New Relief from COVID-19 for Louisville Metro Tenants & Landlords

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Affordable housing property owners and landlords of certain low-income tenants in Louisville-Jefferson County Metro ("Louisville Metro") may soon have the ability to request rent assistance payments on behalf of their tenants affected by the ongoing coronavirus pandemic. A new Louisville Metro program will allow property owners to apply for funds to cover delinquent rents on a project-basis, for multiple tenants.

On June 25, 2020, the Louisville Metro Council approved the 2020-2021 Capital and Operating Budget for the coming fiscal year. Among other things, the budget approves a fund of up to $21.2 million, supported with money allocated by the federal Coronavirus Aid, Relief, and Economic Security (*CARES*) *Act*, for rent assistance to be routed to landlords directly, intending to prevent evictions as a result of coronavirus related financial issues ("Fund"). The Fund is intended to assist low-income individuals at or below sixty percent (60%) of the area median income in Louisville Metro by reducing the likelihood of eviction of such low-income tenants.

Since April, Louisville Metro government has combated coronavirus related rent delinquencies by applying a tenant-based approach, allowing tenants to apply for rent assistance. While applications are still being accepted for the tenant-based funds, the process can be slow and paperwork intensive, and the application process is ultimately at the discretion of the tenants. The Fund, in addition to providing a new pool of rent assistance funding, will allow landlords to apply directly for rent assistance in an effort to more quickly remediate delinquent rent accounts to help stop the predicted steep rise in evictions when eviction courts open back up on July 1, 2020 for forcible detainer filings and hearings. According to Louisville Metro officials, instituting the new landlord-based application process will provide the following benefits:

- Streamline the process by eliminating the need for tenant income verification by Louisville Metro staff (because tenants are already verified by nature of being in a federally subsidized unit), and expediting the distribution of funds (one application may cover multiple tenants).

- Prioritization of low-and moderate-income residents and properties. There are approximately 30,375 subsidized residential housing units in Louisville Metro, all of which units serve households at or below 60% of area median income ("AMI").
- Consolidated distribution of funds directly to multifamily properties based on tenants that experienced rent delinquency during the COVID-19 pandemic (for rent due and unpaid for April 1, 2020 through August 1, 2020).

To be eligible for assistance from the Fund, the following requirements are expected to apply:

- The subject property must be currently registered in the Louisville Metro Rental Registry.
- The landlord must not have any outstanding code violations for the subject property.
- The landlord would be required to forego evictions for all assisted tenants for 60 days following the date the assistance is provided.
- The landlord must provide pre-COVID-19 rent rolls to document delinquency rates before and after the pandemic.

Officials have indicated that the funding will be available for "federally subsidized" units. As the program is rolled out, property owners will need to determine their qualification under this definition, as well the tax ramifications of accepting such funds. Like many CARES Act related programs, property owners may also be required to make certain certifications and legal representations in order to receive funding. Compliance issues may also arise.

Frost Brown Todd counsels multifamily investors, developers, lenders and other key stakeholders on ways to work through COVID-19 related issues, including new legislative relief options, guidance on low-income housing tax credit and HUD-related issues, rent disputes and loan work-outs. We will remain at the forefront of any further developments in connection with the Fund and will provide further details regarding the Fund and the application process as soon as they are available. For more information, please contact Amy Curry, Darnell McCoy, Brad Butler, or any member of Frost Brown Todd's Multifamily Industry Team.

To provide guidance and support to clients as this global public-health crisis unfolds, Frost Brown Todd has created a Coronavirus Response Team. Our attorneys are on hand to answer your questions and provide guidance on how to proactively prepare for and manage any coronavirus-related threats to your business operations and workforce.