



# COVID-19 Tenant & Rental Property Impacts

*Monthly Survey of Rent Paid through August 31st*

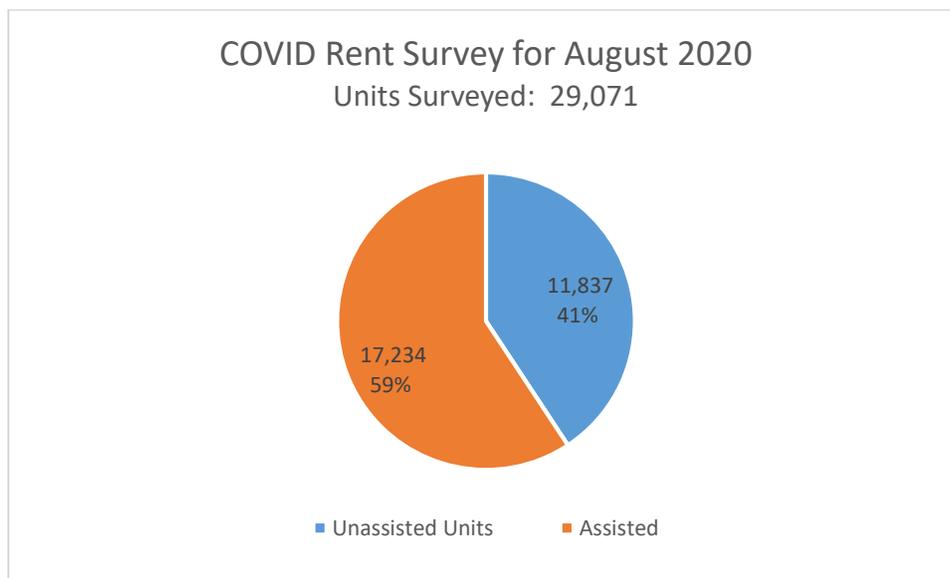
**September 14, 2020**

## 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 August includes data for 29,071 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.

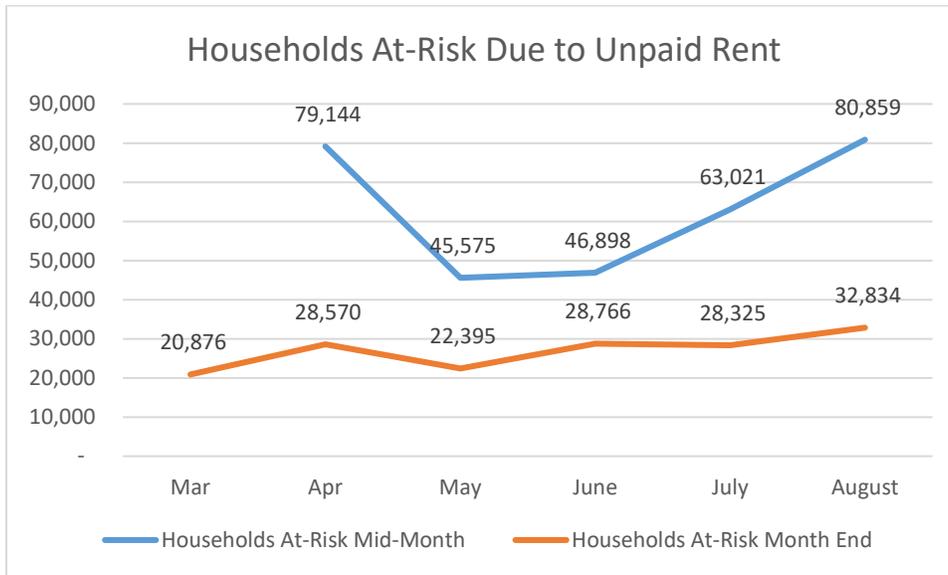
Of the units reported in the survey, about 59% were rent-assisted while 41% had no rental assistance.



- 1. There is significant growth in the number of renters at risk of housing instability. The number of households not paying rent in August increased by 16% as compared with**

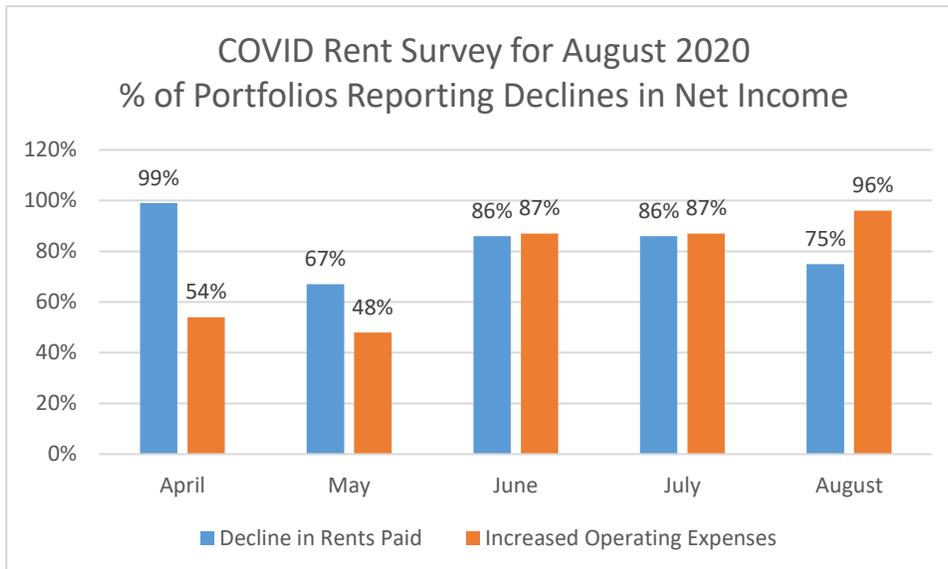
**July and the number of households delaying payment of rent until after mid-month increased by 28% from July to August.**

As shown on the line graph below, the estimated number of households with unpaid rent has grown by 11,957 households between March month-end and August month-end, from 20,876 in March to 32,834 in August (a 57% 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.



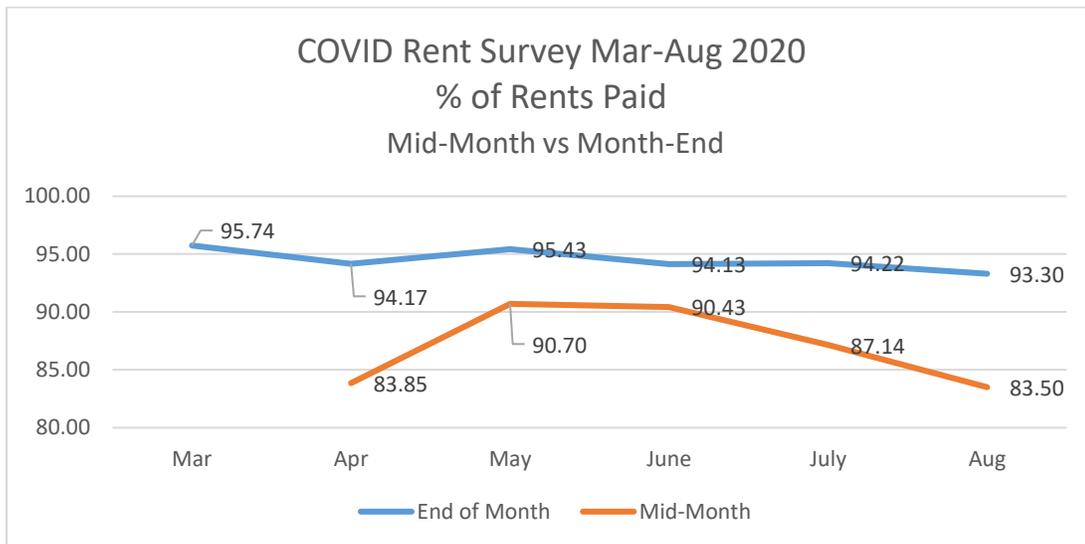
**2. Rental housing providers continue to experience adverse financial impacts which can lead to deterioration of housing conditions for renters over time.**

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 August was 93.3% at month-end. This continues a gradual downward trend with rent paid percentages down 2.4% 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 \$50 million through the end of August.**

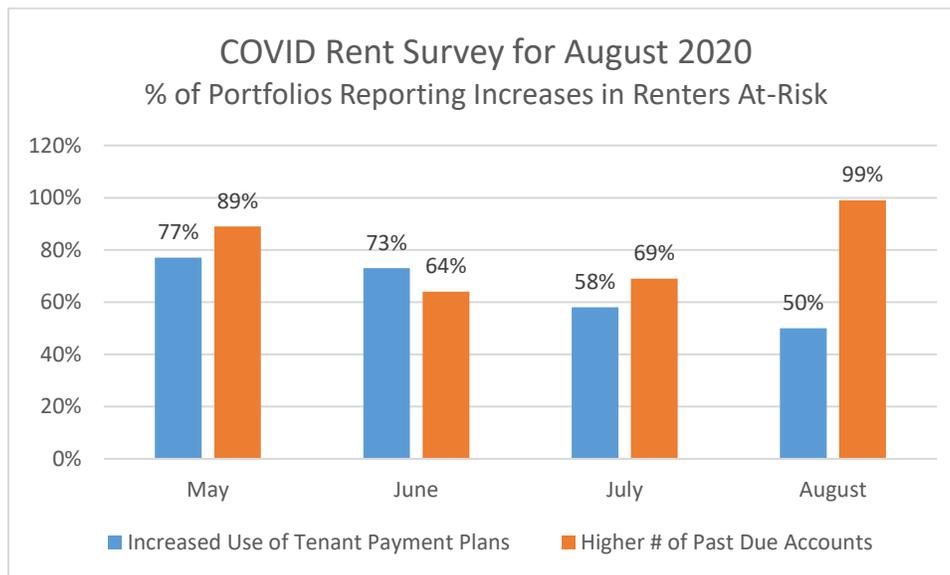
Based on the percentages of rent paid reported in this survey as illustrated above, the cumulative amount of additional unpaid rent due to the pandemic is estimated at over \$50 million through the end of August. This assumes an average rent of \$829 for 37,995 affordable units and \$1,314 for 490,054 market rate units. The downward trend in rents paid has occurred while many COVID-impacted Minnesotans were accessing \$600 per week in expanded unemployment benefits through the CARES Act. The expanded benefits under the CARES Act expired in July and Minnesota has since been approved to provide supplemental benefits of up to \$300 per week from the Lost Wages Assistance (LWA) program. Given that these benefits are only half as much as households were previously getting, it is likely the percentages of rent paid will decline further in the remaining months of the year. However, even if the percentage of rent paid stayed flat from August through December, it would result in estimated rent losses totaling over \$116 million due to the pandemic in 2020.<sup>1</sup> The scale of these impacts affirms the critical need for the Coronavirus Housing Assistance Program, recently launched by Minnesota Housing, to help alleviate financial stress for renter households and to

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

ensure operating stability of housing developments and providers throughout the rental market during this crisis.

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

The chart below shows a sharp jump in past due renter accounts and a modest decline in instances of tenants using payment plans to become or remain current on rent. This suggests that fewer of the households currently struggling to pay rent are eligible for payment plans which may be due to a lack of income to make a payment plan feasible. 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 brought increased risks of housing instability at a time when Minnesota was already struggling to respond to alarming increases in the number of unsheltered homeless persons. COVID-19 has exacerbated efforts to meet the needs of a growing homeless population as existing shelter capacity is diminished by implementation of physical distancing while thousands of new households are at risk of housing instability due to loss of employment, childcare and related impacts of the pandemic. These factors could lead to an increase in homelessness nationally by 40% to 45% in 2020 compared to 2019, according to a recent Columbia University study.<sup>2</sup>

<sup>2</sup> Dr. Brendan O’Flaherty, a professor of economics at Columbia University estimate [\(see link\)](#) that for every 1% increase in the unemployment rate, homelessness per 10,000 people increased by 0.65, and Based on this model, the analysis estimated a 40-45% increase in homelessness by the end of 2020. The model was developed by Dr. Kevin Corinth in

The COVID-19 Eviction Defense Project (CEDP) formed by the Aspen Institute projects that 1 in 5 of the 110 million Americans who live in renter households are at risk of eviction by the end of September 2020. The study projects over 277,000 Minnesotans are at risk (19% of renters).<sup>3</sup> So far, mass evictions have not occurred due, in part, to federal and state eviction moratoria which protects homeowners with federally backed mortgages and effectively stops evictions for non-payment through the end of 2020 when the federal moratorium expires. Governor Walz issued an eviction moratorium in March (Executive Order 20-79) which remains in effect during the COVID-19 emergency but could be rescinded at any time.

The CARES Act has provided critical income support to mitigate the economic toll of the coronavirus but these benefits are already phasing out. The \$600 per week expanded unemployment benefit --a lifeline for many lower income households-- ended as of July 31<sup>st</sup> and a new aid package is currently stalled in Congress. Minnesota has begun to distribute funds from the federal Lost Wages Assistance program which provides an additional benefit of \$300 per week for up to 6 weeks but these funds are limited and likely to be exhausted soon.

On July 14, 2020, Governor Walz authorized \$100 million from the CARES Act for assistance to households at risk of housing instability as a result of COVID-19. These funds, which must be spent by the end of 2020, have been allocated to Minnesota Housing for its Coronavirus Housing Assistance Program (CHAP) which funds rent and mortgage assistance for eligible households. Households may initiate the application process for CHAP by calling 211 (Toll Free: 1.800.543.7709; Local: 651.291.0211), visiting [211unitedway.org](http://211unitedway.org), or texting "MNRENT" or "MNHOME" to 898-211.

The economic conditions putting so many households at risk of homelessness are expected to linger well beyond the immediate public health emergency. Although the job market started to improve in May, nearly 215,000 Minnesotans are still unemployed – more than three times higher than pre-pandemic levels<sup>4</sup>. Recent economic modeling done by Greater MSP, the Minneapolis Saint Paul Regional Economic Development Partnership, suggests it will take 6-8 years for the Twin Cities metro to fully recoup the jobs lost in 2020. Effective action and sustained investment by the public and private sector must replace the current patchwork of short-term stimulus programs and stop-gap eviction moratoria to prevent a costly increase in homelessness in the months and years ahead.

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<sup>3</sup> 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.

<sup>4</sup> Kaul, Greta. "Minnesota Unemployment Claims Dropped Daster in August than in any Period Since the Pandemic Began," MinnPost, August 27, 2020.