Envolve Communities has reviewed the *Tenant Protections for Enterprise-Backed Multifamily Properties: RFI*. We greatly appreciate the opportunity to comment on the points raised in the RFI. We asked our asset management and operations teams to review the RFI and provide comments related to each topic. The responses are as follows:

GENERAL QUESTIONS ON TENANT PROTECTIONS:

Fannie Mae and Freddie Mac (the Enterprises) play a crucial role in the financing of multifamily development and the provision of quality affordable housing options, particularly for low- and moderate-income renter households. By securitizing and guaranteeing multifamily mortgage loans, the Enterprises support the development and continued operation of rental units targeted to low- and moderate-income households.

As an organization that relies heavily on the Low-Income Housing Tax Credit (LIHTC) and Section 8 programs (nearly 100% of units developed and owned by Envolve Communities were financed through the LIHTC program and are restricted at or below 60% AMI), the support of the Enterprises is crucial to the efforts of Envolve Communities to preserve and enhance safe, quality affordable housing options for low- to moderate-income households.

The LIHTC and Section 8 programs already have many tenant protections built-in, and the addition of more regulations from the Enterprises would likely create conflicts between existing and new rules. Additional protections will also likely add costs to a given property's operating budget, making it more difficult to achieve financial goals and subsequently continue to provide quality rental housing that is safe for residents. As providers of affordable rental housing, companies like Envolve Communities have a ceiling on income at any given property due to limits on the amount of rent that can be charged. Along with rising operational costs (security, insurance, tax and utilities), the layering on of additional regulatory burden will result in necessary cuts to important property improvements and tenant services that residents depend on. These services include financial education, ESL, children's programs, etc. that are very valuable to our residents.

According to the National Low Income Housing Coalition, there is an existing shortage of around 7.2 million affordable housing units in the United States, while according to the National Association of Realtors, the overall shortage of housing units (of all types) is between 5.5 & 6.8 million units. Since rising housing costs (particularly rents) are a fundamental threat to the ability for households to find housing they can afford, increasing supply nationwide is the first, best option to ensure shelter needs are consistently being met. As one of the most successful public-private partnerships ever, it would be detrimental to the LIHTC program for private investors to move away from affordable multifamily due to rising regulatory costs. Ultimately, this will result in a growing shortage in housing targeted to low- and moderate-income households, exacerbating an already large gap. Being two of the biggest supporters of housing development in the country, this area is where the Enterprises can have a more immediate positive impact. Additional regulation, while it might be attractive in the short-term, will decrease private investment, constrain supply and ultimately reduce the quality of outcomes for families in the longer-term.

ACCESS TO HOUSING:

As mentioned in the prior section, the lack of supply is the biggest barrier to multifamily tenants' access to housing. With an overall shortage of between 5 and 7 million housing units, not only are there not enough units, but growing demand will also continue to drive up prices, making housing less affordable for everyone, but low- and moderate-income households will be hit hardest.

In terms of the tenant qualification process, the development of a more universal criteria may or may not have a beneficial impact on resident outcomes. In providing safe, quality affordable housing through Federal programs like the LIHTC program, there are already strenuous requirements that residents must meet to qualify for a unit. Because the initial and ongoing household qualification processes are already fairly comprehensive, we do not see additional benefit to broadening the requirements in the name of creating a universal process. This may help streamline the process for non-restricted (market-rate) multifamily developments, but the impact will likely be marginal and may result in less access to housing due to more rigorous requirements.

However, as a provider of safe affordable housing, we do recognize the benefit of a more rigorous qualification process as it generally helps to ensure a higher level of safety in a community. We certainly do not want tenant screening to be prohibitive to the ability for a qualifying household to secure a unit, but it allows us to identify potential problems with criminal behavior and threats to the safety of the existing residents prior to any major negative outcomes.

ACCESS TO INFORMATION:

Generally speaking, the information necessary for a tenant to make a decision about applying for and leasing an apartment is readily available online and through the apartment communities they are considering. Any landlord should be required to provide all relevant information around lease terms and community rules to a tenant prior to lease signing. The tenant must also proactively ensure they fully understand the rules set forth in the lease prior to signing.

As a provider of affordable housing through various government programs, we are required to make sure things like "all-in" rental costs, utility cost responsibilities and tenant amenity information are explained to and understood by the prospective tenant during the initial leasing process. In our view, even though it is a requirement, these are just plain good business practices. Without transparency, a tenant will have a harder time planning and meeting obligations stipulated in the lease and thus may end up violating the lease without realizing it.

As a housing provider, we strive to communicate regularly with our tenants about policies and events at each community. In addition to helping tenants stay educated, it helps us as landlords get to know our tenants and understand their challenges and needs. We do this through scheduled community events like sponsored lunches, National Night Out, community-wide garage sales and partnerships with local service-providers like religious and community service organizations. Our property managers are also instructed to walk the property regularly to both check on the buildings and grounds, and to maintain that personal connection with residents. We also communicate via written notices in public places or delivered to the individual units. Corporate contacts and information about Envolve as the property owner or manager are available to tenants via our website and from the on-site property manager.

As to the question of whether or not a landlord should be required to provide a written notice to prospective tenants that their application has been rejected, in our experience, we're already in close communication with the prospect throughout the application process and will tell them why their application has been denied at that time.

TENANT HOUSING STABILITY:

Housing stability is crucial to our success as a multifamily owner and manager but is also vital for tenants themselves. Our ability as a landlord to provide stable and safe housing is central to our mission as a company and to our financial viability.

Since many of our resident households work in lower paying industries or are on fixed incomes, we are keenly aware of the impact of rent levels on their ability to stay in their unit. As such, we are constantly working with residents at risk of eviction due to non-payment to develop payment plans that work for them while also catching up any outstanding delinquency. If the resident hasn't violated any other lease terms and has exhibited a consistent willingness to work to get caught up on any outstanding rent payments, we will always work with them to avoid eviction. A good tenant who might be having money problems right now is still a good tenant, and good tenants are the foundation of great communities, so we don't want to evict those folks unless we absolutely must do so.

In scenarios where the tenant requires additional rental assistance to continue paying rent, we will actively work with them to find additional federal, state or local government programs that can help with rent payments. We have also found many local religious or other community organizations (both private and quasi-public) throughout our geographic footprint that will provide rental assistance to tenants in need as well. We will work with tenants to complete the required application documentation for any of these programs that might be able to help. During and after the COVID-19 pandemic, we were extremely proactive working with willing tenants to apply for various state and local rental assistance programs to ensure they could stay in their units while also meeting the financial obligations stipulated in their lease. This strategy was very successful and led to positive outcomes for a large portion of our residents and the company as a whole.

Property inspections to ensure adequate maintenance are extremely prevalent at all income-restricted properties. Both our LIHTC and Section 8 properties are subject to several federal and state inspections every year, as well as inspections by investor limited partners and banks who have issued the debt on a property. Because of the adverse consequences of failing an inspection, we take preventative maintenance very seriously. Not only does this ensure we meet our obligations in the eyes of our investor partners and government assistance programs, but it further ensures the upkeep of our communities and safety of our residents. We find the current inspection timeline sufficient and reasonable.

RISK MANAGEMENT:

While the idea of additional Tenant Protections for Enterprise-backed Multifamily Properties is undoubtedly well-intentioned, any actions must be undertaken with care to ensure protections are defined an implemented in a way that compliments rather than complicates existing local, state and federal regulations.

Since Envolve Communities, as a provider of income- and rent-restricted rental housing, is already subject to a higher level of regulation and tenant protections than a conventional multifamily operator, we do not recognize material benefit to tenant outcomes from additional regulation from the Enterprises.

Much of what the Enterprises want to accomplish with this proposal is already addressed via the restrictions built in to the LIHTC and Section 8 programs, and we feel the layering on of additional requirements would at best have a marginal favorable impact on tenant outcomes at our properties and may even make it more difficult for us to provide reasonable, common sense, and safe accommodations for our residents.

The biggest risk for the Enterprises is the additional cost that will inevitably come with heighted tenant protections and associated implementation and monitoring. Higher operating costs, particularly at smaller operators, will create a higher risk of default which will slow investment in those assets. If a property is unable to make debt payments on time because of the higher costs, it will default on its mortgage. Likewise, not being able to evict will create a culture of non-payment, which will lead to higher bad debt and a reduced ability to sustain safe, sanitary housing, and an inability to meet debt service requirements. If an investor's incentive to invest in multifamily is lessened due to higher operating costs and greater risk of default, the Enterprises' goal of providing a sufficient level of reasonably affordable housing will be undermined by a lack of willing investors.

Sincerely,

John Harmon
Vice President, Asset Management
Envolve Communities, LLC