



COVID-19 Tenant & Rental Property Impacts

Monthly Survey of Rent Paid through October 31st

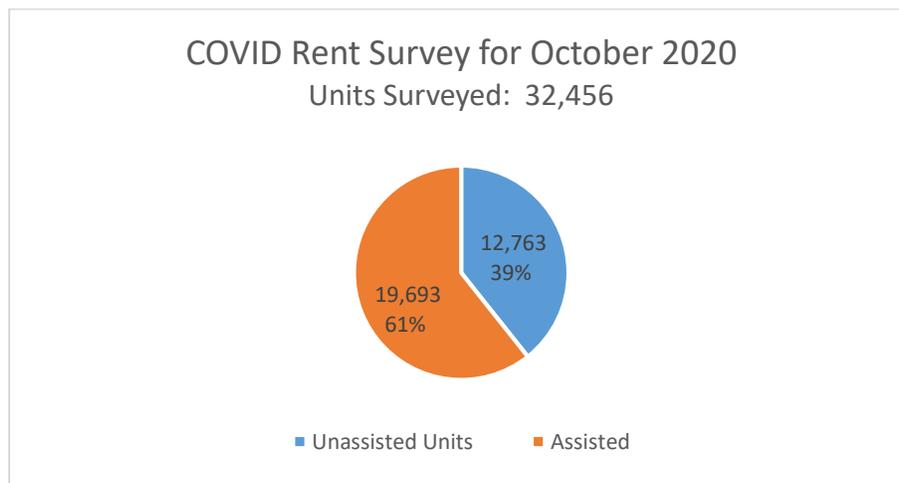
November 23, 2020

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.

Rental property owner operators and their property managers provided the data for this survey. The survey for the month of October includes data for 32,456 units. This sample is about 5% of the statewide rental housing market of roughly 610,000 units.

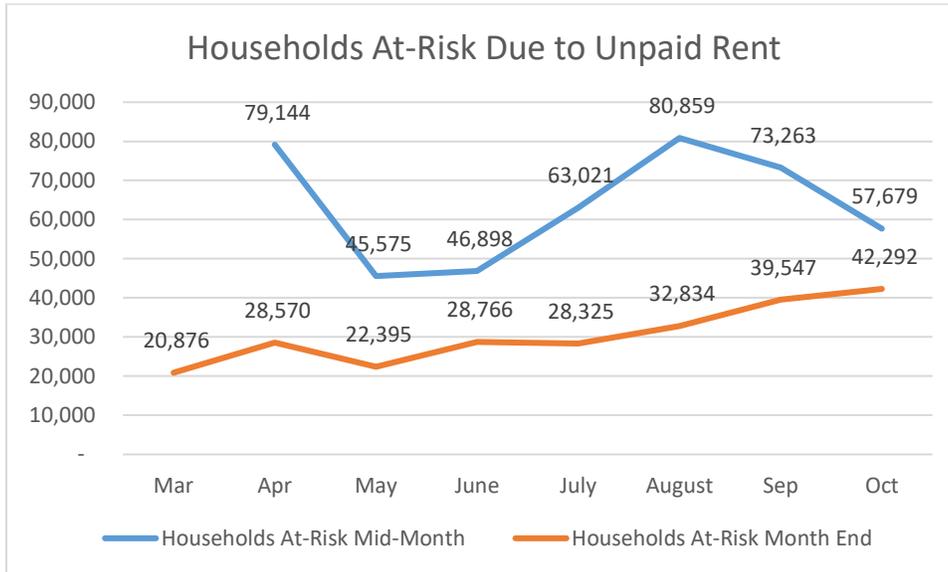
Of the units reported in the survey, about 61% were rent-assisted while 39% had no rental assistance.



- 1. There is continued growth in the number of renters at risk of housing instability. The estimated number of households not paying rent in October increased by 7% as compared with September and is more than double the number as of the end of March.**

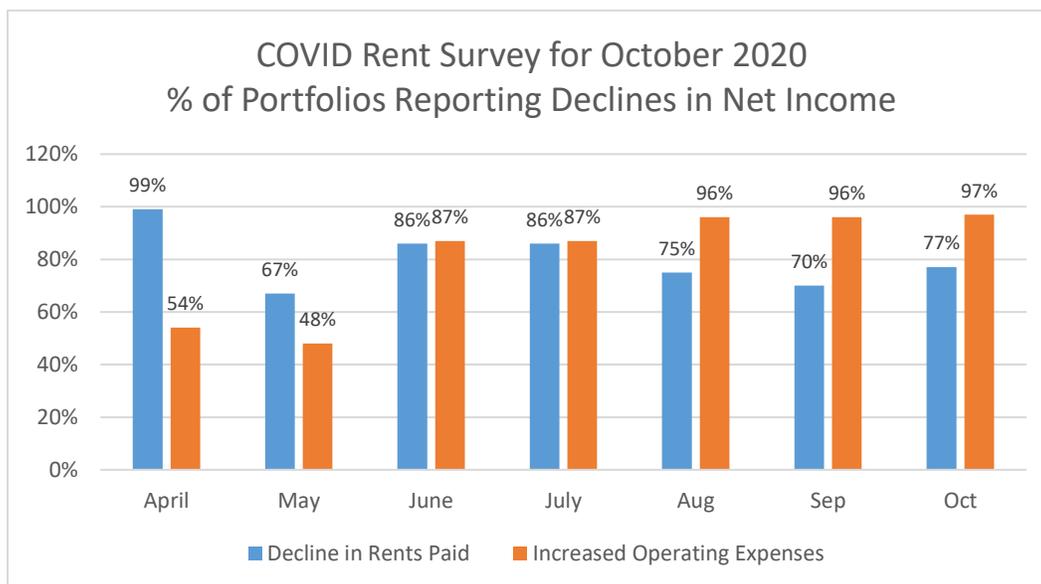
As shown on the line graph below, the estimated number of households with unpaid rent has more than doubled between March month-end and October month-end, from 20,876 in March to 42,292 in October as indicated by the orange line below. These

estimates are derived by applying the percentage of unpaid rent to the number of units in the market. The blue line reflects changes in the number of households with unpaid rent as of mid-month which has been trending down since peaking in August which coincides with the availability of the Coronavirus Housing Assistance Program (CHAP) and suggests households who were previously on payment plans may have accessed rent subsidies to pay rent earlier in the month.



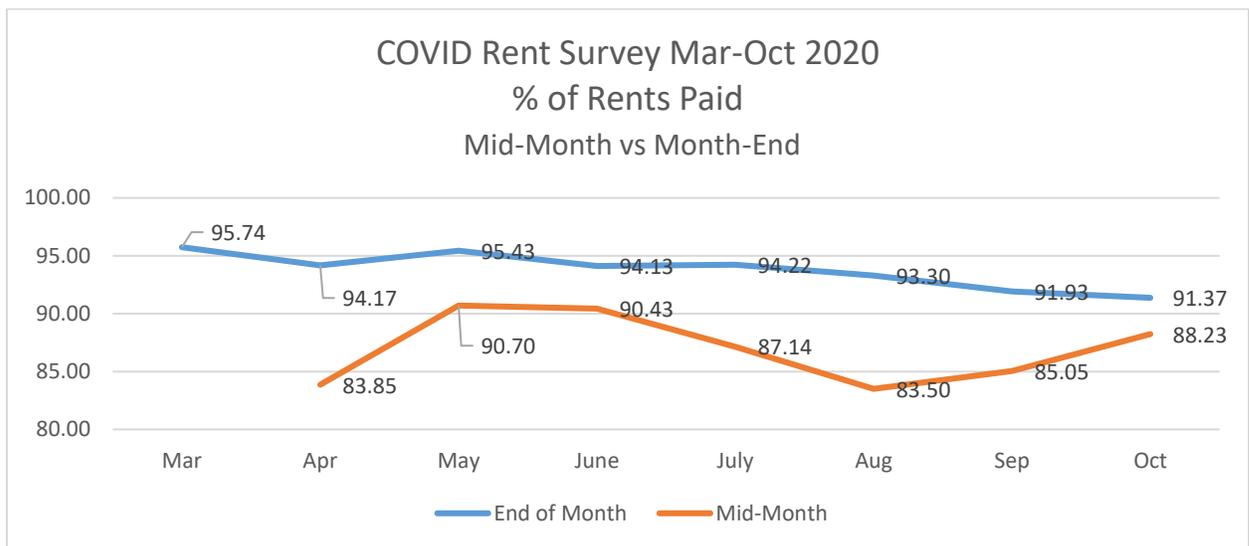
2. Rental housing providers continue to experience adverse financial impacts which can lead to deterioration of housing conditions for renters over time.

A strong majority of portfolios report a decline in net income for rental housing providers, 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 October was 91.3% at month-end. This is slightly lower than in September despite the increased availability of rent relief funds statewide which suggests that needs continue to outstrip available resources.**

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.



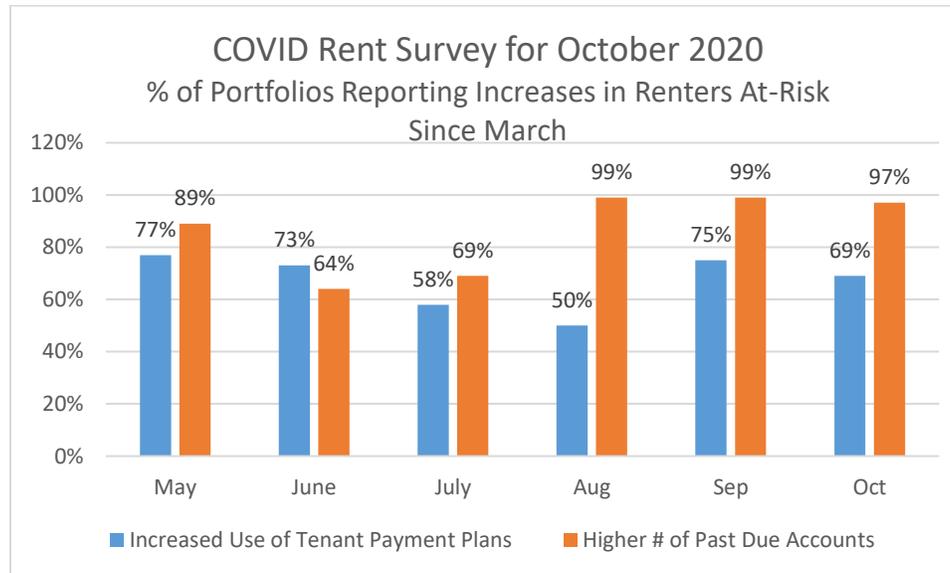
- 4. The cumulative amount of unpaid rent due to the pandemic statewide is estimated at over \$105 million through the end of October.**

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 \$105 million through the end of October. 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 persisted in October despite the availability of rent relief through the Coronavirus Housing Assistance Program (CHAP) which indicates persistent economic distress among renter households. CHAP was launched by Minnesota Housing in August to provide financial assistance to both renters and homeowners using \$100 million of CARE Act funding. If the current level of unpaid rent continues through December, it would result in estimated rent losses totaling over \$160 million due to the pandemic in 2020 though some of those losses may be mitigated through rent subsidies from CHAP.¹

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

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

The chart below shows that almost all portfolios (97%) continue to report higher numbers of past due renter accounts in October while increased use of tenant payment plans was reported by 69% 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.



6. In addition to supplying data on rent payments and expenses, survey respondents also provided insights about emerging concerns.

Below is a sampling of emerging concerns reported by respondents (property managers and owners) regarding impacts on rental housing residents, providers, and properties which help highlight key impacts related to the themes reflected in the data.

- Increased unit vacancies and downward pressure on rents for market rate units is adding risks to project stability.
- Higher maintenance expenses are projected due to deferred maintenance during lockdown.
- Rent relief is urgently needed, but staff capacity to navigate administrative requirements is limited.
- Residents are increasingly isolated due to COVID and respondents report a worrisome increase in excess (non-COVID) deaths among renter households, especially among elderly and those with mental health conditions.
- The rise in COVID cases is creating staffing coverage challenges and increased difficulty in addressing behavior-related issues with disruptive tenants.
- Expiration of CARES Act funding and no new relief package will compromise the ability to continue to provide decent housing and safe living conditions.

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)
- 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 continued growth in households experiencing heightened risk of housing instability reported in this survey for October affirms 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

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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.