexibility for financial disclosures;
- Provide an additional two years for companies to implement disclosures;



- Delay the Scope 3 disclosure mandate until after the SEC has time to analyze the impact of such disclosures and ongoing standardization efforts; and
- Adopt a principles-based approach to assessing materiality while providing companies with additional guidance.

We appreciate the House Financial Services Committee's work in reviewing the Proposal. We have serious concerns that if the SEC moves forward, without making significant adjustments to its Proposal, our members will face substantial regulatory burdens. This will shift resources being spent on their work seeking to provide more affordable housing, at a time when the country is critically in need of it, to instead complying with duplicative, and overly prescriptive new requirements. Our full comments to the SEC, can also be found [here](#). Thank you for your leadership on this issue.

Sincerely,

Robert Pinnegar
President & CEO
National Apartment Association

Sharon Wilson G no
President
National Multifamily Housing Council

cc: Chairman Patrick McHenry, House Financial Services Committee
Ranking Member Maxine Waters, House Financial Services Committee
House Financial Services Committee