

April 13, 2020

Best Practices and Insights in the Age of COVID-19 for Owners/Developers of Multi- Family Housing Complexes

It is clear COVID-19's economic impact has permeated through a variety of industries, and owners and developers of multi-family housing, such as apartment buildings and senior living facilities, are surely aware they lack immunity to its shockwaves. There are a variety of practices owners and developers should consider implementing to facilitate prosperity amongst their housing communities, and promote profitability while mitigating potential legal and financial losses.

Health and Safety

Above all else, the health and safety of employees and residents must take center stage. Most owners have undoubtedly elevated cleaning procedures to sanitize common areas and enacted social distancing practices, but there is ample opportunity to enact even greater measures to promote community well-being.

- **Preparation.** Evaluate the need for a formal COVID-19 Safety Facility Plan. Investigate whether your facility has risks for spreading infection that should be addressed with heightened cleaning protocols such as cleaning of elevators/hand rails, and closing of work-out areas and party rooms. Also, owners should establish and publish additional facility practices for tenants/occupants to reduce congestion and disease spread, and encourage safe distancing. Consultation with occupational, legal, and facility safety professionals can provide further guidance and written protocols.
- **Communication.** Engage in continuous communications with residents, employees, leadership, and even peers regarding the ongoing situation. Seek feedback and look for ways to alter and improve upon current practices to better support

Related Practices

CARES Act Relief
Construction Law
COVID-19 Resource Center
Real Estate

the lifestyles and safety of your people. Use or establish e-mail distribution to occupants.

- **Empathy.** Stay-home orders have forced many businesses to temporarily close causing rampant unemployment. Work with your tenants and be responsive to their economic hardships. Many individuals may experience gaps in income between the final check issued by employers and receiving unemployment wages and stimulus funds. Explore temporary rent reductions and even rent forgiveness. Although many states have barred evictions over the next 30-60 days, accommodating rental practices during these times may prevent high vacancy rates down the line. However you proceed, ensure your business and legal practice are on sound ground and are documented.
- **Knowledge.** Many residents are eligible for and will receive federal financial assistance as part of the CARES Act. Consider publishing community newsletters, hosting virtual seminars, and recommending non-profit resource centers to assist residents with understanding how they may benefit from stimulus packages. Inform tenants that rent breaks and eviction bans provide only temporary relief, and educate them on the need to properly preserve and allocate funds to pay current and future rent. Consider memorializing in writing any rent abatement agreements, which may be viewed as amendments to the lease.
- **Practical Resources and Solutions.** Provide and post information about local resources such as local food banks and coordinate grocery, restaurant, and pharmacy delivery services to promote access to daily essentials. Efforts such as these are especially valuable in senior living facilities and with residents who are more susceptible to severe health consequences from COVID-19.

Corporate Operations

- **Insurance.** Many multi-family housing owners are seeing premiums increase by up to 50% as a result of the high volume of business interruption claims. Contact your insurers to check whether your premiums may be impacted, and explore shopping around to see if you can secure a more competitive rate. Additionally, while owners may be losing money and feel they are victims of business interruption losses, remember these claims are challenging, very nuanced, and require legal evaluation before making a claim.
- **SBA Program.** Review whether your business is eligible to participate in the new SBA loan program created by the CARES Act. This program affords partial forgiveness and extremely low interest rates if you continue employing facility employees. Although the program's initial funds will quickly run out, it is expected Congress will take action to replenish the funds to assist eligible businesses that failed to timely act and reap its benefits. Consult with your legal and bank advisors about the availability of these programs.
- **Lending.** Although you may not require extensions of credit at this time, it is wise to reach out to your current or prospective lenders now in order to get on their radar and facilitate future underwriting. Your accounting and legal advisors can help you make sure you are "bankable". Note, many banks are experiencing slowdowns in the underwriting process with respect to acquisitions because of the difficulty with access to new properties. However, underwriting for refinancing appears to be proceeding in ordinary fashion.

- **Property Taxes.** Reach out to your local assessor's offices as needed and seek extensions for property tax payments in order to preserve those funds for more immediate operational needs. If you feel your real estate taxes are too high, assessments can be challenged through a legal process.
- **Government Advocacy.** Team up with your peers and connect with local and state public officials to push for policies that promote your business interests. If specific government advocacy is needed, connect with real estate trade associations. Our affiliate, Michael Best Strategies, can provide tailored government advocacy solutions.

Your Real Estate, Construction, and Workplace Safety professionals at Michael Best are here to help you navigate through these strange and difficult times. We also have a robust team that can assist you with lease modifications, Facility Safety Plans, the SBA Program, and other lending needs, and our Michael Best Strategies team can promote your policy concerns with state and local government.

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