SEATTLE FOR GROWTH

April 8, 2020

Greetings,

During this period of economic disruption and dislocation, people across the state are coming to terms with the impacts of the COVID-19 response. For housing providers in the state, this has been a challenging time. Many housing providers have been working with residents who have lost their jobs and income permanently or for an extended period of time. We need state and local government to address some emergent issues that threaten the housing economy.

First, the COVID-19 response has nothing to do with eviction, but loss of income. People and families who rent housing need cash to pay the rent and their other bills. Banning eviction does absolutely nothing to put money in their hands to cover expenses like rent and food.

Second, eviction bans have given a rational basis for hard hit families to stop paying rent to prioritize other expenses. The state and local government have issued no bans on payment of medical bills, food costs, car payments, or credit card bills. When faced with paying those or not paying rent without consequence or a delayed consequence, many people are rationally choosing to forgo rent payments, setting them up for larger payments in the future, possible eviction, and bad credit. One housing provider has seen delinquencies go up by 58 percent, with half of those residents still employed.

Third, some are pushing to simply "forgive" rent. That is destructive. Multifamily housing providers have a wide array of financial obligations including property taxes, operating costs for maintenance, payroll, and debt service. If even a portion of rent is never recovered, banks and lenders could foreclose and evict and pursue residents who can't or won't pay. Eviction bans make this worse; when people see neighbors not paying, what will they do? Putting multifamily providers out of business doesn't solve residents' financial challenges and it will create larger risks for and less investment in multifamily housing.

Fourth, we are hearing from housing providers that along with some residents with income not paying, some residents who are unemployed are not getting fast response from the Employment Security Department (ESD). In one case, a resident trying to meet financial obligations to pay rent and other costs has been back and forth with ESD 22 times on minutiae in their application. That money needs to be released immediately. The slow turning of the state's bureaucracy is hurting applicants and their families who can't pay bills.

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We ask that you please,

- Allow current eviction bans to expire, do not extend them;
- Remind people that they still owe rent;
- Work with banks and lenders to create loans for residents to pay rent, and for mortgage forbearance for housing providers seeing lost revenue;
- Consider longer-term property tax relief during and after the period of eviction bans;
- Favor immediate payment for people applying for unemployment benefits rather than process;
- Talk with housing providers about losses and recovery in the months ahead; and
- Consider using federal dollars to pay down delinquent rent during the COVID-19 period.

Now is the time to work together. Until now, housing providers have not been considered as participants in solving this crisis. The assumption has been from state and local government that the first thought by providers was eviction; the first thought from most housing providers was how can we get through this without losing residents who are suffering.

What state and local government have done until now is set up a possible long-term catastrophe that will dwarf the housing crash of 2008 and 2009. Eviction bans and threats of extensions and forgiveness have undermined ability to collect revenue and created a much larger risk profile for investors. We don't need another financial crisis in the housing sector. Please change course as soon as possible.

Sincerely,

Roger Valdez

Attached: Latest data from a Commercial Analytics survey of Washington housing providers.