Convergence
Multifamily
Real Estate Group

July 17, 2023

The Federal Housing Finance Agency
Office of Multifamily Analytics and Policy
400 7th Street, S.W.
Washington, D.C. 20219

To Whom it May Concern in the Office of Multifamily Analytics and Policy:

Our company currently develops multifamily and single-family rental communities along the front-range of Colorado. Unlike the assumption that everything is controlled by big corporations, we are a small firm that is currently entitling 404 units in two separate communities and hope to start one or two new communities annually going forward. Furthermore, the rhetoric and false narrative that the media and many believe stating all rental housing has been taken over by big corporations cannot be substantiated. As we all know roughly 60% of the rental housing stock in the U.S. is owned by individuals and or small family firms who own less than 250 +/- units.

The rental housing industry is much like the agriculture industry as a large percentage of food production is performed by smaller individually owned companies not conglomerates. Coming from an agrarian family who still operates the family farm/ranch I take the responsibility of providing housing to our residents seriously and strive to create thriving communities and successful resident experiences. If a farmer does not grow a quality product, he cannot sell it in the marketplace which is no different than a rental housing owner. Currently the difference between farming and housing is crop production in the U.S. for years has outstripped demand however housing production since 2009 has not meet demand. Far reaching protections are in place via federal, state, and local laws such as data protection, the Federal Fair Housing Act that prohibits many forms of discrimination, state laws that mandate habitability as well as many protections for non-payment of rent. Repeatedly it is clearly proven that legislation minimizes growth in any industry. Back to farming no-one tells a farmer he cannot grow a crop hence the reason the U.S. is by far the leader in the world in food production. However, many municipalities do everything they can to stop the production of housing.

As a multifamily housing provider, resident rights are a critical part of the rental housing system and we are committed to providing safe, quality housing at market pricing for renters in our communities. As such, we caution against any FHFA efforts that could increase the risks associated with using Enterprise programs or limit broader housing availability and affordability goals, especially at this time of market uncertainty exacerbated by the shortage of housing units which has been clarified by FHFA[1].

It is vital that FHFA remain focused on the Enterprises stated mission which is, "to serve as a reliable source of liquidity and funding for housing finance and community investment."[2]

Importance of Enterprise Capital Availability

Many factors influence the ability of the multifamily housing industry to meet the nation's growing demand for rental housing, but the availability of consistently reliable and competitively priced capital is the most essential.

The Enterprises' multifamily programs serve a critical public policy role and ensure that multifamily capital is always available in all markets, so that multifamily housing providers, like us, can address the broad range of America's housing needs from coast to coast and everywhere in between.

We have seen evidence of the negative impact of current market conditions on multifamily housing finance and development—causing many in our industry to cut back significantly on new apartment construction. The actions contemplated in this RFI would impose confusion in the market and increase market uncertainty. This in turn would deter much-needed investment in housing supply and increase costs for housing providers and residents alike.

In Colorado, the state is short roughly 120,000 housing units with the Denver MSA short 60,000 housing units. This data has been provided by many sources throughout the many housing research groups. It is evident the supply demand side is broken in Colorado based on the median home price in the Denver MSA being north of $550k. As noted above we are a small firm with a goal to build one or two communities a year however when reaching out to lenders only one (1) has or is willing to look at one of our two communities. Equity across the board is also very selective and, on the sidelines, due to the current capital markets recession. Furthermore, the cost of housing will increase if we

[1] In the U.S., the housing shortage has been reported at roughly four-million units. In Colorado where I operate the state is short 120,000 units with the Denver MSA short 60,000. Supply and demand which is limited by regulations among many other factors, such as availability of capital, is the direct cause of housing costs.
[2] About FHFA | Federal Housing Finance Agency "Mission," available at https://www.fhfa.gov/AboutUs.

continue to constrain supply due to current capital market conditions as well as current regulatory conditions.

Rental Housing is Largely a State and Local Issue

The relationships between multifamily housing providers and residents, the communities we serve, and the broader housing market are governed by layers of federal, state, and local statutes, case law, regulations, and private contractual agreements—all providing specific rights and responsibilities. This includes building codes; contractual notices and disclosures; fair housing; eviction processes; consumer reporting and debt collection laws; and enforcement provisions to guard against fraud and abuse. Lease agreements outline the rights and responsibilities between residents and housing providers and are enforced by state and local courts.

Given that our policies and operations are largely governed by state and local laws and regulations based on local real estate market conditions, any one-size-fits-all new "protections" will undoubtedly lead to misaligned requirements that do not account for the unique housing needs of each of the communities we serve, nor other communities in dire need of affordable housing opportunities.

Rent Control and Other Price Control Measures Have Been Repeatedly Proven to Limit the Supply of Rental Housing and Increase Costs

America's renters and multifamily housing providers share the larger goal of addressing housing needs nationwide. Rent control research, however, has proven repeatedly that rent control is a failed policy that does nothing to get at the root of the challenge—our nation's lack of supply. In fact, while rent control and rent stabilization laws purport to improve housing affordability, they often have exactly the opposite outcome and lead to increased costs and a reduction in the available supply of rental housing.

Layered on top of the aforementioned concerns are the many complexities that would result if a federal agency attempted to make broad assessments about rent at the federal level without input from local or state officials per applicable jurisdiction. FHFA should avoid any type of rent regulations, including rent control, rent stabilization or pricing policies as they would harm national affordability goals by deterring investment in much needed housing production, including the Enterprises' backed secondary mortgage market.

The best example of a failed price control is that of the airline industry. The removal of price controls in the airline industry immediately opened air travel to a vast majority of citizens who never travelled by air before deregulation and has reduced the cost of air travel significantly when adjusted for inflation. Knowing this why would the U.S. even think of adding price controls to an industry when it clearly does not work.

Federal Policies Should Target the Root Causes of Eviction, As It Is Almost Always a Last Resort

Evictions are a troubling experience for all parties involved, thus it is a last resort for us as housing providers. Private, public, and non-profit rental housing providers engage in the eviction process as their only legal remedy to remove a resident who has breached the lease. While most evictions are premised on non-payment of rent, other causes include lease violations, fraud during the application process and other criminal activities.

We seek to mitigate evictions, most often by working with affected residents on payment plans and connecting them with social services.

Conclusion

We share the Administration's commitment to addressing the affordable housing crisis in our nation. However, imposing additional obligations for Enterprise multifamily borrowers will create instability in an already challenged market and undermine the important goals of fostering a healthy housing market, increasing supply, and creating successful apartment communities. Inherent in ensuring stability for our nation's renters, is maintaining the current and future viability of the rental housing supply in this country. As such, respectfully, FHFA should refrain from placing new or expanded federal obligations on private rental housing providers and instead focus on leveraging federal resources in the form of incentives to bolster new affordable housing supply.

Sincerely,

Lauren Brockman
its Principal

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