# NLIHC RESEARCH NOTE:

## THE NEED FOR EMERGENCY RENTAL ASSISTANCE DURING THE COVID-19 AND ECONOMIC CRISIS

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## SUMMARY

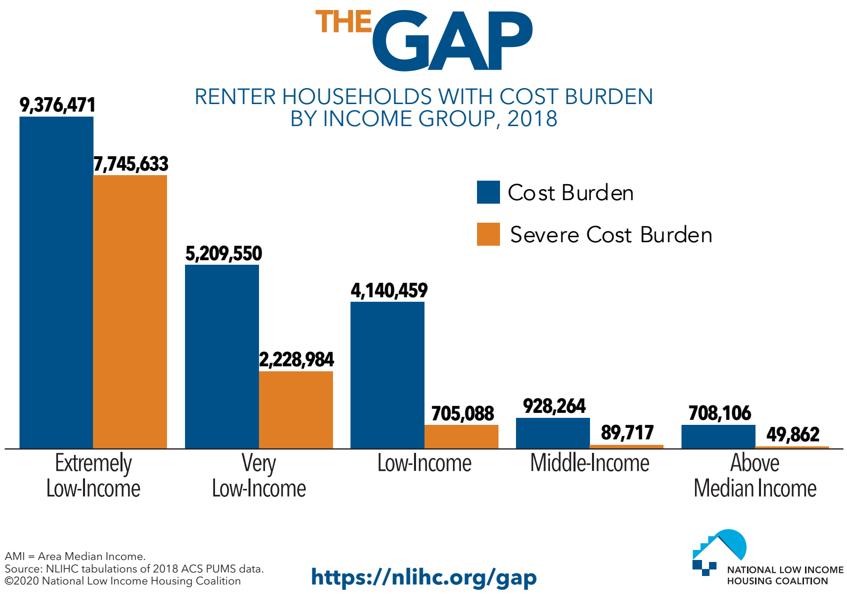
Nearly ten million extremely low- and very low-income renter households were severely housing cost-burdened before the start of the COVID-19 and economic crisis, spending more than half of their income on rent. Based on the last recession, we assume this number will increase by at least 1.5 million. These households are at the greatest risk of housing instability, yet keeping them stably housed is critically important from the perspectives of individual well-being and public health. The temporary increase in unemployment insurance benefits is ultimately not sufficient on its own to ensure stable housing for the lowest-income renters. An economic recovery may not be quick, and some public health experts project COVID-19 outbreaks may continue into the fall. While eviction moratoriums play an important role in protecting renters, tenants are still responsible for their rent payments and small landlords still need rent revenues to operate and maintain their housing units. Providing temporary rental assistance to current and projected severely cost-burdened renters would keep at-risk tenants stably housed and protect and preserve our country's limited naturally-occurring affordable housing. We estimate the cost to assist extremely and very low-income households who are severely cost-burdened renters to be $76.1 billion over twelve months. Extending rental assistance to cover all current and projected housing cost-burdened extremely and very low-income renters would cost approximately $99.5 billion.

### Introduction

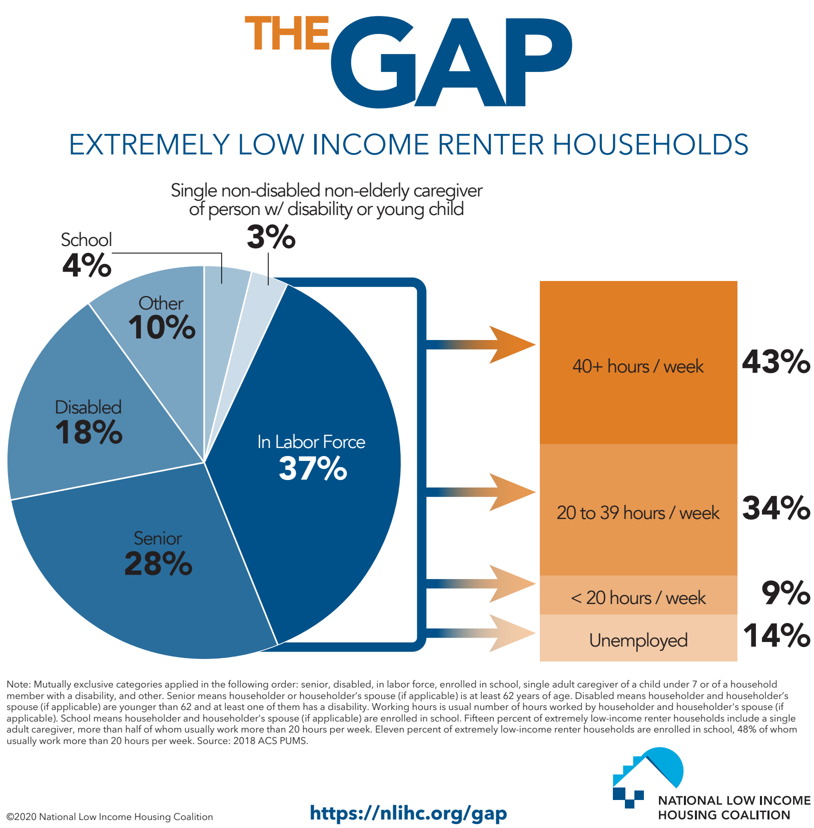
The public health crisis and economic downturn put at risk the housing and health of millions of extremely low-income renters and those experiencing homelessness. NLIHC's Housing Instability and COVID-19 map shows for each U.S. county the share of extremely low- and very low-income renters experiencing or at-risk of experiencing housing instability, specifically those who are severely housing cost-burdened or living in overcrowded conditions. The map also includes the number of people experiencing homelessness in the continuum of care to which each county belongs and whether the county has confirmed cases of COVID-19 infections.

Extremely low-income renters throughout the country were already struggling with unmanageable housing costs, and the wave of layoffs caused by the pandemic is likely to increase this hardship. The federal response to date includes important steps in helping families afford their homes during this crisis. Immediate relief, in the form of direct cash assistance and expanded unemployment insurance, is imperative, but a full response to this catastrophe needs to protect the housing stability of struggling renters during the height of the crisis and subsequent recovery given their persistent precarious housing situations.

Severe housing cost burdens and housing instability have worrisome public health consequences. Households who suffer from housing instability, whether by struggling to pay the rent, moving from place to place, or experiencing homelessness, are more likely to have a range of adverse health conditions (Sandel et al., 2018; Stahre et al., 2015), and people experiencing homelessness are at higher risks for a




## This downturn is likely to put already struggling low-income renters into an even more perilous position.




number of health problems (Hwang, 2001). The spread of COVID-19 is especially dangerous for the more than 500,000 people currently experiencing homelessness who cannot control their environments or isolate themselves as easily as others. An economic crisis that pushes more low-income households into homelessness will amplify this risk. Similar health concerns arise when households are forced into overcrowded housing--to double up or live in close quarters--to save money.

One of the key findings in NLIHC's *The Gap: A Shortage of Affordable and Available Homes* is a shortage of seven million affordable and available homes for extremely low-income renters. Nationally, fewer than four affordable homes are available for every 10 extremely low-income renter households. Even before the growing public health and economic crises, this shortage was forcing nearly eight million extremely low-income households to spend more than half of their incomes just on their rental housing, leaving them no ability to save for a future emergency and putting them just one financial shock away from housing instability.

That financial shock is here. The coronavirus pandemic represents not only a grave public health risk directly from the virus itself, but indirectly from the growing economic fall-out. The Department of Labor announced that nearly 3.3 million new claims for unemployment insurance were filed in the week that ended March 21, which was nearly five times larger than any previous increase on record: the previous record for new unemployment claims in a week was 695,000. One week later, another record number of new unemployment claims, 6.6 million, were filed in the final week of March. The Economic Policy Institute estimates that 20 million jobs could be lost by July 2020 (EPI, 2020a). In comparison, 4.5 million jobs were lost during the worst six months of the Great Recession, between

November 2008 and April 2009 (Federal Reserve Bank of St. Louis, 2020). While there is still considerable uncertainty about the severity and length of this current economic crisis, this downturn is likely to put already struggling low-income renters into an even more perilous position.

This year's *Gap* report finds that 37% of extremely low-income renter households--over 4 million households across the country--are of working age and in the labor force. Of those households, 43% work 40 or more hours per week, and another 34% work at least 20 hours per week.

Many of these households have jobs in retail sales, in restaurants and bars, and in personal care and service. Roughly 13%, or more than 570,000, of all working-age extremely low-income renter households in the labor force work in retail jobs. Over 580,000 renter households with extremely low incomes work in restaurants and bars, and over 260,000 work in personal care positions. It was already difficult to make ends meet in many of these positions prior to the pandemic.

Nearly 92% of the four million working-age non-disabled renter households in the labor force with extremely low incomes were housing cost-burdened and 76% were severely cost-burdened prior to the current crisis. When these low-income households lose their jobs, they face even greater obstacles to paying the rent and staying in their homes. During the Great Recession, the number of families experiencing homelessness climbed (CBPP, 2009) and the number of extremely low-income and very low-income households who were severely housing cost-burdened increased by 1.3 million. We can expect the current downturn will have similar or worse effects.

Layoffs caused by the public health and economic crises are likely to have a particularly painful impact on the retail and food service industries, where many low-wage workers are employed (EPI, 2020b). For instance, a trade group anticipates losses of five to seven million jobs in the coming months for the restaurant industry alone (National Restaurant Association, 2020).

The recently passed coronavirus response package addresses some urgent short-term housing needs, by instituting a temporary moratorium on some evictions and providing $12 billion in funding for HUD programs, including $4 billion for Emergency Solutions Grant (ESG) to support homeless shelters, $5 billion for Community Development Block Grants, $1.25 billion for Housing Choice Vouchers, $1 billion for project-based rental assistance, and $685 million for public housing. Those funds will help communities respond to their urgent housing needs and help housing authorities and some federally assisted housing providers cover shortfalls due to changing economic conditions. More emergency rental assistance, however, will be needed in the near future to help unassisted renters remain stably housed.

**More short-term assistance will be needed in the near future to help unassisted renters remain stably housed.**

## Cost of emergency rental assistance

We estimated the additional cost to ensure housing stability for unassisted renters at the greatest risk of housing instability during this public health and economic crisis. It is imperative that families remain in their homes, and that they can afford to do so. We do not yet know how long the pandemic will last, its long-term effect on the economy and unemployment, or states' capacity to quickly process the record-shattering numbers of unemployment claims and increased applications to other social support programs. We, therefore, based our estimate on current need and the projected growth in need based on historical data from the 2007-2009 recession.

For each state and the District of Columbia, we estimated the number of extremely low-income and very

**We estimate that rental assistance to ensure housing stability for severely cost-burdened extremely low-income and very low-income renters over the next twelve months would require $76.1 billion in new funding.**

low-income renters who would need emergency rental assistance to guarantee they remain stably housed during this public health and economic crisis. Data from the 2018 American Community Survey (ACS) Public Use Microdata Sample (PUMS), the latest available data, indicate that 9,974,617 extremely low-income and very low-income households were severely housing cost-burdened, spending more than half of their limited incomes on rent. Over the past few years, the number of severely cost-burdened renters has declined to a small extent. For each state, we assumed that the trend in severe cost burdens between 2018 and 2020 was similar to the observed trend from 2016 to 2018. We also recognize that needs of low-income renters will likely increase as a result of the economic downtown and the time limits placed on the unemployment insurance supplement. Given the significant number of unknowns at this time, we looked at the increase in severe cost-burdens we saw in each state during the 2007-2009 recession. During the last recession, the number of severely housing cost-burdened extremely low- and very-low income renters increased by 15.6%, nationally. We applied each states' projected increase to its current number of severely cost-burdened renters. On one hand, we may be underestimating this increase in that we have already seen nearly 10 million new unemployment insurance claims in the past two weeks, indicating a quickly moving record-breaking shock to our economy. On the other hand, 39 million claims for unemployment insurance were made during the 2007-2009 recession, a number that rose more slowly, but consistently, over 19 months.

For all 50 states and the District of Columbia combined, we estimated that 11.5 million extremely low-income and very low-income renter households would need rental assistance to ensure housing stability (Table 1). Eight percent of current participants in HUD's Housing Choice Voucher (HCV) program remain severely housing cost-burdened (Dawkins & Jeon, 2017). We deducted them from our estimate of need, because they are already receiving assistance. We also assumed that only 69% of severely cost-burdened renters in need would successfully use rental assistance, based on previous voucher research (Finkel & Buron, 2001). We did not account for the fact that landlords may be more willing to accept rental assistance such as a voucher during an economic downtown, which would raise this success rate. As a result of these adjustments, we estimate 7.8 million at-risk renter households would participate and receive emergency rental assistance for up to 12 months.

## TABLE 1: PROJECTED NEEDS AND COSTS FOR RENTAL ASSISTANCE IN THE U.S.

| Estimated Severely Cost-Burdened ELI Renter Households (2020) | Estimated Severely Cost-Burdened VLI Renter Households (2020) | Projected Increase in Severely Cost-Burdened ELI Renter Households | Projected Increase in Severely Cost-Burdened VLI Renter Households | Projected Severely Cost-Burdened ELI Renter Households During Recession | Projected Severely Cost-Burdened VLI Renter Households During Recession | ELI and VLI Renter Households with Unmet Rental Assistance Needs During Recession | Projected ELI and VLI Renter Households To Be Assisted with Emergency Rental Assistance | Annual Cost of Meeting Unmet Rental Assistance Needs (in 2020 $) | Average Cost Per Assisted Household |
|---|---|---|---|---|---|---|---|---|---|
| 7,528,716 | 2,383,980 | 1,197,403 | 395,690 | 8,726,119 | 2,779,670 | 11,505,789 | 7,822,685 | $76.1 billion | $9,727 |

We used state-level cost data on the HCV program from HUD's 2019 Picture of Subsidized Households dataset to determine the cost of serving these 7.8 million households, adjusted for inflation to 2020. Applying these state-level costs to each state's needs, we estimate that rental assistance to ensure housing stability for severely cost-burdened extremely low-income and very low-income renters over the next twelve months would require $76.1 billion (Table 1) in new funding, or $9,727 per household. Limiting emergency rental assistance for only current and projected extremely low-income renters with severe cost burdens would cost $57.0 billion. We conducted a similar analysis for a far more robust program in which current or projected cost-burdened (as opposed to severely cost-burdened) extremely low-income or very low-income households would qualify for assistance for up to 12 months. We estimated the cost to be $99.5 billion over 12 months. Our cost estimates are based on current and projected needs, which may be underestimated given we do not yet know the length or severity of this crisis.

## The need for additional assistance

Unemployment compensation will be absolutely vital for many households, though on its own, it will not be sufficient to bring low-wage workers guaranteed housing stability during this crisis and subsequent recovery. How much households can receive from unemployment insurance varies by state and depends on household income, but most states' benefit formulas aim to replace half of a laid-off worker's income, up to a certain maximum, for up to six months. The average weekly benefits in January 2020 were $385 per week. Before the CARES Act was passed in response to the coronavirus, part-time and self-employed workers, those without a recent earnings history, and those who voluntarily quit (e.g., to care for a family member) were generally excluded from unemployment benefits. The new law adds $600 per week to every recipient's benefit through the end of July, extends the window of eligibility for another 13 weeks if needed, and extends benefits to self-employed workers, contractors, and others often excluded from state unemployment benefits. The $600 supplement to weekly unemployment benefits will help some households stay in their homes through the end of July. Four months from now, though, the standard benefits will be insufficient to meet the housing costs of many low-income households.

Consider two hypothetical examples in Washington and Iowa. Each state has its own formula for determining unemployment benefits, which takes into account the household's lost income. Suppose that Marta has recently been laid off from a large retailer in Seattle, Washington, where she was making minimum wage and working full-time. Marta is a single parent with one child. Her gross wages were $640 per week ($2,560 per month) in 2019 and had recently gone up to $655.60 per week ($2,622.40 per month). Although the minimum wage rose in 2020, she will receive benefits based on what she earned in 2019 if she applies now. The standard unemployment benefit she would receive would be roughly $295 per week ($1,180 per month), but with the CARES Act supplement, she would receive $895 per week until the end of July ($3,580 per month). The MIT Living Wage Calculator estimates that, as a single adult with one child in King County, Marta needs $2,710 per month on basic non-housing expenses including food, medical care, child care, and transportation (Glasmeier, 2020a). After paying for those necessities, Marta has $870 left for housing, but the Fair Market Rent for a modest two-bedroom apartment in King County is $1,899. When the supplemental payment ends in July, her budget will be even more constrained. While she may be eligible for other forms of social support, the standard unemployment benefit by itself will only cover a fourth of her household's necessary expenses. Marta was severely housing cost-burdened before losing her job, so even if Marta manages to be re-employed at the minimum wage during this crisis, it will not address her housing instability.

To take another example, suppose that Denise has been laid off from a housecleaning service in Dubuque, Iowa. She was earning an hourly wage of $10.85, the median hourly wage for maids and housekeeping cleaners in Iowa (BLS, 2018). Her gross wages were $434 per week ($1,736 per month). The standard unemployment benefit is approximately $226 per week ($904 per month), but with the CARES Act supplement she will receive $826 per week ($3,304 per month) through July. After spending $1,075 for basic non-housing necessities (Glasmeier, 2020), Denise will have $2,229 left over. Since the Fair Market

Rent for a one-bedroom apartment in Dubuque County was $599 in 2019, Denise will be able to afford her housing while the supplemental unemployment payment persists. After it ends in July, though, Denise will have to choose between rent and food, medical care, and transportation, since rent will consume 66% of the standard unemployment benefit and basic non-housing necessities by themselves are more than the standard benefit. Even before losing her job, Denise was housing cost-burdened--the median wages in her occupation have not kept up with housing expenses.

While the CARES Act expansion of unemployment compensation is important and will diminish suffering in the weeks ahead, the supplemental benefit is a short-term fix, and insufficient on its own to resolve the massive problems low-income households face. Even if standard unemployment benefits were much more generous, replacing fully 100% of the wages these households typically earn, extremely low-income households would still be in dire circumstances, since three quarters of extremely low-income households in the labor force already spend more than half of their incomes on rent. The supplemental aid in the CARES Act offers much-needed assistance, but a system that requires Congress to step in every four months to renegotiate a program of social support is inefficient and vulnerable. Families deserve more certainty about available social support during this crisis and subsequent recovery.

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## Conclusion

Now more than ever, we must recognize that housing is necessary health care and a foundation for long-term resilience to future disasters. NLIHC's policy priorities for responding to the novel coronavirus include both urgent short-term responses to the current crisis and long-term solutions to ensure future housing stability. Looking ahead, Congress eventually must take steps to address the underlying systemic causes of housing instability and homelessness before the next crisis rather than deal with them during the crisis. We need far greater investment in programs that provide deep subsidies for the nation's lowest-income families. The national Housing Trust Fund, which provides for the creation and preservation of deeply subsidized housing, should be expanded; the HCV program should be sufficiently funded to help all eligible renters afford housing in the private market; and funding should be increased for public housing. In addition, a permanent emergency housing-assistance fund for families facing temporary financial hardships could prevent many households from eviction and possible homelessness. Sufficiently funded housing programs like these would ensure that the lowest-income households have stable housing and help create a society that is more resilient to the next crisis.