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Memorandum

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SUBJECT: The Impact of COVID-19 on Colorado Housing Issues

Summary

This memo provides an overview of eviction and foreclosure data in Colorado, the impact of the COVID-19 pandemic on affordable housing issues in the state, and policy responses enacted in recent years with the legislative intent to address housing affordability and homelessness. While available data for 2020 does not yet paint the whole picture of what is to come, new surveys by the U.S. Census Bureau help provide some real-time information on how the pandemic has impacted housing in Colorado.

As the COVID-19 health and economic crisis has impacted both personal and public finances, its impact on housing will continue to evolve with economic activity and the expiration of federal and state relief measures. Data currently available reflect the housing situation with relief measures, and as such, they provide little information about what the future will hold. Current research and data available do, however, include the following information:

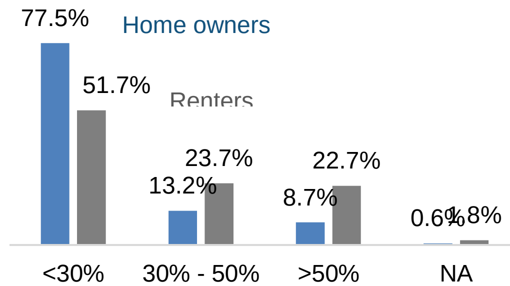
- between 150,000 and 230,000 Coloradans face eviction or foreclosure once relief measures expire;
- the number of Coloradans severely housing-cost burdened is projected to increase by over 20 percent between January 2020 and mid-2021;
- Coloradans are estimated to owe about $470 million in late housing rental payments;
- households in Colorado that rent or lease their housing are more likely to be behind on rental payments and are more likely to face a loss of housing once government relief measures end;
- federal and state relief funding and programs have resulted in a significant decrease in evictions and foreclosures since the start of the pandemic; and
- comparisons between the housing crisis during the Great Recession and the pandemic-induced housing crisis are difficult to make due to the structural issues with the housing

market during the prior recession and the public health mandated shut downs during the current recession.

Housing Cost Burden, Evictions, and Foreclosures in Colorado

Prior to the dual health and economic crises that began in March, many Coloradans were already housing-cost-burdened. The U.S. Department of Housing and Urban Development (HUD) defines housing cost burden by counting those households that pay more than 30 percent of their income in housing costs and may have difficulty meeting other essential financial needs due to their rent or mortgage costs. By this measure, during the period between 2013 and 2017, 21.8 percent of home-owners and 46.4 percent of renters in Colorado paid over 30 percent of their income in housing costs, as shown in Figure 1.

Figure 1
Colorado Housing Cost Burden
2013-2017

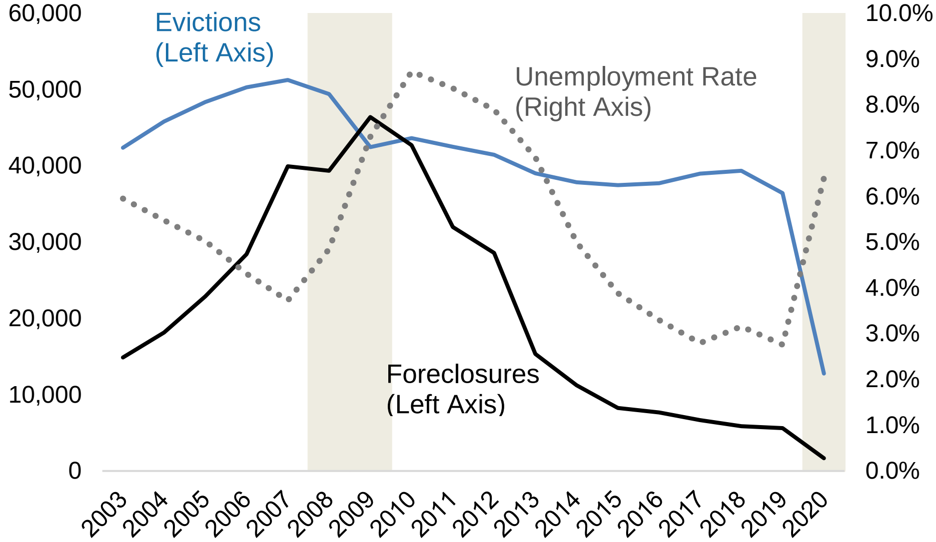


Source: U.S. Department of Housing and Urban Development (HUD).
NA = Not available.

Roughly three times more Coloradans live in owner-occupied housing than rentals, yet evictions have historically remained higher than foreclosures in the state. Total foreclosures to trend track more closely with other economic trends like the state unemployment rate, while evictions have remained relatively high even when unemployment has declined. For example, during the long expansion that just came to an end, evictions remained relatively flat and even rose slightly while foreclosures steadily declined.

As Figure 2 indicates, both evictions and foreclosures peaked during the Great Recession; however, it is difficult to compare the housing market during the prior recession to the pandemic-induced recession we are currently experiencing, since structural issues in the housing market were a key cause of that recession. As discussed below, federal and state policies during 2020 have caused evictions and foreclosures to remain well below prior trends even as unemployment has spiked.

Figure 2
Colorado Evictions, Foreclosures, and Unemployment Rate*
2003 - September 2020



Sources: Colorado Judicial Department (eviction data), Colorado Department of Local Affairs (foreclosure data), and U.S. Bureau of Labor Statistics (unemployment rate). Gray shading indicates recession.
**2020 data are year to date through September 23, 2020.*

Eviction data do not tell the whole story, however. Tenants and landlords often work together on payment plans when tenants fall behind on rent, since eviction proceedings are costly and time-consuming. Once notice is given by a landlord of intent to file eviction proceedings, tenants will often leave the rental property before the process officially begins, and as such are not counted in official eviction data. Finally, there are myriad federal, state, and local eviction prevention programs that assist tenants with payments or counseling, making it difficult to measure the entire scope of need.

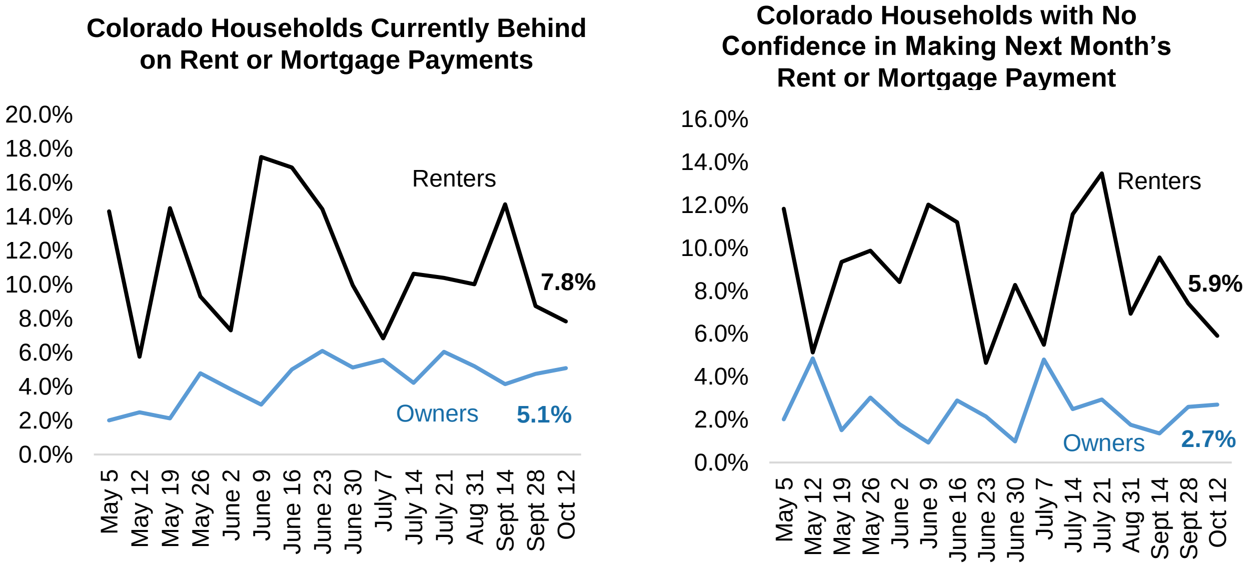
COVID-era Data

Current Survey Housing Trends. The U.S. Census Bureau developed a new experimental survey in April to collect data on households' socioeconomic experiences during the pandemic. The new Household Pulse Survey reports respondents' housing payment experiences on a weekly and now biweekly basis. The average number of respondents in Colorado over the last four weeks of the survey is about 2,600, so the margin of error is relatively high when these responses are extrapolated to produce statewide estimates. As it is a new survey, there is no historical data to compare it to, only the trend through the course of the crisis.

Drawing from this survey, the charts in Figure 3 show the percent of the total adult population in Colorado that are behind on rent or mortgage payments (left) or have no confidence in paying next month's rent or mortgage payment (right). While the estimates are volatile, they suggest that Colorado's renters have faced a more precarious situation than home-owners during the pandemic.

The Household Pulse survey included a question starting on August 19 that gauges respondents' sentiment about the likelihood they will have to leave their homes. In the survey that ended on October 12, about 6,300 people in Colorado reported that they think it is "very likely" they will have to leave their owner-occupied or rented home during the next two months, which represents about 2.9 percent of respondents to that question. While this may not be indicative of imminent eviction or foreclosure, it provides insight into the respondents' feeling of security in their housing.

Figure 3
U.S. Census Bureau's Household Pulse Survey



Source: U.S. Census Bureau Household Pulse Survey.

In comparison to the Household Pulse Survey, the Apartment Association of Metro Denver reports that about 95 percent of landlords said that renters paid rent on time during September 2020, and delinquencies are up just 2 percent from normal levels. According to Black Knight, a mortgage and real estate analytics firm, the mortgage delinquency rate in Colorado is about 4.4 percent in September, one of the lowest rates in the country. This compares to a national delinquency rate of about 6.7 percent in the same month. Mortgage delinquency rate data is difficult to interpret this year due to the mortgage forbearance provision in the CARES Act, as well as state and local housing assistance programs.

State Housing Need Projections for 2021

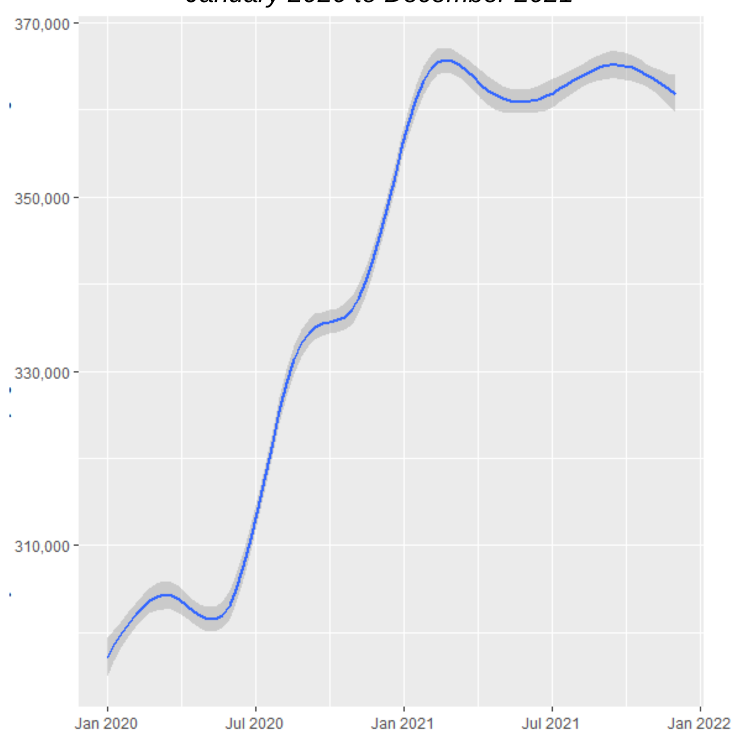
Projections developed by the Division of Housing in the Colorado Department of Local Affairs (DOLA)[1] suggest that the housing security of renters in Colorado will deteriorate rapidly through early 2021 as the protective effects of federal stimulus dissipate, and that federal programs offering additional unemployment benefits have had a substantial impact in forestalling the crisis for many

[1] Further information about the methodology used for these projections is available upon request.

households. The number of severely cost-burdened renter households, those paying more than half their income towards housing, declined during the spring and summer of 2020, mostly due to an additional $600 per month in unemployment benefits that was available. After this program expired at the end of July, the number of severely cost-burdened households increased, then temporarily stagnated in September due to the impact of Lost Wages Assistance (an additional $300 per week in unemployment benefits for up to six weeks). After September, it is projected to increase steadily to a peak of over 360,000 households, where it is expected to remain throughout 2021. This represents a 20 percent increase since January 2020 (Figure 4).

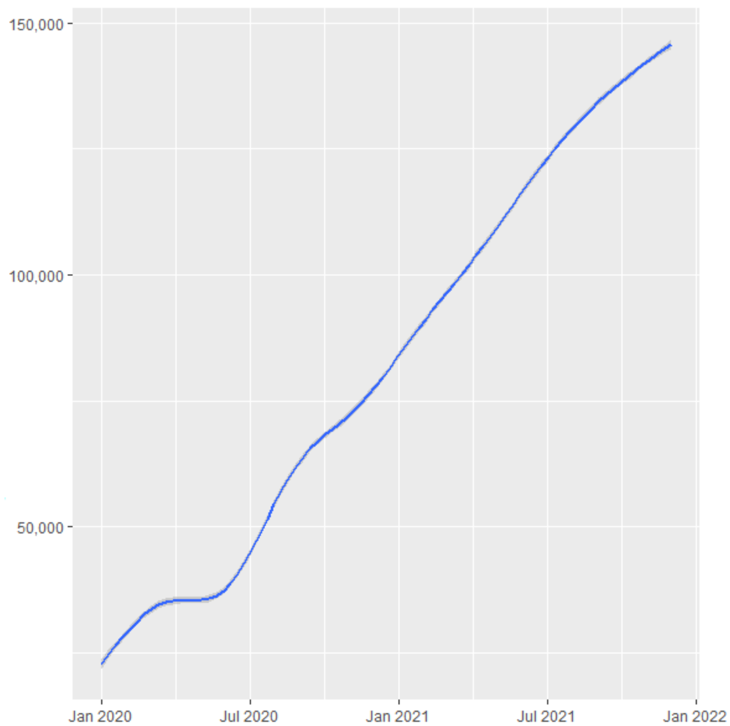
A similar pattern is seen with the projected number of households with negative assets, with over 75,000 households falling into that category by January 2021 (Figure 5). Together, the DOLA projections suggest a substantial deterioration in households' ability to pay for basic needs including housing, food, and healthcare, in the coming months, given current trends in unemployment rates and federal stimulus programs.

Figure 4
Projected Number of Households Paying >50% of Income Towards Housing in Colorado
January 2020 to December 2021



Source: Colorado Department of Local Affairs projections.

Figure 5
Projected Number of Households with Negative Assets in Colorado
January 2020 to December 2021



Source: Colorado Department of Local Affairs projections.

According to the Special Eviction Prevention Task Force's research and findings, between 150,000 and 230,000 households in Colorado are at risk of being evicted once the moratorium ends, with at least 25,000 households expected to be in eviction proceedings in January 2021. These Colorado households owe about $3,000 in rent per household, or approximately $470 million total.

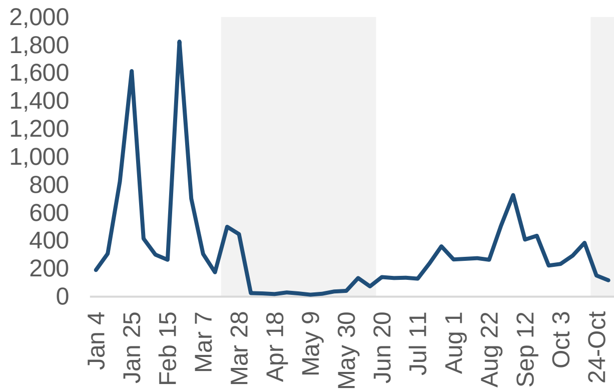
Federal and State Government Relief Measures

Several government relief measures have been enacted in response to the pandemic at both the federal and state levels, including additional funding, eviction and foreclosure limitations or moratoria, limits on public utilities disconnections, and a statewide Special Eviction Prevention Task Force. Notably, these measures do not relieve individuals of the obligation to pay rent or mortgages, although there is some rental and mortgage assistance available to help qualifying households. The following provides a summary of federal and state relief measures made available to date during the pandemic.

CARES Act funding. The CARES Act provided $12 billion in funding to the U.S. Department of Housing and Urban Development (HUD) out of the $2 trillion relief package. Of Colorado's CARES Act funding allocation, the Department of Local Affairs received $275 million, of which about $62.5 million has been allocated to housing as follows:

- $19.1 million to the Community Development Block Grant Fund for short-term rental housing subsidies, housing counseling, business retention loans, and other uses to be determined;
- $33.2 million to the Emergency Solutions Grant Fund for rapid rehousing, homeless prevention, outreach and engagement, shelter operations and improvements, and other uses to be determined;
- $105,160 to the Housing Opportunities for People with AIDS Fund for short-term rent, mortgage and utility assistance, hotel/motel stays, access to essential services and supplies, and nutrition services; and
- $10 million in rental, mortgage, and other assistance for low- and moderate-income households.

Figure 6
Colorado Weekly Eviction Filings 2020



Source: Colorado Judicial Branch; gray shading indicates statewide eviction moratorium.

Eviction moratoria. Colorado eviction filings have been impacted by moratoria and other limits on evictions enacted at the state and federal levels during the pandemic. As shown in Figure 6, 2020 eviction filings have risen above their low in early April, when federal and state limits went into effect, but remain well below pre-pandemic levels.[2]

Federal CARES Act moratorium: The CARES Act, enacted on March 27, included a 120-day federal eviction moratorium for renters who participate in federal housing assistance programs or live in property with a federally backed mortgage. This ban expired on July 24, and landlords were allowed to issue 30 days' notice for tenants to vacate properties.

CDC moratorium: The Centers for Disease Control (CDC) enacted an evictions moratorium on September 4, declaring that evictions represent a public health crisis amid the pandemic. The moratorium, which is in effect until December 31, 2020, prevents landlords from evicting any tenant for nonpayment of rent due to financial hardship if that person is making $99,000 or less, or $198,000 for a couple, they are making "best efforts" to pay rent, and their eviction would leave them homeless or living in crowded conditions. Landlords may continue to evict tenants for issues such as property damage or lease expiration. In Colorado, eviction case filings have proceeded, and it was initially left to judges' discretion to determine whether a particular tenant falls under the order's protection. The CDC moratorium corresponds to a sharp decline in eviction filings in Colorado, with case filings reaching a post-pandemic peak during the week prior.

[2] Data on eviction filings by district and court location can be accessed through an Eviction Filings Dashboard updated weekly and available at: https://www.courts.state.co.us/Administration/Unit.cfm?Unit=annrep.

Statewide moratoria: On March 20, 2020, Governor Polis issued the first of a series of executive orders imposing and extending a statewide moratorium on evictions, among other things.[3] The moratorium was limited to tenants experiencing financial hardship due to COVID-19 on May 29, and expired 15 days later. As shown in Figure 6, these orders resulted in dramatically decreased eviction filings during the early months of the pandemic, and a gradual increase approximately 30 days following expiration in mid-June, consistent with the limits on evictions discussed below.

On October 21, Governor Polis issued Executive Order D 2020-227 reimposing a statewide moratorium on evictions and extending the protections under the CDC moratorium to renters whose leases have expired. The order is in effect for 30 days. In addition, landlords are prohibited from starting court proceedings or from carrying out eviction orders already granted by a judge in cases of financial hardship. Renters must still meet the criteria imposed by the CDC moratorium to be eligible for the new protections.

Eviction limits. Beginning on June 13, 2020, Governor Polis issued a series of executive orders imposing limits on evictions and temporarily suspending certain eviction statutes.[4] In particular, landlords were required to provide tenants with 30 days' notice of a default for nonpayment instead of the previous 10-day requirement before filing eviction proceedings. Landlords were prohibited from charging late fees for nonpayment. This prohibition has been extended through the end of 2020 at the recommendation of the Special Eviction Prevention Task Force discussed below. Through executive orders, Governor Polis has also continued to encourage local governments to relax occupancy limit laws and suspend limits on the number of consecutive days a person can occupy a hotel room.

Foreclosures. Also beginning on March 20, 2020 through a series of executive orders, Governor Polis has encouraged financial institutions to halt residential and commercial foreclosures and to provide a 90-day deferment of payment for all consumer loans, including mortgages, for those suffering financial hardship due to COVID-19.

Rental and mortgage assistance. In addition to CARES Act funding for rental and mortgage assistance, discussed above, the Governor's March 30 executive order provided $3 million in state emergency funds for rental assistance.

Public utility disconnections. By executive order, Governor Polis has directed the Public Utilities Commission (PUC) to work with all public utilities in the state to suspend service disconnections for delayed or missed payments, waive reconnection fees, and suspend accrual of late payment fees for residential and small business consumers related to the impacts of COVID-19. The PUC and public utilities have been directed to develop and provide payment assistance programs to aid customers in the payment of their utility bills.

[3] Executive Order D 2020-012, Executive Order D 2020-031, Executive Order D 2020-051, and Executive Order D 2020-088. See Legislative Council Staff memorandum, "Summary of Governor's Executive Orders Issued During COVID-19 Emergency" available at: https://leg.colorado.gov/sites/default/files/r20-487_summary_of_governors_covid_executive_orders_17.pdf
[4] Executive Order D 2020-101, Executive Order D 2020-134, Executive Order D 2020-162, Executive Order D 2020-185, and Executive Order D 2020-202

Special Eviction Prevention Task Force. Governor Polis issued executive order B 2020-006 on August 26, 2020, directing the creation of the Special Eviction Prevention Task Force under DOLA's authority. The Task Force released its findings on October 9, 2020, in the memo that can be found on the Division of Housing's website.[5] Based on these findings, the Task Force issued short-, medium-, and long-term policy recommendations, some of which have already been implemented by Governor Polis. Additional details regarding the recommendations can be found in the Task Force's report.

The short-term recommendations include:

- provide notice to tenants of the CDC eviction moratorium;
- suspend late fees and interest;
- enact a state eviction moratorium;
- increase funding for rent relief; and
- extend the 30 day period to cure (pay unpaid rent before eviction proceedings are begun) through the pandemic.

The medium-term recommendations include:

- impose limits and grace periods on late fees and interest;
- create a landlord tax credit for rent and late fee/interest forgiveness;
- strengthen early eviction response tools;
- ensure statewide access to housing counseling and legal representation for tenants facing eviction;
- prohibit inquiries into pandemic-related evictions; and
- lengthen the writ of restitution beyond 48 hours;

The long-term recommendations include:

- develop a program to repurpose hotels/motels into transitional housing; and
- create a tailored counseling and good tenant program.

Housing funding from the Housing Development Grant Fund (HDGF). The HDGF, administered by the Division of Housing, provides funds to expand the supply of affordable housing, to support foreclosure prevention activities, and to acquire data on local housing conditions. Recent legislation and ballot measures have enacted contingent transfers to the HDGF; however, the current crisis has postponed some of the funding. There was $9.2 million allocated in grants from the HDGF during the current fiscal year, leaving a $0 balance. Below are the most recent changes to HDGF funding:

- **House Bill 19-1245:** This bill transferred funds from the additional General Fund revenue generated by changes to the state sales tax vendor fee to the Housing Development Grant Fund starting in FY 2019-20. The estimated transfer to the HDGF for FY 2019-20 was $7.8 million; however, not enough additional revenue was generated by the change to make a transfer that year after the transfer to the Reinsurance Fund was made.

[5] https://drive.google.com/file/d/1jLvU1-fUUzec6v8taGwK2QOYYaLPGnY6/view

- **House Bill 19-1322:** This bill would have transferred up to $30 million from the Unclaimed Property Trust Fund to the Housing Development Grant Fund starting in FY 2020-21 assuming certain fiscal conditions are met. House Bill 20-1370 postponed the first year in which transfers can be made by two fiscal years.
- **Proposition EE:** Proposition EE provides $11.2 million per year for the Housing Development Grant Fund, as well as $500,000 per year for fiscal years 2020-21 through 2022-23.