

## MULTIFAMILY INDUSTRY PRIORITIES FOR ADDITIONAL COVID-19 RELIEF

The apartment industry is playing a critical and front-line role as we seek to contain the COVID-19 outbreak. Thanks to NMHC's aggressive lobbying effort, the recently enacted CARES Act included a number of helpful provisions for apartments firms and their residents, such as direct payments to individuals and families, expanded unemployment insurance and a small business loan/grant program. Unfortunately, these funds are not tied to housing obligations and will not be sufficient to address the financial challenges that both renters and the rental industry are now facing.

The following are talking points and background on the multifamily industry's priorities for the next COVID-19 economic relief and stimulus package.

### Top Message

Apartment operators, employees and residents need economic relief immediately to avoid a collapse of the portion of the rental housing sector that provides homes for 40 million Americans.

### Top Priorities

- Create an Emergency Rental Assistance Program
- Align Mortgage and Financial Forbearance and Eviction Protections and Provide Financial Assistance to Property Owners and Mortgage Servicers, including:
  - Clarify and Further Target Eviction Moratorium Protections
  - Expand Mortgage Forbearance Protections to All Types of Mortgages and Property-level Financial Obligations
  - Reconcile Forbearance and Eviction Moratorium Timelines
  - Provide Financial Assistance and Protection for Financial Property Obligations
  - Amend Forbearance Repayment Schedules for Multifamily Loans
  - Create a Federal Reserve Credit Facility for Mortgage Servicers
- Expand the Small Business Administration's Paycheck Protection Program to Include All Multifamily Businesses
- Provide Critical Tax Relief for Multifamily Property Owners
- Enact Critical Infrastructure Programs to Support A National Economic Recovery

## DETAILED TALKING POINTS FOR EACH ASK

### Create an Emergency Housing Assistance Fund for Renter Households

The CARES Act did provide substantial financial housing support; however, it is largely targeted to recipients already receiving HUD assistance. Direct emergency rental assistance for those who do not presently receive federal housing assistance but now find themselves needing it, is critical. Importantly, this assistance should be specifically tied to fulfill of rental obligations to prevent the misallocation of fund that would result in further housing instability.

Housing providers have financial obligations they must meet on a regular basis, including mortgages, utilities, payroll, insurance and taxes. If renters are unable to pay their rent, rental property owners will not have the resources to satisfy their own financial obligations. To facilitate support for impacted households, Congress can look to lessons learned from past disasters such as Hurricane Katrina, where state and local housing agencies acted as a conduit, working with both residents and owners to ensure rent obligations go directly to the property. To protect both renters and rental property owners, Congress must address the following:

### **Align Mortgage and Financial Forbearance and Eviction Protections and Provide Financial Assistance to Property Owners and Mortgage Servicers**

***Clarify and Further Target Eviction Moratorium Protections:*** While well intentioned, the CARES Act 150-day moratorium, as currently written, provides the protection to all residents in properties backed by all federal mortgages or participating in certain federal aid programs, regardless of whether they have been financially impacted by the pandemic. This protection should be modified to include guardrails that limit it to those adversely affected by the COVID-19 outbreak. Further it should require that the resident officially notify the property owner of temporary financial hardship, request assistance/relief from the property owner and acknowledge the contractual terms of the lease remain in effect.

***Expand Mortgage Forbearance Protections to All Types of Mortgages and Property-level Financial Obligations:*** The CARES Act provides 90 days of mortgage forbearance protections for multifamily properties with federally backed mortgages. This protection needs to be expanded to all types of mortgages and loans issued by a federally regulated financial institution (private banks, life companies, CMBS, etc.). The forbearance should also be expanded to other property-level financial obligations such as property taxes, insurance payments, utility service, etc.

***Reconcile Forbearance and Eviction Moratorium Timelines:*** The CARES Act limits multifamily forbearance to a 90-day time period, yet provides eviction protection for up to 150 days. This mismatch in timeframes could result in a mass wave of financial delinquencies and defaults from rental housing providers of all types and sizes, jeopardizing the stability of entire communities. Congress must ensure that forbearance protection is granted on all multifamily loans for the same length of time as any local, state or federal eviction moratorium.

***Provide Financial Assistance and Protection for Financial Property Obligations:*** In order for owners and operators to ensure viability of apartment and rental housing communities, financial assistance and protections should be expanded to other property-level financial obligations such as property taxes, insurance payments, utility service, and the like. This assistance and protections are needed to avoid any type of negative disruption or impact on renters or housing providers which could include loan default, tax liens or other negative legal actions and ultimately put the property and its residents at risk.

***Amend the Forbearance Repayment Schedule for Multifamily Loans:*** Borrowers who request forbearance should be given 12 months to bring the loan current or be allowed to alter the loan terms to add the cost to the back of the mortgage.

Forbearance and eviction moratorium protections should not extend beyond the end of the national disaster declaration period and apply only to those experiencing financial hardship because of COVID-19.

***Create a Federal Reserve Credit Facility for Mortgage Services:*** Congress should direct the Federal Reserve Board of Governors and the Treasury Secretary to extend credit to multifamily mortgage servicers and other obligated advancing parties pursuant to the authority granted under section 13(3) of the Federal Reserve Act. These organizations have liquidity needs due to the COVID-19 emergency and/or compliance with the CARES Act as well as other mortgage servicers to avoid imminent mortgage delinquencies or defaults.

### **Expand the Small Business Administration's Paycheck Protection Program to Include Multifamily Businesses**

Despite original Congressional intent to assist all lines of business with the PPP, the SBA issued an interim final rule on April 2 that specifically denies eligibility to rental housing developer and owner firms. We urge Congress to compel the SBA to reverse this decision and expand eligibility to rental housing firms and student housing operators so that they can protect their employees and their operations with these loan and grant funds.

The Paycheck Protection Program, designed to keep American workers paid, provided an eligibility waiver for certain business concerns with more than 500 employees but with more than one physical location, such as in the hotel industry. The multifamily industry operates under a very similar business model to other sectors targeted for inclusion with this language, but it is not part of the North American Industry Classification System (NAICS) codes that were granted this exemption. It is critical that Congress extend similar eligibility to apartment firms and student housing operators so they can access these loan and grant funds to protect their employees and their properties.

### **Provide Critical Tax Relief for Multifamily Property Owners**

We urge Congress to address an unintended consequence of the Tax Cuts and Jobs Act (TCJA) that harms our industry's ability to invest in housing production and rehabilitation. The TCJA included a drafting error that adversely impacts the depreciation of any property placed in service prior to 2018. The Multifamily Depreciation Parity Act of 2019 (S. 2984 / H.R. 5313) has been introduced to address this issue and would allow multifamily firms to depreciate buildings placed in service prior to 2018 over the congressionally intended 30 years as opposed to 40 years (under TCJA). This would help increase cash flows for impacted owners. We believe this relief is appropriate in light of current events, as it would give many multifamily property owners access to immediate equity to use for immediate cash-flow needs.

### **Enact Critical Infrastructure Programs to Support A National Economic Recovery**

Once the outbreak is contained, the nation will need to turn its focus to the task of rebuilding the economy and putting Americans back to work. A major infrastructure package could help address severe apartment development and construction challenges created or exacerbated by this crisis, while furthering the nation's economic recovery.

New mechanisms and federal incentives are immediately needed to avoid the deepening of the housing affordability crisis that already existed before the pandemic and has been worsened by it. NMHC has identified a number of specific proposals in line with the following principles:

- Include measures that support the interconnectivity of housing and infrastructure and promote housing development at all income levels, including:
  - Investing in housing and infrastructure that includes solutions to address the nation’s most pressing housing challenges;
  - Incentivizing localities to reduce barriers and adopt policies to encourage private sector investment in housing;
  - Expanding and enhancing the Low-Income Housing Tax Credit to enable greater production of affordable housing;
  - Enacting a Middle-Income Housing Tax Credit (MIHTC) to support workforce housing;
  - Enhancing Opportunity Zones to incentivize rehabilitation of housing units;
  - Enacting the Build More Housing Near Transit Act and better leverage federal transportation dollars to support housing development;
  - Enacting the Yes in My Backyard Act (YIMBY Act) to help eliminate discriminatory land use policies and remove barriers that depress production of housing;
  - Supporting affordable and practical efficiency incentives that enable developers to invest in engineering as well as construction and development costs required to build high-performing multifamily homes; and
  - Reducing regulatory barriers and invest in programs that have proven to increase voluntary property owner participation in the Section 8 Housing Choice Voucher (HCV) Program.