



TACOMA HOUSING AUTHORITY

RESOLUTION 2022-10-26 (4)

Date: October 26, 2022

To: THA Board of Commissioners

From: April Black
Executive Director

Re: Forgiveness of Debts Accumulated by THA Portfolio Residents During the Pandemic

This resolution would authorize a one-time use of up to \$1,165,000 of unrestricted reserve funds to zero out debts accumulated by Tacoma Housing Authority (THA) portfolio households during the pandemic, from March 1, 2020, to present.

Background

In response to the COVID-19 pandemic and state and federal eviction moratoria, the Tacoma Housing Authority (THA) has not been issuing notices for non-payment of rent nor subsequent repayment plans to residents of its housing portfolio for the past two years. As of mid-October, 571 active THA portfolio households had accumulated \$1,092,751.94 in late rent and other fees since March 1, 2020.

DEBTS ACCUMULATED BY PORTFOLIO RESIDENTS SINCE MARCH 1, 2020

Category	Amount Owed
Rent	\$978,770.89
Maintenance	\$42,794.20
Security Deposit	\$14,933.07
Retroactive	\$14,250.35
Utilities	\$11,558.47
Installment	\$10,910.61
Miscellaneous	\$10,849.96
Legal	\$5,360.13

Other	\$3,224.26
Late Fees	\$100.00
TOTAL	\$1,092,751.94

An additional 32 households that transferred to another property or moved out of THA's portfolio with a voucher accumulated \$60,600.47 in debt since March 1, 2020. **These past debts bring the total owed by active THA clients to \$1,153,352.41.**

An analysis performed at the end of 2021 identified that Black, Indigenous, and people of color-headed households had disproportionately high rates of debts owed to THA. A more recent analysis of the member demographics of those households with late rent balances identified that children make up 50% of the household member population, those with disabilities are 8%, and elderly are 4%.

During this same time, the CARES and American Rescue Plan Act-funded Treasury Rental Assistance Program (T-RAP), administered by Pierce County, has made rental assistance available to those who have fallen behind on rent and utilities, including residents of subsidized housing. However, uptake has been lower than expected among THA residents and when households do apply, there has been a long wait period before receiving assistance.¹ Further, Pierce County stopped receiving applications for late rent assistance on August 1st. Finally, the program comes with administrative complexity for landlords who accept the assistance.

PIE staff analyzed the estimated benefits and costs of leveraging THA's unrestricted reserves to clear the debts accumulated during the pandemic. The analysis resulted in net benefits to THA residents, staff, and the broader community. The benefits staff aimed to quantify include averted evictions, preventing entries to homelessness, portfolio staff time savings, and savings to community late rent resources. The benefits of avoiding repayment agreements, which are historically ineffective at recouping rent and increase a household's rent burden, saves a tremendous amount of staff time and ensures THA can meet its mission of stabilizing individuals and families in housing. The full analysis is attached to this resolution.

Policy Guidelines

If this resolution is adopted by the Board, THA will institute this one-time assistance in the following way.

Using THA's unrestricted reserves, THA will zero out late rent and other charges accumulated during the pandemic by active THA clients who live or lived at a THA portfolio property.

¹ It should be noted that a cross departmental workgroup has been working diligently to strengthen outreach with residents. Efforts include holding successful events in partnership with Pierce County and hiring a dedicated Eviction Prevention Specialist to outreach to and support portfolio residents. Despite these outreach efforts, uptake remains lower than anticipated.

The guidelines are as follows:

- Late rent and other charges are eligible for this policy if they were accumulated between March 1, 2020, and October 1, 2022. Charges prior to and following those dates are not eligible for this assistance and must be repaid to the housing authority.
- A household is eligible if they are an active THA client whose debt originated at a THA portfolio property (including households who transferred to another unit/property or moved out with a voucher).
- A household is eligible if they are otherwise in good standing² as a resident.
- A household need not apply for this assistance.
- Process the debt forgiveness for any household that does not have a signed payment form with Living Access Support Alliance (LASA), the administering agency for the Pierce County T-RAP funds.
- For households with a signed form and waiting on receipt of Pierce County T-RAP assistance, administered by LASA, they will receive THA's assistance if funds are not disbursed by a date yet to be determined.

In addition to this one-time action, THA will create a communication plan that clearly states that rent not paid moving forward and owed before March 1, 2020, will be subject to a repayment agreement. Moving forward, late rent and other fees will be diligently pursued via noticing and the issuance of repayment agreements.

Recommendation

Authorize THA's Executive Director to make a one-time use of no more than \$1,165,000 of THA unrestricted reserve funds to zero out debts accumulated by active households who lived in THA's portfolio during the pandemic, from March 1, 2020, to October 1, 2022.

² The participant or tenant is not in violation of their lease and/or THA's participant obligations. A tenant or participant currently in the process of termination of tenancy or termination of assistance is not in good standing.



TACOMA HOUSING AUTHORITY

RESOLUTION 2022-10-26 (4) **(One-Time, Pandemic Late Rent Assistance for THA Households)**

WHEREAS, Households served by THA's federal housing programs have been significantly impacted by the COVID-19 pandemic; and

WHEREAS, 571 households in THA's portfolio have accumulated \$1,092,751.94 in late rent and other fees since March 1, 2020; and

WHEREAS, an additional 32 active households that transferred to another property or moved out of THA's portfolio with a voucher accumulated \$60,600.47 in debt since March 1, 2020; and

WHEREAS, these past debts bring the total owed to a THA portfolio property by active THA clients to \$1,153,352.41; and

WHEREAS, local late rental assistance funds are no longer receiving applications; and

WHEREAS, efforts to collect these late rent balances and the potential turnover they create within THA's portfolio are estimated to expend more than 19,000 hours of staff time; now, therefore, be it

Resolved by the Board of Commissioners of the Housing Authority of the City Of Tacoma, Washington, that:

THA's Executive Director is authorized to apply up to \$1,165,000 in unrestricted reserve funds to address late rent and other fee balances in THA's portfolio.

Approved: October 26, 2022



Shennetta Smith, Chair



**Tacoma
Housing
Authority**

Executive Director
April Black

Board of Commissioners
Shennetta Smith, Chair | Dr. Minh-Anh Hodge, Vice Chair
Stanley Rumbaugh | Derek Young | Pastor Michael Purter

To: Tacoma Housing Authority Board of Commissioners
From: Katie Escudero, Interim Director of Policy, Innovation, and Evaluation
Date: June 22, 2022
Subject: Analysis of Debt Forgiveness Proposal

BACKGROUND

In response to the COVID-19 pandemic and state and federal eviction moratoria, the Tacoma Housing Authority (THA) has not been issuing notices for non-payment of rent nor subsequent repayment plans to residents of its housing portfolio for the past two years. As of mid-May 2022, 522 active THA portfolio households had accumulated \$933,311 in late rent and other fees since March 1, 2020.

DEBTS ACCUMULATED BY PORTFOLIO RESIDENTS SINCE MARCH 1, 2020

Category	Amount Owed
Rent	\$858,002.14
Maintenance	\$32,799.98
Miscellaneous	\$16,757.43
Security Deposit	\$13,213.72
Utilities	\$6,114.98
Legal	\$3,823.13
Retroactive	\$1,559.79
Other	\$939.95
Late Fees	\$100.00
TOTAL	\$933,311.12

An analysis performed at the end of 2021 identified that Black, Indigenous, and people of color-headed households had disproportionately high rates of debts owed to THA. A more recent analysis of the member demographics of those households with late rent balances identified that children make up 50% of the population, those with disabilities are 8%, and elderly are 4%. THA does not have access to data on its Housing Choice Voucher (HCV) households who are renting on the private market and hold balances, however, there is historical data from the 2020 late rent program that THA administered. Staff observed that HCV households were served at 1.5x times the rate as portfolio residents at nearly twice the dollar amount.

During this same time, the CARES and American Rescue Plan Act-funded Treasury Rental Assistance Program (T-RAP), administered by Pierce County, has made rental assistance available to those who have

fallen behind on rent and utilities, including residents of subsidized housing. However, uptake has been lower than expected among THA residents and when households do apply, there has been a long wait period before receiving assistance.¹ The program also comes with administrative complexity for landlords who accept the assistance.

PROPOSAL

THA's Leadership Team is analyzing the benefits and costs of leveraging its unrestricted reserves to pay off its portfolio residents' debts accumulated during the pandemic to ensure housing stability, improve resident well-being, and save staff time and resources. While THA does not have an empirical way of estimating the size and scale of the issue among its voucher holders who are renting on the private market, for equity reasons, this proposal includes a stability fund that the population can access to pay off late rent and other debts. The unprecedented impacts of the pandemic coupled with the complexity of new tenant protections and laws around noticing and rent collection have THA considering this one-time action.

Clearing these debts has potential psychological and cognitive benefits beyond the scope of this analysis. A recent study compared impacts among people in poverty before and after debt relief and observed that those with more debts paid off "experienced greater improvements in cognitive functioning, reported less anxiety, and became less present-biased."² This one-time support has the potential to not only economically stabilize households but also improve the well-being among THA's clients by providing some security and relief after a stressful and traumatic two years.

In addition to the non-quantifiable benefits to the people THA serves, this proposal responds to the anticipated administrative burden navigating this massive effort and traversing a complex new eviction pilot program. While staff attempt to capture this in the analysis, the calculation is likely an underestimate of the staff and administrative costs of future rent collection efforts. For example, if residents default on their repayment plan, the process can start over again. There is potential to address the issue multiple times with the same household. Without historical data to reference, it is beyond the scope of this analysis to estimate how many noticing, repayment, and dispute resolution processes are potentially repeated with the same household.

Finally, there are community-wide benefits to this proposal, some of which are quantifiable and included in the analysis. Less housing instability and fewer terminations mean fewer entries to an already-taxed homelessness system. Additionally, community late rent assistance funding is finite, and all landlords are not as willing as THA to work with their residents to avoid termination. By drawing less on finite local funds, Pierce County can target that limited assistance to households who are most at risk.

The quantifiable impacts of this proposal are detailed in the following sections.

APPROACH AND LIMITATIONS

Staff are using Benefit-Cost Analysis (BCA) as a framework for the analysis, where a monetary value is assigned to the benefits and costs of the proposal and a net benefit is calculated to assess whether the policy is worth pursuing. It should be noted that the calculated net benefits are not real benefits that hit THA's books. Rather, this policy analysis is more of a theoretical exercise where the size and scale of benefits, realized or not, are estimated. Also, due to time constraints, this analytic exercise is not a

¹ It should be noted that a cross departmental workgroup has been working diligently to strengthen outreach with residents. Efforts include holding successful events in partnership with Pierce County and hiring a dedicated Eviction Prevention Specialist to outreach to and support portfolio residents. Despite these outreach efforts, uptake remains lower than anticipated.

² Ong, Theseira, & Ng (2019). Reducing debt improves psychological functioning and changes decision-making in the poor. Proceedings of the National Academy of Sciences, 116(15), 7244–7249. <https://doi.org/10.1073/pnas.1810901116>

rigorous BCA as it does not attempt to value intangible costs and benefits, such as the theorized improved health and well-being among THA's clients. It also does not estimate the impact of the proposal over time nor future impacts.

Here are additional limitations and assumptions to bear in mind while reviewing the analysis:

- Because THA is not their landlord, staff do not have access to the amount of debts accumulated by households renting with a tenant-based voucher on the private market. This results in an underestimation of the benefits of the proposal.
- Staff time savings are theoretical as these are sunk costs that THA has already planned for. Rather, staff can carry on with their regular duties such as providing excellent customer service versus addressing the mountain of work associated with the collection of accumulated debts.
- The analysis assumes a household would be noticed and go through the subsequent processes just once. However, it is possible for the same household to go through the repayment process multiple times.
- The analysis does not attempt to estimate the full personal, economic, and social cost of an eviction.
- Additional possible benefits such as those realized by the local economy and healthcare system are not included.

There are additional limitations based on the availability of data, which are explained throughout the analysis. Generally, staff are using historical administrative data to estimate the costs and benefits and readily available local and national research studies. Finally, staff are using available legal cost estimates to value evictions.

In general, exclusion of these additional variables and these data limitations likely underestimate the benefits of the proposal.

ANALYSIS

An explanation of the benefit and cost variables included in the analysis follows.

Benefits

Averted Evictions

In place of a quantifiable measure for housing stability and the positive psychological benefits of eliminating debt, THA is using evictions averted as a proxy. Due to limitations in THA's data system, staff consulted its legal representative to collect historical data on evictions. In the two-year period prior to the pandemic, from 2018 to 2020, 138 households entered into a repayment agreement for late rent or other charges. During that same time, THA engaged legal counsel for 46 households that owed rent or other fees. Of those 46 households, 26 households were issued a writ of restitution to evict.

2018-2020 LEGAL CASES

Result	Households	Percentage
Mutual Termination	4	9%
Rent Modification Agreement	2	4%
Repayment Plan	2	4%
Tenant Cured	11	24%
Unknown	1	2%
Writ Issued	26	57%

Total

46

100%

Assuming households would be issued a repayment agreement prior to legal engagement, staff estimate that a similar rate of households with repayment agreements (33%) would engage with legal. Of the 522 households who currently have debts, staff can use this historical data to estimate that 174 households could engage with legal. Assuming a similar rate (57%) would result in a writ, staff estimate that 98 households could face eviction without any action from THA.

Because THA has not pursued terminations except in cases where there is cause to do so, THA has not yet engaged in the new eviction resolution pilot program. This makes it difficult to estimate the full legal costs incurred in the new eviction process. To arrive at a cost estimate, staff reached out to THA's legal representative. They estimate the cost to be between \$1,400 and \$2,500 depending on if a case goes the eviction resolution program path. Taking the average of these estimates, staff land at a legal cost of \$1,950 per eviction. With the cost per eviction estimated at \$1,950 per household, staff estimate this proposal has a benefit value of \$191,100.

Because THA lacks information on the number of voucher households with debts owed to landlords, they are not included in this calculation. This benefit will be underestimated in terms of the value it provides in evictions prevented for voucher households.

It should be noted that this benefit is likely undervalued as it does not include a monetary value on the costs households incur by having an eviction on their record. Having an eviction on one's rental history makes it incredibly challenging to secure housing in the future and achieve stability.

Opportunity Benefit –Portfolio Staff Time Savings

The benefit of saved staff time that would be redirected to rent collection activities can be monetized by estimating the number of hours it would take to notice, follow-up on noticing, issue repayment agreements, potentially consult legal, and if these efforts fail, turn the unit over. Property Management staff estimate the number of hours and the hourly salary and benefits of the employees who carry out these activities. Note that these are not real cost savings as staffing levels would not change and are considered sunk costs. Instead, this is a valuation of the benefit realized by enacting the proposal, allowing staff to continue their regular duties and provide high quality customer service.

RENT COLLECTION ACTIVITIES

Activity	Hourly Rate	Estimated Hours	Total Cost
Calculating Amount Owed	\$25.00	1.5	\$37.50
Noticing	\$34.00	3	\$102.00
Follow-up to Noticing	\$34.00	6	\$204.00
Total Per Household		10.5	\$275.50
Total (522 households)		5,481	\$179,307.00

If a household does not follow-up on its repayment agreement and ends up vacating the unit as a result of eviction, there are costs associated with unit turnover. Multiplying the estimated cost per household by the estimated number of evictions (98 households) that could result without

THA action, staff value the savings from unit turnover as \$1,130,577. If households who vacate because of mutual termination are included in this estimation, that number grows to 145 households for a total estimated cost of \$1,672,792. Staff decided to use the more conservative estimate that only accounts for estimated evictions, not terminations, in this analysis.

UNIT TURNOVER ACTIVITIES

Activity	Hourly Rate	Estimated Hours	Total Cost
Unit Turnover	\$84.00	136	\$11,424.00
Leasing to New Household	\$25.00	4.5	\$112.50
Total Per Household		140.5	\$11,536.50
Total (98 households)		13,769	\$1,130,577.00

Taking these two values into account, staff estimate that 19,250 hours could be saved in staff time, valued at around \$1,309,884.

Community Benefit – Preventing Entries to Homelessness

By forgiving debts accumulated during the pandemic, THA expects that this would help stabilize families in housing, prevent terminations, and prevent households from exiting THA housing into the homelessness system. A recent study on the return on investment of pandemic rental assistance estimates that of all at-risk households with an eviction filing, 31.4% would double up with another family and 21.8% would enter shelter.³ Using the estimated 98 households who could face eviction if no action is taken and the proportions observed in the cited study, staff estimate that 31 households would double up with another family and 21 households would seek shelter assistance.

POST-EVICTION NOTICE ACTIONS

Action	Proportion of Population	# of THA Households
Find a new place	43.3%	42
Double up	31.4%	31
Shelter	21.8%	21
Cure the notice	3.5%	3

Because of a lack of data on doubled-up households, we are assuming that after having faced an eviction, these households will seek some type of homeless prevention and/or diversion assistance. It should be noted that this is not always the case and some may continue living doubled up without seeking assistance. Diversion has an annual cost of \$1,500 per household and

³ Gilman, Sam (2021). The return on investment of pandemic rental assistance: modeling a rare win-win-win. Indiana Health Law Review, Vol. 18, 2021. <https://mckinneylaw.iu.edu/ihr/pdf/vol18p293.pdf>

shelter is \$24,000 per household per year.⁴ Pierce County observes that 10% of households in shelter go on to receiving additional assistance in Rapid Rehousing, which averages \$8,000 per household per year.

Assuming THA residents would behave in similar ways to those in the study and rounding to the nearest whole number, staff estimate that 52 households could access homelessness system resources, resulting in estimated system costs of \$575,985.

ESTIMATED USE OF HOMELESSNESS RESOURCES

Service Modality Use	# of THA Households	Costs ⁵
Diversion & Homelessness Prevention Use (Double up)	31	\$46,158.00
Shelter	21	\$512,736.00
Rapid Rehousing Intervention (duplicate households from shelter)	2	\$17,091.00
Total	52	\$575,985.00

Similarly, to the averted evictions measure, staff cannot estimate how many voucher households could avoid an entry to the homelessness system because of access to this support.

Community Benefit – Savings to Community Late Rent Resources

By paying off these debts, THA residents will no longer have a need to access Pierce County and other community partners' limited resources for late rent assistance. The county funds are currently not replenishable after this last round of disbursement. This proposal would avert the need for residents to draw on this already taxed and backed up system. To illustrate how backed up this system is, Pierce County is currently processing applications received on November 7, 2021. Unlike many private market landlords, THA goes to every length to avoid housing instability and terminations. There is a benefit to ensuring the most at-risk households access these limited funds.

Since the start of the pandemic, approximately 30% of THA's total population has received late rent assistance with an average payment per household at \$2,179. Assuming those with debts owed access the community's resources at a similar rate, staff assume 158 of the 522 households would receive assistance, resulting in \$344,282 saved in community late rent resources.

Similarly, as above, voucher household benefits cannot be estimated.

Costs

Unpaid Rent and Fees in THA's Portfolio

⁴ ECONorthwest (2022). Pierce County homeless services assessment. Prepared for Pierce County. <https://www.piercecountywa.gov/DocumentCenter/View/113358/Pierce-County-Homelessness-Report---FINAL---220404?bidId=>

⁵ Ibid.

The total cost of paying off rent and other fees accumulated from March 1, 2020, to present is approximately \$933,300. This is a direct cost associated with this proposal that would be paid out of THA's unrestricted reserves.

Unpaid Rent and Fees – Voucher Households

THA cannot estimate the amount of late rent and other fees that voucher holders have accumulated since the start of the pandemic as this is information held by individual landlords. However, to ensure some parity in its programs, THA proposes at least matching the amount of funds dedicated to stabilizing portfolio residents - \$933,300 - and setting up an emergency fund that voucher holders can access. This part of the proposal would require additional administrative investment in the form of at least one fulltime employee to promote the fund, review applications, and manage the program. The cost of such a position would be \$58,035.

Opportunity Costs

THA's unrestricted reserves have future commitments and plans aside from this proposed use. The funds are particularly critical for THA's future development plans. These funds are used to pay development staff, perform due diligence, and provide gap financing. Recent increases in construction costs along with rising interest rates are putting a strain on THA's ability to acquire and develop new affordable units. Diverting additional funds will further reduce THA's ability to add units in the coming years. THA needs to consider the opportunity costs the agency must forgo to implement this proposal.

The cost of borrowing \$933,300 for one year would be approximately \$64,000. Staff use this estimate as the proxy for opportunity cost.

Estimated Net Benefits Calculation

To calculate the net benefits of this proposal, staff sum all of the benefit variables and sum all cost variables and then subtract total cost value from the total benefit value. The analysis results in positive net benefits, providing support for the policy proposal.

BENEFITS	VALUE
Averted Evictions	\$191,100.00
Portfolio Staff Time Savings	\$1,309,884.00
Preventing Entries to Homelessness	\$575,985.00
Community Late Rent Resource Savings	\$344,282.00
Total Benefits	\$2,421,251.00
COSTS	
Unpaid Rent and Fees in THA's Portfolio	(\$933,300.00)
Unpaid Rent and Fees Support and Program Administration - HCV	(\$991,335.00)
Opportunity Costs	(\$64,000.00)
Total Costs	(\$1,988,635.00)
NET BENEFITS	\$432,616.00

RECOMMENDATIONS

The analysis results in net benefits to THA residents, staff, and the broader community. Staff recommend supporting this proposal, allowing staff to approach philanthropic partners to seek support to offset the cost of instituting debt forgiveness and implementing an emergency assistance program for voucher holders. The total, real cost of the proposal is approximately \$1.9 million. If the Board agrees, staff will move forward with further explicating the one-time policy. In general, the recommendation is to:

- Use THA's unrestricted reserves to zero out late rent and other charges accumulated by more than 500 portfolio households since March 1, 2020, to date (\$933,300).
- Use THA's unrestricted reserves to set up a matching fund for voucher households to access and include additional funds for staffing/program administration. (\$991,335).
- Seek out philanthropic or other community support for this one-time action.
- Develop the parameters and policies for fund disbursement, for THA's portfolio and voucher programs.
- Develop a communication plan that emphasizes that this support is one-time, and that THA will resume noticing and issuing repayment agreements for late rent and other charges.
- Explore and implement proactive rent collection best practices.

As THA prepares to transition from emergency operations to some semblance of normal operations, staff recommend proactively and clearly communicating that this support is one-time and that any future missed rent payments will result in noticing and repayment agreements. It will be a noticeable shift in messaging from THA going to every length to clear these arrears during the pandemic to moving forward, aggressively pursuing rent collection. To that end, staff also recommend continuing to research best practices that go upstream and reduce the accumulation of future rent arrears. One such study suggests that encouraging uptake of direct deposit options and sending texts or other communications that remind residents to pay their upcoming rent reduce the number of those who enter arrears.⁶

If the Board agrees with this direction, staff will develop and bring forward further explicated policies, implementation plans, and a proposal for use of funds.

⁶ Fitzhugh, Park, Nolan, & Gibbons (2018). Reducing rent arrears at Metropolitan Housing. The Behavioural Insights Team. <https://www.bi.team/wp-content/uploads/2019/03/Bit-Applying-behavioural-insights-to-reduce-rent-arrears-final-report.pdf>