

Introduction

The COVID-19 pandemic has exacerbated a longstanding housing affordability crisis in the U.S. Municipalities across the country have developed emergency rental assistance programs in response to the economic fallout from COVID-19. The Housing Initiative at Penn (HIP) surveyed tenants applying for Philadelphia’s COVID-19 Emergency Rental Assistance (CERA) program, and the results confirm that pre-existing housing struggles have only become more profound for the lowest-income residents.¹ In fact, 39% of tenants who applied for rent relief and responded to HIP’s survey indicated they are going into debt during the pandemic and 32% reported that they are just getting by. Many tenants have also been trying to make life more affordable by cutting back on utilities (33%) or going without medical care (26%).

A tenant’s decreased ability to pay rent also affects property owners. However, much remains unknown about owner needs and how they affect owners’ willingness to engage in rental assistance programs.

Therefore, HIP recently surveyed landlords in Philadelphia to better understand owner needs and participation in rent relief programs in the wake of the pandemic.² Several key themes emerged:

1. Many landlords faced financial challenges prior to the pandemic.

In Philadelphia, many owners were experiencing difficulties in their rental businesses prior to COVID-19 (Figure 1). Specifically, 23% of owners who responded to the survey indicated having difficulty “paying for repairs or renovations to their rental properties” before March 1, 2020.³

2. Owners face increased financial challenges due to COVID-19.

The existing challenges owners faced with financing their properties have only been exacerbated over the last several months (Figure 1). Over 28% of

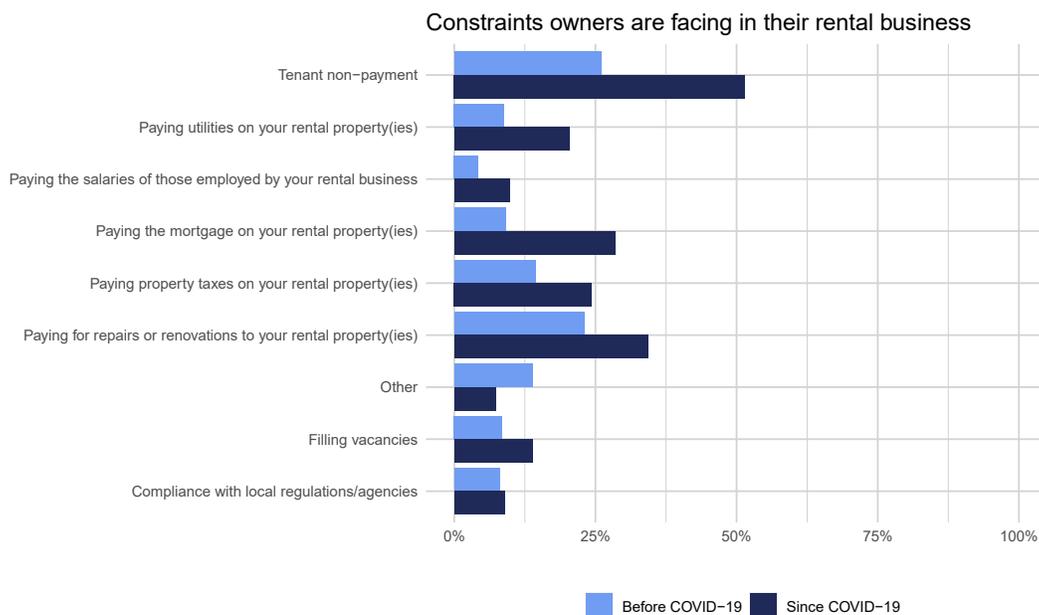


Figure 1

landlords indicated now having difficulty paying the mortgage on their rental properties – a 68% increase since March. Unsurprisingly, owners also responded that filling vacancies has become tougher since the pandemic began.⁴

Owner Profile

In Philadelphia, most landlords are small businesses who cannot afford a lengthy loss of cash flow, and the owners who responded to HIP’s survey reflect this reality. About 43% of owners who participated in the survey have only one to five units in their portfolio. In addition, approximately 34% have operated as landlords in Philadelphia for less than 10 years.

Rent Relief Programs

The City of Philadelphia has launched two rental assistance programs since the onset of the pandemic. Phase 1 is a local program (CERA) that aims to provide 4,000 households with up to \$2,500 in assistance for 3 months. Phase 2 is a statewide program run by the Pennsylvania Housing Finance Agency, but administered locally by the City of Philadelphia, and could help another 6,300 renters. Unlike CERA, Phase 2 provides a set amount of \$750 per month over 6 months. A key feature of both programs, much like most rent relief programs across the country, is that the rental subsidy flows through the owner. This means that a tenant applies to the program, but the owner ultimately decides whether to accept payments offered through the program.

One hurdle the City of Philadelphia has faced is low landlord participation rates. In fact, nearly 37% of tenants who applied for rent relief were unable to

receive it due to owner non-response or an active owner decision to not join the program. Since payments go directly to the owner, having landlords agree to participate is critical for program success. This low uptake, however, appears to contradict owner need for rental assistance, as tenant nonpayment is a primary concern of owners (Figure 1).

Low landlord participation could be related to some of the program requirements.⁵ These programs often offer specific dollar amounts of subsidy and place certain requirements on owners in exchange for assistance. In the survey, HIP asked owners to evaluate the reasonableness of program features to better understand their decisions and desire to engage. About 70% of owners who responded to HIP’s survey participated in the CERA program, which is slightly higher than the actual owner participation rate of 63.1%. As a result, these numbers likely reflect a higher willingness to agree to program parameters compared to the average owner. A few key themes emerged:

1. Owners view some concessions as more reasonable than others.

There were several features of Philadelphia’s rent relief programs that owners may or may not see as reasonable: accepting a fixed payment amount, forgiving back rent, waiving late fees, and engaging in a repayment agreement. The fixed payment amount is not only a requirement of Phase 2, but it also acts as a rent cap - landlords cannot charge tenants the remainder of the rent that the subsidy does not cover.⁶ Our results show that well over half of owners find it somewhat unreasonable or unreasonable to accept \$750 for the full rent of a unit or forgive back rent (Table 1).

Owner perceptions on reasonableness of program requirements

	Reasonable	Somewhat Reasonable	Somewhat Unreasonable	Unreasonable	No Answer
Accept \$750	18.6%	17.2%	16.8%	45.6%	1.8%
Forgive Back Rent	18.5%	19.0%	18.6%	42.5%	1.5%
Waive Late Fees	53.8%	23.9%	9.2%	11.3%	2.0%
Repayment Agreement	39.1%	33.8%	11.9%	13.6%	1.6%

Table 1

2. Owners' perceptions may vary based on their rent levels and their relationship with their tenants

When asked what the lowest amount they would be willing to accept as full rent would be, only 14.7% of owners stated they would be willing to accept \$750.⁷ However, about 11% responded that the amount depended on how long the tenant had been renting from them and about 24% said they would prefer the amount of assistance to be a percentage of the unit's current rent.

The majority of owners who preferred assistance to be a share (68.9%), indicated it should be at least 80% of current rent. Of these owners, 43% stated the share should be at least 90% of current rent, which leaves little flexibility for rental assistance programs.

Table 1 does, however, indicate landlords may be willing to pursue options besides discounting rent to lessen the burden on renters, such as entering into repayment agreements with tenants and waiving late fees during the assistance period.

However, we found that even some landlords who viewed programmatic requirements as reasonable still chose not to engage in the CERA program. For example, of the 53.8% of owners in our survey who stated that waiving late fees is a reasonable program requirement, about 8% chose not to participate in CERA and another 5.4% were unsure about their participation status.

In addition to the requirements discussed above, waiving eviction is a common program condition. Both of Philadelphia's rental assistance programs required owners to waive eviction during the period of assistance, and Phase 2 required landlords to not pursue eviction for 60 days following the final month of assistance. About 18% of owners responded that they would not waive their right to evict. These

owners are more likely to not participate and may not compromise on other basic requirements.

While the survey captured perceptions on a variety of program elements, there may be other reasons for why owners did not engage. First, property owners may face a digital divide, making it difficult to provide the required documentation. Second, tenants could have provided incorrect contact information for their landlords. Finally, some landlords may just distrust government programs, among other reasons.

Conclusion

It is clear that housing insecurity is only increasing as the COVID-19 pandemic continues. Understanding issues both tenants and landlords are facing is critical for rent relief programs to be successful. Key takeaways from this survey include:

1. Low-income households are consistently exposed to economic shocks and receive little housing support, and while these needs are longstanding, they have been further amplified by COVID-19.
2. Property owners have also experienced longstanding financial difficulties, which have only further compounded due to COVID-19, particularly in cities like Philadelphia where most owners have a smaller portfolio of properties.
3. The vast majority of owners are willing to engage in rent relief programs, but a one-size-fits-all model for the provision of assistance could discourage some landlords from participating, rendering their tenants unable to receive much-needed financial support.
4. There is a small share of owners with no desire to engage in any rent relief program. We must acknowledge that reality and develop safety nets for tenants who need the relief but cannot access it.

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¹ The tenant survey was available during the application period for CERA in mid-May and reflect the responses of 2,620 renters. The responses included in this brief correspond to the questions:

² The owner survey was available between September 4, 2020 and September 23, 2020 and responses for 612 landlords were recorded.

³ These responses correspond to the question: 'What problems were you facing before March 1, 2020 (before COVID) in your rental business? (select all that apply)'

⁴ Owners were asked: 'Since March 1, 2020 (since COVID), what new or increased problem(s) (if any) are you facing in your rental business? (select all that apply)'

⁵ HIP's survey asked owners: 'Please share how reasonable you find each of the program requirements below, as features of a COVID-19 rental assistance program.'

⁶ Since HIP's survey was distributed, Governor Wolf has eliminated this requirement of the Phase 2 program.

⁷ Owners were asked: 'Assuming the tenant could not otherwise pay full rent, if a rental assistance program requires that you accept a maximum rent for your unit while receiving assistance, what is the lowest amount that you would accept?'