NATIONAL APARTMENT ASSOCIATION
We Lead the Way Home

4300 Wilson Blvd., Ste. 800
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Apartments: A Vital Housing and Economic Resource

Apartment housing is a robust industry that helps today's **40 million apartment renters** live in a home that's right for them, **contributing $3.4 trillion to the economy** annually. Across the country, apartments work: They create housing choice, support **17.5 million jobs** and contribute to the fabric of communities where they are located. Apartment demand has been growing at historic levels and producing enough new apartments to meet this demand requires new development approaches, more incentives and fewer restrictions.

BOOMING RENTAL DEMAND

Significant shifts in demographic trends and lifestyle choices drove historic rental demand over the last decade:

- Renter households comprised more than half of all household growth from 2010-2019.
- During the past year alone, the number of renter households headed by Americans aged 60 and over increased by 365,000 as many are choosing to downsize or want the flexibility that renting offers.
- Families with children younger than 18 years old occupy more than 1-in-4 renter households.

GROWING THE ECONOMY AND CREATING JOBS

- Spending by the nation's 40 million apartment residents contributes $3.4 trillion annually to the economy (including $351 billion in taxes), supporting 17.5 million jobs.
- Operating the nation's apartment homes contributes $175 billion to the economy each year (including $58 billion in taxes), supporting 341,000 jobs.
- Apartment construction contributes $150.1 billion to the country's economy, supporting 752,000 jobs.
- Almost 50 percent of U.S. apartments were built before 1980. Renovating and repairing these older properties to preserve more affordable housing annually contributes $69 billion to the economy and supports 340,000 jobs.

DEMAND OUTSTRIPS SUPPLY

- The U.S. needs to build an average of 328,000 new apartment units annually through 2030 to meet demand from household growth and losses to the existing stock.
- The industry has only hit that mark three times since 1989.
- Just building more is not enough, however. We need to build a wider range of housing at a variety of price points to meet the housing needs of Americans across all income levels.

NEW HOUSING POLICIES NEEDED

- In a perfect market, the private sector would increase production to meet housing demand.
- Rising land and construction and labor costs make it virtually impossible to deliver housing at price levels many working families can afford given nearly stagnant incomes.
- Outdated land-use planning, zoning and other regulations, as well as neighborhood opposition to apartments, drive those costs (and rents) higher.

Ensuring all Americans have access to quality, affordable housing is a bipartisan issue. The apartment industry stands ready to work with federal, state and local governments to identify and implement the menu of options they have at their disposal to unleash the power of the private sector. Learn more about those options in Vision 2030 at www.WeAreApartments.org.

Find out how apartments are contributing to your state or metro area economy at www.WeAreApartments.org, where you can also use the Apartment Calculator to see the economic impact of a given number of apartments in your area.

Sources: weareapartments.org; U.S. Census Bureau American Community Survey, 1-year estimates (2010, 2018,2019)

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Rental Assistance is the Key to Addressing the COVID-19 Housing Crisis

For nearly 12 months, some form of federal eviction moratorium has been in effect. During this period, federal and state unemployment assistance and other direct benefits helped to keep some renters stably housed. Unfortunately, according to Moody's Analytics, as much as $57 billion of unpaid rent still accumulated. Continued extensions of a federal eviction moratorium would further destabilize renters' housing security, imperil the financial solvency of the properties in which they reside, and lead to a decline in the quality of the nation's rental housing. The solution that addresses the needs of both renters and housing providers is swift action by Congress to provide additional emergency rental assistance.

Eviction moratoriums, like the Centers for Disease Control and Prevention (CDC) Order to *Temporary Halt in Residential Evictions to Prevent the Further Spread of COVID-19* through March 31, 2021, fail to address the scope of damage in the housing sector and will not meet the needs of renters and housing providers. Often, protracted eviction moratoriums imply that rent is cancelled or no longer must be paid. They hinder good-faith efforts to work with residents on flexible payment plans and other strategies to address the inability to pay rent. In the long term, outstanding balances compound month after month, increasing the likelihood that renters will be unable to pay off the incurred debt and ultimately lose their housing. Meanwhile, the financial solvency of the property is imperiled by lost revenue needed to cover employee salaries, mortgages, property taxes, maintenance, utilities and insurance.

The CDC Order forces a one-size-fits-all solution to a hyper-localized issue that is unique in every jurisdiction. It allows for eviction actions to be filed and proceedings to move forward, only preventing physical move out of evicted renters while expressly permitting evictions for various reasons other than nonpayment. However, courts continue to interpret it differently and see clarifying federal guidance as non-binding. The result is housing providers' rights to due process through the courts is being restricted, contradicting the CDC Order's intent.

We appreciate the bipartisan $25 billion Emergency Rental Assistance Program established by Congress as part of the Consolidated Appropriations Act of 2021. It is the better course of action versus protracted eviction moratoriums and will be a crucial life preserver for renters and housing providers facing financial hardship. However, we are concerned that local assistance programs may limit the reach of these funds. Some jurisdictions are crafting rental assistance programs narrowly constraining recipient eligibility or mandating that housing providers accept less than the full amount of unpaid rent. Together, thousands of housing providers and their residents will be left without aid under extended eviction moratoriums if the distribution of funds is blunted in this way.

As vaccine distribution approaches critical mass and recovery efforts begin to take hold, we need to close the growing gap of tens of billions in accumulating rental debt and end the use of eviction moratoriums. More work must be done to help those who face ongoing challenges as the pandemic persists, including struggling rental housing owners and managers. Ongoing and robust rental assistance pegged to the duration of the pandemic will negate the need for an eviction moratorium and keep people safely housed.

NAA
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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

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Housing Affordability: A Two-Pronged Approach

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 best 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 multifamily housing development remain a significant impediment to increasing the supply of rental housing. The National Apartment Association (NAA) conducted a national survey to better understand these factors and what constraints they place on the supply of rental housing. 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 reintroduction of bipartisan legislation – the Yes in My Backyard Act or YIMBY Act – which encourages localities to eliminate discriminatory land-use policies, increase thoughtful and inclusive development practices, and make federal funding contingent on periodical reports of local efforts to reduce barriers to development. First introduced in the 116th Congress as H.R. 4351 and S. 1919, this legislation passed the House in 2019 with overwhelming bipartisan support. This legislation is expected to be reintroduced in the Senate and House, respectively, again this spring by Senators Brian Shatz (D-Hawaii) and Todd Young (R-Ind.) and Congressmen Derek Kilmer (D-Wash.) and Trey Hollingsworth (R-Ind.)

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, and NAA strong supports it. Funded by the U.S. Department of Housing and Urban Development (HUD) and administered by local public housing authorities (PHAs), the program provides subsidized rents for qualifying low-income families in private rental housing, including apartments.

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 or eliminated. Rental housing providers experience significant challenges that create uncertainty in their operations and often undermine the ability of owners to properly manage risk. Any improvements to the Section 8 HCV Program that streamline the leasing process and make it comparable to a standard leasing transaction would increase voluntary participation by rental housing providers. This would, in turn, increase choice and access to quality housing opportunities for voucher holders, considerably benefiting low- and moderate-income families.

Legislation will soon be introduced to assist the Section 8 HCV Program reach its full potential as the most effective, long-term solution to the housing affordability crisis. This legislation will take important steps to streamline and revitalize the program and encourage greater voluntary participation by rental housing providers. This ultimately increases housing choice for low- and moderate-income families. NAA urges members of Congress to cosponsor Section 8 reform legislation when introduced.

LEASING PROCESS COMPARISON

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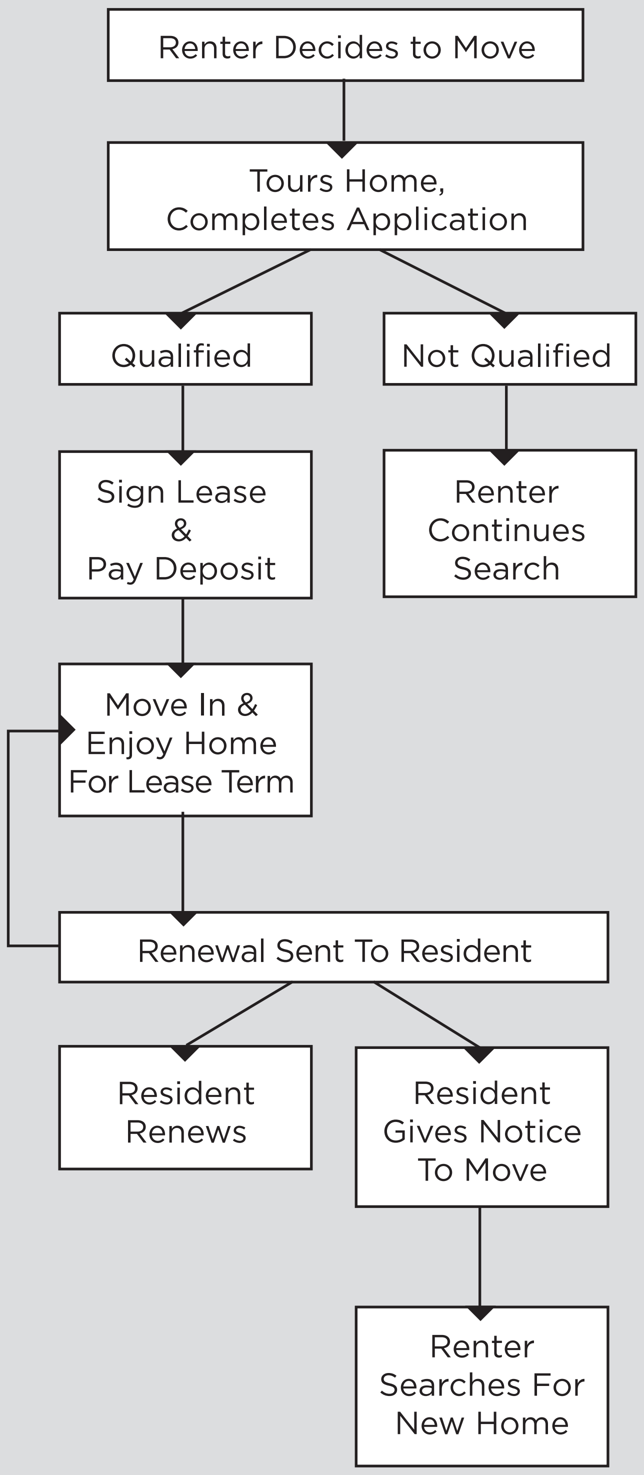
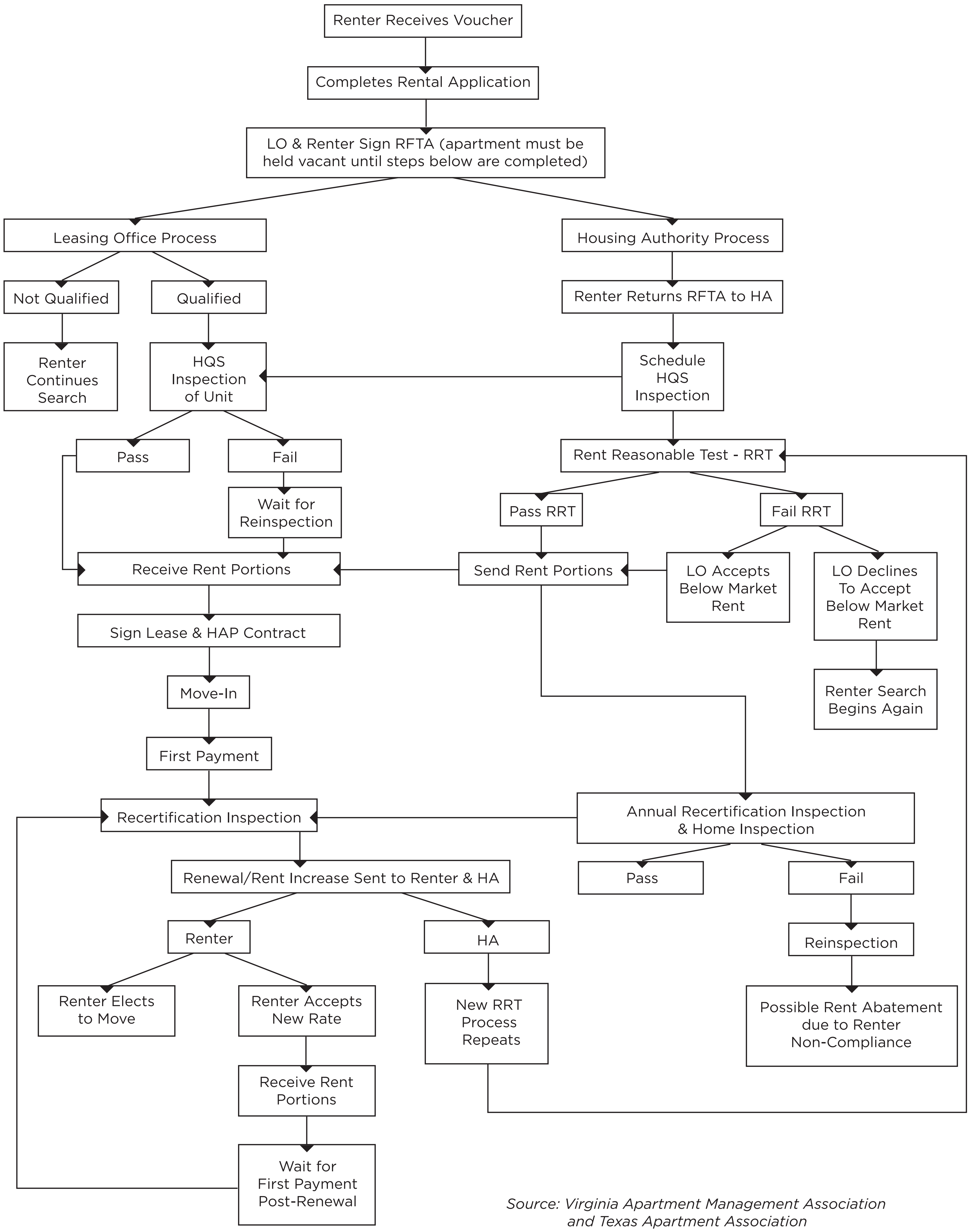
STANDARD LEASING PROCESS



HOUSING CHOICE VOUCHER 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

Source: Virginia Apartment Management Association and Texas Apartment Association

2021 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 2021, the industry's priorities reflect the near-term concern of the housing crisis created by the COVID-19 pandemic and the broader need to maintain the health and competitiveness of the industry.

COVID-19 Pandemic

The economic displacement caused by the COVID-19 pandemic puts in peril both the homes of millions of American renters and the financial viability of tens of thousands of firms who own and operate those homes. As Congress looks to stabilize the housing market, we urge you to focus on ensuring that renters have the financial support to meet their obligations and in turn ensure housing providers can pay their own bills, like mortgages, taxes, salaries and more. We urge Congress to:

- Appropriate additional, **robust financial assistance**, including dedicated emergency rental assistance, for renters to relieve past due rent, stabilize their housing going forward and ensure the survival of housing providers.
- End the use of **federal eviction moratoriums** which does nothing to address the underlying financial distress of renters and could have long-term implications for the stability of the housing industry.
- Enact targeted **COVID-19 liability protections** for housing providers who, despite doing their best to follow applicable public health guidelines, could face an onslaught of frivolous lawsuits and additional financial stress.

Industry Health and Competitiveness

Beyond meeting the immediate needs created by the pandemic, NAA and NMHC also prioritize several objectives that are key to ensuring the health and competitiveness of the rental housing for the long-term. We urge Congress to:

- Support credible and proven policies to address the **housing affordability** crisis while opposing approaches that undermine the effective operation and financial health of rental housing.
- Revitalize **Section 8 Housing Choice Vouchers** to enable greater participation by private housing providers and expand affordable options for low and moderate-income Americans.
- Establish federal incentives for local governments to remove barriers to housing development and rehabilitation and support funding for unmet **infrastructure** needs that directly impact housing.
- Reauthorize and reform the **National Flood Insurance Program** and support more effective coverage for the industry. Ensure attainable coverage options for other operational risks such as cyber, liability and pandemics.
- Ensure federal **fair housing** policy protects nondiscrimination in housing while supporting housing providers' ability to develop, own and operate their properties and ensure safe and decent housing for residents.
- 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 bridge the digital divide by expanding current facilities-based partnership models that encourages digital infrastructure expansion and enables strong consumer access to connectivity.
- Ensure the continued ability by Fannie Mae, Freddie Mac and the Federal Housing Administration to provide adequate **capital financing** to the apartment industry at all times and in all circumstances.
- Preserve necessary **resident screening** tools and ensure that consumer reporting reforms do not make screening impracticable or hinder apartment providers from properly managing risk.
- Maintain and expand **tax** policy that preserves and encourages investment in multifamily housing.
- Restore federal **immigration policy** that ensures an adequate supply of skilled construction labor.
- Pursue a national **energy strategy** that includes innovative and cost-effective strategies to improve building energy efficiency, increases community resiliency, provides incentives to assist in transition to revised standards and preserves housing affordability.