



July 12, 2023

1595 NW Gilman Blvd, Suite 1
Issaquah, WA 98027

The Honorable Sandra Thompson
Director, Federal Housing Finance Agency
451 7th Street, S.W., Washington, DC 20410

Dear Director Thompson,

Thank you for the opportunity to respond to your Request for Input (RFI) on how the Federal Housing Finance Agency (FHFA), in its oversight of Fannie Mae and Freddie Mac, can best provide affordable housing opportunities for renters across the country. Please accept our comment as a member of the Institute of Real Estate Management. IREM® is an international community of real estate managers dedicated to ethical business practices, maximizing the value of investment real estate, and promoting superior management through education and information sharing. IREM members manage 60% of federally subsidized and public housing.

As the FHFA examines ways to improve access to affordable housing, it is critical for FHFA to acknowledge the greatest driver of housing unaffordability is the limited supply of available housing and over regulation. According to recent data, the United States has an underproduction gap of over 5.5 million units – a key underlying factor to why the cost of housing has increased. On top of this, inflation has increased the costs for goods and services for all Americans. As housing providers strive to provide affordable, accessible housing opportunities in their communities, they also contend with rising mortgage rates, more taxes, and increased costs for supplies, services, and maintenance. When inflation is high, the costs of materials increase. That means it becomes especially more expensive to construct new homes or renovate existing homes. These inflated costs spill into the housing market and lift home prices for new buildings and existing housing.

It seems there is a belief that one can legislate the way to a solution to affordable housing by adding more policies and regulations. When in fact, the opposite needs to happen for things to remain and/or become more affordable. Regulatory reform is necessary to reduce the requirements if change is to be realized. It should be noted that the last time we entered an inflationary period, there was a large excess housing supply that could be absorbed. Not the case now.

On the supply side (specific to Washington), construction costs have increased approximately 20% and we are stepping into an all-time high of inflation. Further, costs to manage properties have increased significantly with rising utility costs, a 30% increase in insurance costs and for us specifically, property taxes have increased by 24%. With a forced pause in rent increases during a time when everyone was struggling because of the pandemic, the average rent increase of 15% in the last year for the East King County is no surprise. No doubt this has transpired in every community, a perfect storm. Yet, at the same time, newer supply is sitting on the market with promotions of two months rent free on a one-year lease due to those cost increases.

Again, on a more local level, after several years of no increases, first due to a large influx of apartments built in our community specifically in a short duration and the temporary “oversupply” and lease up terms for these units pushed down rates for all the rest for a couple of years. Then followed the COVID

restrictions on rental increases. We offer one of the more “affordable” complexes in town because the property is much older than many in its competitive set. But with that comes building components that we must repair/replace because they are at the end of their useful life – decks, siding, plumbing, etc.

Further the massive increase in residential regulations – both with fair housing and landlord/tenant law (and no case law to clarify), have made it much more complicated to run an apartment property, which is discouraging and very arduous for small landlords. When you have a tenant issue, you must consult an attorney each time to determine which of several paths is the appropriate path to follow. It used to be a lot simpler. AND residential landlords over the past few years have been singled out to bear the burden of social costs that should have been paid by our society (via government programs), not by property owners. These pressures further drive up the cost to deliver housing and accessibility.

We have for many years encouraged investment in all forms of multi-family housing. Supply is the only way the market will begin to level and encourage more stable market rents. Our hope is that rather than continue to create burdensome regulations, you instead find ways to incentivize and encourage housing investment across the nation. It is going to take several years to level out the supply and demand.

As a member of IREM and long-time property management and development firm, we are committed to upholding the specific provisions of our contracts with residents, and often go beyond what is required to ensure residents have safe, decent, and affordable places to live. Creating additional layers of policies to a space that is already heavily regulated by state and local governments will have severe unintended consequences and will result in even more housing providers leaving the market, in communities where affordable housing is sorely needed.

Affordable housing is pivotal to creating paths to upward mobility for people across the country. Thank you for your commitment to ensuring we achieve this goal without impeding the supply of much-needed housing. If you have any questions, please do not hesitate to call, or email me.

Respectfully,

Kristi Tripple

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