



TO: House Housing & Finance Committee
FROM: Shannon Guernsey, Executive Director
DATE: January 25, 2021
RE: Unpaid Rent & Reducing Eviction Actions During the Pandemic

The impact of the COVID 19 pandemic has had a significant on both tenants and landlords throughout Minnesota including those in federally subsidized programs such as Public Housing and Section 8. These low and very low income households face an ongoing concern of unpaid rent (arrears) which could trigger eviction actions once the eviction moratorium is lifted. This memorandum outlines the need to address the backlog of outstanding rent payments that have occurred during the pandemic while the eviction moratorium is in place.

Background

- Like market rate renters, tenants in federally subsidized programs are obligated to pay a portion of the monthly rent which is not to exceed 30% of the household income.
- During the last year, many households in federally subsidized programs have not been able to pay their portion of rent and are in arrears due to the impact of the economic downturn.
- Once the eviction moratorium is lifted, these households will be in arrears and subject to an eviction action due to the unpaid portion of their rent.
- Currently, households that receive federal subsidy such as Section 8 or Public Housing are not eligible for current COVID rental assistance programs (CHAP)
- Landlords who participate in federal subsidy programs such as Section 8 and Public Housing have seen an increase of tenant portion of unpaid rent during the pandemic
- Currently, state COVID rental assistance program requires the tenant to apply for rental assistance and not all eligible households have been able to apply.

Unmet Needs with current CHAP Funding

The emergency rental assistance provided by CHAP has been a significant lifeline for the many renter households that have received assistance through the program. However, under the existing CHAP and per HUD guidelines, households that received federal subsidy are not eligible to apply for CHAP. Specifically, COVID Emergency Rental Assistance funding currently prohibits the use of funds that would "duplicate" a federal subsidy. Thus, many states have not allowed tenants of public housing or section 8 to apply (ineligible). Moreover, based on the same HUD guidance, HRAs are not allowed to use COVID funding to address the unpaid portion of tenant rent. Rather, HRAs are only able to reduce rent through rent recalculations and use COVID funding to pay for increases in the HAP contract.

This prohibition has meant that landlords who serve these households and participate in the federally subsidized programs are experiencing lost rent due to the partial or non-payment of rent by tenants. Over time, this loss of revenue has negatively impacted the operations of these organizations, staffing and their programs. Moreover, our landlord partners who have provided affordable housing over time and serve low income households, have been prohibited from addressing the unpaid rent as compared to market rate landlords.

These landlords are key partners in our state effort to provide affordable housing to low and very low income households. It is important that state resources help ensure these affordable housing providers are able to be partners in future.



Recommendation

Ensure that next round of federal COVID relief funds address two key issues:

1. Permit funds to address unpaid rent and lost revenue experienced by landlords who provide affordable housing to low income households, including those served by subsidized programs such as Section 8 and Public Housing.
2. Establish an option for landlords to apply on behalf of eligible households in their portfolio. This approach should complement current tenant based programs (CHAP) by creating a direct payment to landlords option. Administrative efficiency could be achieved as the landlord are able to apply for their entire portfolio of qualified households, rather than a tenant by tenant basis.

Finally, we recommend that the any additional COVID Emergency Rental Assistance align with the federal EM to include the following:

- The individual is using best efforts to make timely partial payments that are as close to the full payment as the individual's circumstances may permit, taking into account other nondiscretionary expenses. (requirement under CDC eviction moratorium)

Thank you for the opportunity to highlight these concerns. By addressing these issues in the next round of funding, the program would ensure state resources are used to secure housing stability, reduce eviction actions, and address the backlog of unpaid rent during the eviction moratorium.

Sincerely,

Shannon Guernsey
Executive Director, Minnesota NAHRO