THE COVID-19 EVICTION DEFENSE PROJECT

COLORADO EVICTION RISK

JUNE 8, 2020

WE ARE A SOCIAL ENTERPRISE THAT AIMS TO STOP MASS EVICTIONS AND HOMELESSNESS IN THE WAKE OF THE COVID-19 CRISIS

COLORADO FACES A COVID-19 EVICTION CRISIS

What we're hearing from tenants

Tenant: *Our lease ends June 1st and our landlord is trying to force us to re-sign now despite the fact that my fiancé is our sole provider and lost his job last month due to COVID 19. They're ignoring my emails to ask for leniency even though we have a 3 year old and they know we have another baby due in May.*

What we're hearing from landlords

Landlord: *We'd love to not push so hard on your client or offer better payment terms, but we can't. Given our mortgage and maintenance costs, we really need people to pay on time or pay soon. We're worried about losing the property. We're going to have to move to eviction as soon as the moratorium is over*

Where this leads…

THE COVID-19 EVICTION DEFENSE PROJECT RESPONDS TO THIS UNPRECEDENTED CRISIS BY:

- Pairing Lawyers with Tenants
- Developing Economic Analyses & Legislation
- Amplifying human experiences with this crisis
- Providing financial support for renters

CEDP client Kendra Tallent and her family tell their story

EVICTION RISK MANIFESTS IN TWO WAYS

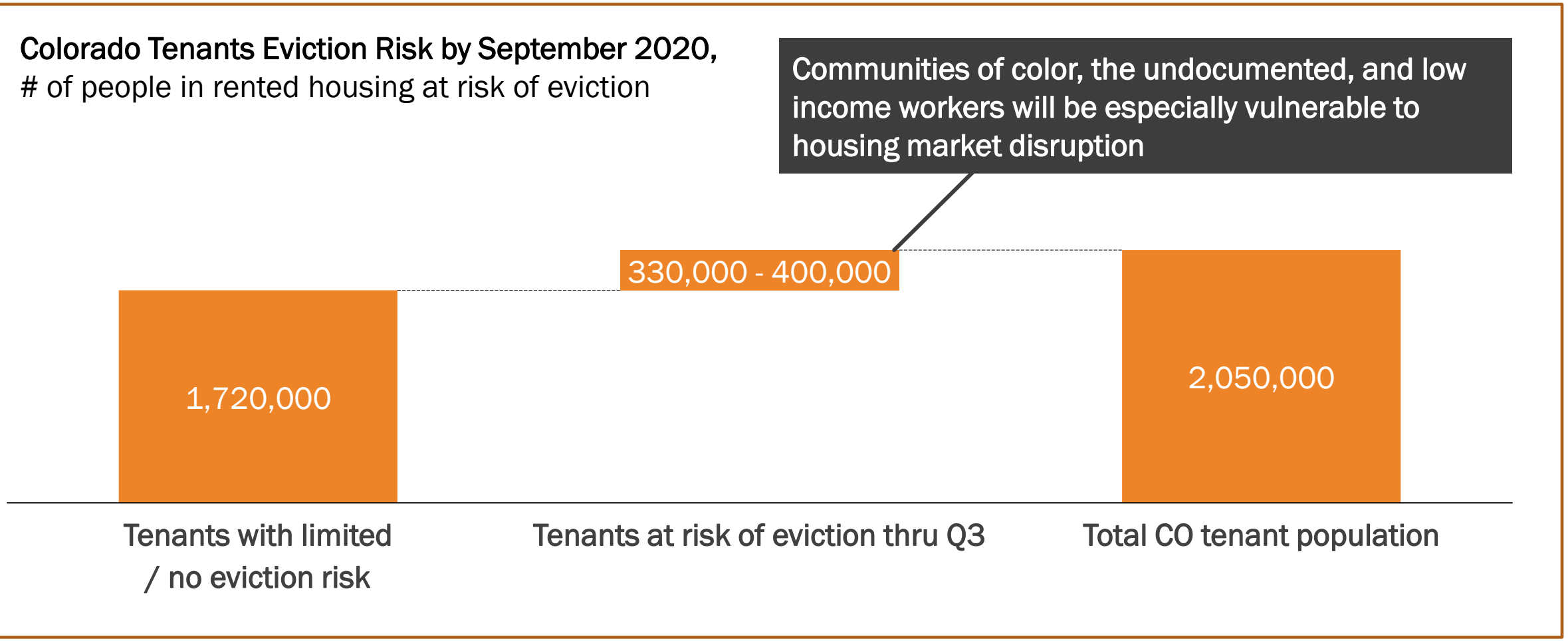
1 Long-term income loss:

- Federal and local benefits are inaccessible (e.g., undocumented workers, some contract / gig workers, and some long-term unemployed people)
- Benefits do not meet expenses for many middle-income families, making rent payments impossible
- Reemployment prospects are limited, and benefits expire over the summer, prior to a return to work

2 Short-term cash flow problems:

- Benefits are delayed or arrive inconsistently, creating cash flow problems
- There is an unexpected medical or family expense that puts short-term pressure on cash availability

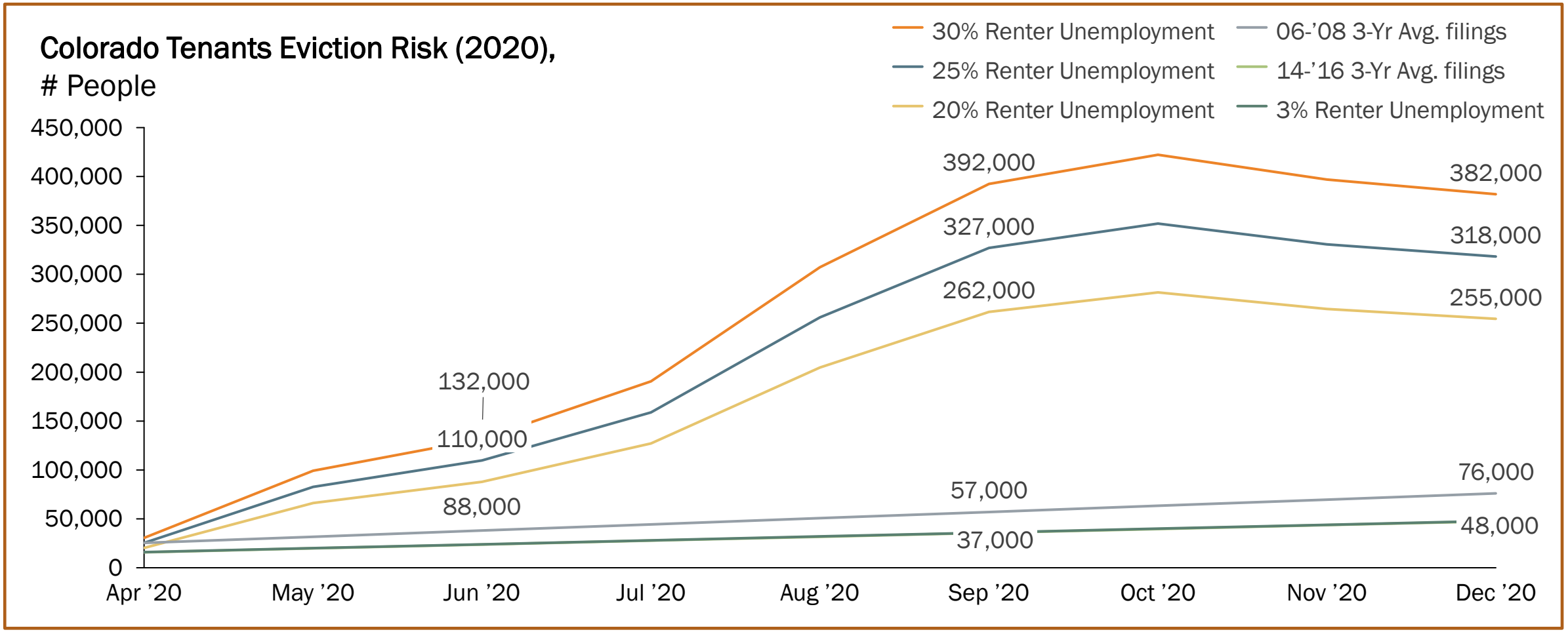
ALMOST 330,000-400K COLORADANS WILL STRUGGLE TO PAY THEIR RENT BY SEPTEMBER 2020



Source: COVID-19 Eviction Defense Project Model, 6/5/2020. See Methodology Page for Details.

330 THOUSAND COLORADANS COULD STRUGGLE TO PAY RENT IN 2020

UNDOCUMENTED FOLKS, LOW INCOME RENTERS AND PEOPLE OF COLOR ARE MOST VULNERABLE



Source: COVID-19 Eviction Defense Project Model, 6/5/2020. See Methodology Page for Details; Eviction Lab Colorado eviction filing data, scaled to have same denominator (renter households). Note: COVID-19 EDP model includes evictions, eviction filings, and cases where tenants move to avoid an eviction filing.

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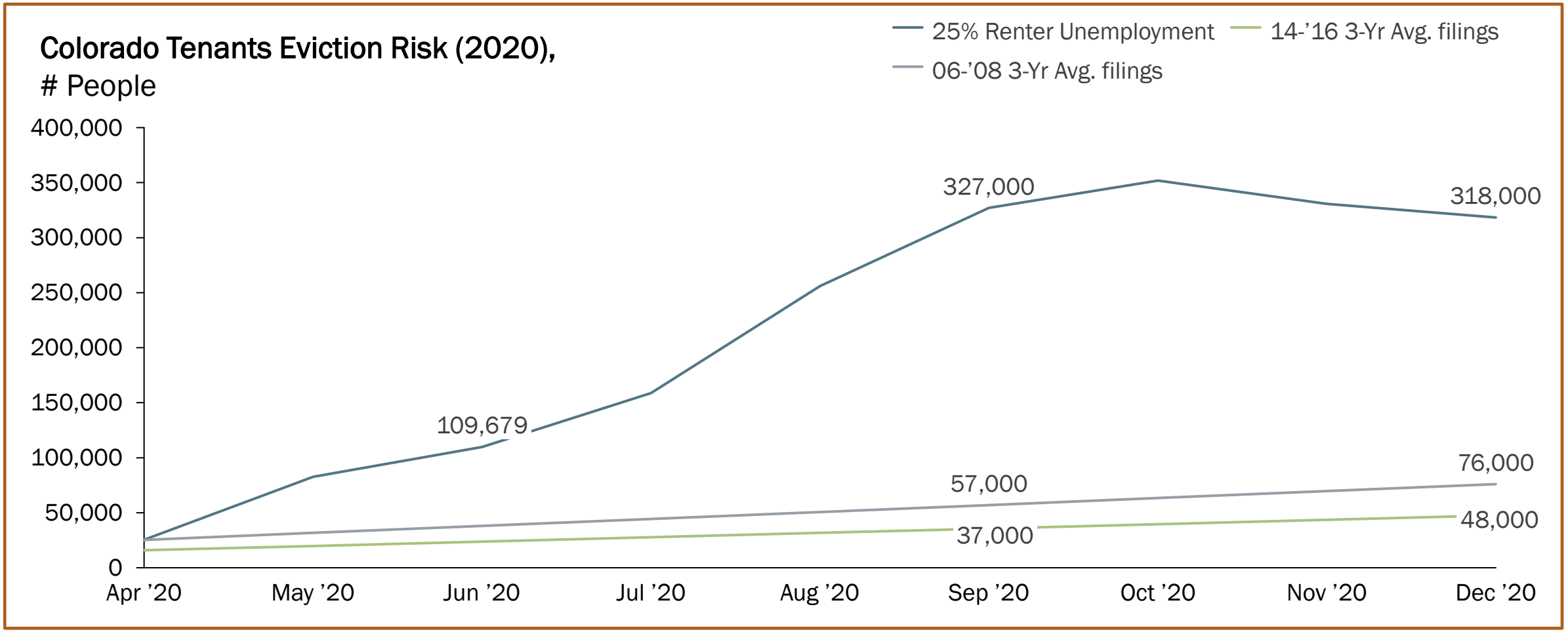

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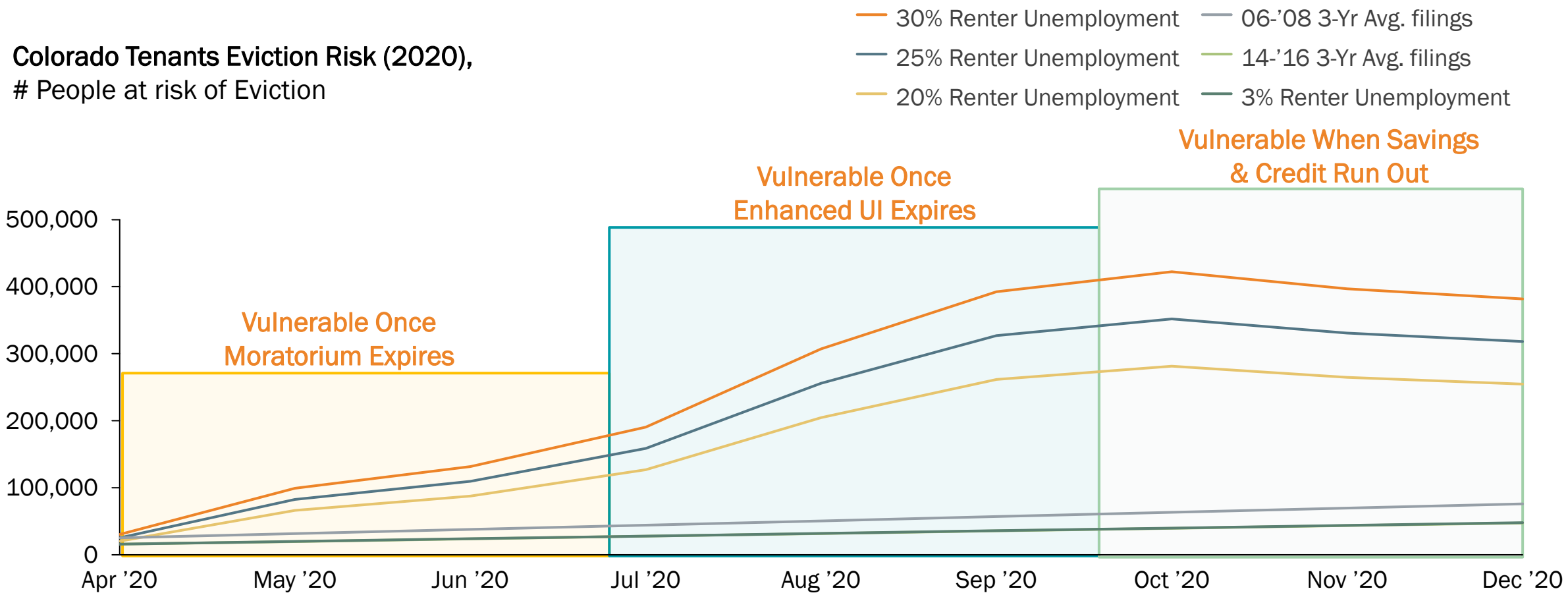
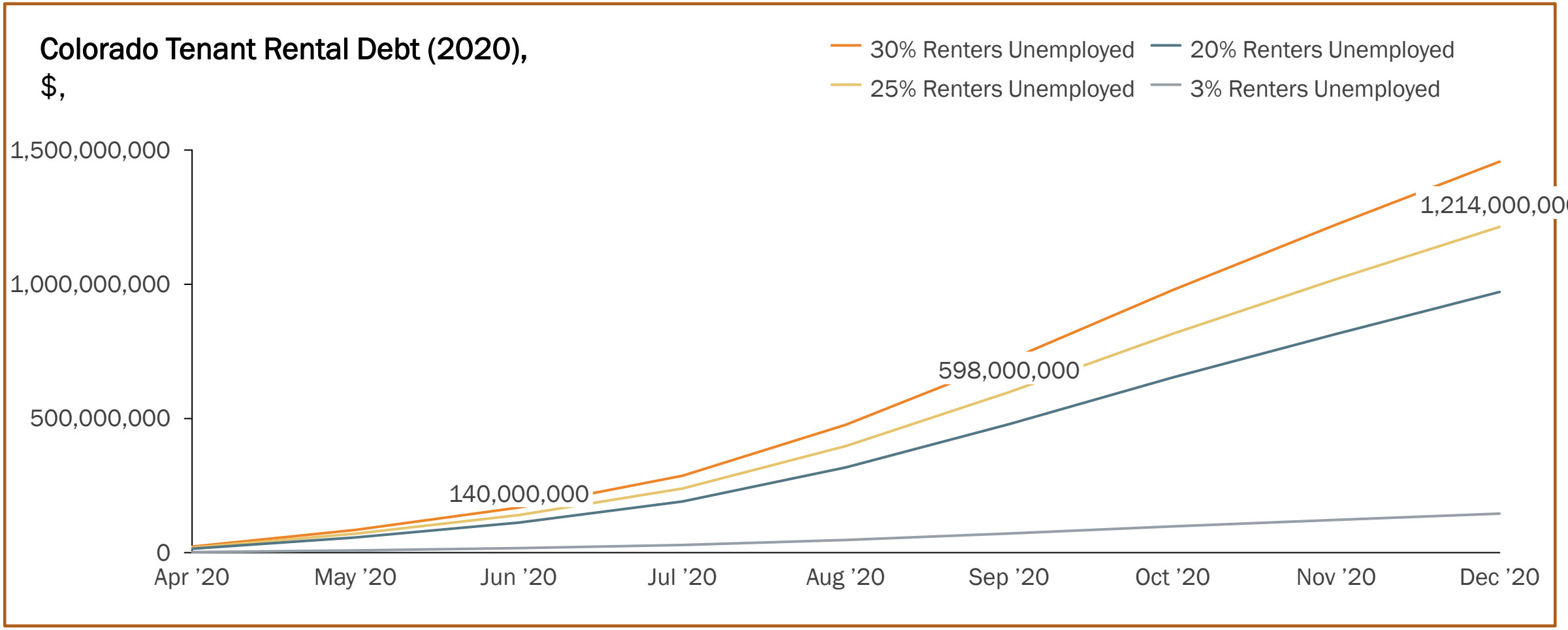
THE COVID-19 EVICTION CRISIS PROJECTS TO HAVE 3 DISTINCT PHASES



At Risk Groups

- Non-Citizens
- Citizens unable to access UI & stimulus without savings
- Middle-income individuals & families with high rental cost burdens and low savings
- Lower-income citizens w/ low savings
- Middle-income families paying high-rents with savings or access to credit
- Paycheck to Paycheck families
- Families with savings and access to credit after enhanced UI expires
- Lower-middle income families that saved UI and stimulus above typical income
- Multi-income families

COLORADO RENTAL DEBT FROM UNPAID RENT COULD EXCEED $1.2B BY 2020 IF CURRENT CONDITIONS DO NOT CHANGE



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METHODOLOGY

The COVID-19 Eviction Defense Project Model predicts, by state and by month, how many people will run out of money based on job loss during the pandemic. It allows us to project three different unemployment scenarios among renters: 20,[1] 25%,[2] and 30% .[3] Effective, total unemployment (including renters and homeowners) topped out at 20% in April. State unemployment risk is scaled based on Terner Center's analysis of the number of renter households with at least one worker in an industry at high risk of job loss,[4] including "Food Service; Entertainment; Mining and Extraction; Non-Essential Manufacturing; Non-Essential Retail; Non-Essential Travel, Transportation, and Tourism; Other Services." [5] Based on American Housing Survey, our analysis assumes that one third of seniors work. County data

The model evaluates the effect of CARES Act stimulus payments by family type, enhanced unemployment for three months, and state unemployment (including different weekly UI caps) on family budgets. It cuts the data based on 13 family types to ensure that we accurately allocate stimulus funds, 5 income tiers, the number of income earners, 3 levels of cost-burden, and citizenship status. Average income assumptions by state come from the American Community Survey and are presented in 2019 dollars. [6]

We analyzed family budgets on a household level. Our base data source is CHAS Table 7, as our source data by state.[7] This enabled us to establish household income tiers, by family type, by cost-burden, and by state. From there, we used AHS data to differentiate by family type and size. We needed to do this in order to establish different budgets for 2-income families compared to single- families and to allocate the stimulus by family size. We further differentiated these ratios by household income tier using AHS data. After establishing these ratios, e.g., the percentage of single families with two children using 2015 AHS data, we assumed the same ratios held for 2019 and multiplied this ratio by the 2019 population.
We establish average rents by calculating the median housing cost to income ratio (HCIR).

For each Household Area Median Family Income (HAMFI) tier, we use CHAS Table 7 data to tabulate the percentage of people who are not cost burdened, the percentage who are moderately burdened, and the percentage who are severely burdened by family type.[8] We assume these ratios remained the same between 2016 and 2020. Using median HCIR data provided by the National Low Income Housing Coalition, we then calculate the median burden for this group, giving us the median rents by HAMFI tier and cost-burden level.[9]

The month in which someone runs out of money is based on the CBO's projections of the distribution of job losses over time and observation about unemployment claims. [10] For example, we project that 20% of total lost jobs occur in March, 45% in April, 20% in May, and 15% more over the course of the summer and beyond. We account for situations where families have savings or temporary government benefits exceed family income. These situations effectively delay eviction risk -- the moments where families run out of money. Importantly, the base case of the model predicts a recovery in Q4, assuming that 25% of unemployed renters return to work by the end of the year.

Beyond renter unemployment rate, cost burden, rents, and timing of job losses, five inputs drive the model, particularly the timing that people run out of money. We aim to model more conservative assumptions to account for unobservable, unmodelable facts.

1. Percentage of people with no access to UI. We model 85% who apply have access. This assumption uses data provided by the Colorado Department of Labor and Employment in the Fort Morgan Times. This model also accounts for the at least 6.7% of Colorado residents over the age of 18 who are non-citizens (American Community Survey).

2. Percentage of people who can weather a 3- month cash emergency, as measured by Urban Institute data. This is likely to be a very conservative assumption, given that the Fed's 2016 Consumer Financial Survey indicates far lower savings amounts, but we included it to account for people who had enough savings, access to credit, family support, or could otherwise find additional funds to cover a cash emergency. [14]

3. Percentage of benefits above pre-surplus income saved for future months: 20%. This is a conservative assumption given that families can project uncertainty with reemployment. Based on EITC spending, families typically only save 10% of EITC checks 6 months after payment, with 65% being spent in the first month or on repaying debts according to a study by Washington University in St. Louis. [15]

4. Percentage of non-rent income that can be cut (by income tier). The assumption is based on the Economic Policy Institute's family budget calculator. [16] It considers semi-variable (in a pandemic) expenses like food, transportation, and childcare. The assumption is also likely conservative, as these cuts account for drastic sacrifices like reducing food intake and choosing not to pay other bills.

5. Percentage of income covered by state UI (absent federal enhancement). This assumption is applied up to state UI caps, using Colorado's rate of 60% of income replaced by state UI, which is likely a conservative assumption as replacement is often 50% or less of a person's income. The fifty-state UI maximum payment information came from the U.S. Department of Labor.[17]

Several other assumptions are important to note: we calculate that the average renter family size is 2.3 compared to an average family size of 2.53 based on 2018 American Housing Survey. We also scaled incomes and rents to 2019 $ using BLS data on wage growth.

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TEAM

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Sam Gilman is a JD/MPP student at Harvard University. He is policy director and a student attorney with the Harvard Tenant Advocacy Project, that represents public housing residents and voucher recipients. Before going back to law school, Sam was Sr. Manager of Strategy and Special Projects at Guild Education. He previously worked at McKinsey and was co-founder and CEO of a political advocacy group called Common Sense Action.

Marco Dorado is currently a graduate student at the University of Washington's Daniel J. Evans School of Public Policy and Governance pursuing a Master's of Public Administration with a focus in Social & Housing Policy. Before enrolling at UW, Marco was the Denver Director of the Urban Leaders Fellowship and Manager of Business Operations at the University of Denver's Latino Leadership Institute.

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