



## COVID Operational Challenges, Strategies and Industry Resources

*by Elaisa Trendelman, Director, Asset Management*

I hope this finds you, your families and your organization healthy and well. These are challenging times in an everchanging environment that has caused owners and management companies to adapt to new best practices and change policies overnight.

Although there are still many unknowns related to this pandemic, what is known is that the professionals in the housing industry reacted swiftly and implemented numerous best practices that quickly mitigated risk to residents and associates.

Some of the more immediate changes included closing offices to walk-in traffic, but making available meetings by appointments. Limits were put in place for the number of people who could be part of an appointment or office visit at any given time. Most software platforms have online rent payment capabilities, and the use of these systems was strongly encouraged to limit in person contact. Common areas were closed with some exceptions, such as laundry areas. Any common area that remained open was put on a strict cleaning routine numerous times throughout the day. Even simple services such as accepting packages required modifications — e.g., asking residents to update shipping preferences — to the process.

Rental arrangements were also modified. With many residents facing financial hardship because of the pandemic, management companies offered resources such as flexible payment arrangements, including weekly payments, a percentage of rent paid now with the remainder paid in monthly installments, or a security deposit with a replenishment plan.

Several management companies created new general ledger codes to track the economic impact of this situation. One was created for lost income that is used to track any monies that are

written off, conceded or waived. The other was created to track any expense that is directly related to the pandemic.

Maintenance associates have the most day-to-day contact with residents, and swift changes were implemented to mitigate risk to these personnel as well as residents. Residents began submitting a maintenance request through phone, email or online portal as the norm instead of visiting the office. Work orders are prescreened, and any non-emergency work orders are logged for completion at a later time. Service teams continued to work on make-ready units and various non-contact responsibilities. Service associates who are required to complete emergency service requests followed safety protocol guidance that are in line with the Center for Disease Control's (CDC) recommendations. Many sites delayed capital projects, some by choice and some by municipality restrictions.

Although these efforts have helped to mitigate associate and resident risk, as well as some financial risk to properties, the Coronavirus Aid, Relief, & Economic Security (CARES) Act was signed into law March 27, 2020 to address the economic fallout of the COVID-19 pandemic. This act contained two important programs that offered a line of defense against non-payment of rents at the property level.

- The first is the Paycheck Protection Program (PPP), which is run by the Small Business Administration (SBA) working through banks. [More information can be found here.](#) Although the program quickly exhausted the first round of funds, a new stimulus package replenished PPP funding at the end of April.
- The second is mortgage forbearance for federally backed mortgages. Please note the CARES Act only covers federally backed mortgages.

Separate from the CARES Act, lenders of non-federally backed mortgages have been willing to provide forbearance as well. Requirements for Freddie Mac and Fannie Mae include:

- Forborne amount to be paid back (without interest or fees) in up to 12 monthly installments in addition to the normal monthly payment.
- Business interruption insurance proceeds (or any other form of assistance or relief) be used to pay back the forborne amount sooner.
- Prohibition of any distributions to ownership until such time as the forborne amount is paid back.
- Borrower provides impacted tenants the ability to pay back any missed rent payments in up to 12 monthly installments on top of the normal monthly rent.

There are a several differences in the two forbearance programs. The most noteworthy are:

- Both require a suspension of evictions based solely on non-payment for tenants who have been financially impacted by the current crisis
  - o Freddie Mac: during the 90-day forbearance period
  - o Fannie Mae: during the longer of the 90-day forbearance period or until such time as the forbore amount is paid in full (up to 12 months following the 90-day forbearance period)
- A standard form of pre-negotiation Letter will be required for Fannie Mae loans

Even if a borrower has not sought loan forbearance, the CARES Act imposes a 120-day moratorium by restricting lessors of affordable housing from filing new eviction actions for non-payment of rent and also prohibits charging late fees related to non-payment of rent. Please note a notice to vacate may not occur sooner than 30 days after providing notice until after July 27, 2020. Many state and local governments have adopted similar or even more restrictive limitations. The federal eviction moratorium does not affect evictions filed before the emergency declaration; however, some jurisdictions have suspended police implementation of tenant removal. Some states, such as New York, have extended the stay on evictions through August.

The CARES Act also provided for Economic Impact Payments to American households, for which Social Security recipients are also eligible. Additionally, it gave states the option of extending unemployment compensation to independent contractors and other workers who are ordinarily ineligible for unemployment benefits.

HUD provided guidance that states:

*“The Economic Impact Payment (which is technically an advance payment of a tax credit that may be claimed on a 2020 tax return) and the temporary weekly federal enhancement to unemployed insurance provided by the CARES Act are not to be included in calculations of income. However, HUD notes that regular payments of unemployment insurance (issued by the state) are treated as income, as is customary under program rules.”*

Like HUD, the Social Security Administration will not consider Economic Impact Payments as income for Supplemental Security Income (SSI) recipients, and the payments are excluded from resources for 12 months.

Although the focus in recent months has been to contain the spread of the virus, many governments have rolled out plans to reopen, with the majority proposing phases. It is important to check with state and local health officials and other partners to determine the most appropriate actions.

Many published guides exist, most of which focus on the same key concepts:

- Ensure there are downward trends in the symptomatic population and in total documented cases.
- Use clear, consistent communication with associates and residents.
- Maintain precautions to avoid future outbreaks.
  - o Ensure there is enough cleaning and hygiene products, especially at high-touch locations such as breakrooms and shared equipment.
  - o Set a cleaning and sanitizing regimen.
  - o Confirm the building systems support good indoor air quality.
  - o Create flow maps, and add signage and floor markings for social distancing measures.

These are a few of the best practices, policy changes and resources many management companies have implemented and applied to mitigate the risk of COVID-19 to associates and residents. Please continue to stay healthy and safe, and do not forget to also take care of yourself during this time.

*Elaisa Trendelman is a Director, Stabilized Asset Management for Raymond James Tax Credit Funds, Inc. (RJTCF). RJTCF is one of the leading sponsors of Low Income Housing Tax Credit Funds nationwide. She leads a team of direct reports and oversees their portfolios consisting of LIHTC investment properties and preservation fund equity real estate investments. She can be reached by email at [elaisa.trendelman@raymondjames.com](mailto:elaisa.trendelman@raymondjames.com)*