

NAR Statement of Policy

State & Local Policy Committee

Rental Housing

We recognize the need to produce new affordable rental housing and preserve the current rental housing stock through recycling and renovation. We call on all levels of government to meet this demand by removing disincentives to the financing, production and improvement of rental housing for citizens of all income levels.

- Local rent control ordinances, local moratoria on converting rental property to condominiums or cooperatives, costly and administratively burdensome regulations and restrictions are all examples of disincentives to initial investment in rental projects.
- Owners of rental property should provide safe and decent housing for the needs of their rental occupants; rental occupants must recognize and accept their legal responsibility to maintain and care for the property and safety of their fellow occupants. The rights given each party under basic contract law should be enforced.
- We encourage and support legislation as well as legal measures to prevent landlord-tenant ordinances injurious to the basic rights of private property ownership.

General Statement of Housing Policy

As an Association, we reaffirm the national goal of "a decent home and a suitable living environment for every family." This commitment, which also needs to be raised to the highest level of national priorities, encompasses the entire housing ladder from the homeless to the first-time homebuyer. We, the NATIONAL ASSOCIATION OF REALTORS[®], recognize the housing needs that are present among low-income households and renters and we also recognize that these are the very families who will eventually become homeowners. Our goal is to encourage homeownership opportunities and we urge that any national housing policy address in its major elements both rental assistance programs and programs to alleviate the growing problems facing first-time homebuyers, thus assisting citizens to move up the housing ladder. Moreover, while some federal assistance must be part of any national housing policy, we strongly endorse the reliance on local and state initiatives and public private partnerships which are such a crucial part of the Report of the National Housing Task Force.

Rent Control

The National Association of REALTORS[®] recognizes the need in this nation to produce rental housing and preserve the current rental housing stock.

NAR encourages states and municipalities to adopt zoning laws and building codes, or other legislation that encourage the construction of rental dwellings. NAR opposes moratoria on zoning or approvals for apartments and mobile home parks.

Rent control and rent stabilization are infringements upon private property rights. NAR opposes current and future rent control and rent stabilization laws on both residential and commercial properties. NAR encourages local and state REALTOR[®] associations to oppose any legislative measure allowing for rent control or rent stabilization efforts.

NAR opposes rent control for the following reasons:

- Property owners have the right to set rents at market rate.
- Property owners have the right to own property free of unreasonable controls.
- Rent control and rent stabilization put unreasonable costs and burdens upon property owners without compensation.
- Rent control and rent stabilization create market distortions and allocate housing inefficiently.
- The social responsibility of providing affordable housing should not be disproportionately borne by private property owners.
- Rent control has been shown to be extremely difficult and costly to administer by local governments.
- Lost revenue under rent control measures reduces the ability for the property owner to maintain and improve the property.
- As residential rentals lose value due to the restriction on rents, property tax assessments decrease along with the property tax base. Therefore, other property owners would eventually pay more in taxes or fees as a result.
- Rent control discourages the production of new rental dwellings in the private sector.

In jurisdictions that have rent control, protections should be put in place for property owners, such as:

- Rent controlled or rent stabilized units should be for the exclusive use of those requiring housing assistance. Therefore, tenant finances under the original lease terms shall be verified on an annual basis.
- Rent control shall not apply to new buildings.
- In addition to permitted annual rent increases, rent control laws shall permit the property owner to pass-through increased expenses of maintenance, operation, and taxes to the tenant.
- Rent control shall permit vacancy decontrol with any change of tenancy. Vacancy decontrol allows a property owner to raise rents to market rate when a new tenant signs a lease.
- There shall be no requirement to roll back rent to previous years' rent rates.
- There shall be an alternative to lease disputes going to court (such as non-binding arbitration).
- Rent control regulatory boards or advisory boards overseeing rent control decisions have an equal representation of owner and tenant members.

Impact Fees

The National Association of REALTORS[®], while recognizing the need to pay for public services, generally opposes the imposition of impact fees. The National Association of REALTORS[®] believes fees for services hampers or deters development in our nation's communities causing:

- A disproportionate increase in the cost of new construction;
- Higher costs for new construction which, in turn, results in upward pressure on the cost of existing properties;
- Urban sprawl as developers seek political jurisdictions without impact fees;
- Reductions in the quality and/or quantity of new construction units due to increasing costs
- Disproportionate disadvantages to lower income households; and
- Reductions in housing opportunity across the income spectrum, for ownership as well as rental.

In communities where impact fees are in place, the National Association of REALTORS[®] urges a reevaluation of the fee vis-à-vis other public revenue generation methods. To lessen their impact on

local housing costs and development opportunities, the National Association of REALTORS® encourages:

- Proceeds from impact fees should be segregated from other government revenues;
- Impact fees should be used solely for capital improvements related to a specific new development;
- Municipalities or schools should have the burden to demonstrate specific infrastructure needs as a prerequisite to assessing impact fees;
- Credits should be given to developers to offset impact fees;
- Impact fees should be collected only at the point the impact is realized by the local community (e.g., from such sources as increased property tax revenues paid as a result of the development, land dedications and infrastructure work performed by the developer); and
- Exemptions to impact fees should be provided for housing marketed to low- and moderate-income households, for ownership as well as rental.

Land Use & Growth Management

We recognize that state and local governments make policies that are best suited to their jurisdictions. What follows should be viewed as guidance.

We believe in the fundamental right of all private property owners to determine the highest and best use of their land, working through appropriate governmental entities. We embrace the principles of smart growth as defined in NAR's 1999 Smart Growth PAG Report.

We recognize that growth is inevitable and that guiding and controlling it is an issue facing many areas of our country. We support planned growth that stimulates the economy, increases the tax base, provides places to live and work, and offers opportunities that would not otherwise exist. We also realize the responsibility we have to educate and work with local, state, and Federal government officials in developing responsible growth planning that is equitable and which considers the divergent needs of transportation, housing, agriculture, commercial, industrial, and environmental concerns.

Programs of resource, land and historic preservation designed to protect drinking water resources, agricultural lands, wetlands, scenic vistas, natural areas, historic properties and open space, can have a positive effect on the quality of life and environment in towns, counties, and municipalities. Because land use laws and regulations enacted to protect and enhance these resources provide benefits to the general public, the costs should be borne accordingly. (See Property Rights section.)

State and Federal governments should minimize their involvement in land use decisions and not withhold government grants and programs to enforce their policies.

We believe that local authorities, in close cooperation with their citizens, are ultimately responsible for managing growth and building better communities. We support federal and state incentives that provide tools to local governments to encourage collaborative regional planning as long as it supplements, rather than displaces, local control and decision-making.

Planning for the classification and use of land must adequately consider the needs of housing, agricultural, commercial and industrial growth, as well as quality of life and a healthy local economy.

Land use planning should provide for a variety of housing types, mixes, densities and pricing to meet the needs of all segments of our population.

We shall continue to develop programs and seek legislation to help state associations and local boards achieve these objectives.

Government growth planning activities must take into account property rights in the manner described in the NAR Statement of Policy on Property Rights.

Sign Ordinances

We believe that REALTORS® have the right to advertise properties on the open market through the use of solicitation generally, and real estate "For Sale" signs specifically. We encourage REALTORS® to work with local government to assist them in determining a sign ordinance program which will allow REALTORS® to market their clients' properties.

Private Transfer Fees

The National Association of REALTORS® opposes private real estate transfer fees. NAR believes such fees decrease affordability, serve no public purpose, and provide no benefit to property purchasers, or the community in which the property is located. Because private transfer fee deed restrictions are often difficult to discover, and, therefore, disclose prior to a transaction, REALTORS® risk liability issues. In addition, deed restrictions imposing private real estate transfer fees will position affected properties at a disadvantage in the marketplace and may well undermine economic stability.

NAR encourages the enactment of statutes, ordinances, or regulations which would prohibit the use of deed restrictions for the purpose of imposing private transfer fees.

Further, in communities where private transfer fees currently exist, the National Association of REALTORS® urges their repeal and opposition to any increases.

Transfer Taxes

The National Association of REALTORS® opposes the imposition of real estate transfer taxes or fees under any condition. Whether as a general or earmarked revenue source, real estate transfer taxes and fees are a major burden to buyers and sellers, particularly at time of closing.

Additionally, these taxes and fees:

- Have a negative impact on housing costs and economic development;
- Reduce housing opportunities across the income spectrum;
- Are a particularly poor revenue source for the general operating budgets of state and local governments because of their extreme volatility.

In communities where transfer taxes currently exist, the National Association of REALTORS® urges their repeal and opposition to any increases. To lessen their impact on local housing costs, the National Association of REALTORS® encourages:

- The redirection of this revenue source to be used for one-time capital acquisitions which are related to housing or commercial property improvements (e.g. infrastructure); and
- Exemptions to transfer taxes for first-time homebuyers and for homebuyers from low- and moderate-income households.

Sales Tax on Real Estate Services

The National Association of REALTORS® (NAR) opposes the application of state or local sales tax to real estate services and other professional services, including real estate broker commissions, title searches, appraisals, home inspections, property management services, and any other services related to the real estate transaction. NAR finds that the impact of such taxation places an undue burden on homeowners and other consumers of real estate services; falls disproportionately on the real estate sector; and is ultimately detrimental to state and local economies.

Property Rights

Governments shall not arbitrarily infringe on the basic right of the individual to acquire, possess and freely transfer real property, and shall protect private property rights as referred to in the 5th and 14th Amendments of the United States Constitution.

Private property rights include the right to gain income from property and the right to rent out property on a short-term basis. Local governments are granted the legal authority to regulate land use within their jurisdiction by police powers and/or zoning regulations. But we believe local short-term rental regulations should focus on issues such as health, safety and noise mitigation, and respect the rights of private property owners.

Provisions in local code and regulations that are overly restrictive can be especially impactful in resort communities and vacation destinations, as properties in these areas may become less desirable to buyers and investors.

We support legislative implementation of the Fifth Amendment's guarantee of compensation when property rights are taken. Every person should have the right to acquire real property with confidence and certainty that the use or value of such property will not be wholly or substantially eliminated by governmental action at any level without just compensation or the owner's express consent.

In addition, we support legislation which will provide property owners expeditious access to administrative and judicial systems at all levels - local, state and federal - to pursue Fifth Amendment takings claims or relief from other property rights violations.

We recognize the need for all levels of government to be able to exercise legitimate police powers in the regulation of private property to protect the health, safety and general welfare of its citizens. However, when government actions or regulations are not founded within legitimate police powers, the government should be required to pay compensation for the inordinate burden levied on the property owner.

The federal government should not establish criteria for the use of eminent domain by state and local governments. Each state should establish its own rules and laws governing eminent domain without interference from the federal government.

Likewise, when a government entity exercises its eminent domain power to condemn private property for public use, the government should provide - as required by the Fifth Amendment - "just" compensation to affected property owners that covers not only the value of the property condemned but also all other reasonable and necessary costs generated by the condemnation action

including, but not limited to hiring legal counsel, obtaining temporary housing, lost business revenue and severance damages.

Furthermore, when a government entity exercises its eminent domain authority, it should do so only when necessary to materially advance a real public use. The government should provide persuasive, objective evidence that the project, and the resulting public use, will in fact be realized.

Confiscation of Real Estate

We support the development and implementation of community programs designed to discourage and alleviate illegal drug activity. However, we are concerned that the rights of innocent real estate owners be upheld in all cases of the forfeiture of real estate for illegal drug activity. Innocent real estate owners are those who had no knowledge of the use of their property for illegal activity or who, if they had such knowledge, made reasonable efforts to alleviate the use of their property for illegal drug activity. Any legislation addressing the forfeiture of real estate because of illegal drug activity needs to contain language which protects the rights of innocent property owners.

Possession and Eviction

NAR believes that the fundamental right of rental property owners to regain possession of their property shall not be abridged.

NAR opposes the erosion of these property owner rights:

- The right to owner-occupied property.
- The right to inspect property with proper notice.
- The right to terminate tenancy within the terms of the lease.
- The right to freely go out of the rental business and convert property to other uses.

There shall be no requirement to pay tenant relocation fees.

Eminent Domain for Mortgages

The National Association of REALTORS® opposes the use by local governments of their eminent domain power to acquire and restructure mortgages – including those mortgages whose underlying collateral values are less than the principles of the loans – at discounted values in order to provide refinancing and loan modification. NAR is concerned that this use of eminent domain to restructure existing mortgage loan contracts would create great uncertainty for lenders and investors in the mortgage markets, resulting in increased costs of credit to borrowers seeking to become homeowners; and a contraction of credit in those communities that decide to take mortgages by eminent domain. NAR recognizes that stabilization of housing values depends on helping those homeowners who are experiencing hardships and are at risk of foreclosure. NAR supports helping families stay in their homes through measures that do not have negative consequences to the housing finance market that can undermine the goal of homeownership. NAR urges states to modify their eminent domain laws to prohibit local governments from using eminent domain to take mortgages.

Tax Exempt Properties

All tax-exempt institutions, including but not limited to municipal, legitimate religious, charitable and educational organizations should be required to pay for local public services received, but should maintain their real property exemption due to their positive contributions to the communities in which they reside.

In those instances where tax exempt institutions occupy only a portion of larger land holdings, those sections of the properties not directly used by the institutions should be fully taxed.

Many religious, cultural, educational, civic, fraternal institutions and the like maintain real estate holdings that do not have any direct relationship to the purpose for which the institution is established. Indeed, many such holdings are made for purely investment purposes, yet enjoy tax benefits at a cost to those who pay taxes. Such holdings should be fully taxed.

We support ad valorem tax-exemptions and relief for property owners whose homes have been impacted by natural disasters.

State and Local Tax and Spending Policy

REALTORS® support the equitable collection of tax revenues from a variety of sources and encourage taxing jurisdictions to consider the negative impact to the local economy associated with any potential increase in property tax rates. We believe that real estate should not be burdened with an excessive share of the constantly increasing cost of state and local government.

Assessment Practices

We urge state associations to promote legislation providing for tax assessment of all real property and all forms of shelter on an equitable basis based on fair market value.

Transportation

The timely provision of safe, convenient and efficient transportation infrastructure enhances the quality of communities, supports property values, and mitigates the effects of traffic congestion that accompany growth. REALTORS® support improving mobility in communities so that all citizens have access to transportation means best suited to their needs. Changing travel patterns, shrinking petroleum supplies, and continuing technological innovation will challenge traditional means of transportation planning, construction and funding. With these challenges in mind, NAR urges the federal government to incorporate the following principles in future transportation authorization legislation.

- Federal spending for transportation infrastructure should be sufficient to maintain and improve the current physical condition and level of performance of highways and transit systems and to make enhancements to reduce congestion and to foster economic development. To finance increased transportation spending, NAR supports both a modest increase in the federal transportation user charge tax rate and indexing the tax rate to account for inflation. In addition, the federal government should explore a variety of means to ensure a reliable stream of revenue for transportation funding so that revenues grow in step with increasing travel demand.
- High occupancy toll lanes should be permitted on roads financed with federal assistance, but no existing general purpose lanes should be tolled for future revenue. All tolls collected on such lanes should be dedicated to benefitting the users from whom they are collected.
- Taxes levied on transportation users should be deposited in a trust account for spending exclusively on transportation purposes.
- Interest on balances in the Highway Trust Fund should accrue to the Fund and be spent exclusively for transportation purposes.
- States should have a large measure of flexibility in determining how Highway Trust Fund monies are spent within their borders.

- Highway Trust Fund revenues should continue to be used for projects designed to mitigate air pollution by reducing travel demand.
- The federal share of funding for new transit capital projects should remain on a par with the federal share of funding for highway projects.
- Transportation planning and implementation should be fully integrated into a comprehensive community planning effort, coordinated with state and metropolitan planning processes, using substantial citizen involvement and civic leadership to achieve the consensus vision of the community. States should be encouraged to adopt comprehensive plans that foster cooperation between Metropolitan Planning Organizations (MPOs) and should continually re-evaluate MPO boundaries to ensure they accurately reflect regional transportation patterns and population growth.
- The federal transportation funding bill should provide a predictable level of funding that avoids large changes from one year to the next.
- All federal taxes levied on any fuel or alternative energy source used for surface transportation should be deposited in the Highway Trust Fund for highway and transit projects.
- The time required for environmental review of transportation projects should be significantly reduced without compromising environmental protection.
- Federal Surface Transportation Programs for states should be structured so that:
 - State and local transportation planning is not biased in favor of one mode or another because of differences in federal program requirements.
 - Proportionately more funds are available in parts of a state with greater transportation needs.
 - Emphasis is placed on providing seamless connections between transportation modes.
 - Priority in spending is given to maintaining the integrity and performance of existing investments in national transportation infrastructure.
- Where possible, transportation improvement planning should consider the needs of all transportation users, but federal policy should require detailed cost-benefit analysis on each project to ensure improvements enhance mobility for the largest number of users.
- *Federal policy should encourage states to consider alternative financing models, such as Public- Private Partnerships, to accelerate the construction and expansion of roads, highways and transit lines.*
- *Federal transportation grants should be structured as broadly as possible, to allow state and local governments the latitude to determine which investments are most effective for their communities.*

Federal policy should encourage state and local governments to create tax incentives for teleworking and other programs that reduce travel demand.

Metropolitan Planning Organizations should be encouraged to include a representative of the local REALTOR® board on their board of directors.

Water Resources

The National Association of REALTORS® supports healthy, clean and abundant supplies of water.

We support finding voluntary, market-based solutions to address excessive pollution and degradation of the nation's waterways, while always being mindful of, and vigorously defending, private property rights. We also support adequate federal funding for a well-developed system of water resources infrastructure and technology to ensure water quality and quantity nationwide.

We support the responsible use and management of our nation's water resources so that residential, commercial, and industrial development can proceed without degrading the nation's water and without excessive regulatory encumbrances.

We believe that the development of a comprehensive federal water resources policy should take into account traditional state, local and private water rights and uses. We pledge to cooperate with federal, state and local agencies responsible for water resources to educate REALTORS[®], their clients, homeowners and consumers on water resource issues and the value and benefits of protecting water supplies.

Brownfields and Local Tax Incentives

NAR believes it is important for state and local governments to support and encourage the cleanup of Brownfields by providing tax and other economic incentives. These incentives are necessary to attract private investment to abandoned properties and to compensate for the risk of investing in contaminated land -- typically surrounded by economically blighted neighborhoods. Accordingly, NAR calls upon state and local governments to encourage Brownfield restoration by providing tax incentives, including, but not limited to, current state income tax deductions for cleanup expenses and/or abatement of real estate/property tax for reclaimed properties.

Member Involvement

REALTOR[®] Party Programs seek to encourage the state and local REALTOR[®] associations use of communication and educational tools necessary to implement grass-roots advocacy efforts on behalf of the real estate industry. The REALTOR[®] Party, Consumer Outreach, along with the State & Local Association Outreach and Member Engagement programs work to ensure that the REALTOR[®] legislative goals are addressed on a day to day basis at the local, state and federal levels by promoting direct REALTOR[®] grassroots involvement. It is only by coordinating REALTOR[®] Party efforts on the local, state and national levels with REALTOR[®] legislative goals that we can ensure that the rights of private property ownership will be protected and expanded in the future.

Community Outreach, Development & Revitalization

Vibrant communities are healthy and safe places to live and provide quality of life for community stakeholders. We encourage and support REALTOR[®] Associations, and their members, to become engaged in efforts to enhance, develop and revitalize their communities which can create more desirable places to live and foster economic development. As a community prospers, the demand to live, and buy homes, in the area increases, as does property values. Associations' outreach and engagement efforts need to include partnering with elected and public officials, as well as state and local stakeholders, to advocate for affordable housing, walkable communities, creation of public spaces and amenities, revitalization of our small town "main streets, suburban neighborhoods, and urban downtowns areas and commercial corridors, smart & sustainable growth, mixed-use development, public private partnerships and transportation choices. REALTOR[®] Associations need to promote the value and use of Federal, state and local community assistance programs (such as Community Development Block Grants and Opportunity Zones) and take advantage of the REALTOR[®] Party Programs including NAR's Community Outreach grants.

Public Education

NAR supports programs and policies that promote quality education by efficiently financing capital construction, maintenance, and operations of our public school systems.

We believe that public education is a state and local issue. We encourage state legislatures, local government, school systems and private enterprise to explore all avenues that will increase efficiency through better allocation of resources to the classroom by developing creative solutions, and promoting community and corporate involvement, rather than looking predominantly to the overburdened taxpayer.

First Time Home Buyer Savings Accounts

That NAR supports homebuyer savings account programs established at the state level and urges states to adopt such plans. NAR believes individuals or families saving for homeownership should be able to put a percentage of income or maximum amount of funds into an account that is tax free to be used within a specified amount of time for the purchase of a home. Homebuyer savings accounts are typically used for first time homeowners or returning homebuyers.