STRATEGIC ACTIONS FOR A JUST ECONOMY

January 4, 2021

Data Brief for the Healthy LA Rent and Mortgage Cancellation Platform

Executive Summary

Those at the lowest income levels–tenants, and people of color–who are disproportionately devastated by the pandemic, also face disproportionate job losses and are more likely to be behind on rent.

- Since March, almost 70% of all low-income households in Los Angeles County lost income during the pandemic.
- The less money a renter makes the less likely they were able to continue meeting their rental obligations after the onset of the global pandemic.
- Lower income renters are over 5 times more likely to miss a rental payment than more affluent renters and they are 15 percentage points more likely than homeowners to have lost work or income

Los Angeles City and County renters are accruing massive amounts of rent debt.

- In Los Angeles County, between 292,000 and 622,000 households report no, slight, or moderate confidence in their ability to pay rent. These tenants may owe between $688 million and $1.34 billion in unpaid rent debt by January 2021.
- In the City of Los Angeles, between 145,000 and 310,000 households may be behind on rent and at risk of eviction. These tenants may owe between $334 million and $653 million in unpaid rent debt by January 2021.

Black and Latinx residents of Los Angeles County are disproportionately devastated by the pandemic, related job loss, and loss of income.

- Nationally, Black people are dying at 2 times the rate of white people
- In Los Angeles County, Latinx residents make up approximately 39% of the population, but represent almost 60% of COVID-19 cases and almost half of COVID related deaths. Latinx households represent the highest rate of cases in the County.
- Income loss was reported for 60 and 69 percent of Black and Latinx households by the Household Pulse Survey weeks 1-12 (April 23 - July 21). This trend continues according to the most recent census analysis from Dec 7th

There is a correlation between income level, COVID infection risk, loss of income, and inability to pay rent.

- Households where a member reported being sick with Covid-19 were more than twice as likely to have missed a rent payment and were also more than twice as likely to think they will miss some or all of their upcoming rentpayment.

Lower income homeowners and homeowners of color are also vulnerable and face increased risk of foreclosure.

- Both Black (8%) and Latinx (9%) homeowners who owed mortgage payments were almost twice as likely to report not having made their last payments than white homeowners (5%) during the period of the pandemic thus far.
- Many of these owners, especially low-income owners of color due to historic redlining practices, have loans with predatory lenders who are not offering any sort of forbearance options.

Corporate landlords should not be eligible for relief because, unlike nonprofit affordable housing providers and small landlords, they do not need funds to maintain cash flow.

- Notably, corporate entities and similar investment vehicles make-up the vast majority of all multi-family property owners in Los Angeles County and the majority of the 5+ unit rental market.
- The CARES Act provided $170 billion in immediate tax benefits to real estate and millionaires.

Los Angeles should implement rent cancellation along with targeted support for vulnerable homeowners, non-profit affordable housing providers, and small landlords as a matter of public health.

Data Brief

The COVID-19 pandemic has resulted in hundreds of thousands of lives lost and has caused an economic crisis not seen since the Great Depression. This crisis is disproportionately affecting low-income people of color and tenants in terms of their health, financial wellbeing, and housing security. Yet, research demonstrates that stabilizing housing prevents the spread of COVID-19 while enabling the possibility of economic recovery in the future.[1] Los Angeles must take bold actions to address the accumulation of rent debt. While eviction moratoriums and limited rental assistance have helped keep some sheltered, these measures alone do not go far enough to stabilize households, control the spread of COVID-19, or facilitate economic recovery. At some point, the bill for unpaid rent will be due, and low-income tenants who are already severely rent burdened and still without steady income simply will not be able to pay it back. They will end up homeless or mired in a cycle of debt for years. Without further action, the story of this pandemic will be that the communities who sacrificed the most were the least protected from the virus and excluded from economic recovery.

This brief summarizes existing research and provides data points in support of the **Healthy LA Coalition's rent and mortgage cancellation platform**.[2] The data shows that since March, almost 70% of all low-income households in Los Angeles County have lost income during the pandemic.[3] As of Dec. 7, 2020, an estimated 641,692 renters (16%) in the Los Angeles metropolitan area (MSA) are behind on their rent.[4] By January 2021, the total amount of unpaid rent debt for Los Angeles County could range between $688 million to $1.34 billion.[5] Residents are disproportionately impacted based upon race and income. A staggering 27% of Black and Latinx Los Angeles residents are behind on their rent.[6] Low-income households are 5.5 times as likely to miss rental payments than affluent households during COVID-19.[7] At the same time, many low-income homeowners and small landlords, especially people of color, are struggling as well to keep up with mortgages and other payments due to the rent shortfall.[8] **A comprehensive and scaled solution is necessary. Rent cancellation, along with targeted assistance for low-income homeowners and vulnerable landlords, is the only just and adequately scaled policy solution that upholds public health and shifts the rent debt burden away from tenants while maintaining housing stability and stopping a wealth transfer to corporations.**

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[1] Leifheit, K. M., Linton, S. L., Raifman, J., Schwartz, G., Benfer, E. A., Zimmerman, F. J., & Pollack, C. (2020). Expiring Eviction Moratoriums and COVID-19 Incidence and Mortality (SSRN Scholarly Paper ID 3739576). Social Science Research Network. https://doi.org/10.2139/ssrn.3739576

[2] Los Angeles Rent and Mortgage Cancellation Platform (December 1, 2020), available at http://healthyla.org/wp-content/uploads/2020/12/LA-Rent-and-Mortgage-Cancellation-Platform-1.pdf.

[3] Bureau, U. C. Household Pulse Survey Data Table Weeks 1- 20 (Apr 23 - Dec 7) Census.Gov. Retrieved from https://www.census.gov/programs-surveys/household-pulse-survey/data.html. Estimates are limited to people over age 18, excluding children. True figure is higher.

[4] *Ibid.*

[5] Unless otherwise stated, all statistics pertaining to renter shortfall come from Stout's Estimation of Households Experiencing Rental Shortfall and Potentially Facing Eviction and Needed Relief for Those Households as of November 25. To read Stout's methodology and see their publicly available state-by-state estimates, see: https://www.stout.com/en/services/transformative-change-consulting/eviction-right-to-counsel-resources.

[6] Bureau, U. S.. Household Pulse Survey Data Table Week 20 (Nov 25 - Dec 7) Census.Gov. Retrieved from https://www.census.gov/programs-surveys/household-pulse-survey/data.html.

[7] Ong, P. M., Pech, C., & Potter, M. (n.d.). *California Neighborhoods and COVID-19 Vulnerabilities*. 27.

[8] Manville, M., Monkkonen, P., Lens, M., & Green, R. (2020). COVID-19 and Renter Distress: Evidence from Los Angeles. https://escholarship.org/uc/item/7sv4n7pr.

In Los Angeles County, economic and housing insecurity preceded COVID-19.

Wage Stagnation

Low-income renters in Los Angeles County faced economic precarity and housing insecurity long before the spread of the COVID-19 virus. While household income has grown over the past decade, it has failed to keep up with the increased cost-of-living over the same period.[9] Renters in Los Angeles County need to earn $41.96 per hour — 2.8 times the City of Los Angeles minimum wage — to afford the average monthly asking rent of $2,182.[10]

Poverty & Rent Burden

Before the pandemic, Los Angeles County's poverty rate was 16% and nearly **600,000 Los Angeles County residents living in poverty paid more than 90% of their income towards housing.**[11] In general, working class and lower income county residents rent their homes and are less likely to have savings to draw upon in a crisis. $40,000 is the median income for renters nationwide.[12] And the median renting household has $0 in savings.[13] According to a recently released USC report presenting data from door-to-door surveys in South Los Angeles from 2019, rent burden, cutting back on critical basic needs, and debt are issues tenants faced long before the pandemic. In their survey, one in five respondents reported being unable to pay for an unexpected $400 expense. And, about two in five respondents would have to take on additional debt through credit card, bank loan or payday lender.[14] Rent-burdened households were even less likely to be able to pay. About 45 percent of households reported delaying bill payment or taking on additional debt. In addition to taking on more debt, respondents also reported cutting costs for basic needs. Over 60 percent of surveyed households reduced food consumption and approximately 45 percent reduced spending on clothing and/or entertainment and family activities in order to cover housing costs.[15]

Homelessness

In addition to thousands of renter families spending the majority of their income on rent, more and more people in Los Angeles County are experiencing homelessness. At the beginning of 2020, prior to the spread of the novel coronavirus, Los Angeles County reported a 12.7% rise in the number of people experiencing homelessness from 2019.[16] We do not yet know how many more Angelenos may be experiencing homelessness due to the economic impact of COVID-19.

The compounding factors of wage stagnation, rent burden, rising debt, and increased homelesses make Los Angeles County residents more vulnerable to the devastating impacts of the COVID-19 pandemic.

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[9] Dickler, J. (2017, August 24). Most Americans live paycheck to paycheck. CNBC. https://www.cnbc.com/2017/08/24/most-americans-live-paycheck-to-paycheck.html.

[10] California Housing Partnership. Los Angeles County 2020 Affordable Housing Needs Report (May 2020). https://chpc.net/resources/los-angeles-county-housing-need-report-2020/

[11] *Economic Roundtable | Escape Routes*. (n.d.). Retrieved June 21, 2020, from https://economicrt.org/publication/escape-routes/

[12] Manville, M., Monkkonen, P., Lens, M., & Green, R. (2020). COVID-19 and Renter Distress: Evidence from Los Angeles. https://escholarship.org/uc/item/7sv4n7pr

[13] *Ibid.*

[14] Rosen, J., Angst, S., Gregorio, S. D., & Painter, G. (n.d.). How do Renters Cope with Unaffordability? 3.

[15] *Ibid.*

[16] *2020 Greater Los Angeles Homeless Count Results*. (n.d.). Retrieved December 20, 2020, from https://www.lahsa.org/news?article=726-2020-greater-los-angeles-homeless-count-results&ref=hc

The COVID-19 pandemic exacerbates existing inequalities.

COVID-19 Case and Death Rates

The COVID-19 pandemic is a historic and devastating public health and economic emergency. In the 10 months of the pandemic, more than 790,000 people in Los Angeles County have been infected and over 9,900 people have died.[17] In late November, a grim, record-breaking surge in cases began. Since November, Los Angeles County has experienced multiple all time daily records of cases and deaths, including over 20,000 cases in a single day and over 200 deaths.[18]

Economic Impacts of COVID-19

More than half of all people in Los Angeles experienced a COVID-related loss of income and hundreds of thousands of tenants are behind on rent.[19] According to the 20-week average of the Household Pulse Survey, an estimated 16%, or 641,692 renters, in the LA metropolitan area (MSA) are behind on their rent.[20]

Job Loss & Food Insecurity

Food insecurity is at an all-time high.[21] Nationally, more than half of renters who earn less than $25,000 a year lost wages between March and September compared to 41% of all households.[22] Households of color are more likely to be struggling to make payments.[23] In December, over 11% of adults in the LA MSA reported living in a household where all or some went without enough food within the last 7 days.[24]

Limited Safety Net

Since mid-March, 44% of the California workforce filed for UI benefits.[25] As of September, the LA County unemployment rate remained at a staggering 15.1% and preliminary data indicates it was at 11% in December.[26] Without any intervention the California Policy Lab estimated 750,000 Californians would run out of UI benefits at the end of December.[27] On December 28th, a bipartisan COVID relief bill was signed into law, providing a much needed extension of pandemic unemployment insurance and postpones their expiration for another 11 weeks, ensuring a minimal safety net for eligible workers for the near future.[28]

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[17] LA County Daily COVID-19 Data—LA County Department of Public Health. (n.d.). Retrieved January 2, 2021, from http://publichealth.lacounty.gov/media/coronavirus/data/index.html.

[18] Public Health Reports 207 New Deaths and 20,414 New Positive Cases of Confirmed COVID-19 in Los Angeles County. (2020, January 01). Retrieved January 02, 2021, from http://publichealth.lacounty.gov/phcommon/public/media/mediapubhpdetail.cfm?prid=2893

[19] Bureau, U. C. Household Pulse Survey Data Table Week 17 (Oct. 14-26) Census.Gov. Retrieved from https://www.census.gov/programs-surveys/household-pulse-survey/data.html.

[20] Bureau, U. C. Household Pulse Survey Data Table Weeks 1-20 (April 23-Dec 7) Census.Gov. Retrieved from https://www.census.gov/programs-surveys/household-pulse-survey/data.html. Estimates are limited to people over age 18, excluding children. True figure is higher.

[21] Food Insecurity April to July – USC Public Exchange. Retrieved from https://publicexchange.usc.edu/food-insecurity-april-to-june/.

[22] Report warns of a worsening affordability crisis for renters. (2020, November 19). *Marketplace*. https://www.marketplace.org/2020/11/19/report-warns-worsening-affordability-crisis-renters/

[23] The State of the Nation's Housing 2020 | Joint Center for Housing Studies. Retrieved from https://www.jchs.harvard.edu/state-nations-housing-2020.

[24] Bureau, U. C. Household Pulse Survey Data Table Week 19 (Nov 25 - Dec 7) Census.Gov. Retrieved from https://www.census.gov/programs-surveys/household-pulse-survey/data.html.

[25] Bell, A., Hedin, T. J., Schnorr, G., & Wachter, T. V. An Analysis of Unemployment Insurance Claims in California During the COVID-19 Pandemic. 37.

[26] Local Area Unemployment Statistics (LAUS) - Los Angeles County. Employment Development Department. (n.d.). Retrieved December 19, 2020, from https://www.labormarketinfo.edd.ca.gov/geography/losangeles-county.html.

[27] Bell, A., Hedin, T. J., Schnorr, G., & Wachter, T. V. An Analysis of Unemployment Insurance Claims in California During the COVID-19 Pandemic. 37.

[28] HR 133, Title II, Subtitle A, Chapter 1, Subchapter I—Extension of CARES Act Unemployment Provisions.

Black and Latinx residents of Los Angeles County are disproportionately devastated by the pandemic and related job loss.

Low-Income Communities of Color Have Higher Infection Rates and Worse Outcomes[29]
Nationally, both Black and Latinx adults are disproportionately represented in COVID-19 hospitalization and death rates. Black and Latinx adults are 4.7 and 4.6 times more likely than whites to be hospitalized with COVID-19.[30] Black people are dying at 2 times the rate of white people.[31] **Black and Latinx adults are dying at rates of white people a decade or more older.**[32] In California, Latinx residents make up approximately 39% of the population, but represent almost 60% of COVID-19 cases and almost half of COVID related deaths.[33] In Los Angeles County, Latinx households represent the highest rate of cases in the County.[34]

Loss of Income Disproportionately Impacts Black and Latinx Households
Income loss was reported for 60 and 69 percent of Black and Latinx households by the Household Pulse Survey weeks 1-12 (April 23 - July 21).[35] This trend continues according to the most week 20 of the Household Pulse Survey.[36] **In the state of California, over 83% of the Black labor force has filed for unemployment benefits since the beginning of the pandemic** in mid-March, and in October, about one-third of the Black labor force filed a continuing claim.[37] Nearly one-third of California's low-wage workers are employed in industries considered at-risk for losing employment due to COVID-19, and people of color represent a majority of these workers.[38]

Disproportionate Eviction Rates
Nationally, Black renters receive a disproportionate share of eviction filings and experience the highest rate of filings and judgements.[39] Black and Latinx female renters face higher rates than their male counterparts.[40] Additionally, Black and Latinx renters are more likely to be serially filed against for eviction at the same address.[41] Based on the analysis of over 39 states, researchers found that four out of every five Black renters lived in a county in which the share of eviction filings against Black renters was higher than the share of the renting population that was Black.[42] **In Los Angeles, Black and Latinx women are evicted at the highest rates**.[43]

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[29] CDC. (2020, April 30). Communities, Schools, Workplaces, & Events. Centers for Disease Control and Prevention. https://www.cdc.gov/coronavirus/2019-ncov/community/health-equity/race-ethnicity.html.
[30] Benfer, E. A., Vlahov, D., Long, M., Walker-Wells, E., Pottenger, J. L., Gonsalves, G., & Keene, D. (2020). Eviction, Health Inequity, and the Spread of COVID-19: Housing Policy as a Primary Pandemic Mitigation Strategy
[31] The COVID Racial Data Tracker. The COVID Tracking Project. Retrieved from https://covidtracking.com/race.
[32] *Ibid.*
[33] Racial Data Dashboard. The COVID Tracking Project. Retrieved from https://covidtracking.com/race/dashboard
[34] *Ibid.*
[35] Bureau, U. C. Household Pulse Survey Data Table Week 1-12 (April 23 - July 21) Census.Gov. Retrieved from https://www.census.gov/programs-surveys/household-pulse-survey/data.html.
[36] Bureau, U. C. Household Pulse Survey Data Table Week 20 (Nov 25- Dec 7) Census.Gov. Retrieved from https://www.census.gov/programs-surveys/household-pulse-survey/data.html.
[37] Bell, A., Hedin, T. J., Schnorr, G., & Wachter, T. V. An Analysis of Unemployment Insurance Claims in California During the COVID-19 Pandemic. 6.
[38] Ong, P. M., Pech, C., & Potter, M. (2020, October 1) California Neighborhoods and COVID-19 Vulnerabilities. 61.
[39] Hepburn, P., Louis, R., & Desmond, M. (2020). Racial and Gender Disparities among Evicted Americans. *Sociological Science*, *7*, 649–662. https://doi.org/10.15195/v7.a27
[40] *Ibid.*
[41] *Ibid.*
[42] *Ibid.*
[43] Jarvis, Kelly L., Charlene E. Zil, Timothy Ho, Theresa Herrera Allen, and Lisa M. Lucas. 2017. "Shriver Housing Projects," in Evaluation of the Sargent Shriver Civil Right to Counsel Act (AB590). Portland, OR: NPC Research. http://www.courts.ca.gov/documents/Shriver-Housing-2017.pdf. .

Renters are the most impacted group in Los Angeles County.

Disproportionate Impact on Renters

This crisis is not affecting everyone equally. Those at the lowest income levels–tenants, and people of color–who are disproportionately devastated by the pandemic, also face disproportionate job losses and are more likely to be behind on rent.[44] Over 60% of *all* renter households in Los Angeles MSA reported loss of employment income since March 2020.[45] The majority of Los Angeles County's impacted households were already low-income before experiencing a job loss, and most saw their total household incomes fall by at least 50% after losing a job.[46]

According to a UCLA analysis of the Household Pulse Survey for April - July 2020, 1.9 million adults in California were unable to pay their rent on time in early July, causing many to be at risk of becoming homeless.[47] Moreover, the study found that as of July 2020, low-income households were 5.5 times as likely to miss rental payments than affluent households.[48] This trend has continued throughout the pandemic. Our analysis of the 20 week Household Pulse Survey reveals that lower income renters are significantly more likely to be be behind on rent (see Image 1).The nation's bottom income quintile is composed almost entirely of renters, and renters are also, given the strong correlation between race and income, disproportionately people of color. Renters are also more vulnerable than homeowners. **Renters are 15 percentage points more likely than homeowners to have lost work or income**.[49] Renters have fewer options than homeowners in terms of income conversion (e.g. renting out extra rooms, etc.) and have fewer protections in the tax code.[50] Many are making the impossible choice between paying rent or feeding their families.

As Image 1 and Table 1 illustrate, according to the Household Pulse Survey for April 23 - December 7 (Weeks 1-20), renters in the lowest income brackets fared significantly worse than those in relatively middle-class and high-income brackets. Of those in the highest range–$150,000 and above–less than one percent reported an inability to pay their rent. The data shows demonstrable evidence that the less money a renter makes the less likely they were able to continue meeting their rental obligations after the onset of the global pandemic. Additionally, those making less than $50,00 may work in essential services[51] (e.g. grocery clerks) who, if lucky enough to remain gainfully employed throughout the course of the public health crisis, are at greater risk of coronavirus infection.

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[44] Wong, K., Ong, P. M., & González, S. R. (n.d.). *Sy Racial Inequality and the COVID-19 Homeowner Crisis*.
[45] The Ongoing Housing Crisis: California Renters Still Struggle to Pay Rent Even as Counties Re-Open. (n.d.). *Terner Center*. Retrieved December 16, 2020, from https://ternercenter.berkeley.edu/research-and-policy/ongoing-housing-crisis/
[46] COVID-19 and California's Vulnerable Renters. Terner Center. Retrieved from https://ternercenter.berkeley.edu/research-and-policy/covid-19-and-californias-vulnerable-renters/
[47] Ong, P. M., Pech, C., & Potter, M. (n.d.). *California Neighborhoods and COVID-19 Vulnerabilities*. 27.
[48] *Ibid.*
[49] Manville, M., Monkkonen, P., Lens, M., & Green, R. (2020). COVID-19 and Renter Distress: Evidence from Los Angeles. https://escholarship.org/uc/item/7sv4n7pr.
[50] *Ibid.*
[51] Front-line Essential Jobs in California: A Profile of Job and Worker Characteristics. (n.d.). *UC Berkeley Labor Center*. Retrieved December 15, 2020, from https://laborcenter.berkeley.edu/front-line-essential-jobs-in-california-a-profile-of-job-and-worker-characteristics/

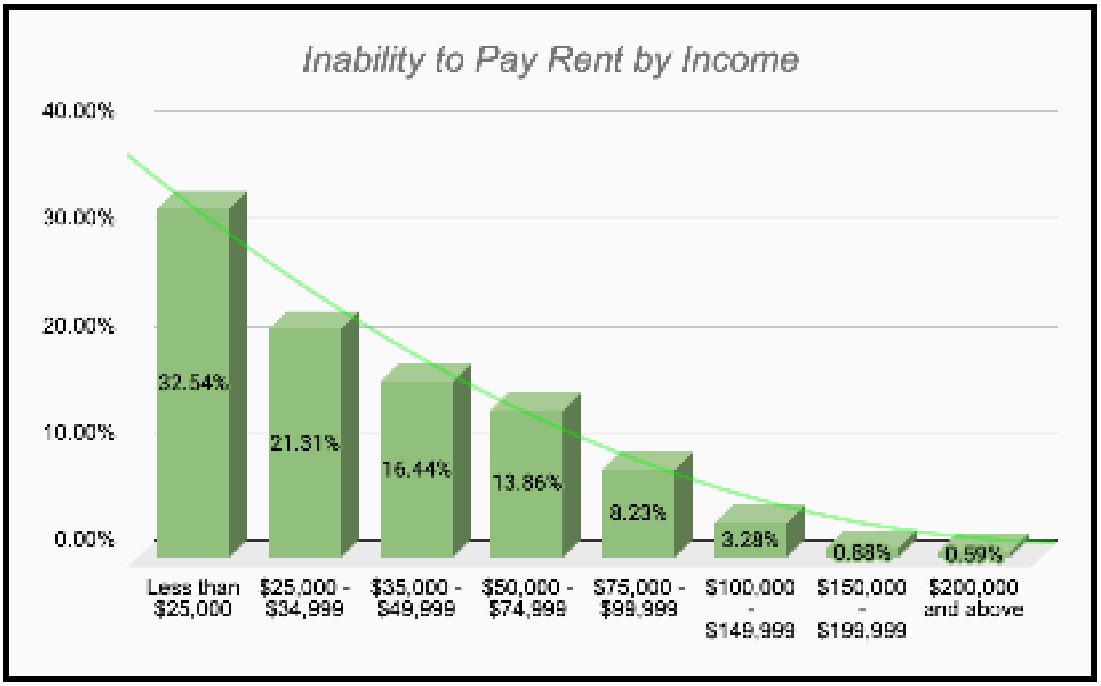

Image 1. Renter inability to Pay Rent by Income Level (Weeks 1-20) Average LA MSA. Bureau, U. S. Household Pulse Survey Data Tables. Census.Gov. Retrieved from https://www.census.gov/programs-surveys/household-pulse-survey/data.html

Household Income	Yes	No
Less than $25,000	717,390	208,830
$25,000 - $34,999	485,756	136,772
$35,000 - $49,999	442,080	105,473
$50,000 - $74,999	568,790	88,944
$75,000 - $99,999	363,163	52,808
$100,000 - $149,999	357,680	21,035
$150,000 - $199,999	158,743	5,648
$200,000 and above	138,472	3,759

Table 1: Rent Payment Status by Income (Weeks 1-20) Average LA MSA. Bureau, U. S. Household Pulse Survey Data Tables Census.Gov. Retrieved from https://www.census.gov/programs-surveys/household-pulse-survey/data.html Note, survey respondents are asked "did you pay last month's rent on time?". Table 1. Represents the average responses by income from April 23 to December 7, also labeled as weeks 1-20.

Furthermore, as Image 2 and Table 2 demonstrate, vulnerability to the impacts of the pandemic is also differentially distributed by race and ethnicity. According to the Household Pulse Survey for April 23 - December 7 (Weeks 1-20), almost a quarter of Black renters and a fifth of Latinx renters did not pay rent, while less than 10% of white renters failed to make their monthly rental payments throughout the course of the pandemic thus far.

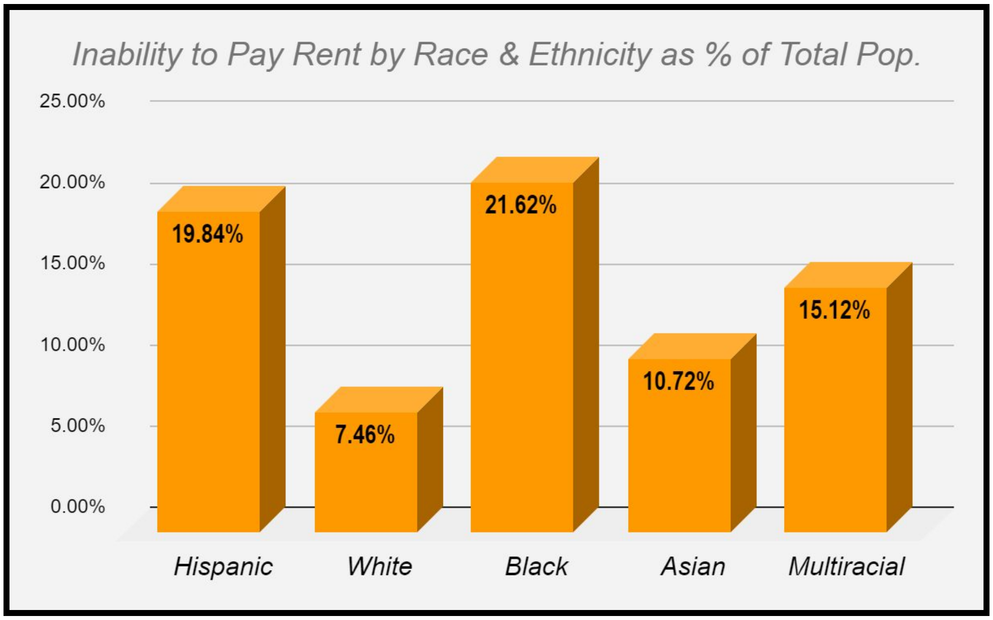

Image 2: Renter inability to Pay Rent by Race & Ethnicity (Weeks 1-20) Average LA MSA. Bureau, U. S. Household Pulse Survey. Data Tables Census.Gov. Retrieved from https://www.census.gov/programs-surveys/household-pulse-survey/data.html

Race and Ethnicity	Yes	No
Hispanic or Latinx (may be of any race)	1,503,334	403,674
White alone, not Hispanic	1,042,695	88,494
Black alone, not Hispanic	236,035	72,449
Asian alone, not Hispanic	421,354	55,302
Two or more races + Other races, not Hispanic	130,746	25,395

Table 2. Rent Payment Status by Race & Ethnicity (Weeks 1-20) Average LA MSA. Bureau, U. S. Household Pulse Survey Data. Tables Census.Gov. Retrieved from https://www.census.gov/programs-surveys/household-pulse-survey/data.html. Note, survey respondents are asked "did you pay last month's rent on time?". Table 2. Represents the average responses by race from April 23 to December 7, also labeled as weeks 1-20.

Many Low Income Tenants are Essential Workers

At the same time, many low-income workers have jobs that require them to leave home and are risking their lives every day so they can keep a roof over their heads.[52] According to an original survey of Los Angeles City, conducted by UCLA and USC in July, **households where a member reported being sick with Covid-19 were more than twice as likely to have missed a rent payment and were also more than twice as likely to think they will miss some or all of their upcoming rentpayment.**[53]

[52] Benfer, E. A., Vlahov, D., Long, M., Walker-Wells, E., Pottenger, J. L., Gonsalves, G., & Keene, D. (2020). Eviction, Health Inequity, and the Spread of COVID-19: Housing Policy as a Primary Pandemic Mitigation Strategy

[53] Manville, M., Monkkonen, P., Lens, M., & Green, R. (2020). COVID-19 and Renter Distress: Evidence from Los Angeles. https://escholarship.org/uc/item/7sv4n7pr.

Mental Health Impacts
Seventy percent of renters who are unemployed and/or have lost income report being depressed, and 40 percent report being "very anxious" (defined as experiencing anxiety at least half the days of the week).[54] Ninety percent of renters with low confidence in their ability to pay the next month's rent have lost income, and 77 percent report being depressed. In short, it is not not just that renters are more likely to lose jobs and income, but that they are less able to cope when they do.[55]

Los Angeles County tenants are facing a debt crisis of unfathomable proportions.

According to Stout Risius Ross, LA County Tenants May Owe Up To $1.34 Billion in Rent Debt by January 2021.[56] Stout's estimate is based on Week 19 (November 11 - November 23) data from the U.S. Census Bureau Household Pulse Survey for households reporting no, slight, or moderate confidence[57] in their ability to pay rent; data on the number of renter households and rent burden from the American Community Survey (ACS); as well as other research and data.[58]

- **In Los Angeles County**, Stout estimates **between 292,000 and 622,000 households** report no, slight, or moderate confidence in their ability to pay rent. These households may be behind on rent and therefore at risk of eviction. In the **City of Los Angeles**, Stout estimates between **145,000 and 310,000 households** may be behind on rent and at risk of eviction.

- **In Los Angeles County tenants may owe between $688 million and $1.34 billion in unpaid rent debt by January 2021.** In the **City of Los Angeles**, **tenants may owe between $334 million and $653 million in unpaid rent debt by January 2021**.

Stout's estimates of affected households and rent shortfall are ranges because, among other factors, they consider the probability that some tenants who report no, slight, or moderate confidence do end up paying. It is difficult to truly assess the choices tenants are making to pay rent month to month. Someone with moderate confidence may pay rent for one month on a credit card. Someone with slight confidence may be borrowing from a family member or cutting down on food expenses. These choices may allow a tenant to make rent one month, but it does not shift their overall precarity or preclude their being at risk of non-payment in other months and the accrual of rental debt overall. Policy interventions must begin from this broadest understanding of risk. **Until there are fundamental changes to the current state of the economy, employment, and the public health crisis, it must be assumed that working people's economic insecurity and inability to pay rent remains high**.

[54] *Ibid.*
[55] *Ibid.*
[56] Unless otherwise stated, all statistics pertaining to renter households behind on rent and rent shortfall come from Stout's Estimation of Households Experiencing Rental Shortfall and Potentially Facing Eviction and Needed Relief for Those Households as of November 25. To read Stout's methodology and see their publicly available state-by-state estimates, see: https://www.stout.com/en/services/transformative-change-consulting/eviction-right-to-counsel-resources.
[57] Note, this range includes scenarios both including and excluding Stout's estimates of the extent to which households with no, slight, or moderate confidence in their ability to pay next month's rent actually pay that rent based on research published by the Federal Reserve, as further detailed in Stout's Statement of Methodology.
[58] *Ibid.*

Evictions increase the spread of COVID-19 and the lifting or absence of eviction moratoria are associated with an increased rate of infection and death.[59]

Preliminary results from a national analysis of states between March 13th - September 3rd, found that lifting moratoriums increased COVID-19 incidence by 2.1 times and led to a 5.4 times higher mortality.[60] The same preliminary study found that **lifting state moratoriums and allowing eviction proceedings to continue caused as many as 433,700 excess cases of Covid-19 and 10,700 additional deaths** in the U.S. between March and September.[61] These effects were stronger in states with weaker moratoriums.[62] However, the same study found in states that maintained eviction moratoria from March through September 3, 2020, prevented coronavirus cases and deaths. California's eviction moratorium prevented approximately 186,600 coronavirus cases and 6,520 deaths.[63] Housing is the cure. Protections that secure tenant housing also control the COVID-19 pandemic.

Low-income homeowners are at risk of foreclosure.

Inability to Pay Mortgages

The COVID-19 housing crisis has sharply increased the risk of foreclosure and bankruptcy. Los Angeles County homeowners also need support in order to prevent foreclosure and the mass transfer of ownership from individual owners to a handful of corporate entities. According to the Household Pulse Survey between April 23 and December 7 (weeks 1- 20 of survey), approximately **6% of all homeowners, who reported owing mortgage payments in the Los Angeles area, reported not making their most recent payment.**[64] On average 56% of homeowners reported high confidence in their ability to make their next mortgage payment, while approximately 38% reported only moderate or slight confidence in their ability to pay.[65]

Disproportionate Racial Impact

Especially troubling are the patterns evident in the rate of non-payment and insecurity across racial and ethnic lines. **Both Black (8%) and Latinx (9%) homeowners who owed mortgage payments were almost twice as likely to report not having made their last payments than white homeowners (5%).**[66] This racialized pattern of vulnerability, similar to the one described for renters, is all the more disturbing given recent historic experience of the 2008 foreclosure crisis during which non-white homeowners were disproportionately subjected to foreclosures.

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[59] Benfer, E. A., Vlahov, D., Long, M., Walker-Wells, E., Pottenger, J. L., Gonsalves, G., & Keene, D. (2020). Eviction, Health Inequity, and the Spread of COVID-19: Housing Policy as a Primary Pandemic Mitigation Strategy
[60] Leifheit, K. M., Linton, S. L., Raifman, J., Schwartz, G., Benfer, E. A., Zimmerman, F. J., & Pollack, C. (2020). Expiring Eviction Moratoriums and COVID-19 Incidence and Mortality (SSRN Scholarly Paper ID 3739576). Social Science Research Network. https://doi.org/10.2139/ssrn.3739576
[61] *Ibid.*
[62] *Ibid.*
[63] *Ibid.*
[64] Bureau, U. C. Household Pulse Survey Data Table Weeks 1-20 (April 23-Dec 7) Census.Gov. Retrieved from https://www.census.gov/programs-surveys/household-pulse-survey/data.html. Estimates are limited to people over age 18, excluding children. True figure is higher.
[65] *Ibid.*
[66] *Ibid.*

Gaps in Current Mortgage Relief Programs

The CARES Act provides a mortgage payment forbearance option for the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), the Rural Housing Service (RHS), and some Fannie Mae and Freddie Mac mortgages ensured by these agencies.[67] All together, these agencies cover approximately 70% of all outstanding mortgages in the U.S. Homeowners, with fully private mortgages held by banks or private investors, approximately (30%) homeowners nationally, are not eligible for mortgage forbearance through the CARES Act.[68] While 70% of mortgages are eligible for the forbearance program, according to the Mortgage Bankers Association, as of December 6, only about 5.48% homeowners have taken advantage of the program.[69] Of the 30% of mortgage holders with privately backed mortgages, 11% are in some form of mortgage forbearance provided by the lender. Yet, many of these owners, especially low-income owners of color due to historic redlining practices, have loans with predatory lenders who are not offering any sort of forbearance options.[70] These owners need additional mortgage relief options and supports. **The National Consumer Law Center predicts that, nationally, 3 million homeowners, or roughly 5%, will have significantly delinquent mortgages by early 2021.**[71] These homeowners need further support and would benefit from an expanded mortgage forbearance program.

Non-profit affordable housing providers and small landlords need a relief fund.

A local fund to provide financial relief to vulnerable landlords to mitigate the economic impact of rent cancellation is necessary to ensure housing stability and prevent the corporate consolidation of housing, with conditions attached that are sufficient to protect tenants and ensure safe and healthy housing. Such a fund should **prioritize the most vulnerable landlords** which include **nonprofit affordable housing developers and small landlords with 4 units or less**.

Non-profit affordable housing providers

Non-profit affordable housing developers without traditional mortgages do not benefit from mortgage forbearance programs. The majority of affordable housing projects have only thin operating margins to cover late rents. While some projects have healthy operating reserves, regulators and lenders will demand the immediate replenishment of these reserves following the end of a rent cancellation program. Put simply, rents in these buildings largely provide necessary cash flow to ensure the maintenance and stability of this critically needed housing stock. Relief for non-profit affordable housing providers would keep projects stable and prevent future loss of affordable housing. Estimating the total rent shortfall for non-profit affordable housing developers is beyond the scope of this brief. However, it should be noted that non-profit affordable housing providers are most likely housing a majority of those impacted by COVID-19 income loss and very vulnerable. According to our 20 week average of the Household Pulse survey, low-income renters (making less than $50,000) make up 70% of respondents owing

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[67] (2020) CARES Act Forbearance Fact Sheet for Borrowers with FHA, VA, or USDA Loans [Fact Sheet]. U.S. Department of Housing & Urban Development. https://www.hud.gov/sites/dfiles/SFH/documents/IACOVID19FBFactSheetConsumer.pdf

[68] Kaul, K., & Goodman, L. (2020, March 27). The Price Tag for Keeping 29 Million Families in Their Homes: $162 Billion. Urban Institute. https://www.urban.org/urban-wire/price-tag-keeping-29-million-families-their-homes-162-billion

[69] *Share of Mortgage Loans in Forbearance Decreases to 5.48 Percent | Mortgage Bankers Association*. (n.d.). Retrieved December 17, 2020, from https://www.mba.org/2020-press-releases/december/share-of-mortgage-loans-in-forbearance-decreases-to-548-percent

[70] Cohen, A. (n.d.). *Protecting Homeowners During the Pandemic*. 30.

[71] *Ibid.*

rent.[72] **Non-profit affordable housing providers should be prioritized for the relief fund if they have tenants benefiting from a rent cancellation/suspension program.**

Relief for Small Landlords

Small landlords with impacted tenants should be eligible for relief to prevent corporate consolidation and protect generational wealth of Black and Latinx property owners, with a focus on landlords owning four or fewer units. Two-to-four unit buildings have the largest share of Black and Latinx landlords.[73] Nationwide,13% of two-to-four unit building owners are Black and 15% of two-to-four unit building owners are Latinx.[74] Black and Latinx landlords are struggling to pay their mortgages more than white landlords.[75] 34% of landlords of two-to-four unit buildings are above the age of 65; they are most likely to have no other source of income and are likely to be retired.[76] Landlords of two-to-four unit buildings are unlikely to have payroll, and therefore do not have access to small business support or the Paycheck Protection Program (PPP) loans. They are also less likely to have federally-backed mortgages and therefore qualify for the CARES Act mortgage forbearance program.[77] **According to the Urban Institute, approximately 28%, or 12.3 million rental units, of the 43.8 million rental units nationwide are federally financed and, thus, covered by the CARES Act.[78] The owners of the remaining 31.5 million rental units must seek mortgage forbearance from their private lenders.[79]**

Additionally, the COVID-19 economic crisis has generated increased pressure to sell – particularly for low-income landlords – placing “naturally occurring affordable homes” (NOAH) at risk of transfer to corporate entities. According to the Urban Institute, more than 47% of landlords with under $50,000 in income indicated an increased pressure to sell, compared with only 20% of landlords with incomes of more than $150,000. 32% of landlords with a mortgage indicated an increased pressure to sell, compared with 26% of landlords without a mortgage.[80]

According to the American Community Survey (ACS), there are approximately 751,120 renter households in buildings with 4 or fewer units in Los Angeles County. (The HealthyLA Coalition’s policy platform defines a small landlord, as owning 1- 4 units of housing, excluding owner-occupied single family homes).[81] By starting with Stout’s estimated total rent shortfall

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[72] Inability to Pay Rent by Income Level (Weeks 1-20). Bureau, U. C. Household Pulse Survey Data Tables Census.Gov. Retrieved from https://www.census.gov/programs-surveys/household-pulse-survey/data.html

[73] Choi, J. H., & Young, C. (2020, August 10). Owners and Renters of 6.2 Million Units in Small Buildings Are Particularly Vulnerable during the Pandemic. Urban Institute. https://www.urban.org/urban-wire/owners-and-renters-62-million-units-small-buildings-are-particularly-vulnerable-during-pandemic

[74] *Ibid.*

[75] Goodman, L., & Choi, J. H. (2020, September 4). Black and Hispanic Landlords Are Facing Great Financial Struggles because of the COVID-19 Pandemic. They Also Support Their Tenants at Higher Rates. Urban Institute. https://www.urban.org/urban-wire/black-and-hispanic-landlords-are-facing-great-financial-struggles-because-covid-19-pandemic-they-also-support-their-tenants-higher-rates.

[76] Choi, J. H., & Young, C. (2020, August 10). Owners and Renters of 6.2 Million Units in Small Buildings Are Particularly Vulnerable during the Pandemic. Urban Institute. https://www.urban.org/urban-wire/owners-and-renters-62-million-units-small-buildings-are-particularly-vulnerable-during-pandemic.

[77] *Ibid.*

[78] Goodman, L., Kaul, K., & Neal, M. (2020, April 2). *The CARES Act Eviction Moratorium Covers All Federally Financed Rentals—That’s One in Four US Rental Units*. Urban Institute. https://www.urban.org/urban-wire/cares-act-eviction-moratorium-covers-all-federally-financed-rentals-thats-one-four-us-rental-units

[79] *Ibid.*

[80] Choi, J. H., & Goodman, L. (2020, November 10). Mounting Pressures on Mom-and-Pop Landlords Could Spell Trouble for the Affordable Rental Market. Urban Institute. https://www.urban.org/urban-wire/mounting-pressures-mom-and-pop-landlords-could-spell-trouble-affordable-rental-market

[81] Los Angeles Rent and Mortgage Cancellation Platform (December 1, 2020), available at http://healthyla.org/wp-content/uploads/2020/12/LA-Rent-and-Mortgage-Cancellation-Platform-1.pdf.

by Jan 2021 ($688 million - $1.34 billion), as noted on page 8 of this report[82], we can estimate the possible rent shortfall for the proportion of small landlords (owning 1-4 units) in Los Angeles County that do not benefit from CARES Act forbearance. **We estimate that small landlords who did not benefit from CARES Act forbearance may experience a rent shortfall of approximately $184 million to $403 million by January 2021.**[83] By providing assistance to help cover continued operations, maintenance and habitability, a small landlord relief fund would help small landlords remain stable, avoid foreclosure, and stave off mass accumulation of individually owned properties by a handful of corporate entities.

Exclusion of Corporate Landlords

Corporate landlords should not be eligible for relief because, unlike nonprofit affordable housing providers and small landlords, they do not need funds to maintain cash flow. Notably, corporate entities and similar investment vehicles make-up the vast majority of all multi-family property owners in Los Angeles County and the majority of the 5+ unit rental market. In Los Angeles, the average corporate owner owns 19.35 units while the average individual investor owns only 1.59 units. When focusing on the rental market with 5 or more units, the numbers are even more staggering. There are 68,321 landlords with 5 or more unit buildings, who own a total of 1,370,864 units of housing in Los Angeles County. Of these larger landlords, 53,720 (79%) are investment vehicles (either trusts[84] or corporate entities[85]). **All together, these entities own 1,219,240 units of housing, or approximately 90% of the 5 or more unit rental market in Los Angeles County.**[86]

While the number of corporate owners in Los Angeles County are growing each year, these entities are also among the greatest beneficiaries of federal subsidies and COVID-19 related relief. **The largest corporate landlords have received billions of dollars in aid through the CARES Act, the 2017 Tax Cuts and Jobs Act, preferential tax status, and local tax breaks.** The CARES Act provided $170 billion in immediate tax benefits to real estate millionaires.[87] Through the Act, business losses are permitted to be carried back, through immediate tax

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[82] To read Stout's methodology and see their publicly available state-by-state estimates, see: https://www.stout.com/en/services/transformative-change-consulting/eviction-right-to-counsel-resources.

[83] Note, to determine possible rent shortfall for small landlords, we used the American Community Survey (ACS) to approximate the number of total rental households in buildings with 4 or fewer units. Next we assume, based on reports from the Urban Institute about the national mortgage market, we assume that 71.9% of rental housing mortgages are privately held and therefore ineligible for CARES Act Mortgage forbearance. We therefore discount the total rental shortfall by the proportion of 4 or fewer buildings and the proportion of privately backed mortgages to determine an estimate for rental shortfall of small landlords who may need help with their mortgages, see: https://docs.google.com/spreadsheets/d/19WlXJydvZEwldRlkyhDz_jTHumn6GIlIsI0ZIj8CqMI/edit#gid=0 Note, this is likely an overestimate. First, the ACS data is only based upon building size so the 751,120 renter households likely includes corporate landlords that would not qualify for the small landlord relief fund as defined by the HealthyLA platform. Second, we include *all* small landlords that do not qualify for CARES Act forbearance, however, many of these landlords might be benefiting from forbearance negotiated with their private lender.

[84] A legal entity for the maintenance of property managed by a designated third party on behalf of its beneficiaries. Trusts are a type of private equity that enable wealthy families to invest their accumulated wealth into a variety of enterprises, including property ownership, and to receive protections similar to a limited liability as well as favorable tax benefits like pass through provisions and favorable treatment on inheritance. See, Preliminary research from forthcoming report: Ferrer, Alex. (2021, January) Beyond Wall Street: How private equity in the rental market makes housing unaffordable, unstable, and unhealthy. Strategic Actions for a Just Economy.

[85] This includes a landlord employing a specifically corporate business entity as an investment vehicle. Includes limited liability entities, including partnerships, corporations, and other forms eligible to elicit taxation as corporation. Excludes trusts. See, preliminary research from forthcoming report: Ferrer, Alex. (2021, January) Beyond Wall Street: How private equity in the rental market makes housing unaffordable, unstable, and unhealthy. Strategic Actions for a Just Economy.

[86] *Ibid.*

[87] *Sofia Lopez and Sara Myklebust Archives*. (n.d.). Inequality.Org. Retrieved December 15, 2020, from https://inequality.org/authors/sofia-lopez-and-sara-myklebust/

refunds, for five years.[88] Corporate landlords already amassed enormous wealth following the mid-2000s foreclosure crisis. Now, they are poised to do the same in the wake of the COVID-19 pandemic. According to the Wall Street Journal, as of December 2019 real estate investment funds had $144 billion ready to spend on distressed and opportunistic investments in real estate.[89] Starwood Capital Group CEO said in an April 2020 interview, that the private investment firm has **$60 billion in assets and "is actively looking for buying opportunities amidst the pandemic**".[90] These entities do not need support from a landlord hardship fund and have the means to withstand a temporary cancellation of rents.

Finally, it is important to note that in addition to there being no need to subsidize corporate owners, there is significant evidence that this class of owners participates in business practices that hurt renters. According to research conducted by SAJE following the mid-2000s foreclosure crisis, tenants living in corporate-owned homes in Los Angeles struggle to pay severely unaffordable rents, deal with faceless property management and live in unhealthy conditions.[91] Additional studies find that corporate ownership is associated with higher rates of eviction than individual ownership.[92,93,94] Moreover, rents paid by tenants to corporate landlords flow out of the community and into investment portfolios. Investors are already poised to reap profits from COVID's collateral damage in Los Angeles' most disenfranchised communities; investment firms are consolidating capital to buy distressed hotels, residential properties, small businesses and other community assets.[95] Stabilizing rental housing will prevent further corporate consolidation.

This catastrophe demands strong government intervention.

Before the pandemic and the resulting job loss and economic hardship, Angelenos were already in a housing crisis. Today, hundreds of thousands of Los Angeles County residents face the cumulative impact of income loss and hundreds of millions of dollars in crushing rent debt. It will be impossible to catch up on past rent payments in the coming months and year. Without immediate action, Los Angeles County can anticipate a debt, foreclosure, and eviction crisis. This possibility during a global pandemic would be devastating. If housing is not stabilized, coronavirus cases and deaths will increase. Los Angeles should implement rent cancellation along with targeted support for vulnerable homeowners, non-profit affordable housing providers, and small landlords as a matter of public health. This proposed policy intervention is the only serious, practical, and to scale solution to meet the current moment. **Only by keeping people in their homes can we ensure the control of the virus and the possibility of a just recovery for all Angelenos in the future.**

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[88] *Ibid.*
[89] *Ibid.*
[90] *Starwood CEO Barry Sternlicht: "We're Buying Now. We're On Offense."* (n.d.). Bisnow. Retrieved April 24, 2020, from https://www.bisnow.com/national/news/economy/starwood-ceo-barry-sternlicht-were-buying-now-were-on-offense-104065
[91] Call, Rob. (2014, July). Renting From Wall Street: Blackstone's Invitation Homes in Los Angeles and Riverside. The Right to the City Alliance. Strategic Actions for a Just Economy.
[92] Gilderbloom, J. I., Ambrosius, J. D., Squires, G. D., Hanka, M. J., & Kenitzer, Z. E. (2012). Investors: The Missing Piece in the Foreclosure Racial Gap Debate. *Journal of Urban Affairs*, *34*(5), 559–582. https://doi.org/10.1111/j.1467-9906.2012.00619.x
[93] Dan Immergluck, Jeff Ernsthausen, Stephanie Earl & Allison Powell (2020) Evictions, large owners, and serial filings: findings from Atlanta, Housing Studies, 35:5, 903-924, DOI: 10.1080/02673037.2019.1639635
[94] Raymond, E., Duckworth, R., Miller, B., Lucas, M., & Pokharel, S. (2018). From Foreclosure to Eviction: Housing Insecurity in Corporate-Owned Single-Family Rentals. *Cityscape, 20*(3), 159-188. Retrieved December 16, 2020, from https://www.jstor.org/stable/26524878
[95] *Real-Estate Investors Eye Potential Bonanza in Distressed Sales—WSJ*. (n.d.). Retrieved December 15, 2020, from https://www.wsj.com/articles/real-estate-investors-eye-potential-bonanza-in-distressed-sales-11586260801

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