

The Impact of Emergency Rental Assistance in Affordable Housing

An Asset and Property Manager's Complementary Perspectives

By Nushin Hug

While the efficiency of Emergency Rental Assistance funds disbursement differed from state to state, affordable housing and asset managers agree the aid was an invaluable tool during the pandemic helping residents stay in their homes, as well as helping property owners meet their financial obligations to their investors. As money for aid is expected to cease by the middle of the year, property managers are working with residents, helping them find other resources to help them pay the rent.

The Federal Emergency Rental Assistance (ERA) program made funds available to households that were unable to pay rent or utilities through two separate programs. ERA1, enacted in December 2020, provided up to \$25 billion under the Consolidated Appropriations Act. ERA2, enacted in March 2021, provided up to \$21.55 billion under the American Rescue Plan. The funds were provided directly to states, U.S. territories, local governments and Indigenous tribes.

Communication and Adaptation

One of the most challenging aspects of the pandemic was planning around the unknown for both property and asset management companies, as well as residents. Assistance programs and eviction moratoriums differed by state and often by jurisdiction within a state, says Angie Hug, senior vice-president, operations at Kittle Property Group. The Indianapolis-based multifamily property developer and manager currently operates 129 communities in 18



Angie Hug

states, 94 percent of which are affordable housing.

Kittle team members had to work extra hard, Hug says. Additional communication was needed to figure out the appropriate rent collection steps and how to help

residents, what programs were open and what programs weren't open.

"The number one goal is to keep people housed," Hug says. "It just wasn't always easy to figure out how to do that while also collecting the rent."

From a cash flow perspective, the cycle changed greatly. Prior to the pandemic, rents would be paid mostly on a pay cycle, at the beginning or middle of the month, or on a Friday, resulting in a cash spike for the company. During the pandemic, there wasn't a cash spike unless assistance was coming from somewhere or immediately after an announcement that the eviction moratorium would be lifted, says Hug.

"So, from the cash perspective, the flow of when we would get the rents in order to pay the vendors and the commitments we had with

our financial institutions changed greatly," Hug says.

At Boston-based Preservation of Affordable Housing Inc. (POAH), communication and adaptation played a key role during the pandemic, says Julianna Stuart, vice president of community impact. The nonprofit is an owner-operator of over 12,000 units in 11 states and the District of Columbia, the vast majority of which are affordable housing. Much of the management functions that were done previously on-site were centralized to the main office, allowing site managers



Julianna Stuart



POAH's The Blackstone Apartments, Boston, MA.

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to focus on communicating directly with residents.

"We really prioritized the housing stability of our residents while at the same time making sure that all of our financial partners had everything that they needed to feel confident and secure," Stuart says.

An Assist from ERA

ERA programs varied by state, but ERA1 and ERA2 typically provided for up to 18 months of rental assistance, though not everyone applied for all 18 months, Hug says.

As a result, the impact of the ERA really depended on where the property was located. For states that were organized in the beginning, got dollars out quickly and had a system where the landlords could participate in applying for the residents with proof that the resident had not paid, ERA really helped, says Hug.

"The payments got out quickly, and they would get out at least three months at a time and any past rent as well," Hug says. "It really gave some stability for those

residents to focus on the charges they still owed because most agencies didn't pay for things, like garages or storage; those kinds of extra things the residents wanted to keep even through the pandemic. They got to focus on everything else other than where's my rent coming from."

On the other hand, there was a negative impact in communities where rental assistance was extremely slow to pay. Residents haven't been as open with the management company and landlords as they used to be because the money hasn't come in to make them whole, Hug says.

Overall, the ERA has definitely helped, Hug says. With assistance coming in, the company's bad or uncollectible debt, is up less than one percent since before the pandemic, says Hug.

"It's great that we've been able to keep our residents in their apartments and not have the bad debt climb because we also have a responsibility and commitment to our investors," Hug says.

POAH's footprint is mostly in the Northeast, Mid-Atlantic, Midwest and Florida, and while there was a lot of variation by state, ERA assistance was essential in stabilizing their properties, says Stuart.

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POAH's 8330 On the River, Detroit, MI.

"Our primary focus on some of our higher needs properties aligned really well with states that were soliciting owner engagement or open to us weighing in, or a little bit quicker to deploy their ERA portals than others," she says. "For example, we worked closely with the state of Massachusetts on their program, and based on our latest data, we've collected 78 percent of what we've applied for, and in some places, it's closer to 80 percent and above."

One of the discussions affordable housing owners and managers had with the state included who was eligible, and for POAH, it was important that residents that already received project-based Section 8 rental assistance should be eligible for ERA funds.

"Our experience was even though folks get housing assistance based on their income, the pandemic impacted incomes and household experiences in all sorts of direct and indirect ways," Stuart says. "I think it was really important for us to help those states understand that households who receive rental assistance are still struggling, even though there is that resource available to them."

And while some states rolled out programs later, Stuart says she's really impressed with how a lot of states approached the challenge.

"Across the board, I think in the absence of ERA, we'd be in a very different situation than we are now, Stuart says. "I think what's most important to us too, is the families we serve would be in a very different situation than they are now."

When ERA Ends

And while the U.S. Treasury Department announced in March that it expects that ERA funds will be exhausted by mid-year, affordable housing managers have been preparing for the program to end since the first check went out.

Kittle Property Group had conversations with residents

about the aid and how it will be temporary, as well as trying to provide residents with resources to get caught up on rent, Hug says.

Kittle Group now has flexible rent pay to help residents that can't pay all their rent on the first of the month.

"Gig income is really big within our residents, so that they don't have to save that money," Hug says. "A lot of our residents don't have bank accounts. We encourage residents to pay what they can because when the assistance does run out, if they have the money today it'll go towards their next rent, and then they can stay caught up."

They also partnered with a financial institution that allows any resident to open a debit account, which allows them to pay a portion into it that is solely for rent.

"So, we've really tried the approach of changing the cycles and educating our residents so they can become financially stable," Hug says.

In some states, such as Texas, where funds were quickly and efficiently dispersed, money is pretty much already exhausted and residents are already having to pay rent, Hug says.

The rental assistance that came in was an unprecedented amount that wasn't budgeted in, says POAH's Stuart.

"We don't plan around it, so we do take a pretty sober look at what comes next," Stuart says. "I would describe it as an offramp."

They have tried to be thoughtful in communicating with residents and letting them know that these programs won't be around forever.

"We're sort of winding down our ERA operations so that it isn't like we just cut the spigot off right away," Stuart says. "Going forward, I think, we are realistic that the economic impact of the pandemic will be with us for some time. For us, that looks like returning to the same partners we engaged with before the pandemic who still administer other sources of funds to say, 'What do you need from us? How do we best work together?'"

Stuart says the pandemic also highlighted the importance of functions, like resident services, coordination and having a point of contact and support for residents to ask if ERA funds are winding down, and this has been an important source, what does it look like to be able to pay rent going forward?

"There's no one solution and we're a collaborative organization," Stuart says. "We've been planning for this. It won't be a return to operations but still a new way of doing things as we offramp this program." **TCA**