

State-Level Policy Solutions to Housing Insecurity Caused by COVID-19

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Question: What are other jurisdictions doing to address the problem of people impacted by COVID/unemployment who cannot pay rent and identify some possible local or state solutions?

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In response to the housing crisis exacerbated by the COVID-19 pandemic, states have adopted multifaceted solutions to address the increasing number of Americans unable to pay rent or obtain affordable housing. Renter relief programs, foreclosure moratoriums, and long-term affordable housing are three approaches that have been implemented in other states across the nation. In this memo, we analyze how different states are enacting each of these policies and how these policies, upon adjustment, may hold promise for successful application to North Carolina.

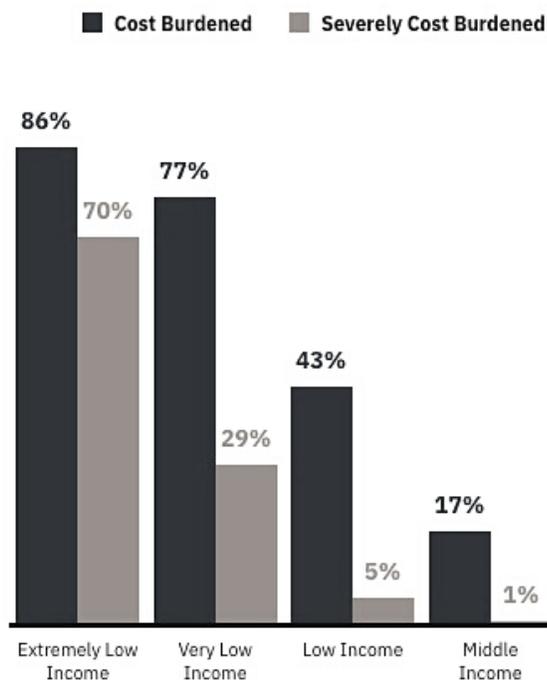


BACKGROUND

The COVID-19 pandemic has spurred widespread housing insecurity, and subsequently, a contraction of the real estate market and a large population of Americans struggling to pay rent. In North Carolina, approximately 24% of renter households are considered to be “extremely low income,” with a deficit of nearly 190,000 homes available to these low income renters (1).

In an attempt to alleviate the financial effects of the coronavirus, the federal government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act (2). This \$2.2 trillion economic stimulus bill, in part, gives states federal funding to address these housing issues. Many states have built upon this, issuing their own temporary housing orders for the population of people who cannot pay rent due to COVID-19 related hardships. In North Carolina, landlords cannot charge late fees on rent, utilities can't be disconnected due to nonpayment of bills, and tenants have a grace period of 6 months to pay rental debt (3). Although North Carolina has issued these policies, they may not be enough to serve the growing amount of people struggling to pay rent every month.

HOUSING COST BURDEN BY INCOME GROUP



Note: Renter households spending more than 30% of their income on housing costs and utilities are cost burdened; those spending more than half of their income are severely cost burdened.
Source: NLIHC tabulations of 2018 ACS PUMS



IMMEDIATE RELIEF

DEVELOP RENTER RELIEF PROGRAMS

Renter relief programs, which distribute rent subsidies to eligible households, are one way states have used CARES funding to address housing insecurity during COVID-19. Two states in particular, Florida and Washington, have developed more equity-based approaches than North Carolina, which can be seen by comparing renter relief programs in each state.

North Carolina's current renter relief program utilizes Community Action Agencies, local government non-profits, to distribute funds to eligible households. Twenty-eight million dollars from CARES funding will be funneled towards Community Action Agencies, which will provide local governments, based on population size, with funding to prevent evictions, among other uses. However, these funds are not allocated solely for rent relief and may be diverted for other issues before tenants in the state can use them to pay their rent. Therefore, the structure of North Carolina's renter relief program may lead to only a shallow effectiveness in delivering rent subsidies to the eligible population.

FLORIDA: LOCAL TARGETING BASED ON REEMPLOYMENT ASSISTANCE RATE

Florida is utilizing the CARES Act funding to provide a renter relief program that directly targets local governments that need it the most. In addition to a statewide renter relief program, \$120 million from the CARES funding will be given to counties based on their reemployment assistance rate (4). This money can be used for rental and homeowner assistance, along with longer term solutions, such as new construction, rehabilitation, and homeownership counseling. By distributing more money to specific, target counties and providing longer-term solutions, the Florida government can attempt to offset those disproportionately affected by coronavirus.

WASHINGTON: EQUITY FOR MARGINALIZED COMMUNITIES

In Washington, the Department of Commerce is distributing \$100 million for rent assistance among all counties. The funding provides eligible tenants with payment for up to three months of past, present, or future rent. Each county must give out funds proportionally based on the percentage of people of color living below the poverty line (5). Washington's criteria for funding by county is another important attempt at more equitable policy for historically marginalized groups who are most severely affected by COVID-19.

In order to strive for equity, North Carolina could adopt a method of renter relief that targets specific counties/groups based on criteria such as reemployment rate, percentage of people of color living below the poverty line, or other signifiers that determine that a population is disproportionately affected by COVID-19.

CREATE AN EXTENDED MORATORIUM ON EVICTIONS

North Carolina could create a statewide moratorium on evictions and extend this policy until after the governor declares an end to the state of emergency. There have been two statewide orders along with a mandated federal moratorium executed through the CARES Act, which enforced eviction moratoriums (6). These policies, although helpful, expired over the summer and only apply to eligible households. By instituting a statewide policy, North Carolina would protect members of the community who are at risk for homelessness, while also safeguarding public health.

OREGON: STATE MORATORIUM FOR NONPAYMENT OF RENT, EXPANDED AT THE LOCAL LEVEL

Oregon's eviction moratorium, originally set to expire in June, was extended through the end of September (7). The new moratorium applies only to cases of nonpayment of rent. It gives tenants six months after the ban to pay back rent. One county in Oregon, Multnomah County, extended their eviction moratorium until January 8, 2021. Tenants don't need to prove that they can't pay rent in order to be protected under the moratorium, and there are penalties for landlords who try to violate the moratorium: a tenant can receive up to three months worth of rent and injunctive relief. These policies enacted at the local level go beyond what Oregon is offering to provide an additional safety net for residents.

NEW JERSEY: PREVENTING REMOVAL FROM RESIDENCE

The governor of New Jersey signed an executive order imposing a moratorium on removing individuals from their homes pursuant to an eviction or foreclosure proceeding (8). This ensures that no renter or homeowner will be removed from their residence. The order will continue for 60 days after the state of emergency has been lifted, a thoughtful addition that provides flexibility and time to plan for individuals who are struggling with eviction.

If North Carolina were to implement a statewide eviction moratorium, legislators could draw from Oregon and New Jersey, two states which have created an equitable short-term solution to housing insecurity.



LONG-TERM RELIEF

INVEST IN LONG-TERM AFFORDABLE HOUSING

North Carolina could pursue investment into and construction of more affordable housing properties as a long-term solution to mitigating housing insecurity. There are three primary ways through which North Carolina can promote the creation of affordable housing in the long-term: expand Low-Income Housing Tax Credits at the state level, create local housing trust funds, and promote the opportunity zone program.

However, housing and construction zoning laws, which have historically prevented the development of affordable housing in socioeconomically diverse areas like Charlotte and Raleigh-Durham, must be loosened as a prerequisite to any housing investment. These restrictive laws include single-family zoning requirements and a lack of rent control policies that keep rents inaccessible for many low-income individuals and families. Thus, before any of the following policies may be successfully implemented, zoning laws must be altered.

LOW INCOME HOUSING TAX CREDITS

California's coronavirus response is a prime example of affordable housing policy as a long-term response to reducing housing insecurity. Two billion dollars have been allocated towards general affordable housing development, with \$500 million directed towards the state's Low-Income Housing Tax Credit (LIHTC) program (9). The LIHTC is a tax incentive for private developers to acquire, construct, and/or rehabilitate low-income rental properties (10). An expansion of this program as has been executed in California will incentivize the development of affordable housing properties and begin to bridge the shortage of such properties in the status quo.

OPPORTUNITY ZONES

Opportunity zones provide investors with tax breaks when they put their unrealized capital gains towards the revitalization of low-income communities, often through the development of new, affordable housing (11). If states encourage investment groups to capitalize on the financial benefits that come with these developments, affordable housing can become more available in the long-run.

HOUSING TRUST FUNDS

Housing trust funds operate at the municipal, county, and state level to provide a stable source of funding for the construction and/or preservation of affordable housing. Trust funds source income from reliable sources designed to be recession-proof. These funds lack federal restrictions and so have more flexibility in how they distribute funding (12).

Collectively, these measures incentivize the construction and growth of affordable housing, which will reduce housing insecurity in the long-term — vital during times of economic downturn.



CONCLUSION

The immediate and long-term COVID-19 relief strategies implemented by these states can inform policy solutions to address housing insecurity in North Carolina. The policy options explored in this memo have been implemented by an ideologically and geographically diverse selection of states, ensuring a comprehensive view of the options available to North Carolina. However, it's important to note that because these policies have been enacted very recently, it is difficult to predict their efficacy in mitigating housing insecurity. Regardless, providing residents with better statewide options to address housing issues can ensure overall greater economic security for North Carolinians during this unprecedented time.

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