

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



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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.



Tax Policy – House Ways and Means Proposal

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 Losses

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

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

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



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.



THE TRUTH ABOUT EVICTIONS

Eviction is the legal process that enforces rental lease obligations. Unfortunately, common misconceptions have clouded the public understanding of this necessary tool.

Eviction Notice Does Not Equal Resident Removal

There is a wide variety of state and local laws concerning the process to evict a renter and, in most jurisdictions, renters must receive certain notices – and may be given the opportunity to resolve violations – before housing providers can initiate eviction proceedings.

Data That Conflate Eviction Filings With Removals Are Misleading

Because of the multi-step eviction process, the notice period and multiple points along the way at which a dispute can be resolved before removal, court filing data obscures a much smaller number of actual evictions.

Housing Providers Do Not Benefit From Eviction

Property owners rely on renters and succeed only when residents pay rent reliably, are not damaging property or risking the safety of other tenants. Generally, property owners try to avoid eviction and find other methods of resolution because the process costs them money and time, and impacts their reputation.



Emergency Rental Assistance Program

After a year of
advocacy...
NMHC helped secure
\$46.6 billion in rental
assistance

- \$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.



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.



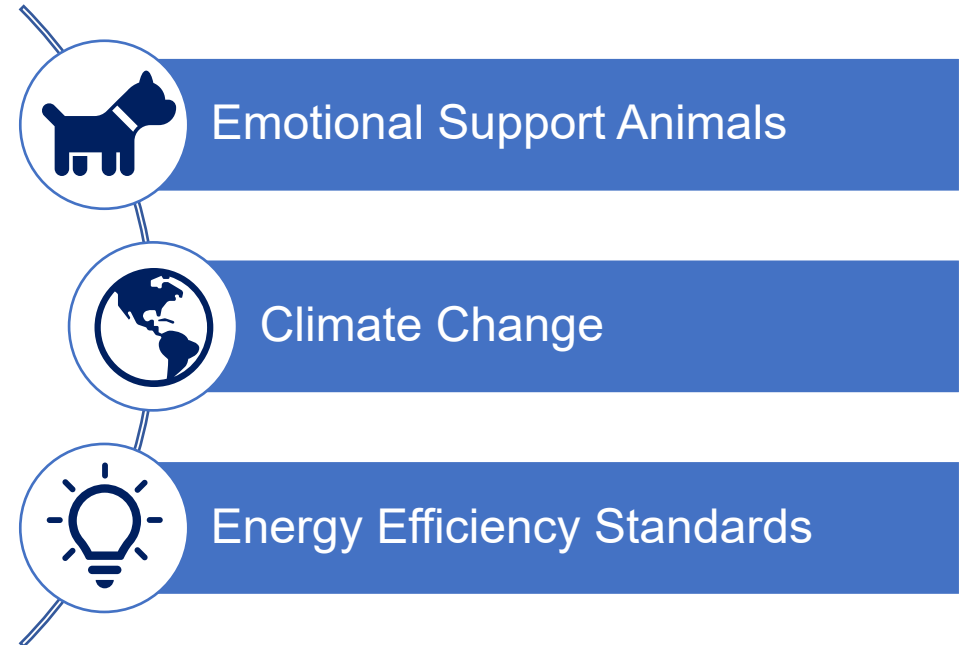
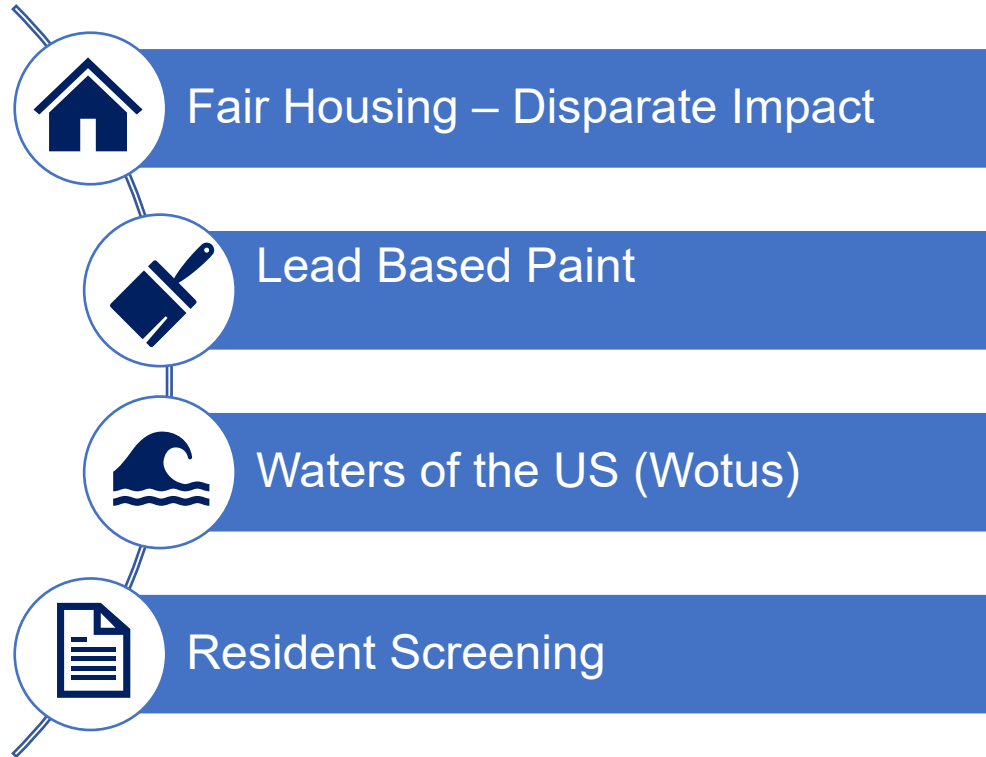
Specifically looking at agreements between property owners & broadband providers (revenue/cost-sharing, exclusive wiring & marketing arrangements).



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



Biden Administration Focused on Rolling Back a Number of Regulations that Could Impact the Industry



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