NATIONAL APARTMENT ASSOCIATION
We Lead the Way Home

4300 Wilson Blvd., Ste. 800
Arlington, VA 22203
703-518-6141
www.naahq.org

Housing Affordability

NAA Viewpoint

Housing affordability is a complex issue that is best remedied by solutions that increase the supply and availability of rental housing at all price points.

Housing affordability is a complex issue driven by diverse factors including income levels, land and natural resource availability, population growth and housing supply-demand imbalance. To remedy these issues, lawmakers at all levels of government must prioritize solutions that increase the supply and availability of rental housing at all price points.

Barriers to development remain a significant impediment to increasing the supply of rental housing. NAA conducted a national survey to better understand these factors and what constraints they place on the supply of rental housing. This research suggests that physical, administrative and regulatory barriers contribute to the rising cost of development and halt the delivery of quality affordable rental housing.

NAA strongly urges members of Congress to support passage of bipartisan legislation – the Yes in My Backyard Act (YIMBY) Act which, was reintroduced in the 117th Congress as H.R. 3198 by Representatives Derek Kilmer (D-WA-06) and Trey Hollingsworth (R-IN-09) and as S. 1614 by Senators Todd Young (R-IN) and Brian Schatz (D-HI).

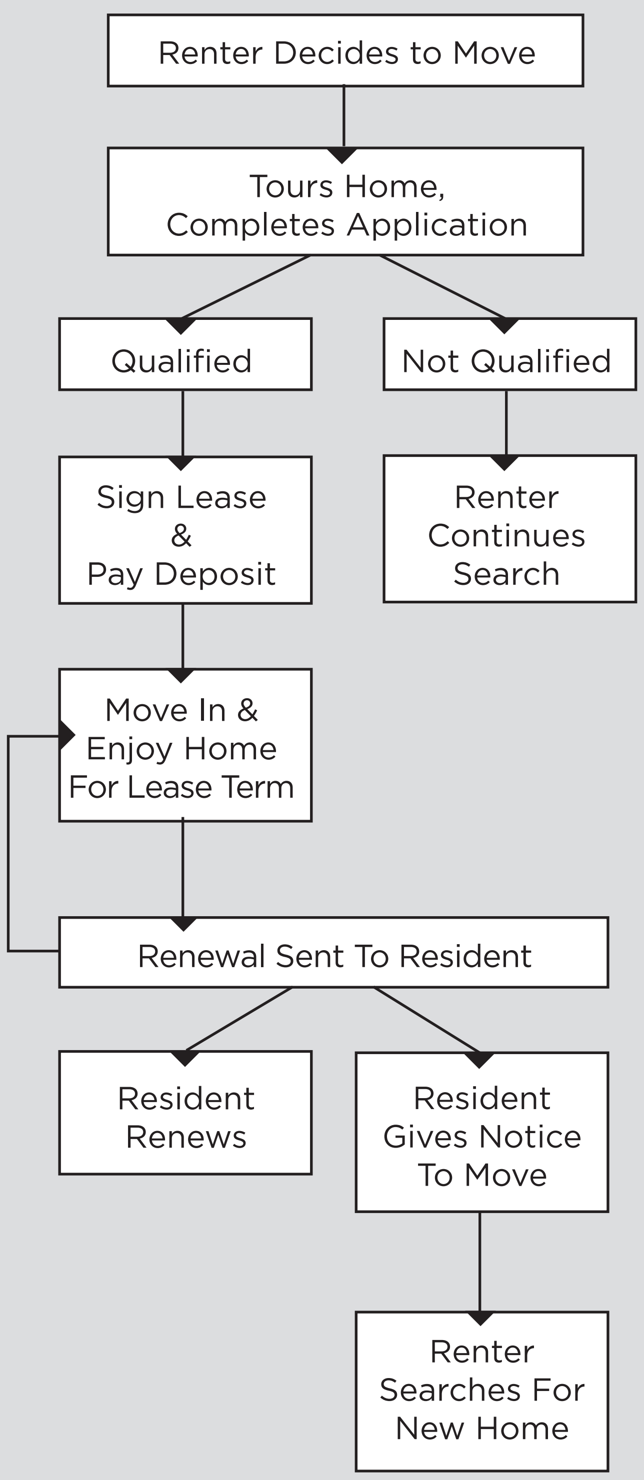
The bill encourages localities to eliminate discriminatory land-use policies, increase thoughtful and inclusive development practices, and requires periodic reporting of local efforts to reduce barriers to development. This legislation, passed the House in 2019 with overwhelming bipartisan support.

In addition to reducing barriers to development, lawmakers must prioritize enhancements to the Section 8 Housing Choice Voucher (HCV) Program. The HCV Program has long served as America's primary method of rental assistance. This public-private partnership has the potential to be the nation’s most effective, short-term solution to address the housing affordability crisis, but only if the red tape associated with the program can be reduced. Housing provider participants experience significant bureaucratic hurdles such as inspection delays, inclusion of the U.S. Department of Housing and Urban Development’s (HUD) cumbersome tenancy addendum and prescribed rent increases, which do not keep pace with market rates. These challenges create uncertainty in their operations and undermine the ability of owners to properly manage risk.

NAA is a proud supporter of The Choice in Affordable Housing Act--introduced as S. 1820 by Senator Chris Coons D-DE and Kevin Cramer R-ND, and as H.R. 6880, by Congressman Emmanuel Cleaver, D-MO-5 and John Katko, R-NY-24--and calls on members of Congress to pass this legislation immediately to improve housing affordability nationwide. This bipartisan bill would create grants to incentivize housing provider participation in the HCV program, provide security deposit assistance for low- and moderate-income renters and protect owners’ investments, allow greater flexibility in the scheduling of unit inspections and establish subsidies for program administrators, Public Housing Authorities, to hire a dedicated landlord liaison. The Choice in Affordable Housing Act would encourage greater housing provider participation and improve outcomes and access to areas of opportunity for low- and moderate-income renters.

LEASING PROCESS COMPARISON

STANDARD LEASING PROCESS



ACRONYM KEY

LO - Leasing Office

HA - Housing Authority

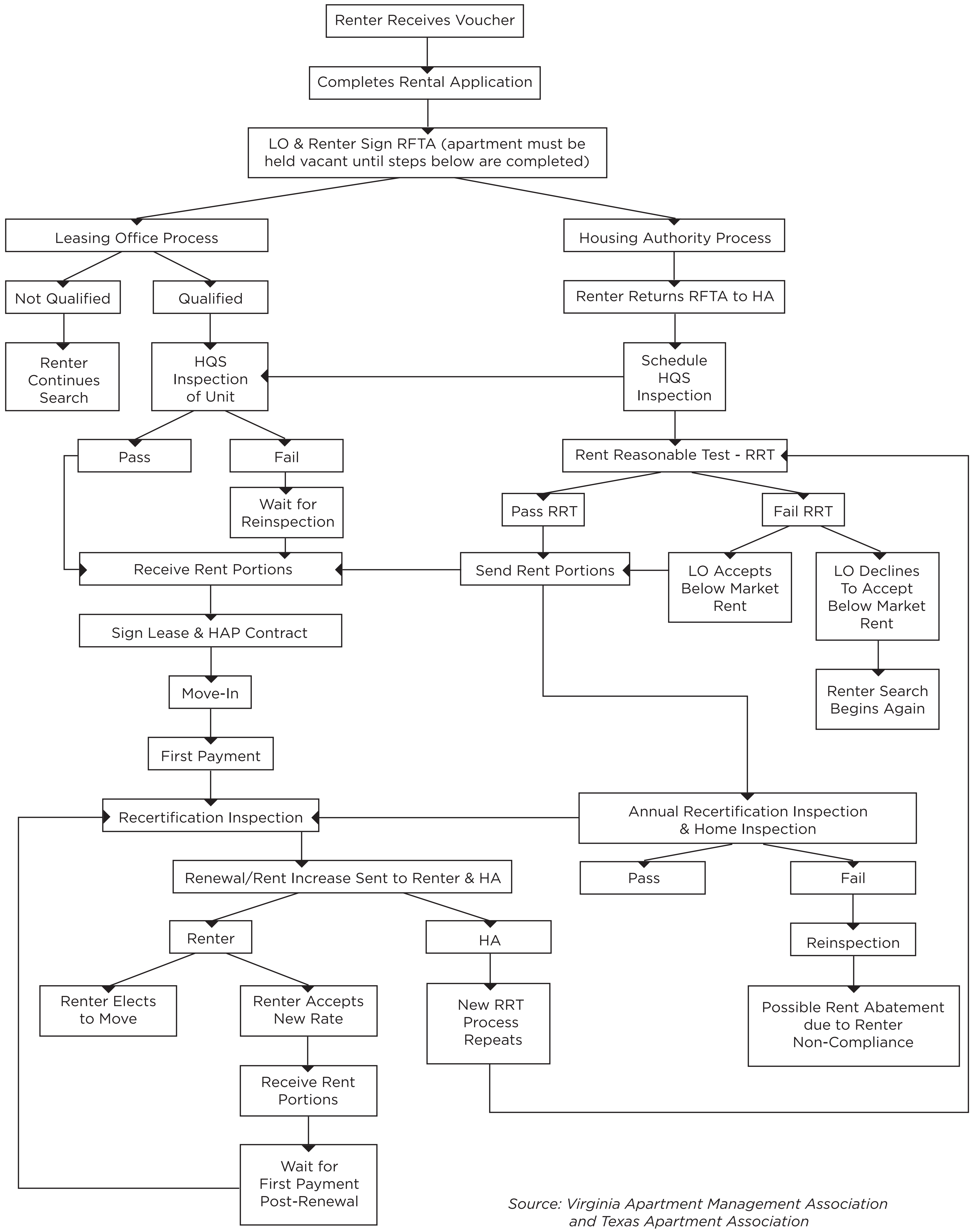
RFTA - Request for Tenancy Approval

RRT - Rent Reasonable Test

HQS - Housing Quality Standards

HAP - Housing Assistance Payment Contact

HOUSING CHOICE VOUCHER LEASING PROCESS



Source: Virginia Apartment Management Association and Texas Apartment Association

4300 Wilson Blvd., Ste. 800
Arlington, VA 22203
703-518-6141
www.naahq.org

LINGERING CHALLENGES WITH THE CARES ACT EVICTION MORATORIUM

NAA Viewpoint

We urge Congress to clarify ambiguities in the CARES Act's temporary, notice to vacate requirement for evictions to ensure that property owners can effectively manage their properties and continue to provide quality, affordable housing to their communities.

The CARES Act established a temporary 120-day moratorium on evictions and late fees due to nonpayment of rent, which applied to federally-backed and federally-assisted housing. This section of the CARES Act also instituted what should have been a temporary notice procedure, requiring housing providers to notify covered residents 30 days before filing for eviction after the moratorium ended on July 24, 2020. Because of a drafting error, this federal "notice to vacate" requirement remains in place today, long after the end of the moratorium.

For professional owners and operators of rental housing, eviction is always a last resort. Their businesses always do better when units are occupied and when they can fully meet their obligations to their residents, employees, creditors and the communities that they serve. COVID-19 highlighted housing providers' efforts to utilize all available resources and be as flexible as their circumstances allow to help their residents remain stably housed. Yet, housing providers are still recovering from the pandemic, and resulting backlogs in the courts are stretching the eviction process from a number of weeks or months to more than a year in some jurisdictions, while housing providers remain unpaid.

This federal notice to vacate requirement supersedes states' established eviction laws, exceeds any existing notice procedures, and further delays the start of the eviction court process. Meanwhile, owners and managers face even more lost rent while they wait. The rental housing industry cannot continue to manage their communities successfully with these sustained losses of rental income. This is particularly challenging for operators of subsidized housing and mom and pop landlords and ultimately hurts the tens of millions of Americans who work in the industry and the nation's renters.

We urge Congress to:

- Provide a clear sunset date for the CARES Act's notice to vacate requirement that expired 30 days after the Act's 120-day moratorium terminated.
- Clarify that the notice to vacate provision only applied to cases of nonpayment of rent and outstanding balances that accrued during the moratorium's covered period.

It is our belief that the CARES Act notice-to-vacate requirement was intended to expire when the eviction moratorium itself expired, and not be a permanent change to states' eviction laws. We urge Congress' support of a legislative fix to ensure that property owners can effectively manage their properties and continue to provide quality, affordable housing to their communities.

The Eviction Process for Nonpayment of Rent

NATIONAL APARTMENT ASSOCIATION

Evictions are costly and difficult for all parties involved. Yet, the eviction process is the only legal remedy for resolving landlord and tenant disputes and for housing providers to legally recover possession of their property when a renter violates the lease agreement.

The eviction process varies widely by jurisdiction. Learn more about common aspects of the process. See reverse for icon descriptions.

The Pandemic

Court backlogs are stretching the eviction process from a number of weeks or months to more than a year in some jurisdictions, while housing providers remain unpaid. Housing providers are utilizing all available resources to keep their residents housed throughout the pandemic and being as flexible as their circumstances allow.

However, housing providers cannot continue to operate their business and maintain the housing for their renters with sustained losses in rental income.

Dark blue delineates standard processes with additional processes in light blue that vary widely by state.

Learn more about the breakdown of a dollar of rent at: **www.naahq.org/dollarofrent**

The Eviction Process for Nonpayment of Rent

NATIONAL APARTMENT ASSOCIATION

1 LEASE VIOLATION
Housing providers must take action when renters violate the terms of their lease.

2 EVICTION MITIGATION
Housing providers are in the business of housing renters and will work with them to resolve outstanding issues and avoid eviction.

3 NOTICE
Housing providers provide renters with notice and an opportunity to cure non-emergent lease violations. Notice periods vary according to state law, on average an 8-day period.*

4 COURT FILING
If the renter does not resolve the lease violation, the housing provider will file a complaint, pay court costs and obtain legal representation (typically required for corporations).

5 RENT ESCROW
In some jurisdictions, the Court requires the renter who is subject to eviction, to pay rent into escrow while the eviction is processed.

6 PLEADINGS
The housing provider and renter may file court documents to dispute allegations in the complaint.

7 COURT HEARING
The Court serves as an arbiter to determine a resolution when the parties cannot come to an agreement and determines whether an eviction judgment is warranted.

8 "PAY AND STAY" ANYTIME
Throughout the court process, a renter who is subject to eviction due to nonpayment can pay their outstanding rent, fees and court costs to avoid eviction and remain housed. The window of time that a renter can "pay and stay" depends on applicable right of redemption laws in each state.

9 COURT RULING
The Court can rule in favor of the housing provider and grant possession or in favor of the tenant and dismiss the eviction case.

10 APPEAL PERIOD
Renters and housing providers have an opportunity to appeal the Court's ruling.

11 WRIT FILING
In some jurisdictions, the housing provider must file for a writ to recover possession of the unit following a judgment in their favor from the Court.

12 JUDGMENT EXECUTION
Local law enforcement must oversee a peaceful transition when the renter is required to move out and the housing provider changes the locks.

13 POSSESSION RECOVERY & LEASING
After the housing provider regains possession of the unit, he or she clears the unit of debris, repairs any damages and prepares the unit to be re-rented.

*Notice: Some states do not require notice prior to filing for eviction due to nonpayment of rent, instead building in robust tenant protections throughout the eviction process to allow renters to "pay and stay."

Learn more about the breakdown of a dollar of rent at: **www.naahq.org/dollarofrent**

NATIONAL APARTMENT ASSOCIATION

BREAKING DOWN
ONE DOLLAR OF RENT

There exists a misconception that rental housing owners enjoy large margins and can continue operating in the absence of rent payments.

With so much discussion around rent payments during COVID-19, the rental housing industry would like to explain the breakdown of one dollar of rent.

Only **10 cents of every $1** are returned to owners, including the many apartment owners who are themselves small businesses and rely on this revenue to make ends meet, and investors, which include public pensions and 401ks, on which many Americans rely—whether or not they reside in rental housing.

Approximately **38 cents of every $1** pays for the mortgage on the property. This is a critical expense, as mortgage foreclosures put all residents at risk of losing their housing.

12 cents of every $1 is spent on capital expenditures, including roof and HVAC replacement and other important repairs that help ensure quality housing for America's 40 million rental housing residents.

16 cents of every $1 pays for operating expenses such as property and liability insurance, utilities, ongoing maintenance and the like.

10 cents of every $1 covers payroll expenses, including pay for employees who operate and maintain the community as part of the 17.5 million jobs that the industry supports.

14 cents of every $1 goes to property taxes, which in turn supports the community through financing for schools, teachers, emergency services and other important local needs.

Between mortgage payments and investor returns, which help support many Americans' retirement plans, and dollars put back into the apartment community to ensure quality living for residents, a rent payment is much more important than one might otherwise realize.

Sources: National Apartment Association 2020 Survey of Operating Income & Expenses in Rental Apartment Communities

NAA/IREM/CEL & Associates, Impact of COVID-19 on Apartment Owners and Operators, April 2020

Rental Housing Industry Charitable Giving

NAA G.I.V.E.S.

14,302

NAA's member companies that are committed to improving the world and our local communities.

$167,700

Estimated average charitable donation made per rental housing industry company in 2021.

> We are a locally owned and operated business and believe strongly in giving back to the communities in which we operate both financially as well as through volunteerism. We give back at the corporate and at the property level. Our company's partners are also very involved in giving back through time, talent and treasure.
>
> —*NAA member*

38.6%

of companies in the rental housing industry have donated to homeless shelters, affordable housing initiatives and abuse victim shelters.

> **It is our responsibility to give back to the community in which we serve.** —*NAA member*

ROUGHLY ONE THIRD

of companies provide their employees additional personal time off to volunteer and perform community service.

26.9%

have volunteered for early childhood programs, adult education initiatives, health care support and mental health services.

The National Apartment Association (NAA) conducted a Corporate Social Responsibility Survey from November 8-December 10, 2021. We received responses from 51 companies answering how much they gave to charities and community service organizations in the past 12 months. The average donation amount per company was then estimated based on survey results.

Source: NAA 2021 Corporate Social Responsibility Survey, NAA Research

Note: The estimated average donation amount per company is the sum of of estimated donations divided by the amount of survey responses.

2022 Apartment Industry Policy Priorities

Rental housing is a robust, diverse industry that provides a home for one-third of the nation, supports 17.5 million jobs and generates over $3.4 trillion in economic activity. The policy challenges facing the industry, especially in the age of COVID-19, are equal in scale and scope – touching every sector of the industry from new development to property management — and encompassing firms of all shapes and sizes. As their advocates, we focus on issues that reduce operational risk and enable efficient operations, preserve housing affordability and ensure the continued viability of rental housing providers for the long-term.

For 2022, the industry's priorities reflect the near-term concerns of the housing crisis exacerbated by the COVID-19 pandemic and the broader need to maintain the health and competitiveness of the rental housing industry for the long-term. We urge Congress and the Administration to:

- Support credible and proven policies to address **housing affordability and stability** including **financial assistance for renters**, while opposing approaches that undermine the effective operation and financial health of rental housing – such as rent control and eviction measures that unduly burden necessary operations.
- Maintain and expand **tax policy** that preserves and encourages investment in multifamily housing.
- Promote strategies that reduce **barriers to new construction and rehabilitation** to address housing supply shortages.
- Ensure dedicated **assistance** is available for renters and property owners to maintain the stability of America's renters and the housing industry at large.
- Increase funding and improve the **Section 8 Housing Choice Voucher Program** to enable greater private housing provider participation and expand affordable housing options for low- and moderate-income Americans.
- Support funding for unmet **infrastructure** needs that directly impact housing.
- Expand **operational risk coverage** as it relates to cybersecurity, liability, pandemics and reauthorize and reform the **National Flood Insurance Program (NFIP)**.
- Ensure federal **fair housing** policy protects equal opportunity in housing while supporting housing providers' ability to develop, own and operate their properties without undue risk and compliance uncertainty.
- Enact a federal **data privacy**, security and breach notification standard that pre-empts the patchwork of state laws that leave consumers vulnerable and impose burdensome compliance obligations.
- Accelerate **broadband deployment** and modernization in multifamily communities across the country, protect the current facilities-based partnership model that encourages digital infrastructure expansion, and enable consumer access, affordability, and connectivity.
- Ensure the continued ability by Fannie Mae, Freddie Mac and the Federal Housing Administration to provide adequate **capital financing** to the apartment industry.
- Preserve necessary **resident screening** tools and ensure that consumer reporting reforms do not make screening impracticable or hinder apartment providers from properly managing risk.
- Pursue **labor and immigration policy** that ensures an adequate workforce supply for the multifamily industry.
- Pursue innovative, cost-effective **energy efficiency strategies** that incentivize sustainable and resilient communities.