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# CALIFORNIA HOUSING PRECARITY IN THE CONTEXT OF CORONAVIRUS PANDEMIC

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# EXECUTIVE SUMMARY

Earlier this year, California Governor Gavin Newsom gave a speech where he spoke about the extreme level of homelessness in the state, saying, the “California Dream is dimmed by the wrenching reality of families, children, and seniors living unfed on a concrete bed.” The governor’s speech was in the middle of February, when there were over 150,000 people in California experiencing homelessness.

Since that time, coronavirus has ravaged the state with, as of April 23, 2020, more than 37,000 confirmed cases, 5,000 hospitalizations, and 1,400 fatalities. The virus also has devastated the state’s economy, causing California’s unemployment rate to jump to 5.3% in March—up from 3.9% in February—as a result of nearly 100,000 lost jobs. If urgent action is not taken, the number of people in California experiencing homelessness will only skyrocket.

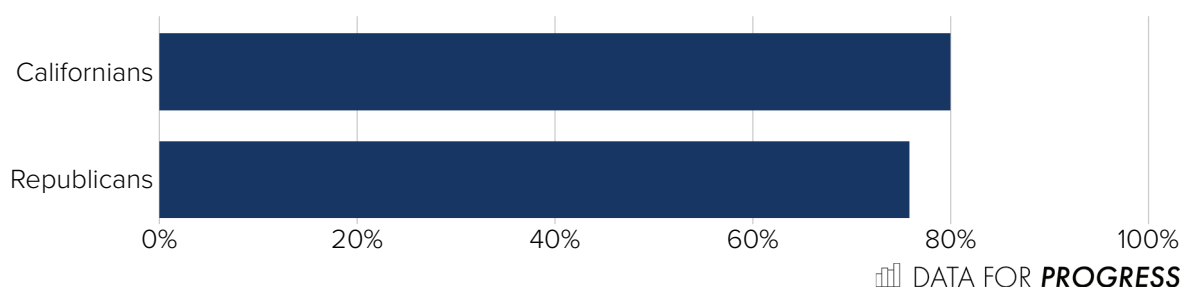
The governor along with other California politicians have taken baby steps to try to protect people from losing their homes during this pandemic, recognizing that if being able to shelter in place is a requirement for an individual to try

to remain healthy, having a home is more crucial now than perhaps ever. But thus far the actions have focused mainly on temporary relief, such as moratoriums on foreclosures and evictions. While important, bolder action is needed. It is only common sense to realize that if people cannot afford to pay a month’s rent now, they are very unlikely going to be able to pay multiple months at a later date.

The State must take immediate action to provide long-term protection for renters and homeowners, but must not forget about residential landlords, many of whom find themselves facing financial uncertainty due to the coronavirus. The solution is for California to forgive rent payments but also directly compensate residential landlords for missed rental payments, which will have the benefit of ensuring that residential landlords are able to make their own fixed payments.

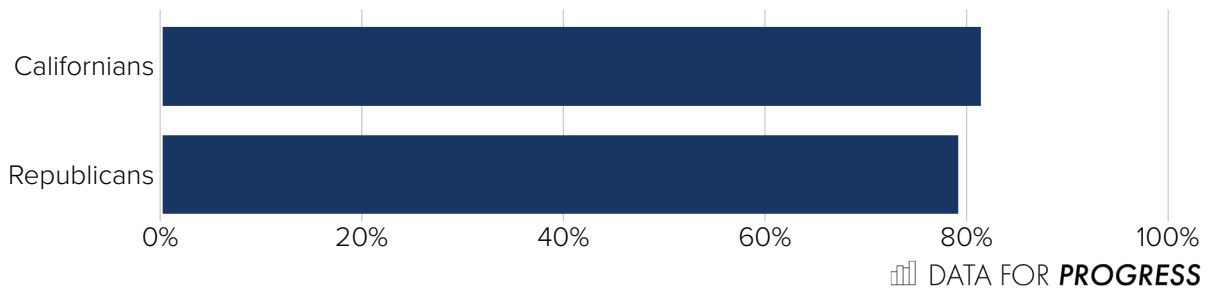
As shown through polling by Data for Progress of Californians, voters want their government officials to protect people from losing their homes and falling into financial despair, including bipartisan support for each of the following:

**80%, including 77% of Republicans, would support a ban on evictions for as long as there remains a state of emergency in California.**

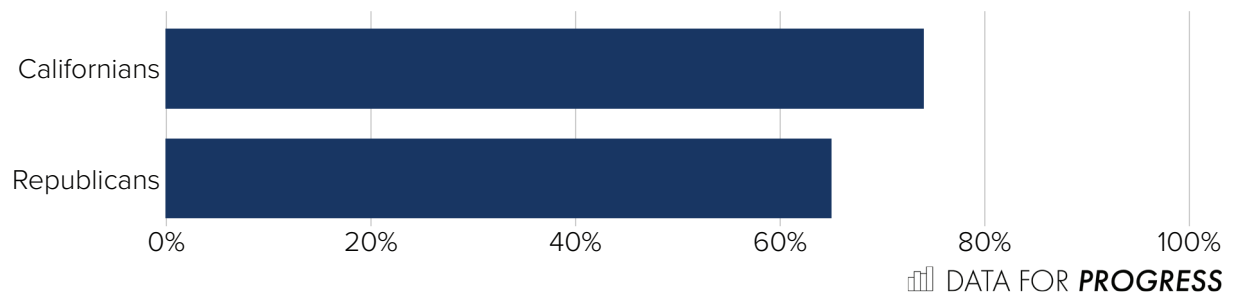




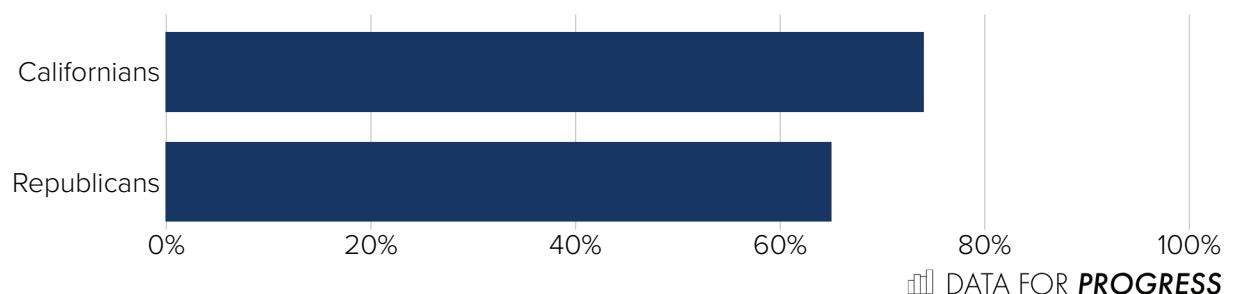
**82%, including 79% of Republicans, would support a ban on foreclosures for as long as there remains a state of emergency in California.**



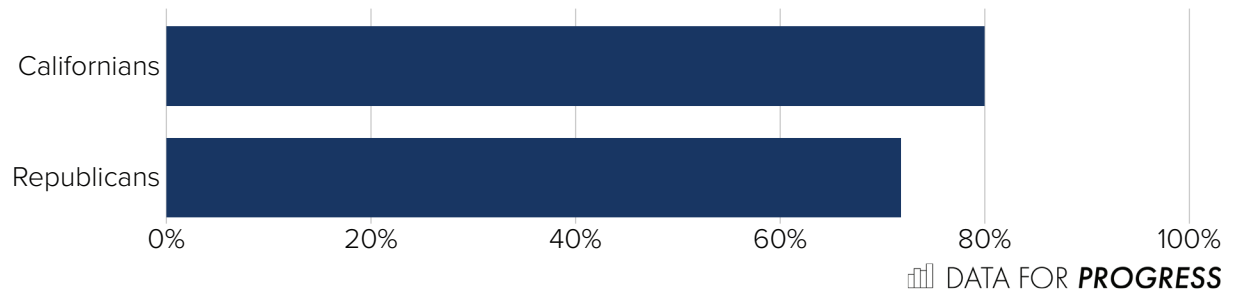
**74%, including 65% of Republicans, would support a “suspend and forgive” rent program, under which the state, not a renter, would compensate landlords for lost rental income for as long as there remains a state of emergency in California.**



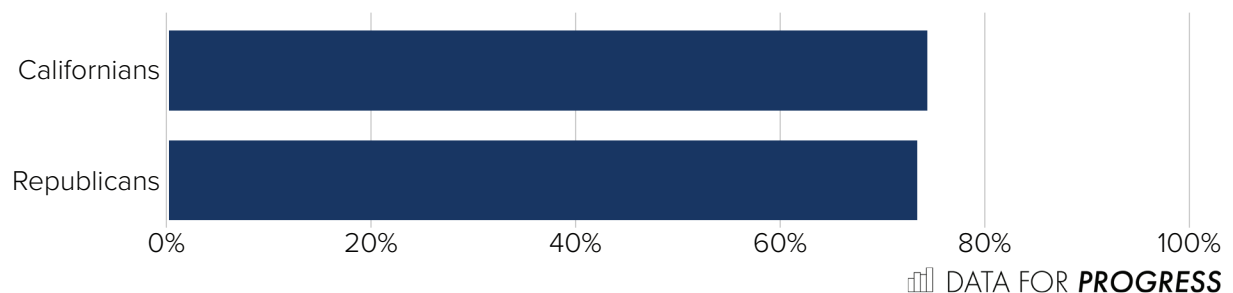
**75%, including 69% of Republicans, would support a “suspend and forgive” mortgage program, under which the state, not a homeowner, would compensate a mortgage provider for missed payments for as long as there remains a state of emergency in California.**



**75%, including 74% of Republicans, would support a ban on rent increases for as long as there remains a state of emergency in California.**



**80%, including 72% of Republicans, would support temporary rental assistance to Californians experiencing homelessness for as long as there remains a state of emergency in California.**



Ideally, California will receive assets from the federal government to cover these costs. If not, California has another source of revenue—California could enact a variant on New York’s “mansion tax,” by placing a tax on existing single-family, owner occupied homes over a certain dollar value for rental and residential landlord assistance. This would allow those in the 1% to play their role to address the crisis.

## Housing Crisis

The median price for a house in California is more than \$600,000—double the national level—

and the Silicon Valley, San Francisco, Orange County, San Diego, and Los Angeles areas are five of the seven most expensive residential markets in the country. It is not any easier to rent in California either as 1.5 million people in the state devote more than half of their monthly income to paying rent. In San Francisco, for example, the average monthly rent is \$3700—the highest in the country. Alongside the housing crisis is a homeless crisis that has plagued California for years. Though California represents approximately 12% of the United States total population, it has about a quarter of its homeless population, with over 150,000 people experiencing homelessness.

A medical emergency or unexpected loss of income could very quickly cause thousands of additional people to become homeless in California. Which is precisely what coronavirus causes—medical emergencies and unexpected loss of income. A person who before COVID-19 did not have any room to spare in terms of income versus expenses, who suddenly has added medical bills or other emergency expenses, likely will not be able to also afford rent or a mortgage. In March, a record 10 million people in the United States filed for unemployment, and California saw its unemployment rate jump 1.4 percentage points to 5.3%, or the “state’s largest unemployment rate increase on record.” Andrew Stettner, senior fellow at the Century Foundation think tank, said that the “jobless claims confirm that the United States is in the thralls of a catastrophic unemployment crisis, the likes of which we haven’t seen since the Great Depression.”

## The Current Proposals

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In the midst of this “catastrophic unemployment crisis,” California Governor Gavin Newsom issued a pair of executive orders last month aimed at keeping people from becoming homeless. On March 27, 2020, he issued an executive order, ordering a “statewide moratorium on evictions.” This order prevents sheriffs from physically evicting tenants affected by the coronavirus through May 31, 2020 if they provided certain information to their landlord on or before the day their rent was due and prove this in court and it gave tenants 60 days to respond to an eviction lawsuit if they declare in writing within seven days of rent being due that the tenant cannot pay all or part of the rent due to coronavirus. This order built upon his earlier executive order that “authorized local governments to halt evictions for renters and homeowners, slow foreclosures, and protect against utility shutoffs for Californians affected by COVID-19.”

Though the governor’s second order did improve upon his initial executive order, it still failed to provide sufficient protection to thousands of Californians at this time of crisis. First, it is not long enough in terms of duration. While the governor can always extend the order, he is creating uncertainty and placing needless stress on people who will already have so much to deal with. At minimum, the governor must extend foreclosure and eviction protection for the duration of the state of emergency.

Second, and more critically, the order only delays the problem. A temporary statewide delay on evictions or foreclosures may keep a roof over someone’s head for a few months, but that person is still responsible for the months of payments. The order specifies that people—many of whom will have lost their jobs or be suffering the physical effects of the coronavirus—will still have to pay for any missed payments and can still face eviction procedures. A person who cannot pay rent now is unlikely to be able to come up with multiple months rent at a later date. The enormous economic hardship for thousands and thousands of people has led renters in the Bay Area, who fear losing their homes, to increasingly join tenants’ unions and has led activists in California to call for a rent strike—which is understandable from the tenants’ perspective, who know that even after the coronavirus emergency ends, the “crisis for low-income and working families will not.”

The governor did also acquire over 15,000 hotel rooms to house people experiencing homelessness during the pandemic. But three weeks after his announcement, only a third of the rooms have been occupied, “meaning about 3 percent of the state’s homeless residents have been moved into hotels.” More must be done to truly provide financial protection for Californians not only during this crisis but after it ends as well.

## What is the Answer

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The governor and California politicians should set a goal to make people feel secure in knowing they will not lose their homes due to this crisis. As Michael McKee, executive director of Tenant PAC, said, “We do not want to come out of this crisis having had extremely low-income people just build up debt that they can’t pay off in the form of back rent.” In order to truly protect people, California politicians need to realize that no matter when the state of emergency ends, people will not suddenly be out of the crisis.

California can create a reasonable solution that, as the polling detailed above indicates, is broadly supported across the state. California must completely suspend rent and mortgage payments for the duration of the crisis for those in need. We have seen that the physical impact of the coronavirus can strike anyone at any time. The least the government can do is ensure people know that no matter the physical or financial havoc caused by this virus, they will not lose their homes or fall into insurmountable debt.

However, ensuring people remain in their homes is only one side of the coin. The other side relates to residential landlords. If the state suspends rent payments, and does nothing further, then a landlord—many of whom rely on receiving rent payments to be able to meet their own financial obligations—will be left without expected income. Even having landlords wait until after the emergency ends to collect payment from tenants does not help them pay their bills now. The solution is for the State to make sure that missed rent payments are covered by the State and paid directly to the landlord.

Lawmakers in New York have proposed such a plan that would allow for a suspension and forgiveness of rent payments for residential and small business commercial tenants, as well

as a suspension and forgiveness for mortgage payments. A similar bill was also introduced in the New Jersey senate earlier this month. The bipartisan New Jersey proposal would allow the governor to issue a payment forbearance for the duration of the crisis to homeowners, renters, and residential landlords. At the federal level, Representative Ilhan Omar introduced “Emergency Rent and Mortgage Cancellation Legislation” that would cancel rent and mortgage payments for the duration of the emergency and permit landlords to be repaid by the federal government through a rental property relief fund.

## How do we pay for it all

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Asking the government of California to both forgive rent and mortgage payments for those in need but also take on the task of covering payments to residential landlords raises the question of how it will be paid for. The reality is that the economic impact of the coronavirus will not be shared equally and California can protect all of its citizens best by asking those who are most well off to shoulder a small burden. The wealth gap in the United States has been increasing for years and very few places have seen a wider increase than in California, which has an income inequality that “exceeds all but five states.” families at the top tenth of the income distribution in California have more than 12 times the income of families in the bottom tenth. A 2019 survey found that over 52% of Californians believe it is the job of the state to do more to shrink the wealth gap and “ensure all Californians have equal opportunities to get ahead.”

Thus the government can achieve a solution by altering its state income tax rates to become far more progressive. Though California is already among the most progressive—with those making \$115,648 taxed at 9.3% and those earning over

\$1 million at 13.3%—it can focus on those who are in the top 1% in terms of wealth to step up and pay for the policies advocated here. California could enact a variant on New York’s “mansion tax,” by placing a tax on existing single-family, owner occupied homes over a certain dollar value. The revenue from this tax could be directed to rental and residential landlord assistance and last for the duration of the crisis. The mansion tax benefits from relying on fixed assets with existing valuations. While everyone is experiencing effects from the economic impact of COVID-19 and the very wealthy have likely seen an impact on their holdings, those who are in the top 1% of wealth hopefully recognize that they are still uniquely well positioned to bear the short-term costs of a crisis mansion tax.

If we are going to survive the coronavirus crisis, we must be in it together and for each other, which means protecting homeowners, renters, and residential landlords. A mansion tax impacting the top 1% can help achieve that basic goal, as “[t]hose who are ‘staying at home’ in mansions should be willing to contribute to ensure that everyone can safely shelter in place” and “not have to battle both the virus and potential homelessness.”

## CONCLUSION

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Last October, an article in The New York Times declared that California has a “staggering” homeless crisis. The governor and many politicians from both political parties agreed.

To the governor’s credit, he attempted to make addressing the crisis a priority this year. But when being able to remain in one’s home is more important to one’s health and life than ever, there is no time for half-measures. Temporary moratoriums on evictions and foreclosures, with complicated requirements that still force people to somehow scrape together multiple months payments down the line, will not stem the homeless crisis and will only exacerbate the problem in the months to come. Voters support bold action. The governor and all politicians in the state need to show they are listening and enact actual policies that forgive rent and mortgage payments but also have the government, and not the individual, assume the burden to guarantee that residential landlords are not left behind to struggle themselves. No politician in California can ensure a person can avoid the coronavirus. But what they all have the power to do is help everyone—renters, homeowners, and residential landlords—stay in their homes during and after this crisis ends.

## METHODOLOGY

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From March 27, 2020 to March 28, 2020, Data for Progress conducted a survey of 2022 likely voters in California using web panel respondents. The sample was weighted to be representative of likely voters by age, gender, education, urbanicity, race, and voting history. The survey was conducted in English. The margin of error is  $\pm 2.1$  percent.