Word on The Hill, Washington Impact: Will the New Administration Make the Grade for the Student Housing Industry? Pass or Fail?

Moderator: Bill Bayless
American Campus Communities

Matthew Berger
National Multifamily Housing Council

Dave Borsos
National Multifamily Housing Council

Cindy Chetti
National Multifamily Housing Council

Kevin Donnelly
National Multifamily Housing Council

#NMHCstudent @ApartmentWire
Word on The Hill:
Washington Impact: Will the New Administration Make the Grade for the Student Housing Industry?
Pass or Fail?
Current State of Play in Washington

• CR Passed last week funding government through December 3
• Debt Ceiling
• Bipartisan Infrastructure Package
• Biden $3.5 Trillion Human Infrastructure Initiative
Bipartisan Infrastructure Package

- $1 trillion, bipartisan bill passed Senate in August
- Moderate Dems want vote on bipartisan package before the larger $3.5 Trillion social spending bill
- Progressives Concerned that passage of the bi-partisan bill will hurt chances for passage of $3.5 Trillion bill.
- NMHC supports passage of bipartisan infrastructure bill but concerned with real estate tax increases that are being considered as “pay fors” for the $3.5 Trillion package.
Biden’s $3.5 Trillion Human Infrastructure Package

- Discussions Continue on Size of the Human Infrastructure Package which will impact revenue cost needed to fund the package.
- House Ways & Means Committee on September 15 approved $2.073 trillion tax increase as part of $3.5 trillion package including a number of real estate tax increases.
- Senate has yet to mark up a bill detailing it’s specific tax increases but real estate tax increases are definitely under consideration.
Ordinary Income Tax Proposals
- Top statutory rate back to 39.6 percent (from 37 percent)
- 20 percent pass-through deduction limited to $400,000 (single filers) and $500,000 for joint filers
- 3 percent surcharge on income exceeding $5 million

Capital Gains Tax Proposals
- Top statutory capital gains rate to 25 percent (from 20 percent)
- 3.8 percent Net Investment Income Tax Expanded to include “active income” (Also impacts such income taxed at ordinary rates on which FICA not imposed)

Total Potential Marginal Rates
- 46.4 percent on ordinary income
- 31.8 percent on capital gains income
Tax Policy – House Ways and Means Proposal

Carried Interest
• Proposal increases general holding period to 5 years (from 3 years)
• Real Estate provided a three-year holding period
• 1231 gains no longer exempt from extended holding period

Excess Business Loans
Provision limiting excess businesses losses (total business deductions + $250,000 (single filers) and $500,000 (married filers)) made permanent

Estate Tax
Doubling of exemption amount $11.7 million (single filers) / $23.4 million (married filers) sunset after 2021 (was to apply through 2025)
Tax Policy – House Ways and Means Proposal

Two Key Provisions NOT in this bill
• Modifications to Like-Kind Exchange Rules
• Taxation of unrealized capital gains at death

Low Income Housing Tax Credit
• Increases 9 percent LIHTC credit authority by 50 percent after making permanent 12.5 percent increase for 2018-2021
• Reduces to 25 percent the amount of a project that must be financed with private-activity bonds to utilize 4 percent LIHTCs

Rehabilitation Tax Credit
• Temporarily increases credit percentage to 30 (from 20 percent)
• Modifies definition of substantially rehabilitated to greater of 50 percent of adjusted basis of building or $5,000
Evictions

- NMHC advocated that a one-size-fits-all eviction moratorium was never a real solution for residents facing financial hardships.
- Federal moratoriums faced expiration and extension 6 times.
- The Supreme Court effectively ended the moratorium on August 26.

NMHC created an educational and advocacy tool that debunks common eviction misconceptions and details the process step-by-step.
Emergency Rental Assistance Program

- $25 billion (ERA 1) in December 2020.
- $21.6 billion (ERA 2) in March 2021.
- Execution of the Program and distribution of funds has been slow with only 17% of the funds being distributed as of August 31.
- NMHC continues to work with the Administration, Congress and grantees to identify ways to expedite the distribution of funds to property owners and residents impacted by the pandemic.

After a year of advocacy...
NMHC helped secure $46.6 billion in rental assistance
FHFA - Update

• Sandra Thompson is serving as Acting FHFA Director after Mark Calabria was dismissed by President Biden.
• FHFA has issued a number of rulemaking and initiatives:
  • Suspension of portions of 2021 PSPA
  • Increased LIHTC Cap for Enterprises
  • Requirement that Enterprises to Develop a 3-year Plan to advance Equitable in Housing Finance
  • New affordability housing goals
• FHFA Considering expanded Radon Testing Requirements
FCC Broadband Access Issues

FCC is refreshing the record on broadband competition & choice in multifamily and commercial. Comments are due Oct. 20. Reply Comments 15 days later.

Specifically looking at agreements between property owners & broadband providers (revenue/cost-sharing, exclusive wiring & marketing arrangements).

NMHC currently surveying members to demonstrate choice, competition & reliable broadband are the priority of the industry.

#NMHCstudent
@ApartmentWire
Biden Administration Focused on Rolling Back a Number of Regulations that Could Impact the Industry

- Fair Housing – Disparate Impact
- Lead Based Paint
- Waters of the US (Wotus)
- Resident Screening
- Emotional Support Animals
- Climate Change
- Energy Efficiency Standards
NMHC’s Government Affairs Team

Cindy Vosper Chetti    SVP, Government Affairs    cchetti@nmhc.org
Eileen Lee             VP, Energy & Environmental Policy    elee@nmhc.org
Lisa Blackwell        VP, Housing Policy           lblackwell@nmhc.org
Paula Cino             VP, Construction, Development & Land Use Policy    pcino@nmhc.org
Matthew Berger        VP, Tax, Student Housing    mberger@nmhc.org
Lisa Costello         VP, Political Affairs        lcostello@nmhc.org

Dave Borsos           VP, Capital Markets, Student Housing    dborsos@nmhc.org
Kevin Donnelly        VP, Government Affairs        kdonnelly@nmhc.org
Kimble Ratliff        VP, Government Affairs        kralliff@nmhc.org
Julianne Goodfellow   VP, Government Affairs        jgoodfellow@nmhc.org
Daria Dudzinski       Sr. Manager, Government Affairs    ddudzinski@nmhc.org
Kevin Cameron         Director, NMHC PAC           kcameron@nmhc.org

#NMHCstudent @ApartmentWire