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

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

Source: ACS 2018
These same 5 industries have already shed an estimated 4.1 million low-income jobs

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 unstable 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 unstable 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
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, Terner 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