

Groups Eye Rent-Relief Distribution

Industry groups are working to ensure that \$46 billion in rent relief included in this week's stimulus bill and the one pushed through in December gets into the hands of beleaguered landlords.

While prior stimulus packages earmarked little directly targeted at commercial real estate, the hope is these new funds will help the multi-family sector continue to weather the pandemic-induced economic downturn. But industry groups say strong communication and careful monitoring is required as the massive wave of money begins to sweep through the country.

President **Joe Biden** on Thursday signed the \$1.9 trillion relief bill by today, the latest effort to help the economy recover from the year-long pandemic. The measure contains not only rent relief, but a \$25 billion restaurant fund and hundreds of billions in state and local relief that can be used, in part, to support households and small businesses.

The rent relief funds approved in December are just starting to be doled out, and many states haven't finalized their distribution systems. **Cindy Chetti**, senior vice president for government affairs at the **National Multifamily Housing Council**, said some members have received funding from the December stimulus, but local jurisdictions have been extremely uneven in setting up programs.

The Biden Administration is expected to release guidelines any day on how to tap funds from the new package. Industry groups have argued for landlords to be able to apply for the money on behalf of tenants who fail to act, and they are lobbying for a central information site to simplify the application process.

"Certainly, we're trying to make sure our membership has good information that they can push on to residents about who is administering the programs at the local level," Chetti said. "We're pushing for **Treasury** to consider setting up a portal to provide that information. If you're a property owner that operates in several jurisdictions, and every one is set up differently, it's frustrating and tedious."

While previous rounds of relief funds largely have helped stabilize the multi-family sector, **Christopher Ptomey**, executive director of the **Urban Land Institute's** Terwilliger Center for Housing, said many smaller building owners appear to be barely hanging on. Their chances of survival will depend on how quickly the relief money arrives.

Michael Flood, who leads commercial real estate policy for the **Mortgage Bankers Association**, said the new bill's success hinges on the effectiveness of local operations.

"The most important thing is to keep the line of communica-

tion open between the landlord and tenant," he said, noting that landlords have been posting information about relief availability in their buildings or otherwise notifying tenants.

Flood said the MBA, through its state chapters, will continue to track stimulus money and encourage states to use it wherever possible to support commercial borrowers. It also plans to spread the word to servicers that the money exists.

Stimulus money generally is credited with keeping rent collections stable, and one commercial MBS investor noted that the hundreds of billions in local government relief included in the new bill will at least plug some holes that would have required property-tax increases.

But nearly all the past stimulus funds have had to trickle down to borrowers and lenders, said **Justin Ailes**, managing director for government relations at the **CRE Finance Council**.

"It's been huge and unprecedented, but in the same breath, you can't hide the disappointment that some of the most acutely impacted areas of the economy are only now getting some relief," he said. "It sure hasn't been targeted relief."

He and other market players noted that vast parts of the stimulus packages have poured money into areas less affected by the pandemic. Direct payments to individuals weren't contingent on job loss, and many recipients of the Paycheck Protection Program continued to operate comfortably.

Non-hotel CMBS borrowers were shut out of the PPP given their status as special-purpose ownership entities without employees — the key group the program was designed to support. Hotel owners were able to access funds due to special exceptions made for them. However, a recent **Moody's** analysis found that the average eligible CMBS hotel loan borrower only would receive enough PPP funds to cover just under two months of debt service after the required allocation to payroll.

"That alone isn't enough to rescue hotels," said **Kevin Fagan**, a vice president and senior credit officer at Moody's. "If a hotel operator is just trying to get to summer before leisure travel revenue returns their cashflow to at least breakeven, maybe this PPP round gets you there. ... If the perception is that PPP loans are a life raft for very stressed businesses, such as hotels, that really isn't the case."

Ailes said the \$1.9 trillion stimulus bill is likely the last broad aid package that gets passed given the progress on vaccinations. He does, however, expect that industry groups will continue to push for additional targeted relief, particularly for the hotel sector. ❖

COMMERCIAL MORTGAGE ALERT: March 12, 2021

Click here for [more information](#) or call 949-640-8780.