

Making the Rent

Examining the Scale
of the Rent Shortfall
in Sonoma County Due to COVID-19



Jesús Guzmán | July 2020



Introduction

The incomparable economic impacts of the COVID-19 pandemic have upended households and businesses as job losses reach levels never before seen in modern Sonoma County history. Federal and state government have sought to identify and implement policy strategies to relieve the uncertainty and burden felt by families from the economic fallout. Local governments, too, have marshalled resources and legislated protections to abate the potential harms with the express aim of centering public health and household stability. Yet, for many tenants, how to pay the rent has remained precarious and uncertain.

In this brief, we analyze and measure the likely scale of need for rental assistance in Sonoma County. Once we account for the enhanced benefits from the CARES Act and estimate the job loss by leveraging UI (unemployment insurance) claims data by industry from the California Economic Development Departments, we offer projections for the rental assistance needed by local households due to the COVID-19 pandemic. We design a model that estimates the economic conditions of renter households receiving only regular UI and the enhanced benefits from the CARES Act disaggregated by renter income status (all and lower income), which allows us to estimate the rent shortfall and need under both scenarios.

As was intended by the CARES Act, we find that the federal enhanced benefits offered considerable relief to local

households despite experiencing job loss. Thus far, the benefits have been a lifeline for local families. The emergency federal relief may be the vital contributing factor that helps explain why we've seen rent payment rates have remained largely above 90 percent nationwide, as survey data from larger multifamily housing providers has noted. Nevertheless, at least two concerns arise. First, the enhanced benefits have yet to reach all households in need either because of overburdensome filing systems and backlogs or ineligibility requirements – leaving many households imperiled.

Secondly, **recent research from the Turner Center at UC Berkeley surveyed small “mom and pop” landlords with 1 in 4 reporting that they’ve had to borrow funds to cover operating costs and 40 percent feeling less confident that they’ll be able to cover operating costs in the next three months.** These needs underscore the interdependency of the rental market and the fallout from interrupting the cash flow necessary to operate rental housing to thousands of Sonoma County families. For tenants and landlords, grave questions abound about how long these conditions can continue without additional support.

This brief contributes local evidence based on the NYU Furman Center’s methodology to estimate the rent shortfall for Sonoma County households so that local governments may act to support these households as a new challenge arises with the potential expiration of federal support.

Key Findings

Job Loss by Industry

- Accommodation and food services was dealt the biggest blow as over 9,200 initial UI claims were filed by workers who were formerly employed by this industry, which amounts to roughly a 60% job loss based solely on data from UI claims.
- Retail trade witnessed over 7,000 workers file for unemployment insurance.
- Construction, along with Healthcare and Social Assistance, saw similar levels of workers filing UI claims at about 6,100 each.
- Conversely, agriculture, finance and insurance, and the public sector, so far, have seen single-digit shares of workers filing for UI given their respective sector's employment level

Renter Households

- **Approximately 25,500 renter households have at least one household member that has experienced a job loss due to the COVID-19 pandemic, which amounts to more than one-third of renter households in Sonoma County.**
- Roughly 13,600 lower income renter households (below 80% area median income) had at least one member

that we find to have filed a UI claim due to the pandemic job loss.

- About 2,100 lower-income renter households did not claim UI benefits.

Rental Assistance Need

- Assuming renters continue receiving enhanced benefits, we estimate the total rental assistance need to be \$6.1 million a month.
- If the benefits expire and renters return to the regular state UI benefits, the aggregate need would be much higher at about \$22.6 million a month.
- For lower income households, we estimate that if the enhanced benefits are extended these households would face a \$1.7 million aggregate gap to pay the rent – or about \$124 a month for the average renter.
- Without the enhanced benefits, we project that the aggregate gap would increase to \$11.7 million a month – or about \$860 a month for the average low-income renter.
- **Assuming that these monthly costs stay constant, we project that six months of aid for lower income households with enhanced benefits would amount to 10.2 million.**
- **If we assume renters return to regular UI benefits, that projection increases to \$70.2M to cover six months of aid for lower income renters impacted by job loss.**

The Impacts of COVID-19 on Industry and Workers

We use the California initial weekly unemployment insurance claims data to estimate the share of workers that lost their job due to COVID-19 and disaggregate the data by industry. We leverage the data provided by the California Economic Development Department to estimate the cumulative initial UI claims for the weeks ending March 17 through May 25. The roughly two-month period tracks both the initial shelter-in-place order and the reopening of the economy.

Figure 1 shows the distribution of weekly unemployment insurance claims by industry since shelter in place took effect in Sonoma County. We find that the distributional impacts of COVID-19 did not

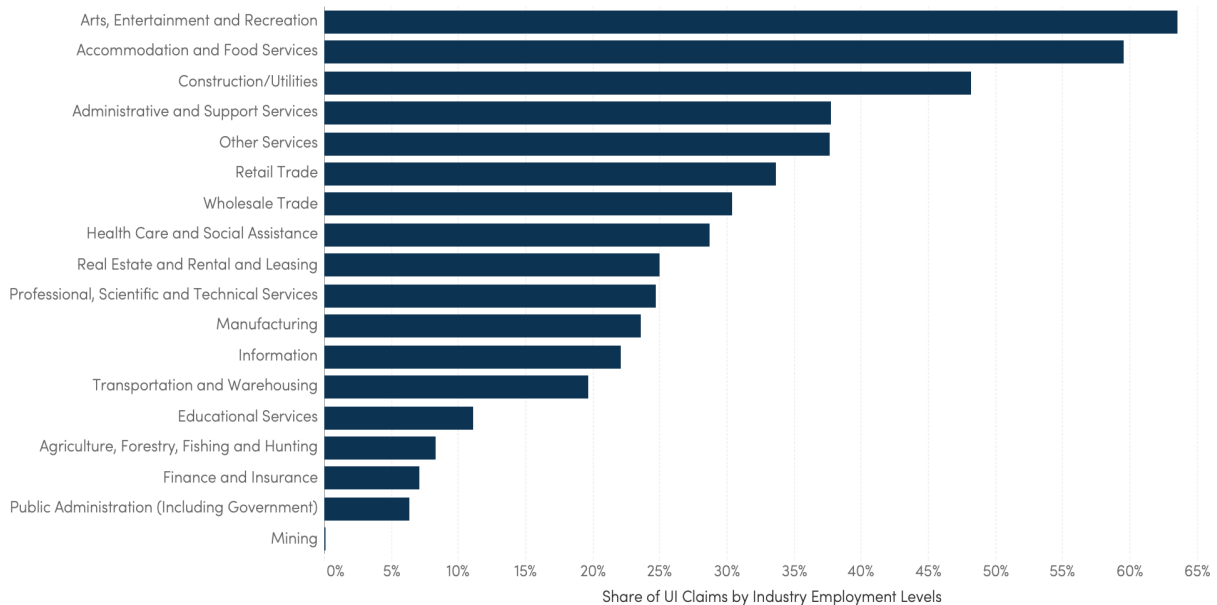
affect each industry equally. Rather, we find significant disproportionality in terms of the share of displaced workers filing UI claims from industries like arts, entertainment, and recreation (64%), accommodations and food service (60%), and construction/utilities (48%).¹

Figure A, in the appendix, demonstrates the timeline of the UI claims for the top three most impacted industries relative to their employment levels. We find that accommodation and food services, arts, recreation, and entertainment, and construction/utilities saw large spikes in UI claims the week after shelter-in-place took effect, but that the level of UI claims persisted weeks after and continue to date at much higher levels than before the pandemic. Despite the large influx of UI claims at the outset, industries appear to continue hemorrhaging employment consistently since the first initial wave.

Figure 1

Arts and recreation, accommodation and food services, and construction with largest shares of unemployed workers seeking aid

Share of cumulative UI claims relative to employment levels by industry in Sonoma County, 2020



Note: Cumulative UI Claims for weeks ending March 17 through May 25 benchmarked against employment levels by industry. These figures are lower bound estimates of job loss as not all workers who lost their jobs filed for UI.

Source: American Community Survey via IPUMS & CA EDD | Generation Housing

Figure 2

Accommodation and Food Services and Retail Trade Workers Rank Among the Top UI Claimants

Distribution of Total UI Claims by Industry in Sonoma County, 2020



Note: In bottom right corner, transportation and warehousing, finance and insurance, agriculture, and public administration not visible each at 2 percent or lower.

Source: American Community Survey via IPUMS & CA EDD | Generation Housing

When we analyze all UI claims spread across various industries, we find that accommodation and food services accounts for 18 percent of all UI claims in Sonoma County. Figure 2 details the distribution of all UI claims across industry for Sonoma County covering the period of March 17 to May 25. Retail trade is a close second with 14 percent of all UI claims during this period, followed by health care and social assistance and construction/utilities at 12 percent. These four industries when combined account for 56 percent of all UI claims.

Lost Wages, UI Benefits, and Paying the Rent

We estimate that 22,300 renter households have at least one household member who filed UI claims due to COVID-19. We find that an additional 3,200 renter households in Sonoma County have at least one household member who lost their job due to COVID-19, but who did not claim unemployment

insurance benefits. **In total, we estimate that 25,500 renter households were impacted by job loss due to the pandemic, which amounts to more than one-third of renter households in Sonoma County.**

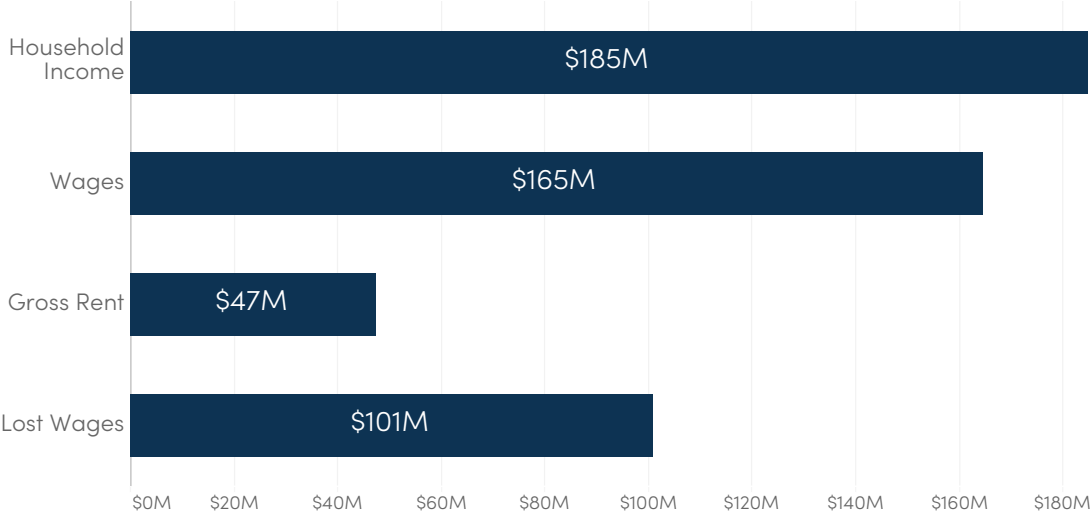
Of the Sonoma County renter households with at least one member that filed a UI claim due to the pandemic job loss, we estimate that 13,600 were lower income renter households. Of those lower income renter households, we project that 2,100 did not claim UI benefits.

We then measure the aggregate monthly household income, wages, gross rent, and lost wages of renters in Sonoma County. Before calculating and accounting for the regular and enhanced UI benefits, we show in Figure 3 the would-be rent shortfall for renters were they not to receive any benefits - this amounts to more than \$50 million a month - the difference between the aggregate gross rent and lost wages for affected renter households in Sonoma County.

Figure 3

Before benefits, impacted renters facing over \$50M gap between lost wages and gross rent

Monthly Aggregates for Affected Renter Households in Sonoma County



Source: American Community Survey via IPUMS & CA EDD | Generation Housing

How much assistance is needed to support renters through the COVID-19 pandemic?

Despite the towering gap renters would be facing without any benefits, we find that thus far, both the regular UI and enhanced benefits from the CARES Act have offered considerable relief to local households. The federal benefits have been by far the most generous and have contributed significantly to ensuring households remain whole as much as possible during the pandemic. However, when the enhanced benefits provided by the federal government expire at the end of July 2020, renters may be facing a sizable cliff that imperils their health and safety, as well as that of the larger Sonoma County community. **In particular, the most at-risk households may be the projected 9,900 renters that are cost-burdened, and the**

4,900 renters that are severely-cost burdened (who spend more than 30 percent and 50 percent of their household income on rent, respectively). The results could be devastating.

In modeling the data, we present several distinct scenarios. In the first scenario, we assume no job recovery takes place and model the data to project the rental assistance needed conditional upon either renter households receiving regular state UI or continuing with the enhanced UI granted by the federal CARES Act. As we show in Figure 4, when we assume renters continue receiving enhanced benefits, we estimate the rental assistance need to be about \$6.1 million a month. If the benefits expire and renters return to the regular state UI benefits, these households would need much more assistance to the tune of \$22.6 million a month.

Next, if we narrow our focus to lower income households (< 80% area median

income), we estimate that if the enhanced benefits are extended these households would face a \$1.7 million aggregate gap to pay the rent – or an average of \$124 a month. Without the enhanced benefits, we project that the gap would increase to \$11.7 million a month – or an average of \$860 a month per household. Assuming that these monthly costs stay constant, we project that six months of aid for lower income households with enhanced benefits would amount to \$10.2 million for that time period. If we assume the upper bound of that scenario in which renters return to regular UI benefits, that projection

increases to \$70.2 million to cover six months of aid for lower income renters impacted by job loss.

In Figure 5, we estimate the monthly rental assistance assuming that 25 percent of jobs return. In this scenario, the rent shortfalls would shrink for all renter households from \$6.1M a month with enhanced benefits to \$4.7M monthly. For lower income households, we project that the gap with enhanced benefits would shrink from \$1.7M to \$1.3M a month; and without benefits, the gap would also shrink from \$11.7M to \$8.8M a month.

Figure 4

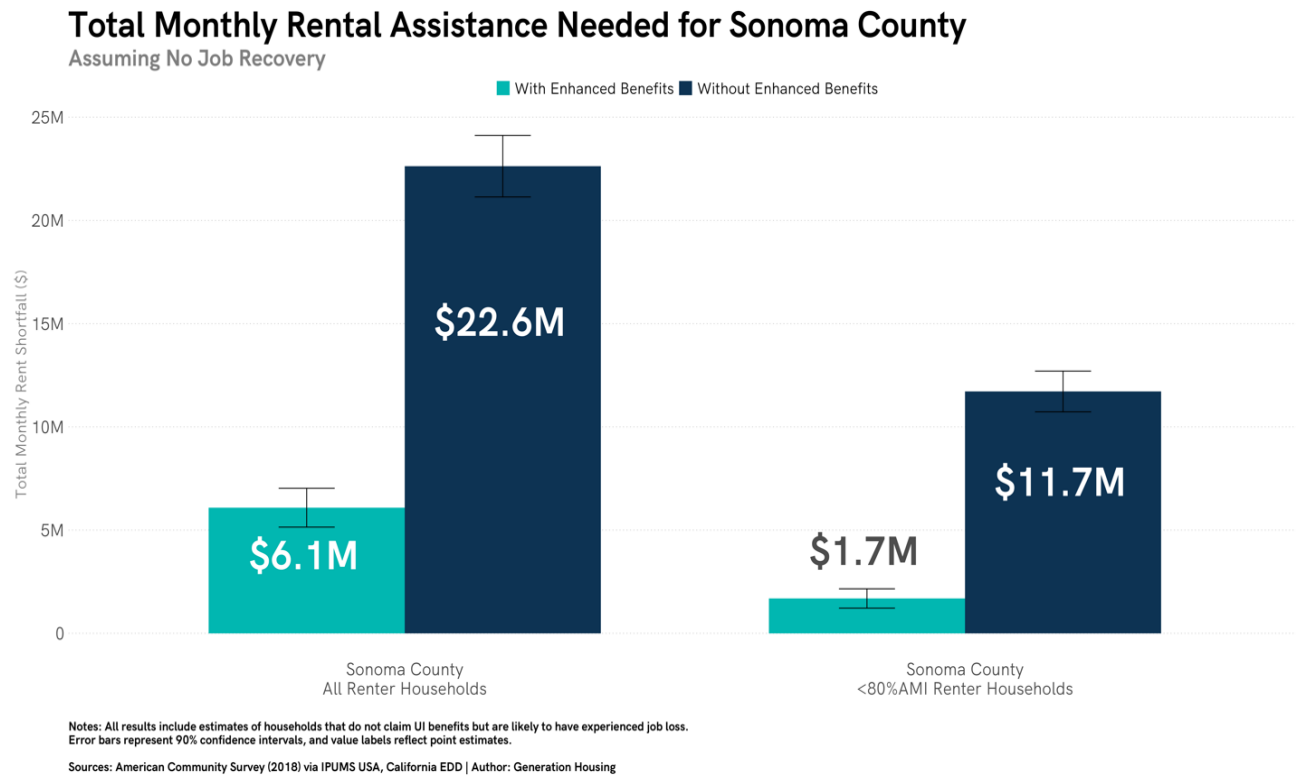
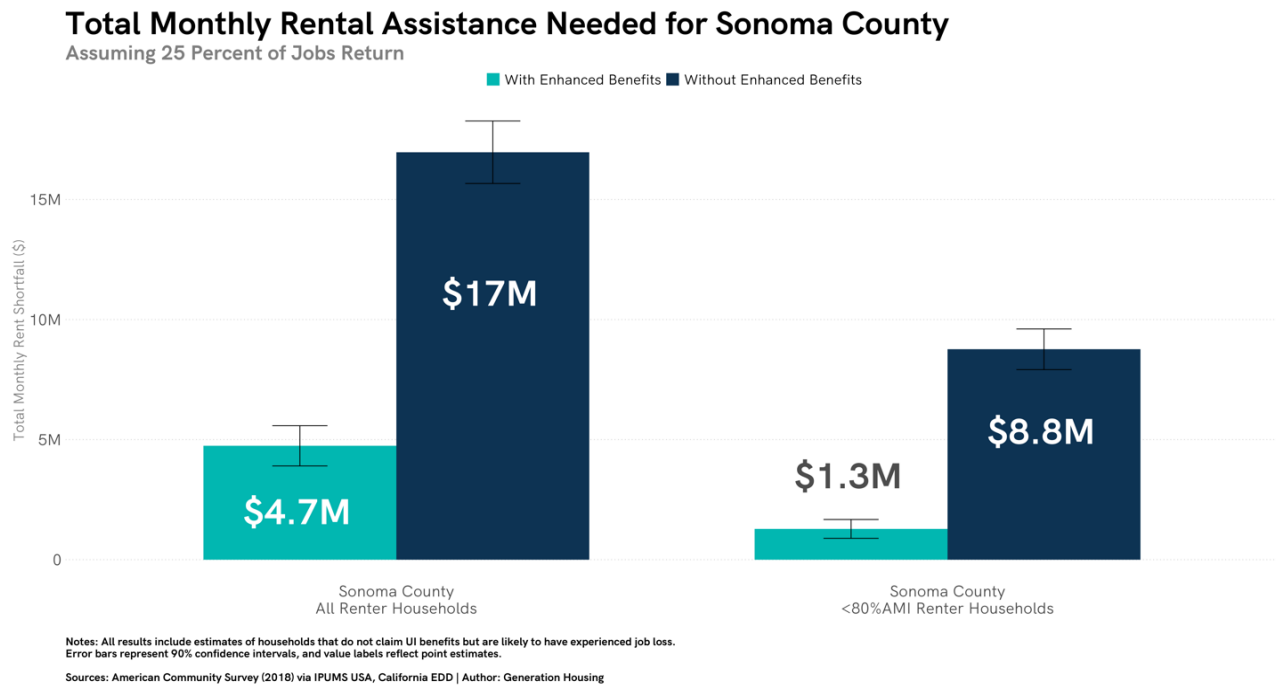


Figure 5



Conclusion

There are several caveats and limitations to our analysis and estimates. Given the data on hand, we cannot project or account for tenants negotiating lower rents or that rental market prices drop during the pandemic, which would decrease the gross rents and therefore reduce the size of the rent shortfall. Secondly, the projections herein offer a look at various scenarios in which we assume certain parameters are constant across several months such as the closure of business at the beginning of the shelter in place order in March and the reopening that took place over several stages – only to then have it reversed. Though we attempt to adjust for fluctuations in employment by restricting our data for UI claims from March 17 to May 25, the peak and largest portion of

the UI claims trend, we cannot project how that will impact the recovery as some industries may have been harmed more than others during that period.

In our analysis, we offer evidence that the federal CARES Act has provided considerable relief to Sonoma County renter households. However, with the enhanced benefits of the CARES Act set to expire July 2020, renters and the housing market as a whole will be facing an extreme cliff that will jeopardize the stability of local households, neighborhoods, and landlords. Local governments, though cash-strapped themselves from tax revenue shortfalls, may have latitude to inject funds into a rental assistance programs to cover the magnitude of the rent gap faced by tenants and landlords. The urgency of stepping up and addressing the need should be amongst local government’s top priorities.

End Notes:

- 1. For the construction and utilities sector, the entirety of the UI claims derive from the construction sector as zero UI claims were filed by utility workers.

Appendix 1: Methodology

We begin by examining the temporary federal CARES Act benefits that were made available to Sonoma County residents. We then leverage the California Economic Development Department’s data on the number of initial unemployment insurance (UI) claims to identify the distribution of job loss by industry. We create a cumulative total for the weeks ending March 17 through May 23 to capture the rise, peak, and largest portion of the UI distribution and trend. We end at May 23 as the local economy began reopening that week in Sonoma County.

Because we do not have job loss data that is at the household level, we use the UI claims data to estimate the proportional impacts of the pandemic by industry. We then randomly assign the probability of job loss using the proportional job loss for corresponding workers in the American Community Survey sample for Sonoma County. We simulate the random assignment 100 times and average the results in order to avoid unduly burdening one estimate.

To estimate the job loss and reciprocity rate from the initial weekly UI claims data, we adjust the data in two directions. First, to estimate the universe of job loss, we use The Century Foundation’s analysis that estimates California’s UI take-up rate to be roughly 67 percent, which we then scale up from the initial UI claims. Going the other direction to estimate how many claimants actually received benefits, we leverage research from the California Policy Lab’s estimates finding that 91 percent of initial claims have received benefits.

Once we have estimated the probabilities for workers and households experiencing job loss, we estimate the benefits using their household and worker level income and wages, rents, and potential UI benefits from both the state and the enhanced benefits. This report borrows its methodology as crafted by the New York University Furman Center, which originally analyzed New York State, and which we readapted to Sonoma County. This report also received technical assistance from the Furman Center staff.

Appendix 2: Data Sources

We use two data sources in this report. This report uses the American Community Survey via IPUMS 5-year

sample and weekly initial UI claims data from the California Economic Development Department

Appendix 3: Charts and Tables

Figure A

Among top three most impacted industries, claim levels have persisted since initial spike the week after shelter-in-place took effect

Number of weekly initial UI claims by top three impacted industries in Sonoma County, 2020

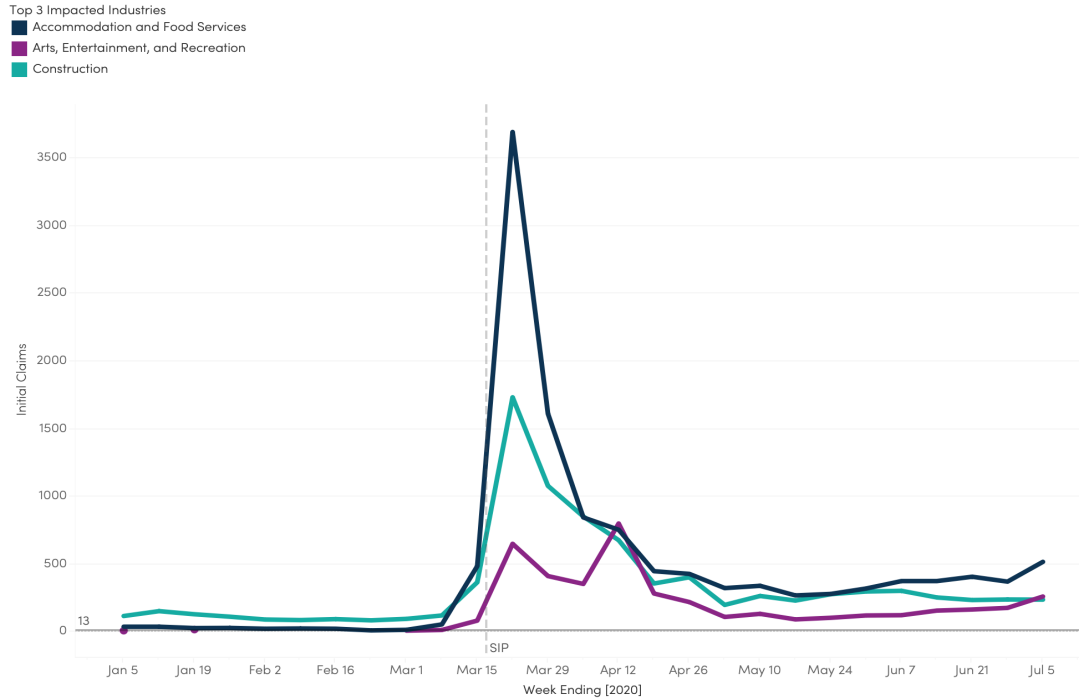


Table A

	Affected Renter Households Sonoma County - Aggregates					
	UI Job Loss, No Return	UI Job Loss, No Return, No UI HHs	UI Job Loss, No Return, Rent Burdened HHs	UI Job Loss, No Return, Severely Rent Burdened HHs	UI Job Loss, 25% Return	UI Job Loss, 50% Return
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Total Households	25,548	3,266	11,601	4,861	20,175	14,110
Monthly Aggregate Household Income	\$167.40M	\$17.41M	\$44.36M	\$11.16M	\$133.40M	\$94.16M
Monthly Aggregate Wages	\$150.04M	\$14.55M	\$38.71M	\$9.32M	\$119.64M	\$84.79M
Monthly Aggregate Lost Wages	\$94.33M	\$6.61M	\$27.30M	\$7.25M	\$71.03M	\$47.23M
Monthly Aggregate Gross Rent	\$42.16M	\$5.14M	\$20.81M	\$8.60M	\$33.34M	\$23.43M
Aggregate Stimulus Benefits	\$77.80M	\$9.64M	\$35.18M	\$13.62M	\$62.07M	\$44.45M
Monthly Aggregate Regular UI Benefits	\$30.16M	\$0.00	\$10.48M	\$2.94M	\$22.71M	\$15.15M
Monthly Aggregate Enhanced UI Benefits	\$62.67M	\$0.00	\$26.73M	\$10.05M	\$47.09M	\$31.42M
Monthly Aggregate Rental Assistance Need (Without Stimulus or UI)	\$29.75M	\$2.26M	\$16.25M	\$5.73M	\$22.62M	\$15.31M
Monthly Aggregate Rental Assistance Need (After Stimulus)	\$11.44M	\$788,350.65	\$5.17M	\$1.06M	\$8.33M	\$5.32M
Monthly Aggregate Rental Assistance Need (After Regular UI)	\$22.63M	\$2.26M	\$13.21M	\$4.13M	\$16.97M	\$11.30M
Monthly Aggregate Rental Assistance Need (After Enhanced UI)	\$6.09M	\$2.26M	\$2.82M	\$620,007.55	\$4.74M	\$3.24M
Monthly Aggregate Rental Assistance Need (After Enhanced UI and Stimulus)	\$2.11M	\$788,350.65	\$625,691.85	\$93,725.84	\$1.67M	\$1.13M

Notes: Assignment of individuals to UI take-up status is done randomly with a 67% likelihood, accounting for those deemed ineligible based on income criteria. Assignment of individuals to job loss status is done randomly with a likelihood based on the industry specific UI claims and job loss estimates. All of the results show here are the averages of 100 iterations of the estimations.

Table B

Affected Renter Households						
Sonoma County - Averages						
	UI Job Loss, No Return	UI Job Loss, No Return, No UI HHs	UI Job Loss, No Return, Rent Burdened HHs	UI Job Loss, No Return, Severely Rent Burdened HHs	UI Job Loss, 25% Return	UI Job Loss, 50% Return
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Total Households	25,548	3,266	11,601	4,861	20,175	14,110
Monthly Average Household Income	\$6,552.62	\$5,324.59	\$3,824.32	\$2,294.86	\$6,612.72	\$6,674.42
Monthly Average Wages	\$5,873.44	\$4,448.36	\$3,337.30	\$1,916.70	\$5,930.15	\$6,009.84
Monthly Average Lost Wages	\$3,692.55	\$2,022.14	\$2,353.72	\$1,491.49	\$3,520.55	\$3,347.20
Monthly Average Gross Rent	\$1,650.06	\$1,572.67	\$1,793.88	\$1,768.77	\$1,652.90	\$1,660.80
Average Stimulus Benefits	\$3,045.12	\$2,950.40	\$3,032.75	\$2,802.47	\$3,076.76	\$3,150.10
Monthly Average Regular UI Benefits	\$1,180.64	\$0.00	\$903.83	\$604.90	\$1,125.71	\$1,073.66
Monthly Average Enhanced UI Benefits	\$2,453.30	\$0.00	\$2,304.78	\$2,068.27	\$2,333.98	\$2,226.43
Monthly Average Rental Assistance Need (Without Stimulus or UI)	\$1,164.32	\$692.68	\$1,400.77	\$1,178.96	\$1,121.30	\$1,084.36
Monthly Average Rental Assistance Need (After Stimulus)	\$447.92	\$240.56	\$445.90	\$218.62	\$413.09	\$376.96
Monthly Average Rental Assistance Need (After Regular UI)	\$885.79	\$692.68	\$1,138.27	\$848.56	\$841.06	\$800.63
Monthly Average Rental Assistance Need (After Enhanced UI)	\$238.28	\$692.68	\$242.76	\$127.44	\$235.01	\$229.56
Monthly Average Rental Assistance Need (After Enhanced UI and Stimulus)	\$82.54	\$240.56	\$53.98	\$19.30	\$82.73	\$80.08

Notes: Assignment of individuals to UI take-up status is done randomly with a 67% likelihood, accounting for those deemed ineligible based on income criteria. Assignment of individuals to job loss status is done randomly with a likelihood based on the industry specific UI claims and job loss estimates. All of the results show here are the averages of 100 iterations of the estimations.

Table C

Affected Renter Households with Incomes below 80% of AMI						
Sonoma County - Aggregates						
	UI Job Loss, No Return	UI Job Loss, No Return, No UI HHs	UI Job Loss, No Return, Rent Burdened HHs	UI Job Loss, No Return, Severely Rent Burdened HHs	UI Job Loss, 25% Return	UI Job Loss, 50% Return
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Total Households	13,652	2,162	9,899	4,871	10,497	7,284
Monthly Aggregate Household Income	\$48.62M	\$6.21M	\$31.70M	\$11.03M	\$37.64M	\$26.48M
Monthly Aggregate Wages	\$43.16M	\$4.86M	\$27.68M	\$9.23M	\$33.44M	\$23.57M
Monthly Aggregate Lost Wages	\$29.82M	\$2.31M	\$19.96M	\$7.10M	\$22.00M	\$14.68M
Monthly Aggregate Gross Rent	\$19.85M	\$3.00M	\$16.45M	\$8.59M	\$15.34M	\$10.66M
Aggregate Stimulus Benefits	\$42.08M	\$6.36M	\$29.91M	\$13.69M	\$32.67M	\$23.09M
Monthly Aggregate Regular UI Benefits	\$12.00M	\$0.00	\$8.08M	\$2.90M	\$8.85M	\$5.90M
Monthly Aggregate Enhanced UI Benefits	\$31.16M	\$0.00	\$22.23M	\$10.04M	\$23.03M	\$15.33M
Monthly Aggregate Rental Assistance Need (Without Stimulus or UI)	\$15.01M	\$1.25M	\$12.50M	\$5.66M	\$11.37M	\$7.70M
Monthly Aggregate Rental Assistance Need (After Stimulus)	\$3.69M	\$276,063.66	\$3.03M	\$966,289.17	\$2.68M	\$1.68M
Monthly Aggregate Rental Assistance Need (After Regular UI)	\$11.72M	\$1.25M	\$9.92M	\$4.04M	\$8.76M	\$5.83M
Monthly Aggregate Rental Assistance Need (After Enhanced UI)	\$1.69M	\$1.25M	\$1.45M	\$578,859.89	\$1.28M	\$889,751.73
Monthly Aggregate Rental Assistance Need (After Enhanced UI and Stimulus)	\$276,098.50	\$276,063.66	\$231,608.07	\$86,436.52	\$217,278.15	\$135,517.66

Notes: Assignment of individuals to UI take-up status is done randomly with a 67% likelihood, accounting for those deemed ineligible based on income criteria. Assignment of individuals to job loss status is done randomly with a likelihood based on the industry specific UI claims and job loss estimates. All of the results show here are the averages of 100 iterations of the estimations.

Table D

Affected Renter Households with Incomes below 80% of AMI						
Sonoma County - Averages						
	UI Job Loss, No Return	UI Job Loss, No Return, No UI HHs	UI Job Loss, No Return, Rent Burdened HHs	UI Job Loss, No Return, Severely Rent Burdened HHs	UI Job Loss, 25% Return	UI Job Loss, 50% Return
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Total Households	13,652	2,162	9,899	4,871	10,497	7,284
Monthly Average Household Income	\$3,561.10	\$2,872.86	\$3,202.15	\$2,263.71	\$3,585.16	\$3,635.26
Monthly Average Wages	\$3,161.69	\$2,246.82	\$2,796.80	\$1,893.62	\$3,185.19	\$3,235.52
Monthly Average Lost Wages	\$2,183.81	\$1,063.81	\$2,016.31	\$1,456.26	\$2,095.51	\$2,013.89
Monthly Average Gross Rent	\$1,454.34	\$1,387.39	\$1,662.15	\$1,762.41	\$1,461.58	\$1,463.21
Average Stimulus Benefits	\$3,082.43	\$2,946.20	\$3,021.45	\$2,809.92	\$3,112.34	\$3,168.95
Monthly Average Regular UI Benefits	\$879.07	\$0.00	\$816.00	\$594.98	\$842.91	\$810.34
Monthly Average Enhanced UI Benefits	\$2,282.32	\$0.00	\$2,246.36	\$2,062.75	\$2,193.50	\$2,103.79
Monthly Average Rental Assistance Need (Without Stimulus or UI)	\$1,099.30	\$577.92	\$1,262.38	\$1,161.52	\$1,083.39	\$1,056.27
Monthly Average Rental Assistance Need (After Stimulus)	\$270.44	\$127.15	\$306.19	\$198.27	\$254.78	\$231.00
Monthly Average Rental Assistance Need (After Regular UI)	\$858.10	\$577.92	\$1,001.76	\$828.17	\$834.72	\$800.37
Monthly Average Rental Assistance Need (After Enhanced UI)	\$123.59	\$577.92	\$145.91	\$118.68	\$122.10	\$121.94
Monthly Average Rental Assistance Need (After Enhanced UI and Stimulus)	\$20.24	\$127.15	\$23.41	\$17.67	\$20.70	\$18.61

Notes: Assignment of individuals to UI take-up status is done randomly with a 67% likelihood, accounting for those deemed ineligible based on income criteria. Assignment of individuals to job loss status is done randomly with a likelihood based on the industry specific UI claims and job loss estimates. All of the results show here are the averages of 100 iterations of the estimations.

Acknowledgments

We owe a special debt of gratitude to the New York University Furman Center for their leadership and expertise in producing the pioneering report from which this report sources its methodology and approach. We are grateful to Maxwell Austensen, Data Manager at the NYU Furman Center, for his generous support and technical assistance during the production of this report.

Author Biography

Jesús Guzmán is the Policy and Advocacy Director for Generation Housing. Jesús is a trained community organizer and policy and data analyst who works to advance housing for everyone in Sonoma County. Jesús received his Master's in Public Policy (MPP) from the UC Berkeley Goldman School of Public Policy where he specialized in quantitative methods and economic modeling. He resides in Healdsburg.



Cover and Interior photos: Unsplash
©2020 Generation Housing. All rights reserved

Generation Housing is a nonprofit housing advocacy organization located in Sonoma County advancing partnerships and strategies to increase the supply, diversity, and affordability of housing. <http://www.generationhousing.org>