

Background material for Subcommittee on Housing, Community Development, and Insurance

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The economic crisis of the past few months has wreaked havoc on household budgets, especially for low-wage workers. Even before the crisis, more than 10 million households spent more than half their income on rent.¹ Workers who have lost their jobs or seen their hours reduced are struggling to pay rent and utilities, to buy food and other necessities.

Decent quality, stable housing is essential for individual and community well-being. One possible policy to keep renters in their homes is to pass a temporary moratorium on evictions.² Suspending evictions may be appealing in the short term, but it is not a long-term solution. Eviction moratoriums could lead to further economic harm, for three reasons.

First, allowing renters to defer current rent payments to some future date will most likely result in households accumulating debt that they cannot pay off.³ Families who cannot afford one month of rent now will face even greater difficulty paying several months of overdue rent when the moratorium comes to an end.

Second, halting rent payments will have harmful ripple effects throughout local economies. Landlords rely on rent checks to pay their mortgages, insurance, utilities, and property taxes to local governments.⁴ Rent checks pay the wages of other workers. Large property owners employ in-house maintenance and housekeeping staff, while small landlords hire independent contractors, such as plumbers and electricians. When renters cannot pay their landlords, other workers and small businesses will lose income.

The third concern about eviction moratoria is that they may discourage small-scale, non-professional property owners from being landlords. In recent years, many cities have tried to increase the supply of rental housing through “gentle density”.⁵ For instance, homeowners are encouraged to convert their basement or garage into an accessory dwelling unit (ADU).⁶ Policies that make being a landlord more complicated or riskier are a disincentive to operating small-scale rental housing.

¹ https://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_Americas_Rental_Housing_2020.pdf

² <https://www.marketplace.org/2020/03/16/growing-number-of-cities-states-halting-evictions-because-of-coronavirus/>

³ <https://housingmatters.urban.org/articles/when-pandemic-hits-pausing-evictions-can-help-renters-and-landlords-its-not-enough>

⁴ <https://www.brookings.edu/blog/the-avenue/2020/03/25/halting-evictions-during-the-coronavirus-crisis-isnt-as-good-as-it-sounds/>

⁵ <https://www.smartergrowth.ca/what-gentle-density-and-why-do-we-need-it>

⁶ <https://www.citylab.com/design/2018/01/the-granny-flats-are-coming/550388/>

Congress has two policy tools that would be more effective to help renters stay in their homes.

First and most importantly, continue to provide financial support directly to households.⁷ Replacing lost income will allow both renters and homeowners to pay for housing and other necessities.

Second, grants or low-interest loans to property owners could help preserve and protect existing affordable housing. Renters are at higher risk of eviction when their landlords fall behind on taxes and other bills.⁸ Older apartment buildings are often targeted by investors who plan to raise rents. Targeted support to small property owners could help avoid the permanent loss of existing affordable housing.

Congress has already acted to help households and businesses weather the initial impact of the pandemic. More targeted assistance is needed to keep renters in their homes and allow landlords to continue providing safe, habitable housing to all their tenants.

⁷ <https://www.brookings.edu/multi-chapter-report/recession-ready-fiscal-policies-to-stabilize-the-american-economy/>

⁸ https://www.huduser.gov/portal/periodicals/cityscape/vol20num3/Cityscape-November_2018.pdf#page=165