



TERRA LAWSON-REMER
SUPERVISOR, THIRD DISTRICT
SAN DIEGO COUNTY BOARD OF SUPERVISORS

AGENDA ITEM

DATE: May 4, 2021

TO: Board of Supervisors

SUBJECT

EXPANDING RENTAL ASSISTANCE TO SUPPORT TENANTS AND SMALL-SCALE INDEPENDENT PROPERTY OWNERS (DISTRICTS: ALL)

OVERVIEW

The COVID-19 pandemic has deeply impacted individuals, families, and businesses across the County of San Diego as the region has seen 275,096 positive COVID-19 cases and 3,684 deaths. The pandemic also sent economic shockwaves that led to highest unemployment rates since the Great Depression, peaking at over 25% in May 2020 and leaving a quarter million San Diegans out of work. Many businesses have permanently closed or partially reopened with reduced staffing capacity.

County and State government responded quickly with measures to limit the spread of the virus and keep people stably housed during this public health emergency. The County of San Diego issued a Local Health Emergency on February 14, 2020 followed by the Governor's State of Emergency on March 4, 2020.

On August 31, 2020, the State of California enacted the COVID-19 Tenant Relief Act (AB 3088, 2020), to provide temporary eviction protections for tenants unable to pay rent due to COVID-19 hardships. The passage of SB-91 on January 31, 2021 extended these eviction protections for additional five months and outlined a rental assistance program to support low-income tenants.

Following the passage of SB-91, the County of San Diego launched a \$107 million Emergency Rental Assistance Program (ERAP) to provide critical support to low-income renters and help them stay in their homes. However, we also need to consider the impact of the pandemic on the broader housing ecosystem, including small-scale, independent, property owners (often referred to as "mom-and-pop" property owners), who have been disproportionately impacted by loss of income and are at risk of delinquency and foreclosure. Landlords are estimated to see a rent shortfall of \$25-34 billion nationally due to the pandemic. While large, corporate real estate investors and development conglomerates can absorb such costs and have greater access to

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capital and bank loans, small-scale mom and pop property owners are far more likely to fall into delinquency and risk of foreclosure. Approximately 30% of mom-and-pop property owners have not been able to access federal mortgage forbearance programs, which only apply if their mortgage is backed by federal government entities, like Fannie Mae and Freddie Mac. Another 1.7 million homeowners will be exiting mortgage forbearance programs in the coming months. Further, a \$100 billion tax break provision in the CARES Act went almost entirely to wealthy individuals and large real estate corporations, leaving mom and pop property owners with little to no support.

Mom-and-pop property owners account for roughly half of the rental housing market. They are mostly concentrated in single-family and duplex properties and generally have a better track record of responsible property management. There are a few key subpopulations within this category that are of particular concern:

- Seniors living on a fixed income who have life savings and retirement assets invested in one or more rental properties and are relying on the rental income for support;
- Military families that have been deployed and are renting their property to cover the mortgage expenses;
- Households economically impacted by COVID, who may have had to sell their primary residence, and are looking to move into their rental property.

Many mom-and-pop property owners are not eligible for the County's rental assistance program because their tenants do not income qualify under SB-91 guidelines. However, the tenants may still be behind or not paying rent, so the burden is increasingly falling on these small-scale property owners to keep up with mortgage and property payments, even in the absence of rental income.

Struggling mom-and-pop property owners are more likely to be forced to sell to large corporate investors and hedge funds or fall into foreclosure and bank ownership. A similar scenario happened after the 2007 financial crisis, which led to negative outcomes for property owners, tenants, and their surrounding communities, and disproportionately impacted communities of color. We need to act to avoid a similar wave of foreclosures among small-scale property owners.

Today's action directs the Chief Administrative Officer to: (1) analyze the rental shortfall and housing assistance need among small-scale, mom-and-pop property owners, and (2) develop a new rental assistance program to support small-scale mom-and-pop property owners who substantially rely on rental income, are experiencing significant rental payment shortfalls from their tenants, and have not been able to access or are ineligible for other sources of government support (mortgage forbearance, income-targeted rental assistance, etc.). These measures will ensure that the County provides a comprehensive COVID-19 response and advances a robust support framework that considers the impact of the pandemic across the housing landscape. I urge my colleagues to join me in supporting this measure.

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RECOMMENDATION(S)

SUPERVISOR TERRA LAWSON-REMER

1. Direct the Chief Administrative Officer to analyze the rental payment shortfalls and housing assistance needs among small-scale, independent, property owners that have experienced COVID-19 related rental income shortfalls and develop a new rental assistance program tailored to meet these needs. The Chief Administrative Officer should provide options for a program funding amount based on the analysis of need. Program funding will be dedicated from the COVID-19 Funding Framework for the American Rescue Plan Act of 2021 (ARPA) and earmarked from within the \$100 million dedicated to tenant protections, homeless services, and hotel/motel acquisitions.
2. Report back with a memo to the Board with a recommended funding amount for the new rental assistance program tailored to meet the needs of small-scale, independent, property owners.

FISCAL IMPACT

There is no fiscal impact associated with this action. The ARPA framework will be finalized, and funds appropriated, once when federal guidelines are released.

BUSINESS IMPACT STATEMENT

This action will help support individuals, families, and small businesses impacted by the COVID-19 pandemic.

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

The COVID-19 pandemic has deeply impacted individuals, families, and businesses across the County of San Diego as the region has seen 275,096 positive COVID-19 cases and 3,684 deaths. The pandemic also sent economic shockwaves that led to highest unemployment rates since the Great Depression, peaking at over 25% in May 2020 and leaving a quarter million San Diegans out of work. Many businesses have permanently closed or partially reopened with reduced staffing capacity.

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Following the passage of SB-91, the County of San Diego launched a \$107 million Emergency Rental Assistance Program (ERAP) to provide critical support to low-income renters and help them stay in their homes. However, we also need to consider the impact of the pandemic on the broader housing ecosystem, including small-scale, independent, property owners (often referred to as “mom-and-pop” property owners), who have been disproportionately impacted by loss of income and are at risk of delinquency and foreclosure. Landlords are estimated to see a rent shortfall of \$25-34 billion nationally due to the pandemic. While large, corporate real estate investors and development conglomerates can absorb such costs and have greater access to capital and bank loans, small-scale mom and pop property owners are far more likely to fall into delinquency and risk of foreclosure. Approximately 30% of mom-and-pop property owners have not been able to access federal mortgage forbearance programs, which only apply if their mortgage is backed by federal government entities, like Fannie Mae and Freddie Mac. Another 1.7 million homeowners will be exiting mortgage forbearance programs in the coming months. Further, a \$100 billion tax break provision in the CARES Act went almost entirely to wealthy individuals and large real estate corporations, leaving mom and pop property owners with little to no support.

Small scale property owners account for roughly half of the rental housing market. They are mostly concentrated in single-family and duplex properties, have a better track record of responsible property management, and evict tenants at far lower rates compared to large corporate landlords. There are a few key subpopulations within this category that are of particular concern:

- Seniors living on a fixed income who have life savings and retirement assets invested in one or more rental properties and are relying on the rental income for support;
- Military families that have been deployed and are renting their property to cover the mortgage expenses;
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Today's action directs the Chief Administrative Officer to: (1) analyze the rental shortfall and housing assistance need among small-scale, mom-and-pop property owners, and (2) develop a new rental assistance program to support small-scale mom-and-pop property owners who substantially rely on rental income, are experiencing significant rental payment shortfalls from their tenants, and have not been able to access or are ineligible for other sources of government support (mortgage forbearance, income-targeted rental assistance, etc.). These measures will ensure that the County provides a comprehensive COVID-19 response and advances a robust support framework that considers the impact of the pandemic across the housing landscape.

While details of the program will be developed and finalized by County staff, the proposed program criteria for consideration include:

- Eligible rental properties should be located in the County of San Diego
- Eligible rental arrears period covers April 2020 to March 2021, up to 12 months
- Eligible rent arrears should represent at least 25% of rental income covering the eligible period
- Recipients should be property owners who substantially rely on income from eligible rental properties
- Recipients should reside in the County of San Diego
- Recipients should have a net worth of less than \$5 million
- Recipients should have significant rental payment shortfalls from tenants and be impacted by any County of San Diego eviction moratorium policies
- Recipients should be ineligible for or not able to access mortgage forbearance programs, Paycheck Protection Program (PPP) funds, or any other source of governmental COVID-19 financial assistance that would compensate for lost rental income, including local rental assistance programs developed by the County of San Diego and incorporated cities.
- Maximum funding award amount any property owner can receive is 70% of unpaid rent arrears during the eligible period.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's proposed action support the Building Better Health and Living Safely initiatives in the County of San Diego's 2021-2026 Strategic Plan, as well as the County of San Diego's Live Well San Diego vision, by supporting individuals, families, and small businesses impacted by the COVID-19 pandemic.

Respectfully submitted,



TERRA LAWSON-REMER
Supervisor, Third District

ATTACHMENT(S)

N/A

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AGENDA ITEM INFORMATION SHEET

REQUIRES FOUR VOTES: Yes No

WRITTEN DISCLOSURE PER COUNTY CHARTER SECTION 1000.1 REQUIRED

Yes No

PREVIOUS RELEVANT BOARD ACTIONS:

April 6, 2021 (5) RECEIVE UPDATE ON THE COVID-19 RESPONSE, RATIFY ACTIONS IN RESPONSE TO THE LOCAL HEALTH EMERGENCY AND LOCAL EMERGENCY, APPROVE THE THIRD AMENDMENT TO THE LEASE AGREEMENT FOR 4990 VIEWRIDGE, ESTABLISH APPROPRIATIONS TO IMPLEMENT THE EMERGENCY RENTAL ASSISTANCE PROGRAM, ESTABLISH APPROPRIATIONS FOR THE GREAT PLATES DELIVERED PROGRAM, AUTHORIZE ACCEPTANCE OF COVID-19 EPIDEMIOLOGY AND LABORATORY CAPACITY ENHANCING DETECTION EXPANSION FUNDING, AUTHORIZE COMPETITIVE SOLICITATION FOR COVID-19 SEROEPIDEMIOLOGICAL STUDY, AUTHORIZE ACCEPTANCE OF RACIAL AND ETHNIC APPROACHES TO COMMUNITY HEALTH FUNDING, AND AUTHORIZE ANY OTHER ACTION NECESSARY TO ADDRESS THE COVID-19 PANDEMIC (DISTRICTS: ALL)

BOARD POLICIES APPLICABLE:

N/A

BOARD POLICY STATEMENTS:

N/A

MANDATORY COMPLIANCE:

N/A

ORACLE AWARD NUMBER(S) AND CONTRACT AND/OR REQUISITION NUMBER(S):

N/A

ORIGINATING DEPARTMENT: District 3, Board of Supervisors

OTHER CONCURRENCE(S): N/A

CONTACT PERSON(S):

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