Dedicated Rental Assistance in Pennsylvania in Response to COVID-19

On May 29, 2020, using part of Pennsylvania’s share of the federal Coronavirus Relief Fund, the state allocated $175,000,000 to the newly created program, The COVID Relief - Mortgage and Rental Assistance Grant Program.

The Housing Alliance thanks the Governor and General Assembly for their commitment to provide rental and mortgage assistance to those facing financial hardships due to the COVID-19 Pandemic. The Housing Alliance will continue to work with tenants, landlords, communities, social service providers, and industry associations to better understand the challenges facing low-income renters. We strive to develop solutions to meet the immediate needs for families to stay in their homes and solutions addressing long-standing structural imbalances and inequities facing low-income families and their options for affordable, safe, and quality homes.

In this brief, we step through the many factors that demonstrate the need for dedicated rental assistance in Pennsylvania.

Overall,

1) The negative economic impact of the COVID-19 pandemic is significant and renters are disproportionately impacted.

2) There was demand for rental assistance and other supports for low-income families before the COVID-19 pandemic that were not met.

3) Not everyone is eligible for other existing benefits, such as unemployment compensation, and for those who are, delays in receiving benefits can have big financial implications.

4) Many landlords are individual investors who operate on tight margins and rely on rent to meet their obligations on the property, including mortgage payments, regular maintenance, and necessary repairs.

5) Expanded funding sources, such as Community Development Block Grants, that were previously potential sources for emergency rental assistance have competing demands – including direct medical uses and testing for COVID-19.
More than 1.9 million Pennsylvanians have filed for unemployment since March 15, 2020.

In April 2020, national unemployment reached 14.7% and by mid-May, more than 1.9 million Pennsylvanians, or 14% of the Pennsylvania population, applied for unemployment compensation since March 15, 2020.

<table>
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<tr>
<th>National Unemployment Rates¹</th>
<th>Pennsylvanians that have filed for unemployment since March 15, 2020²</th>
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</thead>
<tbody>
<tr>
<td>Feb 2020</td>
<td>Mar 2020</td>
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<tr>
<td>3.5%</td>
<td>4.4%</td>
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The majority of renters in PA have low incomes and most extremely low-income renters are housing cost burdened.

In Pennsylvania, 28% of all renter households have extremely low-incomes. In total, 68% of renter households have low income, very low income, or extremely low-incomes.³

Cost burdened households pay more than 30% of their income, and severely cost burdened households pay more than 50% of their income, for housing expenses including rent/mortgage, utilities, and other housing related fees and taxes. Those living cost burdened or severely cost burdened may have difficulty affording other necessities such as medical care, food, clothing, and transportation.

“...many adults are financially vulnerable and would have difficulty handling an emergency expense as small as $400. In addition, volatile income and low savings can turn common experiences—such as waiting a few days for a bank deposit to be available—into a problem for some.”⁴

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² Since March 15 and as of April 28, 2020 according to the PA Dept of Labor and Industry https://www.uc.pa.gov/COVID-19/Pages/UC-Claim-Statistics.aspx
The largest number of jobs lost are in sectors of the economy with the lowest wages.

Average Annual Wages by Industry

Leisure and hospitality

We know the economy will recover, but we don't know how quickly and when jobs will return.

It took the economy years to recover after the recession in 2008. Unemployment during the 2008 recession peaked at 9.9%. April 2020 unemployment is 14.7%. Some of the job loss may be permanent.

Moody’s Anticipates Unemployment to Remain Above Pre-COVID-19 Levels into 2021

In the months before the COVID-19 pandemic, national unemployment was at 3.5%. Moody’s forecasts the unemployment rate to be 7% by the 4th quarter of 2021.

“It is unlikely that all of the workers who have lost their jobs will be absorbed back into the labor market when economic activity restarts. Several factors will keep the unemployment rate elevated well into 2021.”


Source: Moody’s Investor Services, “Jobless rate soars in Q2 as shutdowns take massive toll on activity”, 1 May 2020


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Many rental properties are owned by individual investor who operate on tight margins.

Individual investors own 76% of all single-family rents and 77% of all small rental buildings with two to four units. If tenants are unable to pay rent, landlords don’t have money to pay their bills related to the property or the ability to invest money back into the property, including regular maintenance and necessary repairs.

Share of Rental Properties Owned by Individual Investors

Dedicated rental assistance is needed because other potential sources of rental assistance have multiple demands upon them.

The federal and state governments expanded financial resources to help address COVID-19 directly and deal with the economic fallout that has occurred in fighting the pandemic. However, not everyone is eligible for these resources or they have other competing demands for which they can be used. We are thankful that, along with the resources below, Pennsylvania now has The COVID Relief - Mortgage and Rental Assistance Grant Program to help families stay in their homes and help landlords meet their financial obligations.

<table>
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<tr>
<th>Unemployment Compensation</th>
<th>CDBG, ESG and HOPWA</th>
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<tr>
<td>Due to high volume and new programs, 30% of applications to the Pennsylvania Unemployment Commission are unresolved and/or have not received payments as of the first week of May 2020. Also, not everyone is eligible for unemployment compensation. For example, high school and college graduates entering the job market for the first time and those who are still working and have not had their hours reduced, but have seen a decline in wages/revenues due to reduced demand for services are not eligible.</td>
<td>Community development block grants (CDBG), emergency solutions grant (ESG) and housing opportunities for persons with aids (HOPWA) can be used for emergency rental assistance and other housing needs (and we support those uses). However, there are dozens of other community programs and needs for which these funds can be used. Specifically, they can be used to directly respond to COVID-19 including testing, medical equipment, medical supplies, social distancing, meal delivery, and small business support.</td>
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