HOUSING INSTABILITY AND MITIGATION POLICIES IN RESPONSE TO COVID-19

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WILL CONTINUE TO UPDATE IN RESPONSE TO EVOLVING LANDSCAPE

These materials were prepared as part of the Rapid Response Network, a joint initiative between the **California Mental Health Services Oversight and Accountability Commission** (MHSOAC) and **Social Finance, Inc.** to support jurisdictions in fast-paced research and decision making driven by COVID-19.

The network aims to **facilitate connections** among jurisdictions facing similar challenges, and to supplement that shared experience with **support from external experts**—in order to deliver fast, customized, digestible research and analysis that strengthens local capacity.

We recognize that the pace of these responses means that they are likely to be both incomplete and imperfect. If you have suggestions for improvement or questions about these materials, we would love to hear from you. Please email Jake Segal (jsegal@socialfinance.org) or Sean Burpoe (sburpoe@socialfinance.org).

With gratitude for the support of the Robert Wood Johnson Foundation and invaluable in-kind support from GLG, which supports the RRN through access to their expert network.

EXECUTIVE SUMMARY

- The economic impacts of COVID-19 are rippling across American cities. Among the most critical concerns is maintaining housing: **how to pay rents and mortgages in the face of widespread unemployment.** While many jurisdictions around the country (including California[1]) have enacted a moratorium on evictions, rents largely remain due, and **in the wake of the moratorium evictions may spike.**

- Unfortunately, "social scientists know very little about who gets evicted."[2] One plausible predictor of eviction, however, is job loss. With data suggesting nearly 26 million people filing for Unemployment Insurance through April 18,[3] job losses are high. This suggests that **the number of rent-burdened households will rise, and we face a surge in evictions following the moratorium,** absent further policy intervention.

- Beyond eviction and foreclosure moratoriums and utility protections, there are a number of policy options to limit evictions, including **rent forbearance policies** (e.g., 12-month rent freeze, 6-month rent deferral), **short-term rent controls** (to limit price gouging post-moratorium), and **proactive programs to prevent retaliatory evictions** (e.g., legal services, just-cause eviction laws).

1. Office of Governor Newsom, "Governor Newsom Takes Executive Action to Establish a Statewide Moratorium on Evictions," 27 March 2020.
2. Matthew Desmond et al., "Who gets evicted? Assessing individual, neighborhood, and network factors," Social Science Research, 23 February 2016.
3. NPR, "U.S. now has 22 million unemployed, wiping out a decade of job gains", 23 April 2020

CONTENTS

I. RENT BURDEN AND EVICTION RISK

CONTEXT

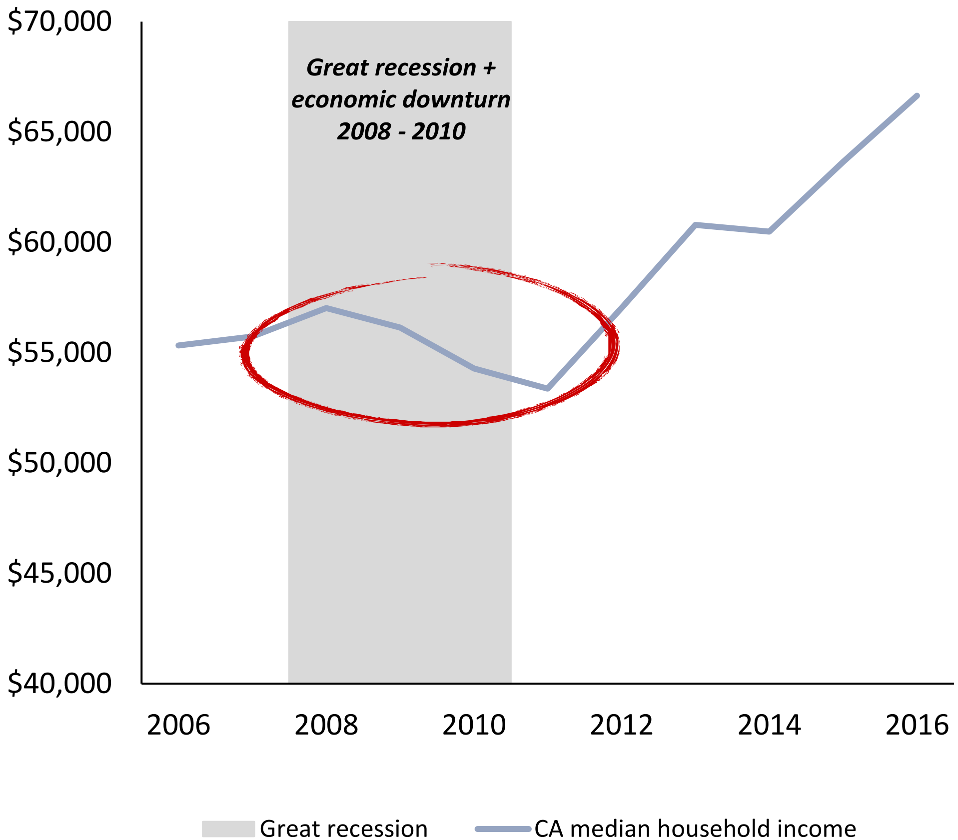
- **Unfortunately, "social scientists know very little about who gets evicted."[1]**
  - Research suggests a connection between eviction and **the number of children in the household as well as a renter's "network disadvantage"** – the proportion of one's strong ties to people who are unemployed, addicted to drugs, etc.
  - However, this does not tell us much about eviction in the current crisis.
- **The magnitude of the economic crisis caused by the pandemic is still unknown.**
  - March unemployment data does not capture the brunt of the economic downturn (most shelter-in-places went into effect in mid-March, some not until April).
  - April unemployment data will not be released by BLS until May 8, 2020.[1]
- **With the Great Recession as one indicator, household rent burden is likely to expand significantly.**
  - Households with a high rent burden are at increased risk of eviction when experiencing shocks to income.

1. Matthew Desmond et al., "Who gets evicted? Assessing individual, neighborhood, and network factors," Social Science Research, 23 February 2016.
2. BLS, "Employment situation summary," available at https://www.bls.gov/news.release/empsit.nr0.htm

FLUCTUATIONS IN RENT STABILITY DURING GREAT RECESSION

In California, between 2008 and 2010 household income decreased by ~6%

Median Household Income in California, 2006 – 2016[1]



Median household income

Learnings from economic downturn

- Median household income in California overall **decreased by ~6%**

Conservative, illustrative baseline for an economic downturn after COVID-19

- ***Base-case:*** *6% decrease in household income*
- ***High-case:*** *12% decrease in household income*

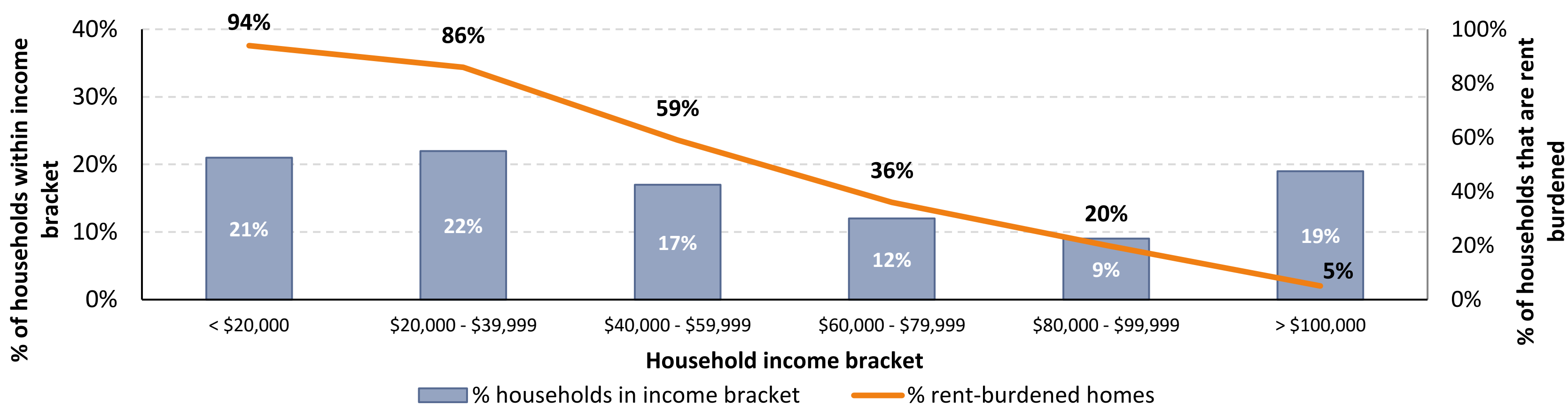
1. Federal Reserve Bank of St. Louis.

RENTING IN CALIFORNIA: QUICK FACTS

- **Total housing units:** 14,277,157.[1]
- **Percentage of housing units rented:** 38.3%[2] (~5,648,200 households).
- **2018 average rent burden (household income / annual rent):** 26.7%.[3]
  - *Average household income for individuals <u>renting their home</u>: $67,300.*[3,4]
  - *Average annual rent: $18,000.*[3,5]
- **2018 percentage of households that are rent-burdened (rent burden > 30%):** 56.2%.
  - *There were 138,224 households flagged as being rent-burdened of the 247,111 rented households observed for CA in the 2018 ACS five-year estimates.*

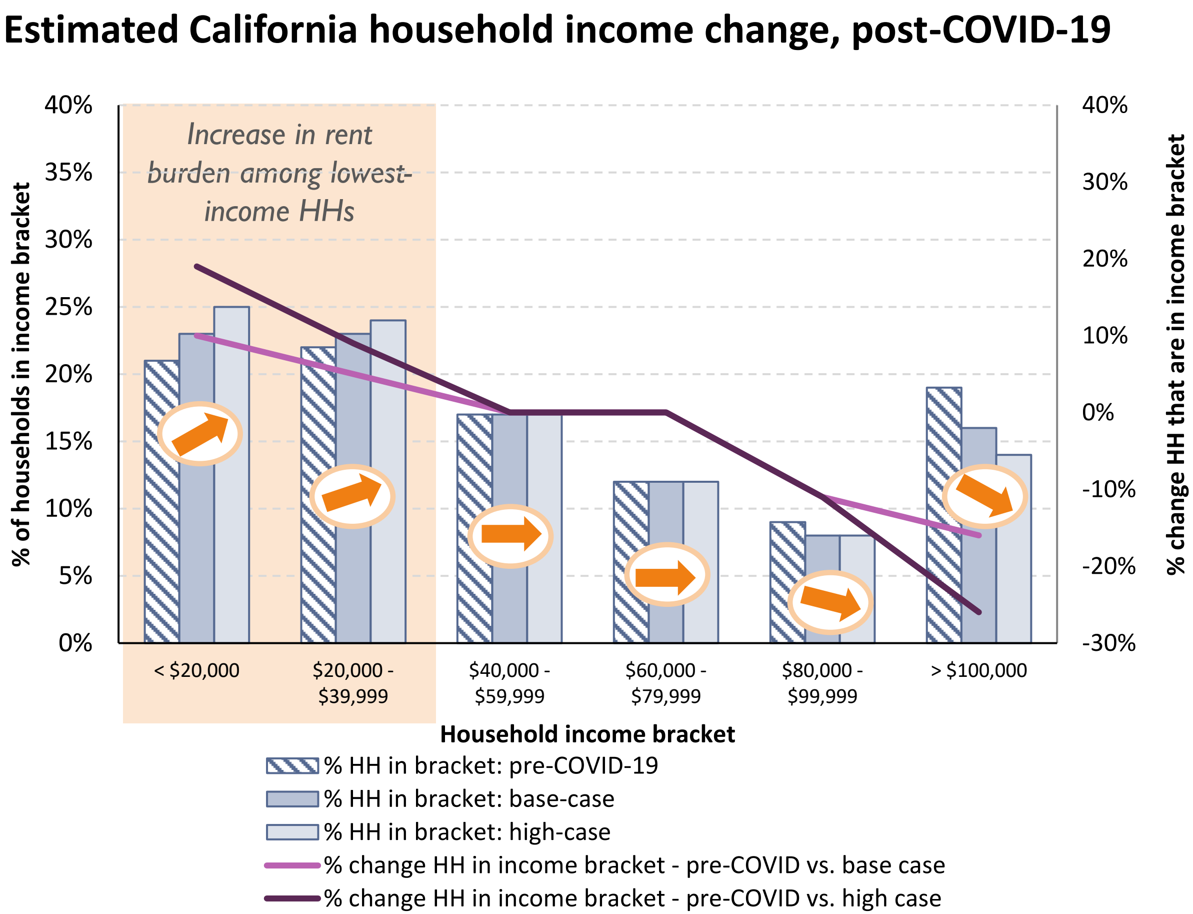
California household income and rent burden

Rent burden is calculated as annual rent / total household income



1. According to the Annual Estimates of Housing Units for the United States, Regions, Divisions, States, and Counties, there were 14,277,157 households in California in 2018. Census Bureau, "Annual Estimates of Housing Units for the United States, Regions, Divisions, States, and Counties: April 1, 2010 to July 1, 2018." 2. There were 663,853 households observed in the 2018 ACS five-year estimates. 254,421 (~38.3%) were rented. U.S. Census Bureau, "American Community Survey, 2014-2018 ACS 5-year PUMS." 3. American Community Survey, 2014-2018 ACS 5-year PUMS. 4. This is lower than the average or median household income for all households, as renters are lower-income. 5. The top 1% and bottom 1% of observations for both household income and annual rent were removed to prevent outliers from skewing the data. This resulted in approximately 7,200 observations being removed.

AN ECONOMIC DOWNTURN WILL INCREASE THE NUMBER OF RENT-BURDENED HOUSEHOLDS



TAKEAWAYS

- Assuming ~ 5,648,200 housing units are rented,[1] and modeling economic impact similar to (and then 2x) the Great Recession, an additional **~222,000 – 450,000 households (an additional 4-8 percentage points) will be rent-burdened** due to the economic downturn.

Note: Assumes that household income decreases as a result of an economic downturn. Assuming that annual rent remains the same, more households will be spending a larger proportion of their income on rent. 1. According to the Annual Estimates of Housing Units for the United States, Regions, Divisions, States, and Counties, there were 14,277,157 households in California in 2018. Census Bureau, "Annual Estimates of Housing Units for the United States, Regions, Divisions, States, and Counties: April 1, 2010 to July 1, 2018." There were 663,853 households observed in the 2018 ACS five-year estimates. 254,421 (~38.3%) were rented. Applying this percentage to all households results in ~ 5,648,200 rented households.

HOWEVER, AT THIS POINT IT IS CHALLENGING TO MAKE GOOD PREDICTIONS ABOUT THE IMPACT OF COVID-19 ON EVICTIONS

- **There is no strong historic precedent.**
  - We are using the Great Recession as a benchmark – but this may not be appropriate due to the sudden impact of the virus on the economy.
  - Job losses may be historically high.[1]
- **The stimulus packages thus far, and future assistance programs, may successfully cushion economic impact.**
  - A goal of the stimulus package was to provide relief for economically vulnerable individuals during the pandemic via direct cash transfers.
- **It remains unclear precisely how rent burden translates into evictions.**
  - There may be demographic information on who gets evicted, there is not predictive data on who will get evicted.
  - Additionally, there is limited data on evictions in California specifically, due to strict privacy regulations and strong renter protections.

1. CNBC, "White House economic advisor Kevin Hassett says unemployment rate will approach Great Depression," 26 April 2020.

II. POLICY IDEAS FOR LIMITING EVICTIONS

CONTEXT

- The economic impacts COVID-19 are just beginning to ripple across American cities. Among the most critical concerns is maintaining housing: **how to pay rents and mortgages in the face of widespread unemployment.**

- While many jurisdictions around the county have enacted a moratorium on evictions,[1] rents often remain due, and **in the wake of the moratorium evictions may spike.**

- Looking ahead, jurisdictions could consider a number of policy options to limit evictions (listed in the pages to come), including **rent forbearance policies** (e.g., 12-month rent freeze, 6-month rent deferral); **short-term rent controls** (to limit price gouging post-moratorium); **proactive programs to prevent retaliatory evictions** (e.g., legal services, just-cause eviction laws); and others.

1. Eviction Lab, "COVID-19 Housing Policy Scorecard," April 2020.

PREVENTING EVICTIONS (I)

Near-term policy options to supplement eviction and foreclosure moratoriums and utility protections

Grace periods to pay back rent following the crisis

- Supported by restricting late fees and reporting late payments to credit bureaus.

Stimulus checks to provide immediate economic relief to residents.

- However, checks do not account for differences in costs across housing markets or ensure that payments go directly to rent, unlike vouchers.[1]

Landlord incentives to keep residents stably housed.

- Consider suspending mortgage interest accrual on owner-occupied and rental housing[2]; delaying payment of property taxes (to "help landlords help tenants")[2]; establishing landlord support fund (or bridge loans) to compensate for losses[3] (using backdated rents to prevent gaming, and requiring properties meets local housing codes)

Rent suspension to prevent obligations from accumulating during the crisis[4]

- Could include rent forgiveness (see, e.g., proposed legislation from NY State Senator Mike Gianaris[5]). However, it's important to consider sub-populations: forgiveness may leave out undocumented people; and it may be tricky to demonstrate being "directly impacted."[6, 7]

1. Mary Cunningham, "It's time to reinforce the housing safety net by adopting universal vouchers flor low-income renters," Urban Institute, 7 April 2020.
2. "Major consumer protections announced in response to COVID-19," National Consumer Law Center, 9 April 2020.
3. "Governor Lamont launches emergency no-interest loan program for Connecticut small businesses and nonprofits impacted by COVID-19," 26 March 2020.
4. Dr. Gianpaola Baiocchi and H. Jacob Carlson, "The Case for a Rent Moratorium," The New York Times, 1 April 2020.
5. New York State. Senate. *Senate Bill S8125A*. 2019-2020 Legislative session, 23 March 2020.
6. Fenit Nirappil and Marissa Lang, "DC Council freezes rent hikes but omits undocumented immigrants from COVID-19 relief bill," The Washington Post, 7 April 2020.
7. "Landlords in California can still file to evict tenants for nonpayment of rent in cases where the tenant doesn't provide documents showing he or she can't pay rent due to COVID-19." Eviction Lab, "COVID-19 Housing Policy Scorecard," 21 April 2020

PREVENTING EVICTIONS (II)

Longer-term policy options to limit the scope of evictions following moratoriums

Ensuring responses have lasting impact

- ***Prevent price gouging after rent freezes are lifted:***
  - **Limit annual rent increases** to the level of consumer price index or 3%, whichever is lower[1]
- ***Prevent retaliatory evictions once moratoriums are lifted:***
  - Create a plan to **provide legal services** for tenants[2]
  - Pass **just-cause eviction laws**[3]

More comprehensive approaches

- Expand HUD **rental voucher program:** in California, 3.5 million individual renters qualified for housing assistance before COVID-19[4]
- Use the crisis as an opportunity to define in **long-term protective measures** for eviction prevention (e.g., right-to-counsel laws like NYC's, financial assistance for low-income households)[5]
- Employ **"land banking strategies":** acquire land to increase stock of affordable housing in preparation for anticipated increased demand[6]

1. Liam Dillon and Emily Alpert Reyes, "Tenants get help as LA freezes rent hikes for thousands of apartments over coronavirus," Los Angeles Times, 30 March 2020.
2. "Tenants' rights during the COVID-19 Crisis," Community Legal Aid, 2 April 2020.
3. Local Housing Solutions, " 'Just cause' eviction policies," NYU Furman Center and Abt Associates, 2020.
4. Mary Cunningham, "It's time to reinforce the housing safety net by adopting universal vouchers flor low-income renters," Urban Institute, 7 April 2020.
5. "COVID-19 Housing Relief Policies," People's Action. March 2020.
6. Professor Carol Galante, "Lessons from the great recession for today: housing aid now!," UC Berkeley Terner Center for Housing Innovation, 19 March 2020.

USEFUL RESOURCES

If you only have a few minutes or are looking for something specific

- **Excellent list of federal, state, and local eviction moratoriums and utility shutoffs, as well as a scorecard of state approaches to housing during COVID-19.** Eviction Lab, "COVID-19 and Changing Eviction Policies Around the Nation," 19 March 2020; "COVID-19 Housing Policy Scorecard," 21 April 2020.

- **Good list of short- and long-term policy ideas.** Enterprise, "Taking bold action to protect tenants during the covid-19 outbreak," 16 March 2020.

- **Largely complete map of Emergency Tenant Protections passed** or "working on getting passed." (Note: Open-source, but based on spot-checks appears reliable.) Anti-Eviction Mapping Project, "COVID-19 Emergency Tenant Protections," accessed 30 March 2020.