

INTRO

My name is Timothy Henkel. I am senior vice president and partner at Pennrose, a Philadelphia based owner, developer, and manager of affordable, market rate and mixed income multi-family and senior housing. Pennrose began in 1971 and has evolved and grown over the years. Today, with my partners CEO Richard Barnhart and President Mark Dambly Pennrose employs 430 people and operates in 20 states through 6 regional offices. Our portfolio includes 145 developments and over 10,000 units. We house approximately 25,000 men, women, children, seniors, veterans, and people with disabilities in our properties.

GOAL

I am here today to detail our experience during the pandemic. COVID-19 has had a dramatic impact on our industry and our customers: the residents. Specifically, I am here to support the advancement and deployment of needs based rental assistance, made readily accessible either to the residents or directly to the landlords on their behalf. There simply is no better way to come to the aid of those hardest hit, while sustaining the economic infrastructure of the multi-family industry and all vendors, subcontractors and individuals it employs.

COVID EXPERIENCES

In March 2020, like so many companies, we closed our Philadelphia office and began working remotely. We were fortunate to have prepared for major business disruption, had invested in the technology required to work remotely and initiated portions of our disaster recovery plan. This plan included enhanced communications with property managers and daily task force calls focused on the safety of our residents and employees. We audited, re-allocated and supplemented our stockpiles of protective equipment. We notified residents of new and different protocols for emergency only maintenance calls and suspended in-person communications, rent payment and hosted events. We closed common spaces, community rooms and fitness rooms to discourage gathering and enhance social distancing.

We mobilized the **Pennrose Foundation** and created the **COVID-19 Resident Relief Fund** to support residents faced with adverse circumstances due to the virus. This fund accepts donations from companies and individuals and re-deploys them in the form of donated food or financial support to help with household bills and basic needs. We've been very pleased with the generosity and kindness demonstrated towards our residents.

Through it all our front line of management and maintenance staff have performed with courage and humanity. We continue to be proud and grateful to them for their ability to adapt.

Pennrose also retains a 23 person staff of supportive service professionals who have been engaged daily as this crisis unfolded. They have coordinated emergency food delivery, maintained direct phone

contact with elderly residents, and coordinated all manner of access to third party service providers equipped to meet the needs of specific residents.

There remains a long road ahead. We have retained each of these front line workers throughout the pandemic period thus far. We have laid off no one.

EVICCTIONS

Neither have we evicted anyone.

In fact as an owner we want to be very clear that evictions have always been seen as a last resort:

- They are expensive – due to legal fees, prolonged economic vacancy and the costs of turning a unit for a new resident
- They are time consuming – staff time administrating an eviction is better spent in other ways
- They are clumsy – the court systems are bogged down
- And of course they can be painful and cruel.

The moratoriums on evictions began in July in the Commonwealth and similar regulations have been put in place around the count. As we know a federal moratorium is in place through year end. These moratoriums are meaningful as they temporarily keep residents from being displaced. But we hardly need moratoriums to know that pandemics are the wrong time to evict.

Our own historic eviction statistics bear this out. Prior to the pandemic - in the trailing full years of 2018 and 2019 - we initiated eviction proceedings on less than 4% of our resident population and evicted fewer than 2%. Note that these statistics include evictions for all lease violations – not just those due to non-payment.

The threat of eviction IS an active deterrent and serves as incentive to pay rent. But we work hard to keep from needing to evict. When we DO proceed to evict we are acting not just on behalf of our financial projections but to meet project obligations on behalf lenders, investors and the other residents who expect and deserve a high level of repair, upkeep and cleanliness.

RENT COLLECTIONS

When the pandemic hit, and people were driven to their homes and the first waves of furloughs and unemployment hit we braced ourselves for significant revenue losses. Our lost rent deficits have been significant but to a degree been better than we anticipated. In the 6 months from March through the end of August we have seen a decline in collections of 3-4% portfolio wide.

Lack of rent payment has been somewhat concentrated in our family housing developments. Generally, senior housing has been more stable due to heavy reliance on fixed income, social security and pension among our senior residents. We attribute any relative stability within the family developments to three likely factors –

- first, residents have benefited from federal CARES Act payments which have likely maintained some ability to pay rent.
- Second, many of our residents are employed as essential workers; health care, light construction and maintenance, delivery, light industrial and manufacturing.
- Third, many of our residents hold multiple jobs and have likely maintained the ability to pay rent while sacrificing in other areas of their household budget (daycare, education, nutrition, etc).

FOREGONE RENT, LOSSES TO VENDORS AND SUBCONTRACTORS

Through the end of August Pennrose has supported \$725,000 in the form of our residents' unpaid rent. We have implemented temporary measures to offset this contribution.

- We have delayed and deferred preventative maintenance procedures
- We have delayed and deferred over \$300,000 in capital improvement expenditures

The vendors and subcontractors who normally complete this work (roof repairs and replacements, mechanical equipment, paving and striping, exterior cleaning and tree work) have all lost our business during this period. All of this work remains to be completed and these delays are temporary. However, we cannot continue to support our residents and defer capital improvements indefinitely. The next tier of obligations will be more broadly felt.

- We have continued to support our non-provide partners and service providers.
- We have continued to meet our obligations to pay debt service and insurance.
- We have remained current on our real estate tax obligations

RENTAL ASSISTANCE

It is our strong belief that rental assistance targeted to resident who have demonstrated virus related impact to their employment and ability to pay rent is the best way to efficiently stabilize the ecosystem of multifamily properties, their residents, vendors and subcontractors:

- The rental assistance should be made accessible to residents and landlords alike. Current programs are difficult to access.
- Funding should be retroactive to loss of employment, inability to pay rent.
- Per month caps should be the lesser of actual rents or \$1,000.

HOUSING NEED

In closing, it is important to recognize the role that housing plays in managing a health crisis. Diminished housing affordability translates directly to overcrowded conditions, which are particularly unhealthy when trying to minimize transmission of a virus. Diminished housing affordability is a consequence of both constraints on affordable housing production AND lack of housing in general which drives rental rates up . When demand exceeds supply prices go up.

We therefore support the recently introduced State Housing Tax Credit legislation, SB 1185 which would add a state level credit to enhance housing production. All measures that enable housing production will enhance affordability and promote more healthy housing conditions.