



COVID-19 Tenant & Rental Property Impacts

Monthly Survey of Rent Paid through September 30th

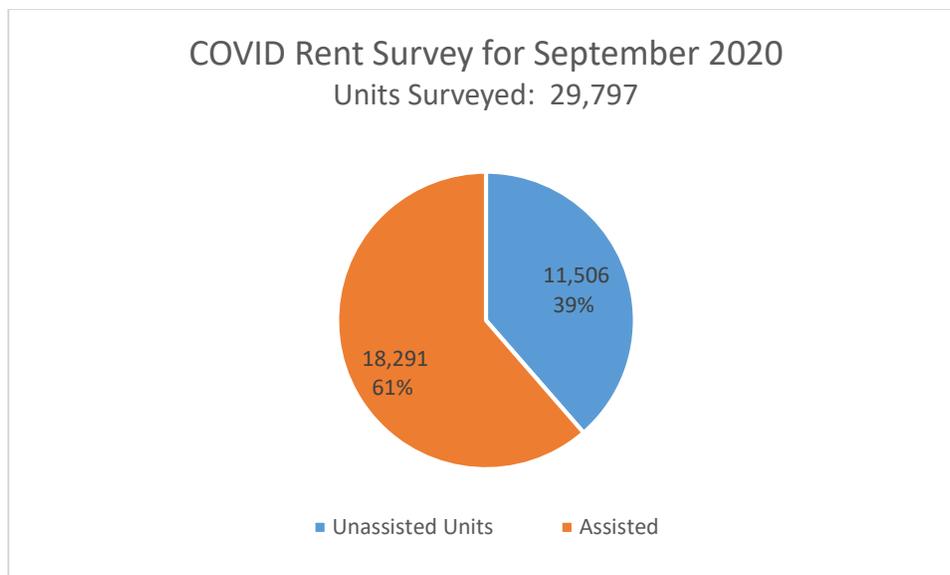
October 22, 2020

Survey Overview

Greater Minnesota Housing Fund (GMHF) has been conducting a monthly survey of Minnesota’s rental housing owners to assess the impact of COVID-19 on rental housing residents and properties. The survey provides data indicating the degree to which tenants are having difficulty paying rent and measures financial impacts on rental properties. The purpose of the survey is to help inform key stakeholders and policymakers in their efforts to design and implement targeted strategies in response to the urgent needs arising from the economic impacts of the pandemic.

The survey for the month of September includes data for 29,797 units. This sample is about 5% of the statewide rental housing market of roughly 610,000 units. Rental property owner operators and their property managers provided the data for this survey.

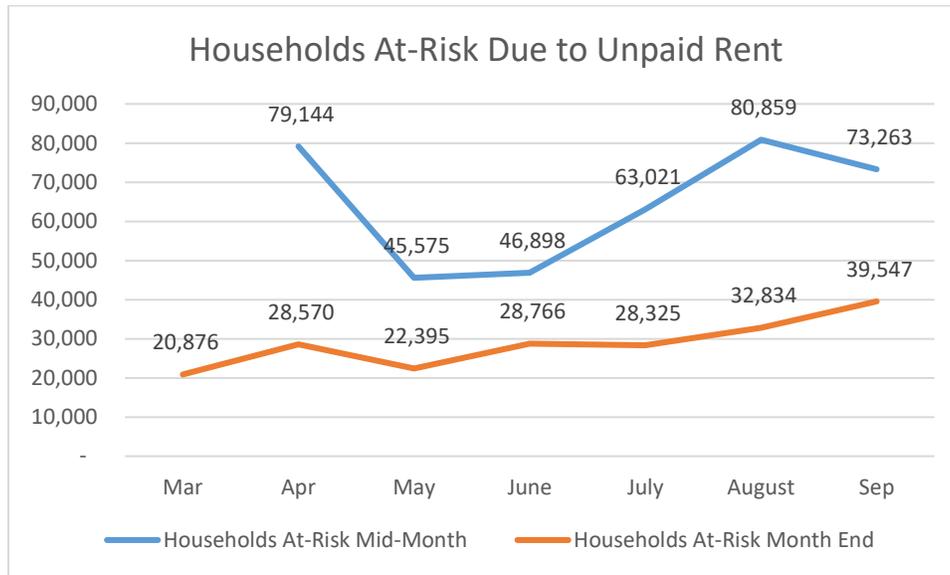
Of the units reported in the survey, about 61% were rent-assisted while 39% had no rental assistance.



- 1. There is significant growth in the number of renters at risk of housing instability. The estimated number of households not paying rent in September increased by 20% as**

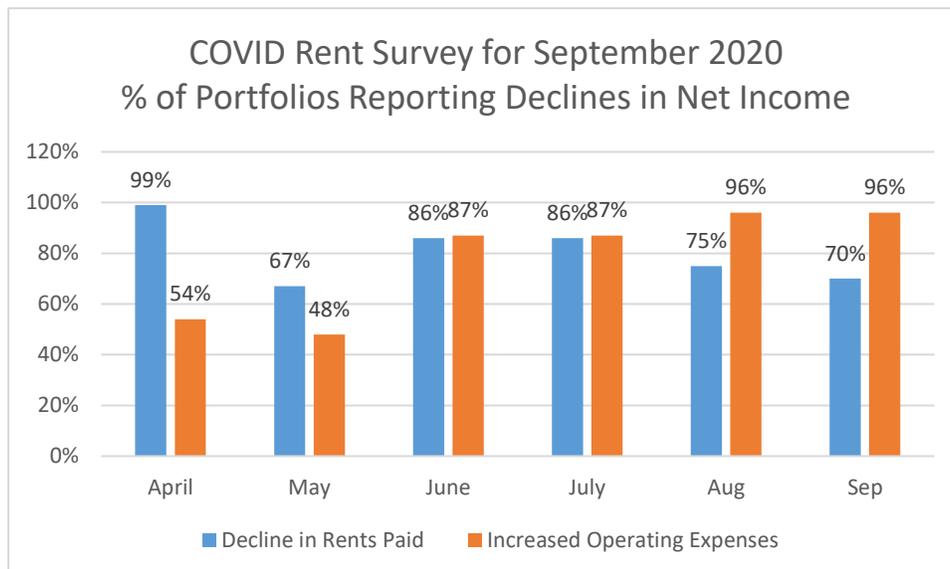
compared with August and the number of households has increased by 89% since the end of March.

As shown on the line graph below, the estimated number of households with unpaid rent has grown by 18,671 households between March month-end and September month-end, from 20,876 in March to 39,547 in September (an 89% increase) as indicated by the orange line below. These estimates are derived by applying the percentage of unpaid rent to the number of units in the market.



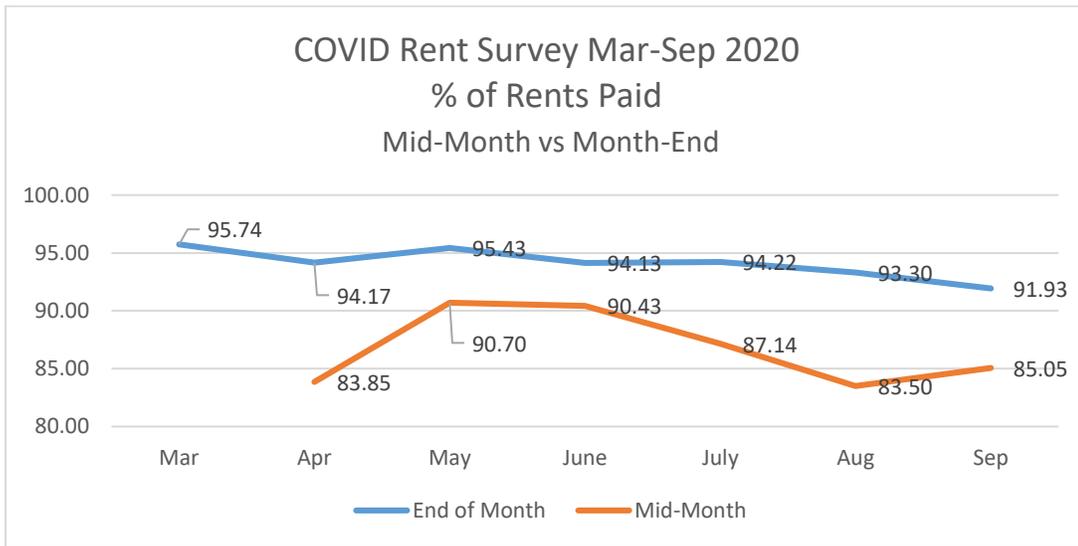
2. Rental housing providers continue to experience adverse financial impacts which can lead to deterioration of housing conditions for renters over time.

A strong majority of portfolios report a decline in net income due to modest drops in rent paid combined with an increase in operating expenses as shown below. These dual impacts put strain on property and provider operations especially for affordable housing where margins are already thin.



- 3. The percentage of rent paid for September was 91.9% at month-end. This indicates an acceleration in the downward trend with rent paid percentages now down 3.8% since March.**

The percentage of rent paid as of mid-month and month-end for each month starting as of the end of March is illustrated on the line graph below. March 2020 is considered the baseline since the COVID-19 pandemic economic impacts had not taken effect at that point. The percent of rent paid as of mid-month allows us to track changes in the number of renters making late payments, likely due to changes in income or other household changes.



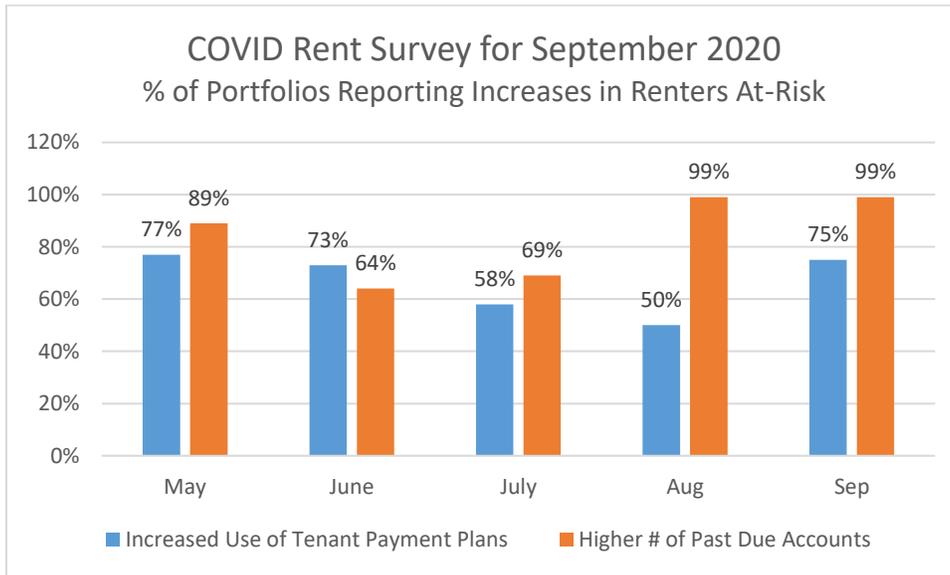
- 4. The cumulative amount of unpaid rent due to the pandemic statewide is estimated at over \$76 million through the end of September.**

Based on the percentages of rent paid reported in this survey as illustrated above, the cumulative amount of additional unpaid rent due to the pandemic is estimated at over \$76 million through the end of September. This assumes an average rent of \$829 for 37,995 affordable units and \$1,314 for 490,054 market rate units. The downward trend in rents paid intensified in September likely due to the expiration of expanded unemployment benefits through the CARES Act and the Lost Wages Assistance (LWA) program. If the current level of unpaid rent continues through December, it would result in estimated rent losses totaling over \$150 million due to the pandemic in 2020.¹ It is expected that some of these losses will be addressed through the Coronavirus Housing Assistance Program (CHAP) launched by Minnesota Housing in August to provide financial assistance to both renters and homeowners. However, the \$100 million of funding allocated to CHAP must be used by year end and the economic impacts of the pandemic are expected to persist well beyond that timeframe.

¹ These rent loss estimates exclude the 120,153 units with project-based or tenant-based subsidies.

5. Renter households utilizing payment plans and the number of past due renter accounts remains elevated from pre-pandemic levels.

The chart below shows that almost all portfolios (99%) continue to report higher numbers of past due renter accounts in September while increased use of tenant payment plans was reported by 75% of portfolios. These factors are leading indicators of housing instability as they reflect growing stress on household budgets. The Coronavirus Housing Assistance Program will provide relief to some of these households through the end of the year. However, unless additional income supports are provided throughout the economic recovery period, the currently heightened risk of housing instability is likely to continue.



COVID Impacts & Responses

The economic impact of the COVID-19 pandemic has increased risks of housing instability and homelessness while simultaneously slashing the existing capacity to shelter homeless populations due to physical distancing requirements. Earlier this year, experts predicted that without effective interventions, homelessness could rise by 40-45% nationally² and that 1 in 5 renter households (an estimated 277,000 renters in Minnesota) would be at risk of eviction by the end of 2020.³ These dire projections caused policymakers to enact a series of funding and regulatory interventions designed to prevent catastrophic increases in homelessness and alleviate financial hardship for impacted households including:

- Expanded Unemployment Benefits
- Paycheck Protection Program for Small Businesses
- Coronavirus Housing Assistance Program (CHAP)

² Dr. Brendan O’Flaherty, a professor of economics at Columbia University estimates that for every 1% increase in the unemployment rate, homelessness per 10,000 people increased by 0.65 ([see link](#)). Based on this model, researchers estimated an increase in homelessness nationally by 40-45%.

³ Lucas McKay, Katherine; Neumann, Zach; and Gimán, Sam. “20 Million Renters Are at Risk of Eviction; Policymakers Must Act Now to Mitigate Widespread Hardship”, Aspen Institute, June 19, 2020.

- Eviction Moratoria on Evictions by Governor Walz and the Center for Disease Control (CDC)
- Foreclosure Moratorium on Federally Backed Mortgages

The temporary restrictions barring evictions and foreclosures coupled with an infusion of economic assistance to individuals and small businesses helped to mitigate the most immediate threats to housing stability for individuals. However, the \$600 per week expanded unemployment benefits funded by the CARES Act ended as of July 31st and the limited funding from the Lost Wages Assistance program is now exhausted.

The notable ramp up in unpaid rent reported in this survey for September confirms the need to quickly target funds for housing assistance to alleviate pressures on impacted households, rental property portfolios, and housing provider organizations. Funds are currently available statewide through the CHAP program, run by Minnesota Housing, which offers a tenant-based application model. Households may initiate the application process for CHAP by calling 211 (Toll Free: 1.800.543.7709; Local: 651.291.0211), visiting 211unitedway.org, or texting “MNRENT” or “MNHOME” to 898-211.

Funding for CHAP has been provided through the CARES Act and must be spent by the end of 2020. Impacted renters and homeowners must apply now to ensure full deployment of these important resources.

Prepared by: Greater Minnesota Housing Fund

For further information contact: Deb Flannery, email: dflannery@gmhf.com

Desk Phone: 651-350 7225 Cell Phone: 651-696-5341

