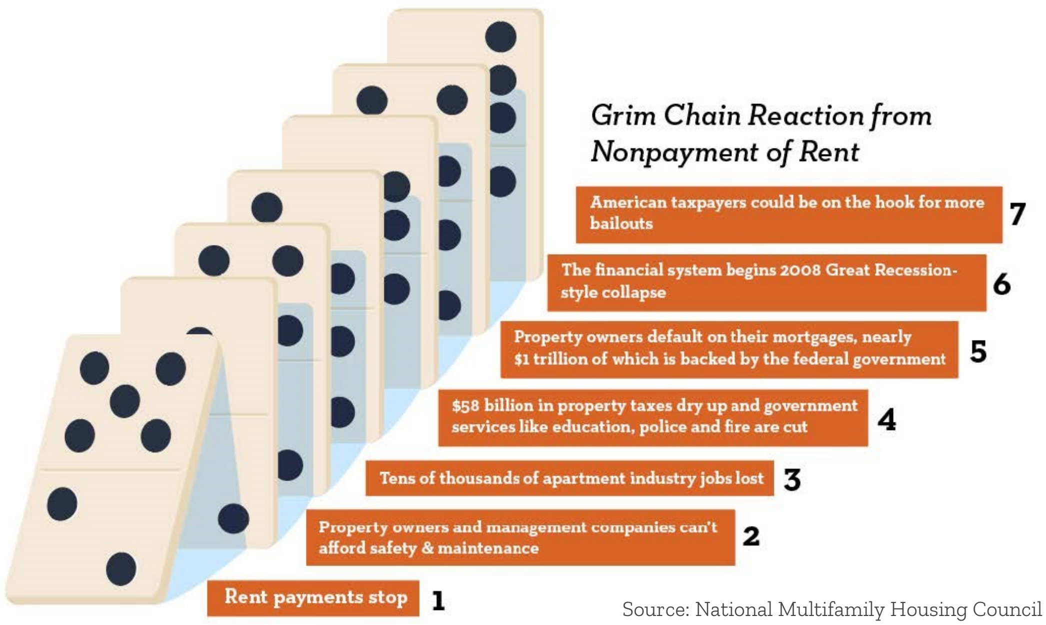
IREM
INSTITUTE OF REAL ESTATE MANAGEMENT

Support COVID-19 relief for the housing industry and its residents

The housing industry is on the front lines of the COVID-19 outbreak—millions of Americans are calling our properties home as they shelter in place. While the CARES Act and the COVID-19 Economic Relief Bill included helpful provisions, further action is needed to ensure the financial viability and stability of the housing industry and its residents.

Background

The CARES Act was passed in March 2020 and the COVID-19 Economic Relief Bill in December. The CDC also extend the eviction moratorium order until March 31, 2021.



COVID-19 relief legislation

- Additional funds to the Emergency Rental Assistance Program (ERAP) are needed to help those who have been impacted by the COVID-19 crisis and are struggling to cover housing expenses.
  Despite the assistance provided by the CARES Act and the COVID-19 Economic Relief Bill, the pandemic has inhibited many residents' ability to pay their rent. Lost rent alone in 2020 is estimated to be nearly $60 billion. The typical delinquent renter will be almost four months and $5,600 behind on their monthly rent and utilities. Ensuring the viability of rental housing protects the millions of jobs in our industry and the communities around the country that we serve.
- Forgo any extension of the Centers for Disease Control (CDC) eviction moratorium.
  The CDC has extended the moratorium order, temporarily halting residential evictions until at least March 31, 2021. A protracted eviction moratorium is unsustainable and does nothing to address a renter's underlying financial distress or risk of housing insecurity.
- Provide financial mitigation and mortgage forbearance protections.
  Property owners continue to incur higher utility costs, maintenance, cleaning, and other expenses to support their residents. Increased costs coupled with rent payment shortfalls will impact the ability of rental property owners to satisfy their financial obligations.
- Provide financial assistance and protection for all property-level financial obligations such as property taxes, insurance payments and utility services.
  To ensure viability of apartment and rental housing communities, financial assistance and protections should be expanded to other property-level financial obligations such as property taxes, insurance payments, utility services, and the like.

We are committed to ensuring Americans have a safe, secure place to call home. We hope you consider these requests as you continue the important work of mitigating risks associated with COVID-19.

For more information, contact Ted Thurn, Director Government Affairs at IREMLegislation@irem.org or (312) 329-6021

IREM INSTITUTE OF REAL ESTATE MANAGEMENT

The Secure and Fair Enforcement (SAFE) Banking Act

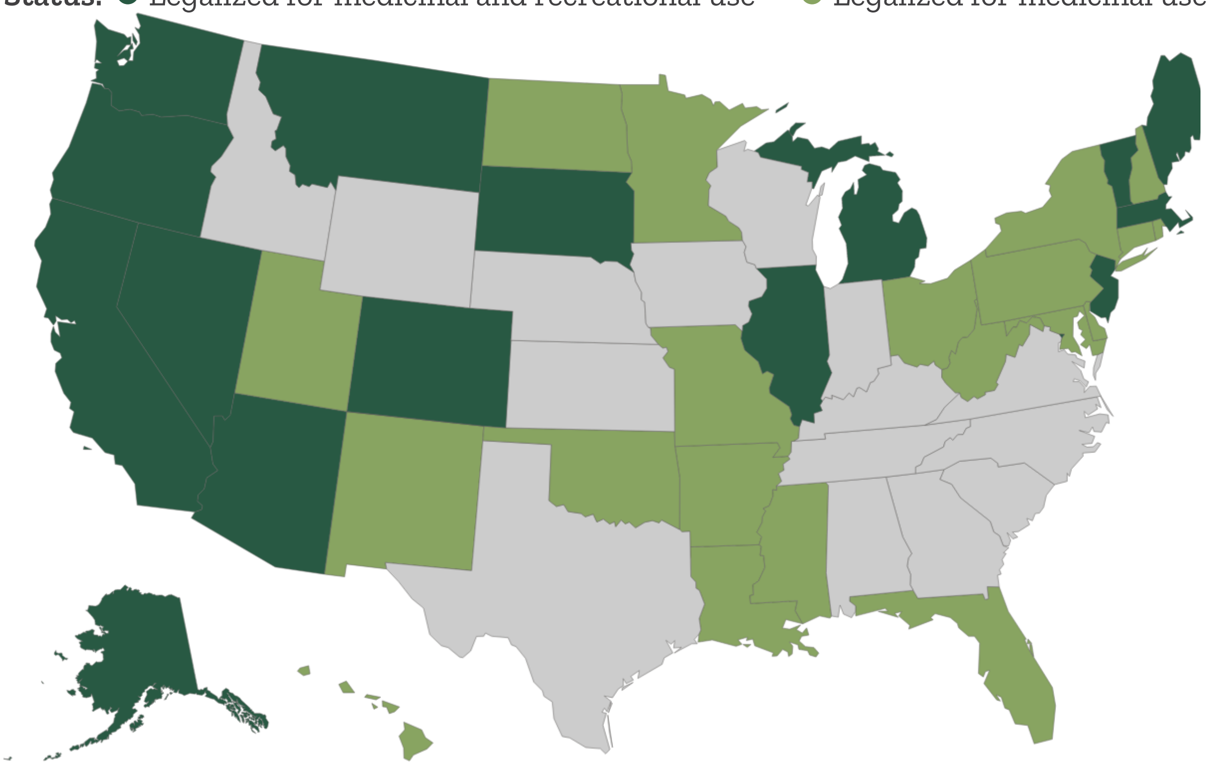
IREM® (Institute of Real Estate Management) supports the passage of H.R. 1595, the Secure and Fair Enforcement (SAFE) Banking Act. The Act would create a safe harbor for federally insured financial institutions to provide banking services for legitimate cannabis-related businesses (or businesses that tangentially work with them) in states that have legalized cannabis.

Background

- 35 states and the District of Columbia have passed legislation authorizing the use of cannabis for either medical or recreational use. The cannabis industry within those states is estimated to have brought in more than $10 billion in sales and $1 billion in tax revenue.
- Cannabis is still classified as a Schedule I controlled substance under the Controlled Substances Act, meaning FDIC-insured banks cannot accept money from cannabis businesses or they risk running afoul of anti-money laundering laws. This includes not just cannabis growers and retailers, but also any business that works with them such as trucking companies used for transport and rent paid for storage or retail space.
- The prohibition has resulted in these businesses being forced to operate on a cash-only basis. This not only creates security concerns for the businesses and the communities they serve, but also makes tracking and regulating the industry much more difficult.

Cannabis legalization laws

Status: ● Legalized for medicinal and recreational use ● Legalized for medicinal use only



Congressional actions to date

- In the 116th Congress, H.R. 1595 (The SAFE Act) was passed by the House 321-103 on September 25, 2019. On September 26, the bill was referred to the Senate Committee on Banking, Housing, and Urban Affairs, but as it failed to move, it will need to be reintroduced in the 117th Congress.

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INSTITUTE OF REAL ESTATE MANAGEMENT

Retain the Section 1031 like-kind exchange

IREM believes that it is in our nation's best interest for Congress to encourage real estate investment in the United States by creating a tax system that recognizes inflation and a tax differential in the calculation of capital gains from real estate; while stimulating economic investment; and consequently, leveling the playing field for those who choose to invest in commercial real estate. Essentially, this tool "kills two birds with one stone" by encouraging both the sale of one property and the purchase of the replacement property. These transactions are vital to economic stability.

Background

With a total value of approximately $5.26 trillion, commercial real estate's contribution to the nation's economy is enormous. Real estate activity accounts for nearly one-quarter of taxes collected at all levels of government (this includes income, property, and sales taxes). Our industry is one of the leading employers in the United States. Real estate assets and investment drive gains in economic productivity

"Like-kind exchanges" under Section 1031 of the Internal Revenue Code allow property owners to defer taxes on gains realized from the sale of "like-kind" real property until a future date. The like-kind exchange technique is fundamental to the real estate investment sector. The current law provides investors with the maximum flexibility in managing their real estate portfolio. Real estate is essentially an illiquid asset that requires substantial commitments of cash. Flexibility is needed in order to assure the free movement of property and capital.

- A like-kind exchange does not avoid taxation.
  Taxes are still paid in the great majority of cases, whether upon the sale of the replacement property, incrementally through increased taxes from forgone depreciation, or by inclusion in a decedent's taxable estate.

- A like-kind exchange encourages development and spurs economic activity.
  Exchanges stimulate real estate transactions and encourage U.S. businesses to reinvest in their domestic operations, as domestic and foreign property are not like-kind. By avoiding a tax-induced "lock up" of properties, like-kind exchange rules increase the frequency of property transactions and ensure a more dynamic real estate sector that drives real estate reinvestment and construction activity.

  Due to the pandemic, large amounts of retail and office space are expected to become vacant or underused. Like-kind exchanges provide the flexibility and encourage capital investment for the highest and best use of real estate, which improves communities, grows the economy, creates jobs, and increases local and state tax bases.

- Repealing the 1031 like-kind exchanges will reduce economic growth.
  A 2015 study by Ernst & Young found that if revenue from repealing 1031 is used to pay for higher government spending, GDP is estimated to fall by $13.1 billion each year in the long run.

Congressional actions to date

Although legislation has not yet been introduced, during Biden's presidential campaign, he proposed the repeal of Section 1031 for taxpayers with incomes of more than $400,000 per year. It is important to lay the groundwork towards educating legislators about the importance of the like-kind exchange to the real estate industry now.

For more information, contact Ted Thurn, Director Government Affairs at IREMLegislation@irem.org or (312) 329-6021

IREM®

INSTITUTE OF REAL ESTATE MANAGEMENT

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Hi, we're IREM®

We're an international institute for property and asset managers, providing complete knowledge to take on real estate management's most dynamic challenges. That means knowledge prepared for the day-to-day and the one-of-a-kind: from solving the latest tenant crisis to analyzing market conditions.

For over 85 years, our members have made us the world's strongest voice for all things real estate management. Today, almost 20,000 leaders in commercial and residential management call this home for learning, certifications, and networking

Founded: Chicago, Illinois, 1933

Membership: Approximately 20,000 individuals; 500+ companies

Number of chapters: 80 domestic; 17 international

2021 leadership:

President: W.A "Chip" Watts, IV, CPM®
Watts Realty Co., Inc., AMO®, Birmingham, AL

President-Elect: Barry Blanton, CPM®
Blanton Turner, AMO®, Seattle, WA

Secretary/Treasurer: Renee Savage, CPM®, CCIM
CFI-Capital Growth, Inc., AMO®, San Diego, CA

CEO/Executive Vice President:
Denise LeDuc-Froemming, CAE, MBA, CPA

IREM Certified Sustainable Property:

Practical, affordable sustainability. A green building certification for existing office properties, multifamily communities, shopping centers, medical office buildings, and senior housing communities, the IREM CSP allows owners and managers to collaborate on sustainability programs for their entire portfolios, not just a select few properties. Learn more at irem.org/gogreen.

IREM members' areas of expertise by property type:

Residential

- Affordable housing
- Public housing
- Apartments
- Condos/Co-ops/HOAs
- Manufactured housing
- Military housing
- Senior housing
- Single family housing
- Student housing

Commercial

- Industrial/warehouse
- Land parcel
- Medical buildings
- Office buildings
- Parking garages
- Self-storage
- Shopping centers/retail

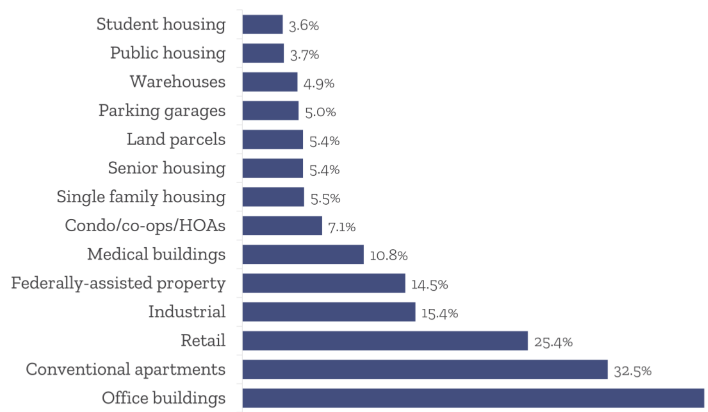
IREM professional training subjects include:

- Finding ways to boost efficiency, trim waste and sustain value
- Shepherding assets to success at every level, from site maintenance to loan analysis to investment
- Gaining financial acumen to create, maximize and sustain value
- Economics of real estate investments
- Using leading-edge marketing and leasing strategies for competitive advantage and generating higher returns for clients
- Strengthening client relationships
- Protecting tenants, residents and owners through maintenance and risk management

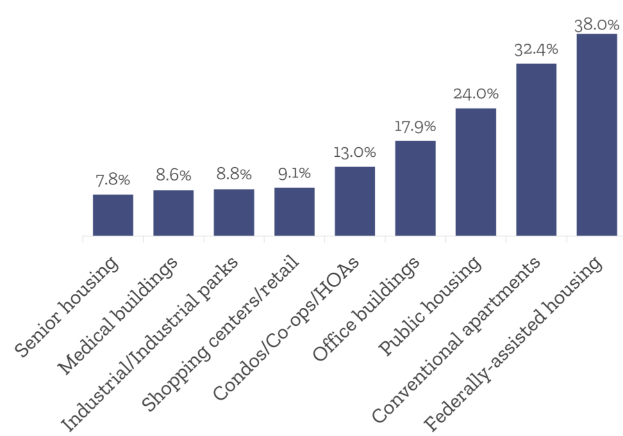
The CPM designation by the numbers:

- $9.3 billion purchasing power annually
- $2.1 trillion in real estate property assets managed
- 11.6 million residential units managed
- 10.1 billion sq. ft. of commercial space managed

Property types managed



Percentage of U.S. market managed



INSTITUTE OF REAL ESTATE MANAGEMENT

Public policy priorities

ADA lawsuit reform

IREM supports legislation to create a "notice and cure" provision within Title III of the ADA. This would allow business owners the opportunity to rectify violations within a reasonable amount of time before being threatened with costly lawsuits or demand letters for a monetary settlement. IREM believes that this reform will protect building owners, while still holding them accountable for ensuring accessibility to all Americans.

Assistance animals

IREM invites guidance from the government on the issue of assistance animals (also referred to as emotional support or companion animals) with respect to the Fair Housing Act (FHA). Unlike service animals, which are regulated by the Americans with Disabilities Act (ADA), companion animals receive no specialized training and are typically for individuals with mental disabilities or those in need of emotional support.

Data security

Property managers collect and maintain huge amounts of sensitive data, including social security numbers and financial information, putting them at risk from cyber-criminals. IREM supports government efforts aimed at sharing information about possible cyber threats, establishing reasonable data security standards, and helping avert security breaches and their aftermath. IREM opposes legislation that would be overly onerous on property owners and managers or their clients.

We also strongly encourage members to use best practices to protect their clients' confidential information.

Fair housing

IREM believes in equal opportunity in housing and supports the right of all people to freely choose where they will live without the constraint of prejudice or discrimination. IREM opposes practices and policies that have a known discriminatory effect on any demographic group defined by race, color, religion, national origin, sex, handicap, familial status, sexual orientation, or gender identity.

Disparate impact

IREM is opposed to policies and practices which are known to have a disparate impact on any demographic group defined by race, color, religion, national origin, sex, handicap, familial status, sexual orientation, or gender identity.

However, IREM supports the ability for real estate professionals to continue such policies or practices if there is a legitimate business purpose for the policy, and that purpose cannot be accomplished in a readily identifiable and not unduly burdensome means with a less discriminatory impact. IREM further opposes actions that require unreasonable research into whether such policies or practices have a disparate impact or discriminatory effect.

Source of income discrimination

Some state and local governments have designated source of income as a protected class under their fair housing laws forcing property managers to accept tenant-based subsidies. By accepting these subsidies, landlords must also accept lease amendments to comply with government requirements.

We support government-assisted housing and making affordable housing available to all citizens. However, we believe that involvement in these programs should be voluntary and opposes any policies that require owners of private housing to surrender their property rights.

The selection of tenants and the terms of the contractual relationship are functions of the property owner or manager, not the government. Allowing certain tenants to have different (government-mandated) provisions included in their leases puts increased financial and administrative burdens on housing providers and may be unfair to other residents.

Federally assisted housing

Federally assisted housing puts people into homes who otherwise would have challenges obtaining safe and decent housing. Providing assistance to low-income earners helps them find housing and helps real estate managers and owners fill vacancies.

IREM members own and manage over 60% of all federally assisted housing and public housing units in the United States. Under project-based programs, the federal government, through the U.S. Department of Housing and Urban Development (HUD) contracts with private owners to fund the difference between the rent for the unit and 30% of the tenant's income.

IREM closely monitors all legislative and regulatory activity pertaining to federally assisted housing and engages with policymakers to encourage continued funding and clarification of new and existing notices and rules.

Flood insurance

IREM supports the reform and long-term reauthorization of the National Flood Insurance Program (NFIP) to ensure its ongoing sustainability, encouragement of cost-effective private flood insurance options, and long-term reauthorization of NFIP so that it remains a viable option for property owners.

The NFIP is a partnership among federal, state, and local governments that helps mitigate flood risk and provide affordable flood insurance to those who need it most. If the program expires, flood insurance will become more costly or even unavailable. The NFIP provides over 90% of all flood insurance nationwide and almost 100% of coverage for individually owned properties and small to mid-size commercial properties.

Medical and recreational marijuana

An increasing number of states are legalizing marijuana to varying degrees, but it is still illegal at the federal level. This conflict between federal and state laws creates a complicated situation for real estate owners and managers. Property managers should review state and local statutes and regulations to ensure they are in compliance with medical marijuana laws and regulations. Property managers may also utilize best practices to address the issue as they see fit, such as lease addendums, with which smoking and illegal drug use can be prohibited.

IREM invites guidance from the government on how to implement policy and procedures for the properties operated by real estate owners and managers.

Pandemic preparation and response

IREM urges all real estate managers to familiarize themselves with the dangers associated with a possible pandemic and assess the impact one could have on their businesses, properties, employees, and clients. Real estate managers should prepare their businesses and properties for a pandemic by establishing policies and procedures to be implemented during a pandemic and determining what resources would need to be allocated to employees and clients at such time. Communication is key before and during any disaster.

Communicating with public health officials and related government regulatory authorities is critical as each disease may require different procedures depending upon how contagious the disease is and how it is spread. Prior to and during the potential pandemic, proposed federal and state legislation may affect the policies and procedures that need to be adopted. IREM legislative staff will monitor and communicate this legislation to its membership.

In addition, it is imperative that real estate managers prepare their businesses and properties for a pandemic by establishing policies and procedures, including but not limited to, monetary, human, and physical resources which may be necessary in the event of a pandemic. Additionally, they should work to maintain up to date knowledge on pandemic matters where possible including laws, regulations, ordinances, and/or rules promulgated to help ensure the safety of clients, customers, etc. prior to or during a pandemic.

Rent control

IREM is opposed to government control of rents and supports a property owner's right to establish rents that produce sufficient income to accommodate the basic needs of residents and encourage investment in new construction and existing properties. IREM urges elected officials at all levels of government to oppose rent control as it significantly affects the housing inventory by accelerating the deterioration and loss of existing housing while discouraging the construction of new housing.