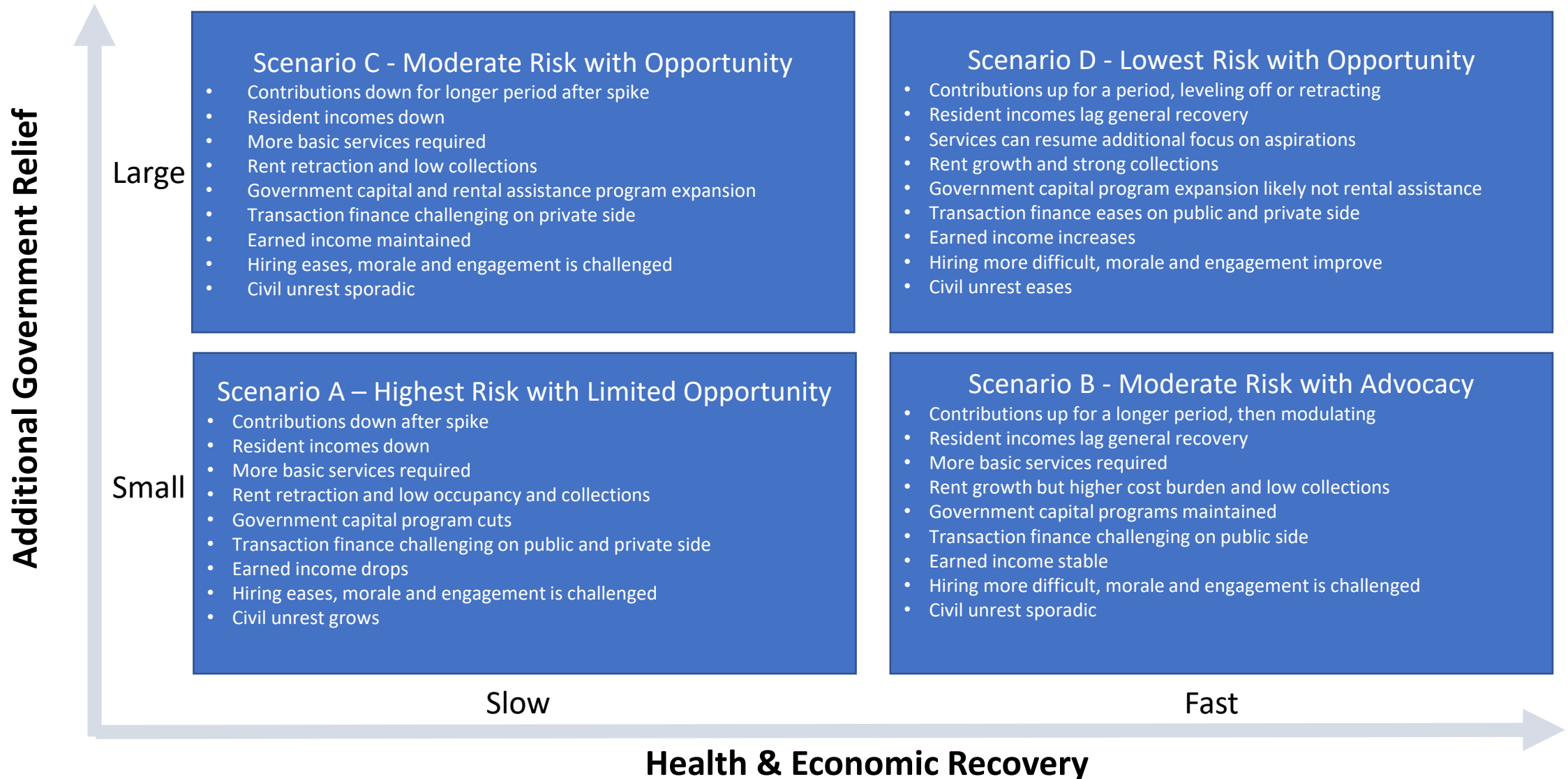


Risk Assessment / Scenario Planning



Greater Minnesota Housing Fund

COVID-19 BEST PRACTICES IN AFFORDABLE MULTIFAMILY HOUSING

**National Research Findings:
Best Practices & Recommendations for Developers
and Owners of Affordable Housing**

October 2020

Prepared by GMHF & ElevateMN

Greater Minnesota Housing Fund

National Scan of COVID-19 Best Practices for Affordable Multifamily Housing

Best Practices & Recommendations

In response to the pandemic's effect on affordable housing, Greater Minnesota Housing Fund has conducted a scan of COVID-19 best practices in affordable housing via national literature and interviews with organizations to identify how to mitigate COVID-19 impacts on tenants, properties, and organizations

Introduction

In early 2020, COVID-19 took hold in the United States, and in a short amount of time, it proved to disrupt the rental housing industry and further, it has a particularly profound effect on affordable housing and the low to moderate income tenants that live .

In many states, including MN, a moratorium on evictions is in place until at least December 31, 2020. Rent collections through July 2020 were generally on par with historical collections, but since the CARES Act ended July 2020, rent collections have dropped approximately 5% pre-pandemic¹, and while missed rents are coming from tenants across the income spectrum, the majority of missed rents are made up of the tenant portion of subsidized rents.

On top of rent payment challenges, stressors that were present pre-COVID-19 are present post-COVID but on steroids. People's mental health is strained as an increase in basic needs (access to food, medication, and school) compete with rent payments. Property managers are working to engage with tenants to help connect them to these basic needs resources.

Whereas in the past, mandatory reporters including schools, doctors, and other service providers identified suspected violence or mental health issues. Now, property managers are tasked with addressing increases in tenant crises management, including mental health, hunger, domestic violence, child abuse, chemical dependency and communicating with appropriate services to match needs of their tenants.

Developers report positive COVID cases in most of their properties. COVID-19 has highlighted for many developers an inability to communicate with an entire community at once, as there are gaps in communication methods and languages (translations) among populations in different buildings.

Expenses are increasing year-over-year as homes are used more than ever before. In some cases, utilities are almost doubling as water, electricity, and gas usage is up. Staffing has increased to cover illnesses and FMLA leaves, and legal costs are on the rise as employers try to understand new laws put in place in response to COVID-19.

Maintenance requests by tenants are down, while residents are at home and using their homes more than ever. The reduction in maintenance requests has had the effect of reducing the repairs and maintenance line item in 2020, but it is potentially creating a backlog of these expenses going into 2021. Managers are focusing on ways to eliminate this background through increased communication with tenants by prioritizing and strategizing around safe completion of repairs.

¹ Based on aggregated data collected across interviewed organizations through Sept 2020

Some investors and lenders have responded to these operational challenges by agreeing to forbear debt service, suspending replacement reserve deposits, waiving DSCR covenants, and temporarily repurposing operating reserves.

Organizations themselves are challenged as leaders work through how to effectively lead employees in a more decentralized format, supporting them through their work-from-home challenges. No other time has before highlighted the need and importance of schools and daycares as catalysts for working parents, as schools move from in-person to 100% distance options. And while business leaders are focused on operational measures and less on compliance, more companies are reporting instances of payment, email, and wire fraud.

Lastly, while COVID-19 has proved to be all things – an accelerant, an irritant, and a stress test – the way the industry and public / private sector partners have responded is something to be incredibly proud of. Organizations have raised money to fund internal rent reserves, financial partners are providing relief in the form of forbearance or suspending reserve payments where needed, and organizations are teaming up and sharing information for the sake of the industry, which is unparalleled in other businesses.

National Scan of COVID-19 Best Practices for Affordable Multifamily Housing

Best Practices & Recommendations

Table of Contents

- Introduction.....2
- Tenant/Resident Engagement to Assess Service Needs, Ability to Pay Rent.....5
- Preventing Evictions and Stabilizing Tenants.....5
- Maintaining Tenant Community Health Best Practices.....7
- Employee Morale, Motivation, and Teamwork.....7
- Portfolio Management / Asset Management.....8
- Maintenance and Repairs under COVID-19.....9

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1. Tenant/Resident Engagement to Assess Service Needs, Ability to Pay Rent Under COVID-19

A. Increase Communication Under COVID-19.

1. Communication with Tenants Regarding Pandemic Related Issues & Resources

Best Practice: Property managers are connecting tenants with resources such as state, local, and owner provided rent assistance, remote learning resources and access to food.

Best Practice: In properties where resident engagement is low, consider providing incentives such as gift cards to grocery stores, as encouragement to respond and apply for rental assistance.

Best Practice: Introduce and expand use of communications technology and telehealth tools to improve resident services and health outcomes.

Example: Minneapolis Public Housing Authority (MPHA) is collaborating with clinics, hospitals, and tenant service providers to introduce more extensive communications and telehealth technology to communicate, deliver & monitor resident health under the COVID-19 environment. This is resulting in better tracking of resident health and better outcomes. The process to date has been exploratory to test different tools and approaches and has already resulted in more strategic use of visiting nurses. The communications technology has implications beyond tenant health that go to improved tenant stability.

Best Practice: Change tone and frequency of communication to emphasize collaboration among tenant and the property manager.

“We are here to help. We have resources. We can keep you housed. Even if you cannot pay, we want you to know that we are going to work with you.”

Instead of “Offices are closed, call for appointment, say “Offices are open, call for appointment”

2. Human Services Under COVID-19

Best Practice: Whereas in the past, mandatory reporters including schools, doctors, and other service providers identified suspected violence or mental health issues. Now, property managers are tasked with addressing increases in tenant crises management, including mental health, hunger, domestic violence, child abuse, chemical dependency and communicating with appropriate services to match needs of their tenants. Ensure property managers know how and where to report these types of issues.

3. Language Translation

Best Practice: Engage translation services for resident communication and include instructions for using the translation hotline in each available language when communication is issued. Example: Aeon has engaged Global Language Connections (MN based business) to provide translation services for tenants as they recognized a gap in communication methods while sharing rent resources information.

2. Preventing Evictions and Stabilizing Tenants Under COVID-19

A. Identifying and assisting tenants with financial hardship during COVID-19

Best Practice. Encourage tenants to share financial needs and concerns. Proactively reach out to all residents, even those who have not caught attention as having a financial challenge, to establish trust and rapport.

Best Practice. Inquire as to other basic needs, including medications, food, childcare availability as these items compete for rent payment.

B. Accessing Emergency Rent Relief

Best Practice: Proactively help connect tenants with emergency rental assistance resources including state, local, and owner provided rent assistance.

Best Practice: Assemble internal subsidy funds to help with rent assistance.

Best Practice: Consider waiving late fees and offering rent forgiveness when possible.

<http://www.mnhousing.gov/sites/np/covid19housingassistanceprogramFAQ>

C. Behavior Related Evictions Under COVID-19

Best Practice: Exercise leniency during this time with more liberal filters for evicting based on behavior if the violation is not violent or egregious. Be proactive in referring tenants to human services to assist with behavior issues.

D. Technical lease violations Under COVID-19

Best Practice: Exercise leniency during this time with certain lease violations that are not dangerous such as crowding, doubling up, etc. in a manner that would not violate other program rules or other assistance programs.

E. Eviction Prevention under COVID-19

Best Practice: Weigh potential evictions with COVID-19 tenant stabilization lens, including potential for certain levels of rent forgiveness and repayment plans, accessing emergency rent assistance, need for increased human services, compared to anticipated rent losses, legal costs & staff time.

Best Practice. Identify the Fair Housing legal considerations in helping some buildings / tenants and not others.

F. Credit Reporting Under COVID-19

Best Practice: Avoid reporting to credit bureaus if eviction is due to COVID-19.

Best Practice: Work towards a 'mutual termination' vs an eviction.

G. Best Practice: Be acutely aware of fair housing law and be attentive to service needs of households struggling due to the crisis.

H. Best Practice: Carefully assess the need and appropriateness of regular rent increases in light of rapid changes in market conditions. Where rent increases are appropriate, provide extended notice and assistance in accessing rent subsidies to avoid involuntary displacement of existing residents.

I. Best Practice: Proactively communicate with your tenants on your intentions re: offer to help find rent assistance, developer payment plans, etc. Consider establishing a person in your organization to be a point person to assist tenants with rent assistance, repayment plan, etc.

- J. **Best Practice:** Stay up to date on the options for alternative legal steps and resources that help stabilize tenants via various association workshops (i.e. HOME Line & MHA).
 - i. Legal landscape is changing every day based on the federal rules, state interpretation and roles and resources.
 - ii. Resource landscape is changing - includes previous resources that have not been as accessible in the past and future resources that are coming out.
- K. **Best Practice:** If you have not received Section 8 tenants in the past or other, consider accepting them today. Examples include Housing Choice Vouchers (available through your local HRA, PHA, CDA), Bridges (disability state rental assistance program), Housing Support (f/k/a GRH).

3. Maintaining Tenant Community Health Best Practices During COVID-19

A. **Managing Known COVID-19 Cases in Rental Properties**

Best Practice: Encourage tenants to inform property management of COVID cases in their household and assure tenants that their privacy will be protected. Review and consult legal counsel for compliance with state and local laws for sharing limited information on COVID cases in your tenant community.

Best Practice: Property owners & management companies are attempting to track known COVID-19 cases to enforce quarantines and alert other residents of a known COVID-19 cases in the building while protecting identities. This involves targeted communication, posting notices, letters delivered under doors, and email communications via applications such as Rent Café.

Best Practice: Seek guidance from your local public health experts and follow public health department guidelines with respect to notifying other residents of COVID cases within a property. To avoid a false sense of security or alarm, advise residents to follow social distancing guidelines irrespective of the known presence of COVID cases.

Best Practice: Collect data from family to assess how property management can help the family and reduce spread (i.e. walk a dog, help with groceries, modify building access to laundry room to allow for only that tenant to access it one day a week).

B. **Amenity & Public Space During COVID-19**

Best Practice. Develop strategies to encourage safe use of amenity spaces so that people continue to enjoy them while socially distanced. Consider requiring reservations for use of the clubhouse, fitness centers, and pools, if applicable. Require at all time tenants to wear masks in all public spaces including hallways, elevators, and parking areas. Utilize signage to reinforce COVID guidelines as provided by the CDC or other authorities.

C. **Social Gatherings During COVID-19**

Best Practice. Maintain and post current health department guidelines regarding restrictions on the size of social gatherings. Encourage safe methods or practices for gatherings by keeping them smaller and outdoors. Consider re-programing or arranging outdoor space in a manner that encourages social distancing.

4. Employee Morale, Motivation, and Teamwork Under COVID-19

A. **Management support for employees Under COVID-19**

Best Practice: Keep employees informed of new protocols, situation updates, obtaining employee feedback on staff challenges and recommendations. Provide positive feedback and recognize employees for

leadership and strong performance by utilizing technology, surveys and encouraging feedback (make this confidential). Some organizations are conducting employee surveys to reach out to teams in large organizations.

B. **Returning to the Office Under COVID-19**

Best Practice: Plans for safe return to the office and worksites include arrangements to allow for:

1. Increased office and workplace physical distancing
2. Alternating staffing schedules involving staggered hours/shifts/days
3. Follow State of MN guidelines on returning to work

Critical Sector businesses are required to develop and implement a written COVID-19 Preparedness Plan that does the following:

- ensures that all workers who can work from home continue to do so;
- establishes policies and procedures, including health screenings, that prevent sick workers from entering the workplace;
- establishes social distancing policies and procedures;
- establishes hygiene and “source control” (i.e., mask or face covering) policies for workers; and
- establishes cleaning, disinfection, and ventilation protocols for areas within the workplace.

Your plan must comply with industry-specific guidance if any applies to your organization.

See <https://staysafe.mn.gov/industry-guidance/index.jsp> for more information.

C. **Human Resources**

Best Practice. Consider providing greater flexibility and assistance for employees as they navigate personal challenges related to COVID, including, but not limited to:

1. Considerations for childcare and remote schooling
 - *Allow for flexible work schedule throughout the day or no meetings on specific days or afternoons; help employees access additional computers to help with demands of remote schooling*
2. Backup staffing plans for illness and flexible PTO usage
 - *Hire floating personnel to backfill for illness or FMLA leave*
3. Increase of availability of information of counseling and mental health services for employees who may be facing extraordinary challenges and health challenges during COVID.

D. **Other Organizational – Fraud**

Best Practice: Wire and email fraud schemes were a risk before the pandemic within Minnesota’s housing organizations, but now organizations are more vulnerable. Business models are challenged, and employees may be more focused on operational measures than compliance and fighting fraud during COVID-19. More companies are reporting instances of payment, wire, and email fraud. Consider implementing the following preventative measures during COVID-19.

1. Trust but verify. Consider implementing duplicate verification for all payments and wires if a system is not already in place. Require a phone or voice confirmation vs. solely relying on electronic means of communication. Ask: can employees approve processes without encountering physical constraints or are only digital signatures used?
2. Scan for duplicate payments.

3. Send reminder communications to staff that employees should report any suspicious behavior or fraud.

5. Portfolio Management / Asset Management Under COVID-19

A. **Lender & Investor Relations, forbearance requests / modifying financial covenants Under COVID-19.**

Best Practice: Increase communication with lenders and investors regarding forbearance needs on loan payments, temporary waiving of loan covenants on ratios, utilizing cashflow to address COVID related expenses and rent losses.

- ### B. **Uses of reserves under COVID-19.** Traditionally, *operating reserves* are used minimally to smooth out seasonal expenses and funds must be redeposited within 3-6 months. Additionally, *replacement reserves* are typically limited for capital expenditures items.

Best Practice: Alternative uses of replacement and operating reserves may now include higher expenses for cleaning and supplies, hazard pay and may need extended replenishment periods to manage expenses through COVID. Request temporarily deferral of replacement reserve deposits in struggling properties.

C. **Communication with Lenders & Investors**

Best Practice: Proactively communicate with lender and investors, get agreements in writing.

D. **Forbearance Under COVID-19**

Best Practice: In requesting forbearances, be selective by focusing on those properties that are experiencing distress versus broad requests.

E. **Increase in Asset Management Duties Under COVID-19.**

Best Practice: Devote added time and expertise to deal with changing demands, increased reporting to management, lenders, investors and to provide direction to property management and senior leadership.

6. Maintenance and Repairs Under COVID-19

A. **Decrease in maintenance requests by tenants during COVID-19.**

Best Practice: To prevent tenants from not reporting maintenance issues (related to concerns of COVID exposure), encourage communication with tenants to report problems so that maintenance can track, prioritize, and coordinate on safety.

B. **Repair & Maintenance Requests Under COVID-19.**

Best Practice: Under COVID-19, repairs require added communication and cooperation to safely work in units, including helping tenants vacate unit for a period of time & ensuring adequate PPE.



COVID-19 Tenant & Rental Property Impacts

Monthly Survey of Rent Paid through September 30th

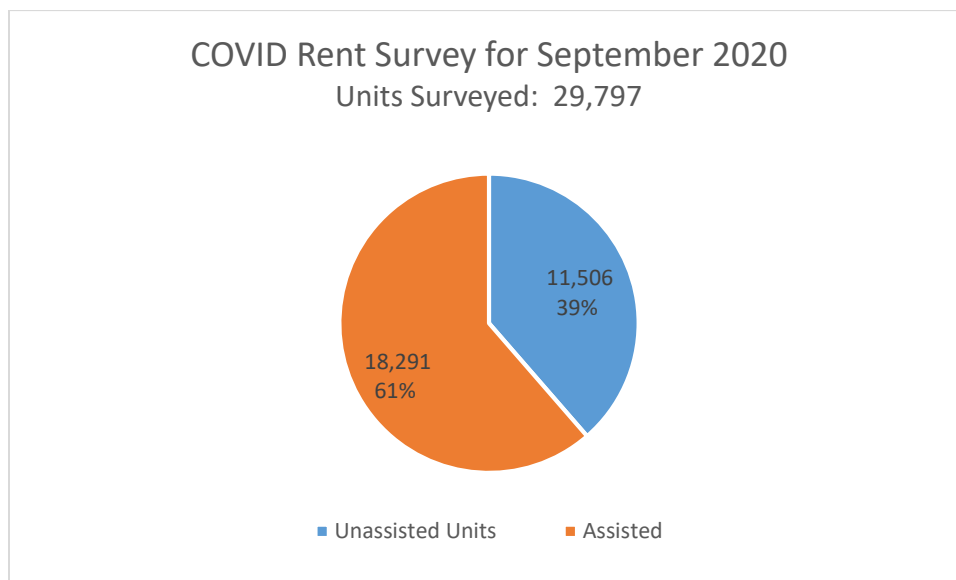
October 22, 2020

Survey Overview

Greater Minnesota Housing Fund (GMHF) has been conducting a monthly survey of Minnesota’s rental housing owners to assess the impact of COVID-19 on rental housing residents and properties. The survey provides data indicating the degree to which tenants are having difficulty paying rent and measures financial impacts on rental properties. The purpose of the survey is to help inform key stakeholders and policymakers in their efforts to design and implement targeted strategies in response to the urgent needs arising from the economic impacts of the pandemic.

The survey for the month of September includes data for 29,797 units. This sample is about 5% of the statewide rental housing market of roughly 610,000 units. Rental property owner operators and their property managers provided the data for this survey.

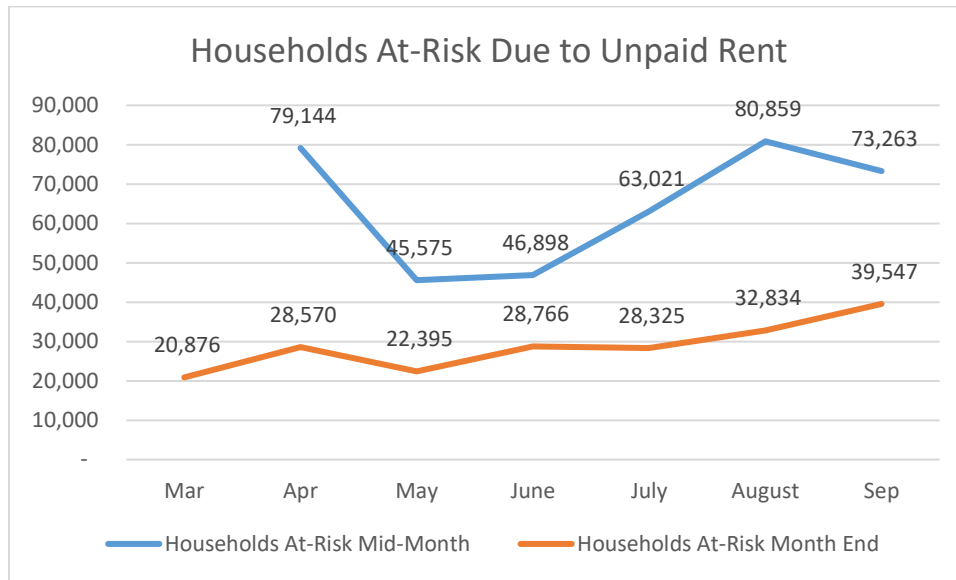
Of the units reported in the survey, about 61% were rent-assisted while 39% had no rental assistance.



- 1. There is significant growth in the number of renters at risk of housing instability. The estimated number of households not paying rent in September increased by 20% as**

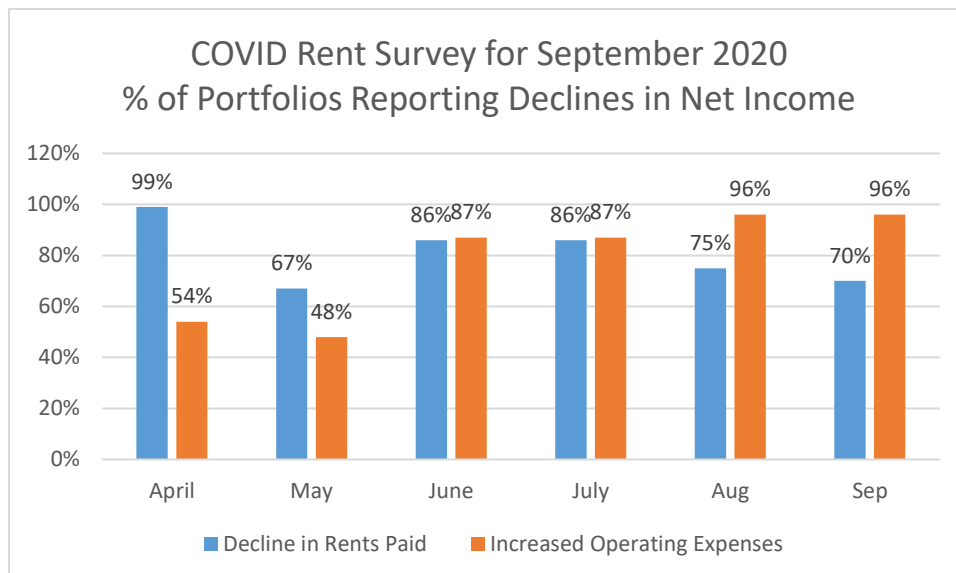
compared with August and the number of households has increased by 89% since the end of March.

As shown on the line graph below, the estimated number of households with unpaid rent has grown by 18,671 households between March month-end and September month-end, from 20,876 in March to 39,547 in September (an 89% increase) as indicated by the orange line below. These estimates are derived by applying the percentage of unpaid rent to the number of units in the market.



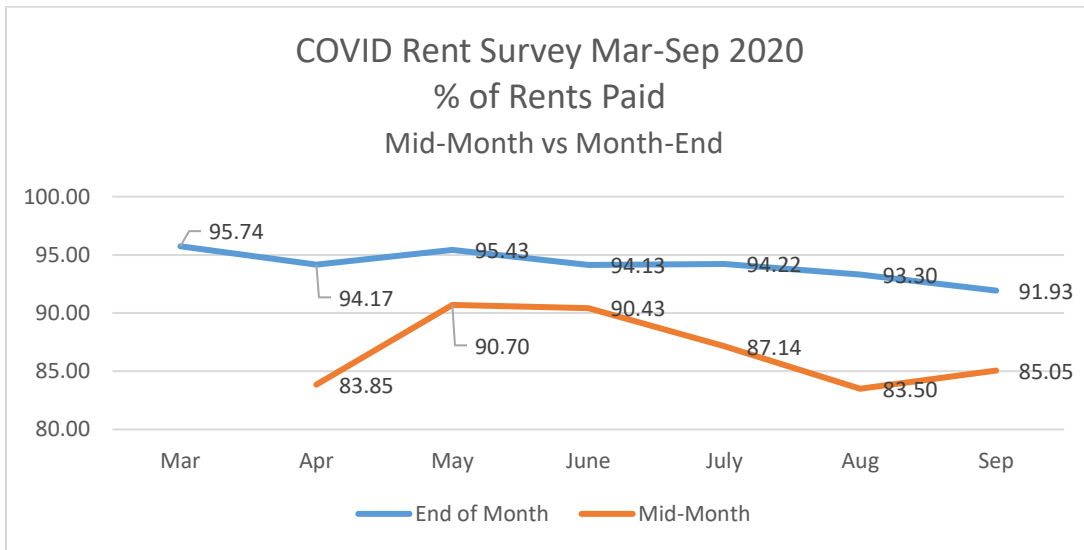
2. Rental housing providers continue to experience adverse financial impacts which can lead to deterioration of housing conditions for renters over time.

A strong majority of portfolios report a decline in net income due to modest drops in rent paid combined with an increase in operating expenses as shown below. These dual impacts put strain on property and provider operations especially for affordable housing where margins are already thin.



- 3. The percentage of rent paid for September was 91.9% at month-end. This indicates an acceleration in the downward trend with rent paid percentages now down 3.8% since March.**

The percentage of rent paid as of mid-month and month-end for each month starting as of the end of March is illustrated on the line graph below. March 2020 is considered the baseline since the COVID-19 pandemic economic impacts had not taken effect at that point. The percent of rent paid as of mid-month allows us to track changes in the number of renters making late payments, likely due to changes in income or other household changes.



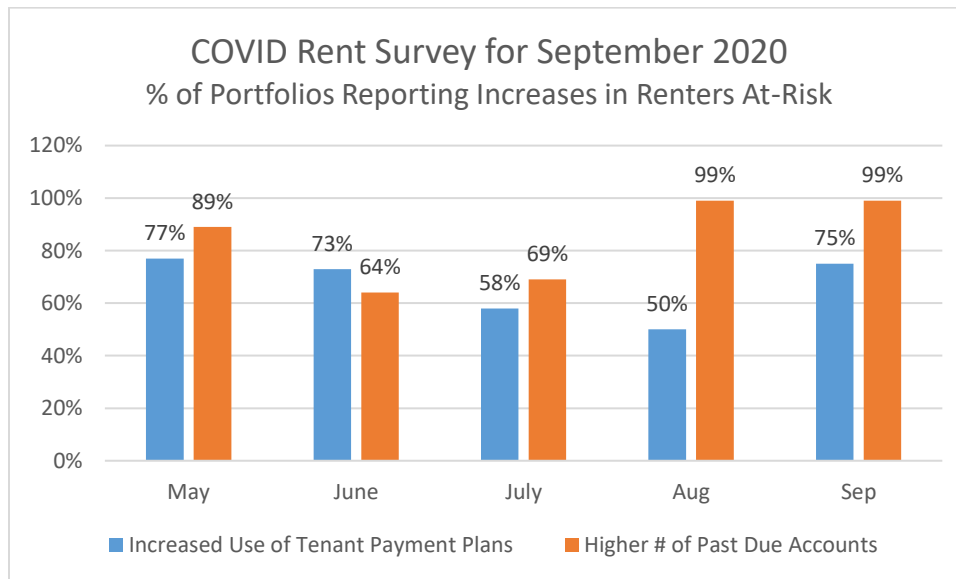
- 4. The cumulative amount of unpaid rent due to the pandemic statewide is estimated at over \$76 million through the end of September.**

Based on the percentages of rent paid reported in this survey as illustrated above, the cumulative amount of additional unpaid rent due to the pandemic is estimated at over \$76 million through the end of September. This assumes an average rent of \$829 for 37,995 affordable units and \$1,314 for 490,054 market rate units. The downward trend in rents paid intensified in September likely due to the expiration of expanded unemployment benefits through the CARES Act and the Lost Wages Assistance (LWA) program. If the current level of unpaid rent continues through December, it would result in estimated rent losses totaling over \$150 million due to the pandemic in 2020.¹ It is expected that some of these losses will be addressed through the Coronavirus Housing Assistance Program (CHAP) launched by Minnesota Housing in August to provide financial assistance to both renters and homeowners. However, the \$100 million of funding allocated to CHAP must be used by year end and the economic impacts of the pandemic are expected to persist well beyond that timeframe.

¹ These rent loss estimates exclude the 120,153 units with project-based or tenant-based subsidies.

5. Renter households utilizing payment plans and the number of past due renter accounts remains elevated from pre-pandemic levels.

The chart below shows that almost all portfolios (99%) continue to report higher numbers of past due renter accounts in September while increased use of tenant payment plans was reported by 75% of portfolios. These factors are leading indicators of housing instability as they reflect growing stress on household budgets. The Coronavirus Housing Assistance Program will provide relief to some of these households through the end of the year. However, unless additional income supports are provided throughout the economic recovery period, the currently heightened risk of housing instability is likely to continue.



COVID Impacts & Responses

The economic impact of the COVID-19 pandemic has increased risks of housing instability and homelessness while simultaneously slashing the existing capacity to shelter homeless populations due to physical distancing requirements. Earlier this year, experts predicted that without effective interventions, homelessness could rise by 40-45% nationally² and that 1 in 5 renter households (an estimated 277,000 renters in Minnesota) would be at risk of eviction by the end of 2020.³ These dire projections caused policymakers to enact a series of funding and regulatory interventions designed to prevent catastrophic increases in homelessness and alleviate financial hardship for impacted households including:

- Expanded Unemployment Benefits
- Paycheck Protection Program for Small Businesses
- Coronavirus Housing Assistance Program (CHAP)

² Dr. Brendan O’Flaherty, a professor of economics at Columbia University estimates that for every 1% increase in the unemployment rate, homelessness per 10,000 people increased by 0.65 ([see link](#)). Based on this model, researchers estimated an increase in homelessness nationally by 40-45%.

³ Lucas McKay, Katherine; Neumann, Zach; and Gimán, Sam. “20 Million Renters Are at Risk of Eviction; Policymakers Must Act Now to Mitigate Widespread Hardship”, Aspen Institute, June 19, 2020.

- Eviction Moratoria on Evictions by Governor Walz and the Center for Disease Control (CDC)
- Foreclosure Moratorium on Federally Backed Mortgages

The temporary restrictions barring evictions and foreclosures coupled with an infusion of economic assistance to individuals and small businesses helped to mitigate the most immediate threats to housing stability for individuals. However, the \$600 per week expanded unemployment benefits funded by the CARES Act ended as of July 31st and the limited funding from the Lost Wages Assistance program is now exhausted.

The notable ramp up in unpaid rent reported in this survey for September confirms the need to quickly target funds for housing assistance to alleviate pressures on impacted households, rental property portfolios, and housing provider organizations. Funds are currently available statewide through the CHAP program, run by Minnesota Housing, which offers a tenant-based application model. Households may initiate the application process for CHAP by calling 211 (Toll Free: 1.800.543.7709; Local: 651.291.0211), visiting 211unitedway.org, or texting “MNRENT” or “MNHOME” to 898-211.

Funding for CHAP has been provided through the CARES Act and must be spent by the end of 2020. Impacted renters and homeowners must apply now to ensure full deployment of these important resources.

Prepared by: Greater Minnesota Housing Fund

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