

WORKING DRAFT AS OF JUNE 15

TO: Mayor Fischer/Metro Council
FROM: Mary Ellen Wiederwohl, Jeff O'Brien, Marilyn Harris
DATE: June 15, 2020
SUBJECT: Coronavirus Relief Fund Eviction Prevention DRAFT Proposal

Background: Housing is a basic human right. One of the primary ways we can fight COVID-19 is by staying home. These days, a home is a luxury for many. Being faced with eviction or a threat to be evicted are stresses that can be avoided. We are confronted with unprecedented challenges and unprecedented need. We must provide increased support to help with these growing concerns or more households will be homeless.

In Louisville, a total of 121,000 households pay rent. The median gross rent in Louisville is **\$770**. The Louisville Apartment Association, which represents approximately 65,000 units in Louisville, reports that current delinquencies with their members are running between 20-30% (normal rate is 5-10%), and the National Multi-Family Housing Council reports a 19.2% delinquency rate as of June 6, 2020 (<https://www.nmhc.org/research-insight/nmhc-rent-payment-tracker/>). In a normal month, 6,050-12,100 renters are delinquent. However, with steep job losses resulting from the pandemic, it is estimated that an additional 12,100-24,200 households are behind in their rent payments. Within these numbers, there is no real way to differentiate what is COVID-19 related and not (other than to note historical delinquencies are around 10% each month).

Rent non-payment or delinquency has not been as bad as some had feared. The federal CARES Act provided one-time Economic Impact Payments to American households of up to \$1,200 per adult for individuals whose income was less than \$99,000 (or \$198,000 for joint filers) and \$500 per child under 17 years old – or up to \$3,400 for a family of four. There is evidence that the federal funds helped pay rent for many. Further, the enhanced Pandemic Unemployment Assistance that provides an additional \$600 per week has also likely helped forestall many delinquencies; that \$600 extra payment is currently set to expire on July 31, 2020.

On March 6, 2020 Governor Andy Beshear issued Executive Order 2020-215 declaring a State of Emergency in the Commonwealth of Kentucky in response to COVID-19, and a subsequent Executive Order was issued on March 25, 2020 (Executive Order 2020-257) that suspended evictions. In response to Executive Order 2020-257, the Kentucky Supreme Court issued Ruling 2020-22 that prohibited filing of evictions until July 1, 2020.

Current Eviction Prevention Program during COVID-19

For the past three (3) months LMG has combated rent delinquencies by applying a tenant-based approach. In those three (3) months, the Office of Resilience and Community Services (RCS) has been working to award \$2,858,709 of private dollars raised through the One Louisville Fund. As of the date of this memo, \$1,749,487.31 has been paid directly to landlords or the utility companies on behalf of 2,122 households (with a maximum of \$1,000 each). RCS has 63 applications totaling \$22,820.73 in process (pending paperwork, documentation, verification, etc.). They are still accepting applications for the funds. The process is slow and paperwork intensive, but the process ensures that low income tenants in all types of housing arrangements can receive the benefit.

In addition to the One Louisville Fund, Metro received an additional \$6,745,161 of CDBG funds specifically slated to respond to the COVID-19 pandemic. Of that allocation, \$3,145,161 will be used for

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Eviction Prevention and Housing Stabilization for low-income and homeless persons. The eviction funds will go to help all households at or below 80% Area Median Income (AMI) and it is expected that these funds will help 795 households (note: none of these funds have been released by HUD).

Metro also very recently received an additional \$5,400,000 of Emergency Solutions Grant (ESG) funding the week of June 8, 2020. A portion of those funds can be used to provide rental assistance. A final plan for those funds has not been developed at this time; however, CARES Act ESG funds must be used to assist households at or below 50% of (AMI), which is \$27,150 for a single person, \$34,900 for a family of two. Public input and HUD approval is required before these funds can be spent.

Proposal to Extend and Expand Eviction Prevention with Coronavirus Relief Fund appropriation

GOAL: Streamline and expedite the application and payment processes for landlords and tenants to quickly remediate delinquent rent accounts to help stop a predicted steep rise in evictions when the court opens on July 1 for “Forcible Detainer” filings and hearings.

Two-pronged approach:

1. Continue a tenant-based application process that is currently underway but reduce eligibility to 60% of AMI (\$45,840/year for a family of four). Given the mix of funding sources the current program permits households of up to 100% AMI, however, a very large need is anticipated and it will be critical to prioritize those at lower income levels as many may already be facing housing instability. Further, using the 60% AMI level will allow for faster processing.
2. Instituting a new landlord-based application process for landlords of federally-subsidized units to apply on behalf of multiple tenants who are experiencing recent delinquencies, reducing the paperwork and time it takes to distribute funds.
 - ✓ This landlord-based process streamlines the process, eliminates the need for tenant income verification by LMG staff (because they are already verified by nature of being in a federally-subsidized unit), and expedites the fund distribution in that one application can cover 10, or 20 (or more) tenants.
 - ✓ It prioritizes low- and moderate-income residents and properties that are subsidized to ensure that we assist the residents who are in most need. There are approximately 30,375 subsidized multi-family housing units in Louisville-Jefferson County. All of these units serve households at or below 60% of AMI.
 - ✓ This landlord-based approach removes the tenant from the application process and allows landlords to apply on the tenant’s behalf. Each landlord will have to show that the tenant has not paid the rent by providing current Rent Rolls/Accounts Receivable Reports, and certifications from the tenants.
 - ✓ Metro will pay landlords based on tenants that experienced rent delinquency during the COVID-19 pandemic (for rent due and unpaid for April 1, 2020-August 1, 2020). This is a coordinated effort between the Louisville Metro Housing Authority, the Office of Resilience and Community Services and the Office of Housing to ensure that tenants that have already received assistance are not receiving duplicative assistance.

Funding Request: \$21.2 million

Source: Federal CARES Act Funds

Start date: July 1, 2020

Our best information indicates Louisville’s delinquency rate has doubled to **20% due to COVID**. Of the 30,475 low- and moderate-income housing **multi-family units**, we estimate at least 6,075 households

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are delinquent due to COVID-19. Louisville's average rent is \$770. At \$15,000,000, all of these households can be served for up to three months ($6,075 \times \$770 \times 3 = \$14,033,325$). With the additional \$6.2 million in funds, we can assist them for more months or assist other families who live in single-family subsidized housing and/or do not live in any form of subsidized housing but meet a similar income threshold.

More detail on proposed landlord-based program:

Provides delinquent rent payments to landlords who are providing housing for the low to moderate income populations. Application made electronically and prioritized as follows for affordable housing units (households at or below 60% of area median income) or more than 50% of their units in the HCV Program.

Eligibility: To be eligible, properties would have to:

1. Be currently registered on the Rental Registry
2. The landlord could have no outstanding code violations for the property for which rent is being paid.
Note: individual tenants could still apply through the existing rental assistance program.
3. Would be required to waive all late fees, fines, and penalties.
4. Would be required to forgo evictions for assisted tenants for 60 days after assistance is provided.
5. Provide pre-COVID-19 rent rolls to document delinquency rates before and after the pandemic.