



Wednesday, April 22, 2020

Renters and Rental Market Crisis Working Group



The COVID crisis has a waterfall of effects . . .

Tenants lose income & can't pay rent



Property Owners/Landlords can't cover operating costs & pay lenders, city services and taxes



Capital Markets tighten credit and lenders can't or won't lend

The solution begins with . . .



- **Stabilizing renters, which will . . .**



- **Stabilize and preserve properties and landlords, which will . . .**



- **Enable lenders to finance rental housing and prevent larger capital market failures**

COVID-19 creates problems for the rental market across three time horizons

Immediate

- April - September 2020

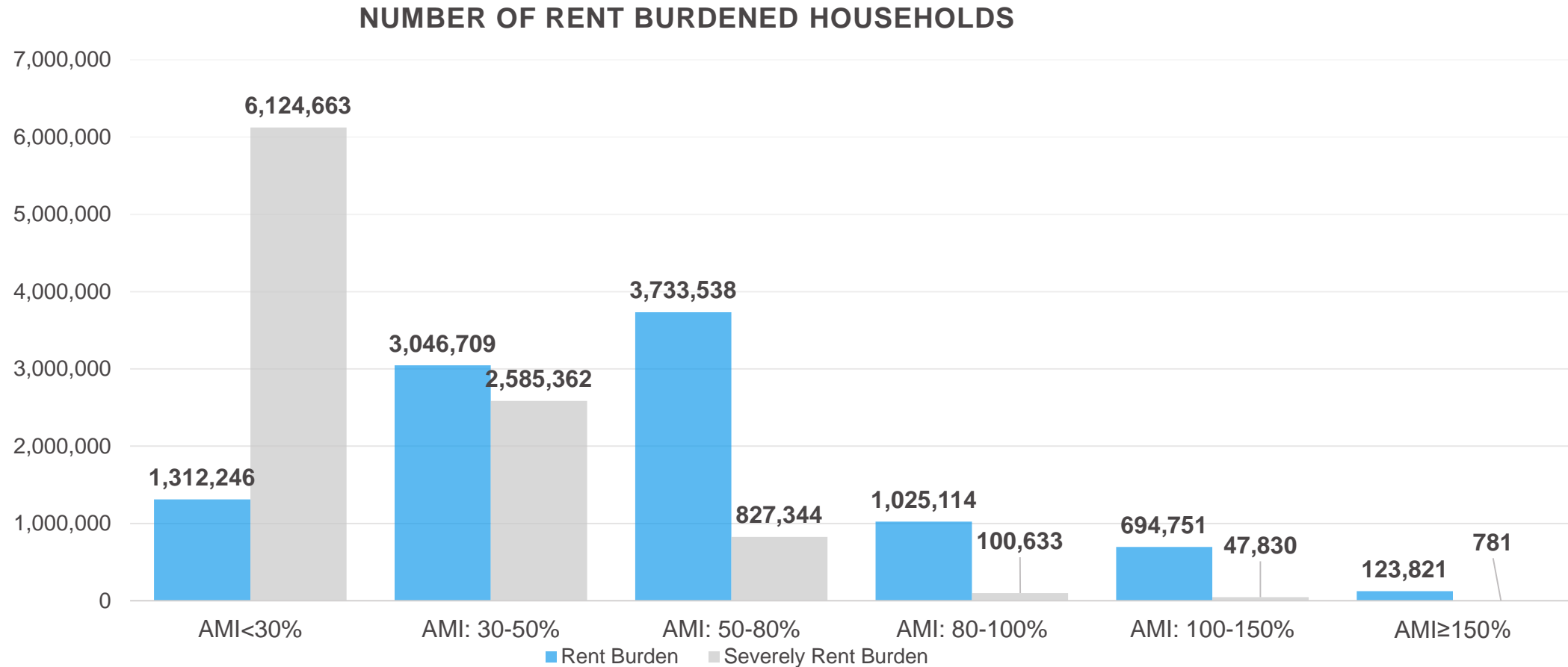
Intermediate

- September 2020 - September 2021

Long-Term

- After September 2021

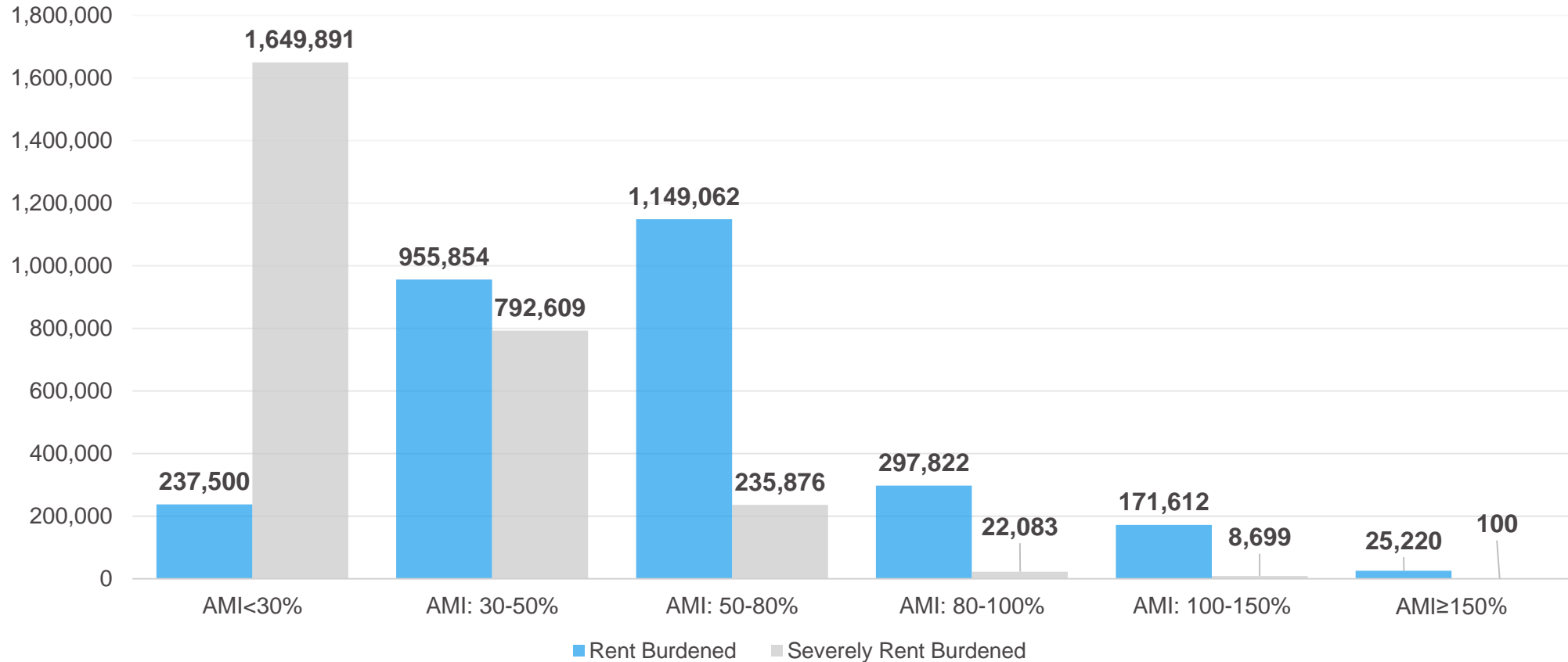
Even before COVID-19, low-income households faced immense rent burdens



Source: ACS 2018

Note: Rent Burden - Gross Rent/Income is between 30% and 50%,
Severely Rent Burden - Gross Rent/Income is 50% or above

5 million already cost-burdened households under 80% AMI work in the 5 most vulnerable industries to COVID-19



Source: ACS 2018

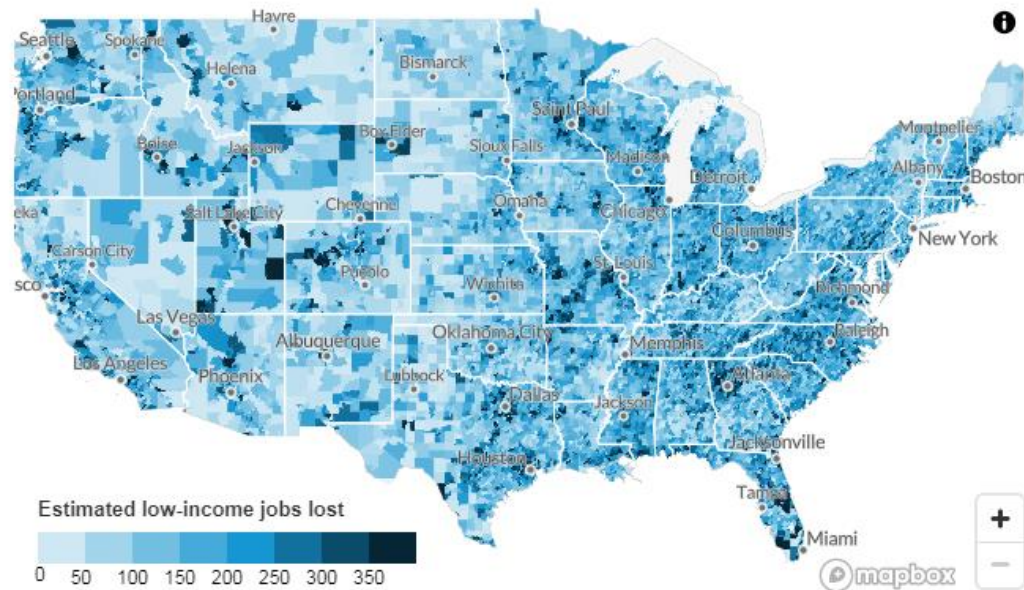
Note: Five industries include (1) Food & Accommodation, (2) Construction, (3) Retail, (4) Entertainment and (5) Other Services.

These same 5 industries have already shed an estimated 4.1 million low-income jobs

Total estimated low-income jobs lost

Overall

US 14,335,660



US
14,335,660



Source: [Where Low-Income Jobs Are Being Lost to COVID-19](#), Urban Institute

Note: Five industries include (1) Food & Accommodation, (2) Construction, (3) Retail, (4) Entertainment and (5) Other Services.

Over the next several months the immediate challenges are . . .

- **Renters:** Individuals who were previously housing insecure and for whom CARES Act UI payments don't replace income that could be used for rent are at risk.
- **Owner/Landlords:** Owners for whom mortgage forbearance does not apply, face potential financial insolvency as tenants are unable to make full or partial rent payments.

These problems will likely persist into 2021

- **Renters:** Notwithstanding federal stimulus income supports, low and moderate income renters that have lost income and face unsustainable financial burdens, may become housing instable in the intermediate term.
- **Owner/landlords:** Owners that can draw on operating reserves and qualify under forbearance policies could face financial insolvency.
- **Capital markets:** Multifamily servicers will continue to need assistance to meet financial obligations.

Depending on the longevity of the crisis, this could create long-term problems in the rental market

- **Renters:** Without appropriate policy interventions, long-term unemployment coupled with reductions in the affordable housing stock could lead to increases in homelessness and housing instability.
- **Owner/landlords:** With the loss of mom and pop owners, larger commercial companies may buy smaller rental properties. Commercial owners may not keep rents affordable.
- **Capital markets:** If capital markets take a hit, and lending standards tighten, funding for the development and rehabilitation of rental housing declines, leading to an even tighter housing market and more long-term housing instable families (could be even worse with losses of existing affordable housing).

A portfolio approach is needed

- There may be relief that is not possible to provide directly to tenants and for which an intervention through owners is needed to supplement
- Each delivery mechanism has limitations; several mechanisms will cover more renters in need
- In addition to allocating resources, tenant protections are also needed
- Problems in the rental market will shift over time and new policy interventions may be needed at different points

Agenda

Today we will discuss policy proposals to address the immediate challenges . . .

- Will Fischer, Center on Budget and Policy Priorities
- Tom Bledsoe, Housing Partnership Network
- Shekar Narasimhan, Beekman Advisors
- Ben Metcalf and David Garcia, Turner Center at UC Berkeley

Discussion

Discussion questions

- Which tenants affected by the COVID crisis do these proposed solutions serve?
- Which tenants are not covered by these solutions?
- What data analysis is needed to:
 - Estimate the size of the challenge
 - Assess how well proposals address the challenge
 - Size the proposals
 - Help to target resources to those most affected by the COVID crisis

Future working group meetings will cover . . .

- Intermediate challenges
- Long-term challenges
- Federal role for tenant protections