CENTRAL OHIO
COVID-19
POLICY BRIEFS

THE CITY OF COLUMBUS CITY COUNCIL

MID-OHIO REGIONAL MORPC PLANNING COMMISSION

HOUSING

Summary

The past decade was one of historic growth for Central Ohio, and that growth is expected to continue for the foreseeable future – with the Mid-Ohio Regional Planning Commission (MORPC) projecting the region to have as many as 3 million residents by 2050. Not only is the region growing; it is changing. Increases in both the young adult and 65 and older populations are shifting housing preferences. Furthermore, the highly competitive real estate market and a persistently high poverty rate have led to more vulnerable groups struggling to find housing in neighborhoods of their choice.

The impacts of the COVID-19 pandemic are bifurcated, and housing is a clear demonstration of the "K-shaped" recovery. The slow recovery for some residents magnifies structural challenges that were already present, while the quick recovery for other residents adds pressure to the tight housing market, accelerating price increases overall.

Key Issues

Renter instability magnifies the precarity of housing for low- and middle-income residents in Central Ohio, and the challenges connecting residents to available supports.

Homeowner instability is a slow-moving process, but a suspected fair number of Central Ohio homeowners are underwater with their mortgages.

The housing supply has been further depressed by the pandemic yet **demand for market-rate housing is surging** as some residents adapt to remote work and school or capitalize on increased personal savings and historic low interest rates.

Supply of subsidized housing is suppressed, while demand increases, especially as rapidly increasing market-rate housing prices reduce naturally occurring affordable housing options.

The region's **Continuum of Care** is preparing for an influx of people experiencing homelessness, as residents with sustained income reductions move into increasingly unstable housing.

HOUSING INSTABILITY

Many in the region experienced the last decade as a recovery of personal finances following the Great Recession. In fact, the percentage of residents who are housing cost-burdened has been on the decline, in alignment with national trends. Nonetheless, before the pandemic, 210,000 households in the region were stretching their earnings beyond what is considered sustainable to pay for housing (more than 30% of household income is considered housing cost-burdened), especially among lower earners.

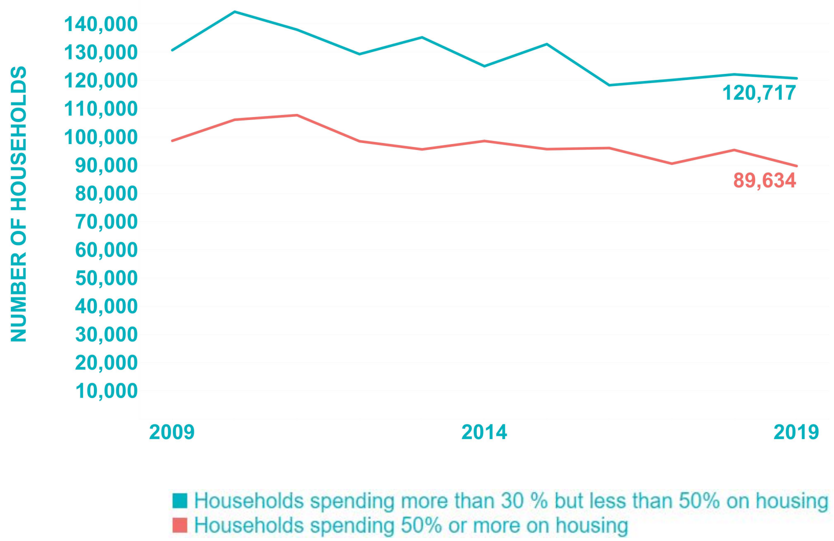
Of those experiencing housing cost burdens, around 90,000 are extremely cost-burdened, spending more than 50% of their incomes on housing costs (Figure 1).

Renter Instability

Many Central Ohio residents experienced a reduction or loss in employment in the pandemic, especially those in industries and occupations that cannot be transitioned to remote work. Job loss is estimated to have the greatest impact among low wage earners. According to one analysis from the Urban Institute, there are significant concentrations of job loss in Central Ohio (nearly 10% of all workers in some Census Tracts) in low income, low opportunity neighborhoods (places with limited access to basic necessities like food, jobs, childcare, and healthcare), with higher concentrations of renters. These are also neighborhoods with the greatest concentration of Black or African American residents (Figure 2).[1]

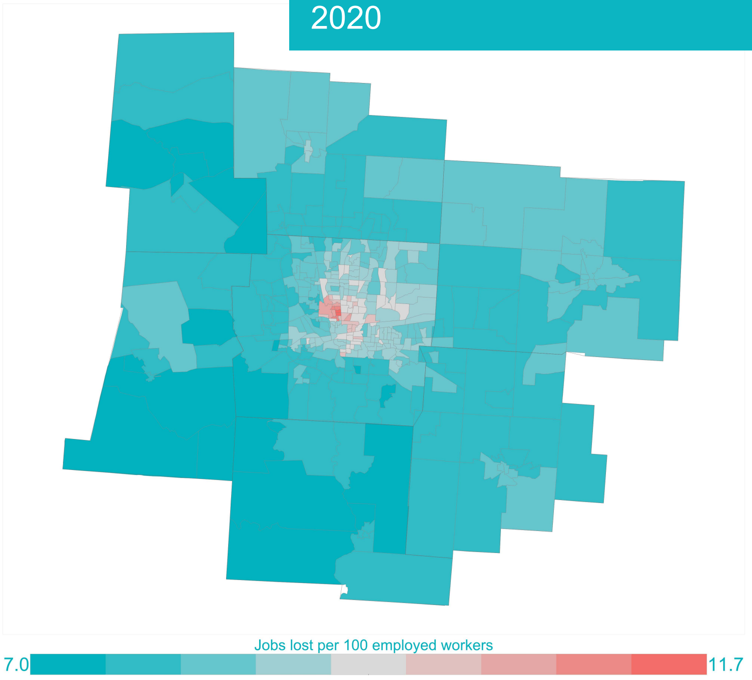
With many households experiencing income reduction or job loss, there is an anticipated impact on these households' ability to pay rent. As a national policy concern, this has prompted the Centers for Disease Control and Prevention to place a moratorium on evictions, if the reason for eviction is a tenant's inability to pay due to COVID-19-related financial hardship.[2] The moratorium on evictions seems to have slowed tenant eviction filings in the courts. From March to October 2020, there were 8,000 eviction filings in Central Ohio, compared with 14,500 total filings in the same period of 2019. While eviction filings are lower in 2020 than in 2019, they generally increased as the year continued (Figure 3).

Figure 1. Cost-burdened Households
(Columbus MSA)
2009-2019, Annual



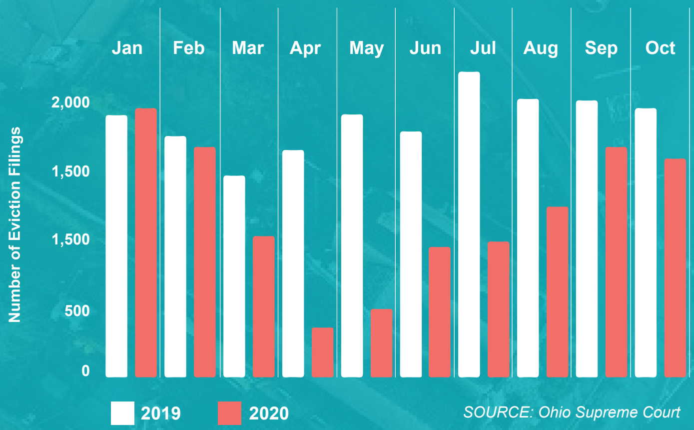
SOURCE : U.S. Census Bureau 1-year American Community Survey

Figure 2. Jobs Loss Estimate
Central Ohio Census Tracts
2020



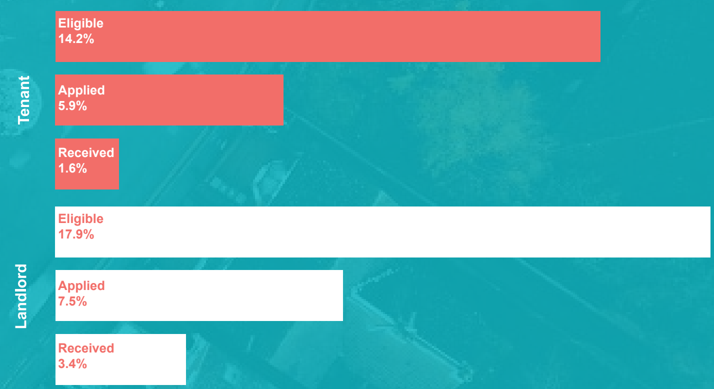
SOURCE : Urban Institute

Figure 3. Eviction Filings
Columbus MSA
2019 & 2020, Monthly



SOURCE: Ohio Supreme Court

Figure 4. Rental Assistance for Tenants & Landlords
US National Survey, February 2021



SOURCE: Avail 2021 Landlord and Tenant Survey (via Urban Institute)

While the moratorium is slowing eviction filings, many Central Ohio residents are accumulating rent debt as they continue to manage their budgets with reduced incomes. According to a survey of households conducted by the US Census Bureau, around 350,000 Ohioans are behind on rent payments, and 280,000 of those reported some loss of income. Of the renter households working to stabilize housing, but still coming up short on rent payments, 53% are Black or African American. For comparison, only 12% of the total population in Ohio is Black or African American. 160,000 respondents in renter households believe it is ‘very likely’ they will lose their home due to eviction in the next two months. Over 125,000 of those households are Black or African American.[3]

Some residents have opted to change their housing situation altogether, according to interviews with housing experts in the region, either by moving to lower cost housing or “doubling up” housing (moving in with friends or family) to reduce costs. These solutions are less than ideal and can create new hurdles down the road.

Lower cost housing often comes with trade-offs in access to jobs and necessities, housing quality, housing appropriateness (e.g., accessibility features, number of rooms), and safety.[4] Doubling up housing can lead to overcrowding. Experts suggest that overcrowding can have negative impacts on individuals’ well-being, especially outcomes for children.[5] As a temporary solution, doubling up housing may create new barriers to housing access including saving up for security deposits, and sometimes multiple months’ rent. As an unstable housing arrangement with barriers to independent housing, some researchers suggest that doubled-up housing is a precursor to homelessness.[6]

There may be some property owners or property managers struggling to recoup losses from missed rent payments. Based on interviews with local housing experts, small-scale landlords may change behavior, and that could have negative implications for the availability of naturally occurring affordable housing in Central Ohio.

One study from the Urban Institute looked at a survey of landlords to understand how they are faring with the rent moratorium. In September 2020, 35% of the landlords surveyed did not receive all rent payments, and more than three-quarters of those missed payments were caused by the tenant’s inability to pay. Vacancy is also a concern for property owners. In the same survey, one out of five landlords reported increased vacancy. The financial pressure, according to the report, is leading more property owners to consider selling properties. Landlords are also implementing stricter tenant screening practices.[7]

Locally, city funding in the amount of $10.5 million was given to IMPACT Community Action, a nonprofit working to reduce poverty in parts of the Central Ohio region, and other housing partners in Central Ohio for Tenant Based Rental Assistance. While this was important, and saved many residents from losing their homes, many are still unemployed or financially burdened due to COVID-19, which means rent payments are still piling up.

Furthermore, connecting resources to the people who need them is an on-going challenge, magnified by the increased volume of need and the rapid expansion of supports. An Urban Institute report of a February 2021 survey of landlords and tenants suggests that only about half of renters are aware that rental assistance programs exist. Pointedly, even those renters and landlords that are aware of and eligible for rental assistance programs do not always apply (Figure 4).[8]

Homeowner Instability

There are indications that some Central Ohio homeowners may be struggling to keep up with their mortgage and tax payments, but the extent and magnitude of this issue will not be clear for some time. According to the US Census Bureau Household Pulse Survey, there are around 390,000 Ohioans currently behind on their mortgage payments, about 145,000 of which report some loss of income due to the COVID-19 pandemic. Of those, around 50,000 believe they are 'very likely' to lose their home due to foreclosure in the next two months.[3]

Like with evictions, some measures were taken at both the federal and local levels to support homeowners experiencing financial hardship due to COVID-19. For homeowners with federally backed mortgages, a broad program is available for mortgage forbearance.[9] Private lenders are also taking measures to work on flexible mortgage repayment for households struggling with reduced income or health challenges in the pandemic.

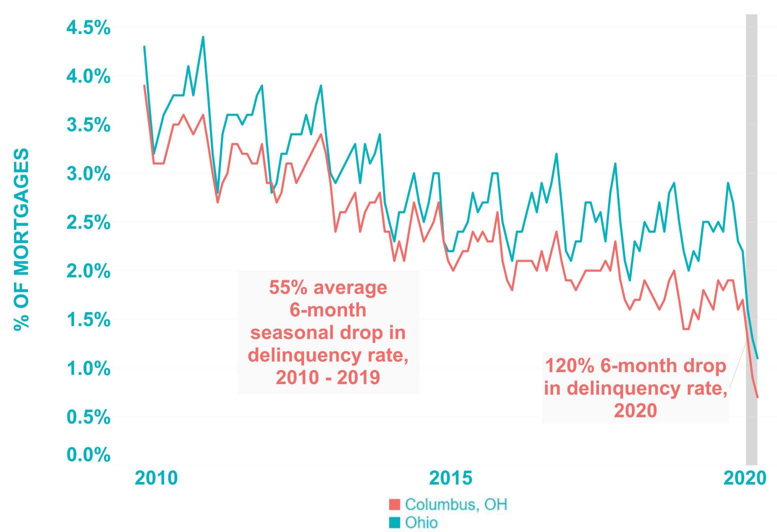
According to a study of forbearances by the Mortgage Bankers Association, 5.54% of Americans' mortgage loans were in forbearance in November 2020, up from 0.25% in March 2020.[10,11]

Forbearance allows mortgage-holders to delay payments without penalty and without classifying the loan as delinquent, a condition that can lead to foreclosure. After the onset of the pandemic, and the implementation of programs allowing for forbearance flexibility, the percentage of mortgages between 30- and 89-days delinquent, or past due, dropped sharply compared to the historic trend—a 120% 6-month seasonal decline, compared with an average 55% 6-month seasonal decline observed from 2010 - 2019. Drops were observed both locally and nationally (Figure 5).

While forbearances seem to have prevented some households from falling into delinquency, there is inconsistency across lenders in their terms of repayment of missed payments during the forbearance period. While some lenders are allowing borrowers to tack on the extra payments at the end of the mortgage lifecycle, extending the loan period with no near-term financial burden, others are requiring lump sum repayment of the missed amount, while others will increase monthly payment amounts until the deferred amount is repaid.

According to the Survey of Household Economics and Decisionmaking conducted by the Federal Reserve in July 2020, American homeowners may not be clear about the terms of the forbearance options provided by their lenders. About one-quarter (23%) of borrowers in forbearance do not know what repayment terms their lenders expect when the forbearance period ends, and more than half (54%) have little or no confidence in their ability to pay once the forbearance ends (Figure 6).[12]

Figure 5. Mortgages 30-89 Days Delinquent
Columbus MSA & Ohio
January 2010 - June 2020, Monthly



SOURCE : Consumer Protection Finance Bureau
Shaded area represents pandemic emergency period

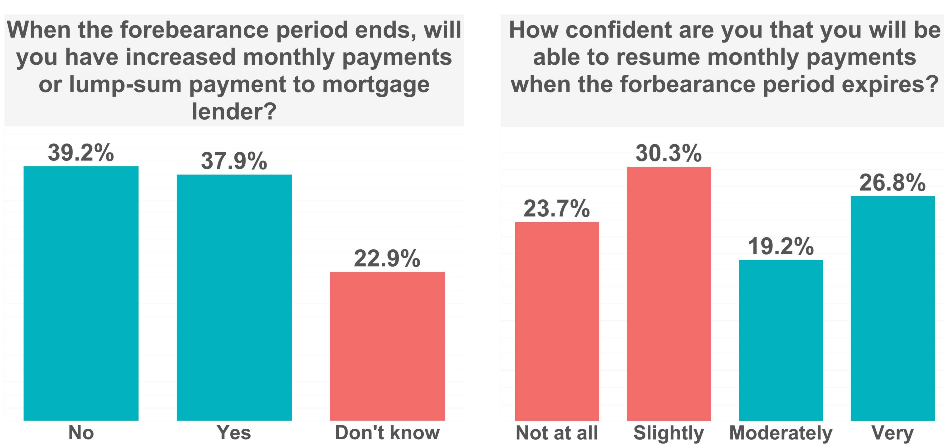


Figure 6. Forbearance Repayment Understanding & Confidence
US National Survey
July 2020

SOURCE: Federal Reserve Survey of Household Economics and Decisionmaking

SHIFTING SUPPLY & DEMAND

Low housing production paired with changes in residents' preferences and behavior led to a shrinkage in the overall supply of homes available to potential homeowners over the last decade. At the height of the Great Recession, in 2008, homes were on the market for a median of 75 days. With demand increasing relative to supply since around 2011, that median sharply and steadily declined, and by 2020 homes were on the market for a median of only six days. In 2020, around 5% of rental units were vacant and available (Figure 7).

Market-Rate Housing

The initial housing market reaction at the start of the pandemic was a significant slowdown in activity, mainly fueled by a reduction in inventory as the real estate business worked to adapt the home selling and buying process to adhere to COVID-19 health guidelines. That lull in inventory accelerated price increases, which did not seem to deter homebuyers' pent-up demand when inventory picked up again by mid-summer.[13]

The booming housing market, alongside reports of job loss and threats of eviction and foreclosure, is an epitomical representation of the so-called "K-shaped recovery." While some, especially low-wage earners, are struggling more than ever, others are experiencing no loss of income paired with large reductions in spending from remote work and fewer options for discretionary spending. Those in the latter category are enjoying increased personal savings, and historically low mortgage interest rates. Some homebuyers may be existing homeowners, eager to increase space to conduct work and school from home, whereas others may be first-time homebuyers, hoping to lock in the low interest rates.

Demand for housing has remained strong, meanwhile pre-existing housing production challenges have been magnified. Housing production costs have been increased during the pandemic by challenges with the cost of supplies, development review, and labor shortages. The impacts of these exacerbated market-rate supply shortages are two-fold.

First, price increases are accelerated (the Columbus Board of Realtors reported a 10.5% price increase in 2020, market wide), and 'days on market' are reduced (a median of 6 days in 2020), both of which make the housing market less accessible for homebuyers at all price points (Figure 8).[13]

Second, market shortages reduce the availability of affordable housing that occurs naturally in the market (known as Naturally Occurring Affordable Housing, or NOAH). This segment of the housing

Figure 7. Housing Market Trends
Columbus MSA
2000 - 2020, Annual

SOURCE : U.S. Census Bureau 1-year American Community Survey

market fills an important gap for households that have limited incomes, but not low enough to qualify for subsidized housing, as well as those who are on waitlists for but have not yet obtained subsidized options.

The impacts of market price increases on NOAH affects the market for potential first-time homebuyers. The market share of homes priced below $180,000 (a benchmark for affordability based on Area Median Income, or AMI) fell 11.5% in 2020.[13] It can also reduce the availability of small-scale rental properties (single-family rentals and two- or three-unit properties), as these property owners may be motivated to fetch a higher price in the seller's market. As rentals, these units fill an important need for low- and middle-income families who cannot afford to buy but need more space than the more-plentiful 1- or 2-bedroom low-cost apartment units can offer.

The National Association of Home Builders recorded lumber prices at $955 per thousand board feet in September 2020, which was up 62% since April. However, prices have started to lower with a November 2020 price of $567. Supply chains have also experienced instability. For instance, some global suppliers halted production because of COVID-19 which then rippled through housing production markets.

Based on interviews with local housing experts, the pandemic is influencing the type of stock produced although developers are unsure what trends will last. If people continue to work from home after the pandemic, they may want an extra room to use as an office and may be willing to live further out from the city core. Internet bandwidth and accessibility will also be important. Apartment unit developers are anticipating less demand for common areas for complexes.

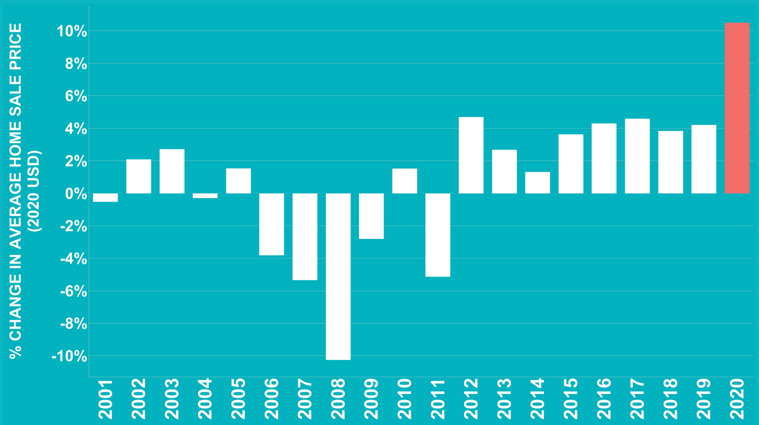
Subsidized Housing

Subsidized affordable housing production is limited by costs in the same ways as market rate production, but with the added barrier of regulatory costs. The cost of producing an affordable housing unit "may be 20-25% more than costs to produce market rate homes", shared a Central Ohio affordable housing expert.

Some affordable housing developments qualify for incentives and tax credits that offset the cost, but gap financing for projects is needed even with incentives such as the Low-Income Housing Tax Credit. Projects that do not win these federal incentives or credits are strained to an even greater degree. Developments with land close to bus lines, in highly rated school districts, and near jobs make a competitive case to qualify for incentives and tax credits. However, these prime locations are not plentiful, and may in some cases be in direct competition with market rate projects. Other locations for affordable housing plans may not qualify for the incentives to make the project financially viable.

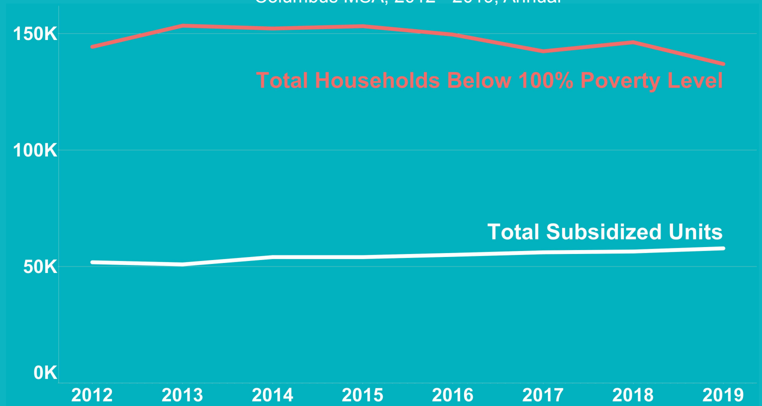
According to interviews with local affordable housing experts, the number of housing vouchers in the region remained consistent during the pandemic. However, even before the pandemic, there were not enough subsidized units (either place-based or vouchers) to meet the need (Figure 9). Families with recently reduced income who now qualify for assistance are on a long wait list for housing vouchers. Reviews and approvals for vouchers and other funding applications are also taking longer with government offices working remotely. Furthermore, the pandemic has increased the number of households that have reduced income and may need housing assistance, but still do not qualify for subsidy.

Figure 8. Home Sale Prices
7-County Central Ohio Region
2019 - 2020, Annual



SOURCE : Multiple Listing Service (via Columbus Board of Realtors)

Figure 9. Subsidized Housing & Households in Poverty
Columbus MSA, 2012 - 2019, Annual



SOURCE : U.S. Department of Housing and Urban Development Picture of Subsidized Housing; U.S. Department of Housing and Urban Development Low-Income Tax Credits; U.S. Census Bureau 1-year American Community Survey

THE CONTINUUM OF CARE

Before the pandemic, homelessness was a growing challenge in Central Ohio, largely centered in Franklin County, as the most populous county and where many homeless support resources are available. As a growing region, population growth alone was a major contributor to rising homelessness. According to the Community Shelter Board, the Continuum of Care serving much of the Central Ohio region, population growth accounts for 60% of the 1,700 additional homeless individuals since 2010.[14]

Regardless of changes in needs stemming from the pandemic, Community Shelter Board predicts 150 new people experiencing homelessness each year as the region continues to grow. The greatest gaps in service are for families experiencing homelessness, which are overrepresented by Black or African American mothers and their children.

The booming housing market in Central Ohio was already creating risk factors for homelessness. The increasing scarcity of low-cost housing, including subsidized housing, prices many low-income households out of the market. With demand outweighing supply, this creates more barriers for low-income residents as property owners can afford to be pickier with tenant selection. This means that the residents most likely to experience poor housing outcomes and homelessness—those with past evictions, convictions, and poor credit histories—are at even greater risk for housing trouble.

The pandemic, which led to extensive job loss or reduction of employment, triggered federal and local policies creating safety nets (e.g., eviction moratorium, stimulus payments, and unemployment benefit expansion) to avoid widespread crisis. In their semi-annual Indicator Report for fiscal year 2021, the Community Shelter Board attributes a 51% reduction in families needing shelter (comparing 7/1/2020 - 12/31/2020 to the same period in 2019) to the success of these safety nets.[15] In addition to a reduction in families needing shelter, there were reductions for single women, pregnant women, and veteran's seeking emergency shelter. There was a small (2%) increase in the number of single men seeking shelter, and their average time spent in shelter increased (Figure 10).

According to analysis from the US Census Bureau, one out of three American households receiving unemployment benefits are still struggling to pay for essentials like food, rent and childcare.[16] Even with safety nets in place, many families are struggling to make ends meet.

With an eye toward homelessness prevention, the region's Continuum of Care is already positioned to monitor for potential influxes of individuals or families experiencing homelessness. Eviction, of course, is a clear warning sign for future homelessness, however people are inclined to exhaust all other options, such as seeking lower cost housing or doubling up, before seeking emergency shelter. According to one interview, family and friends are more willing to allow doubling up in their homes due to fears about COVID-19 in emergency shelters. As these concerns dissipate, however, individuals and families may have fewer opportunities to double up.

With reports in the region of residents moving into more precarious housing situations as a way to avoid eviction before the moratorium is lifted, there is an even greater need for tools, like housing stability screening and strengthened referral networks, to identify residents on the verge of homelessness early and offer services to increase housing stability.

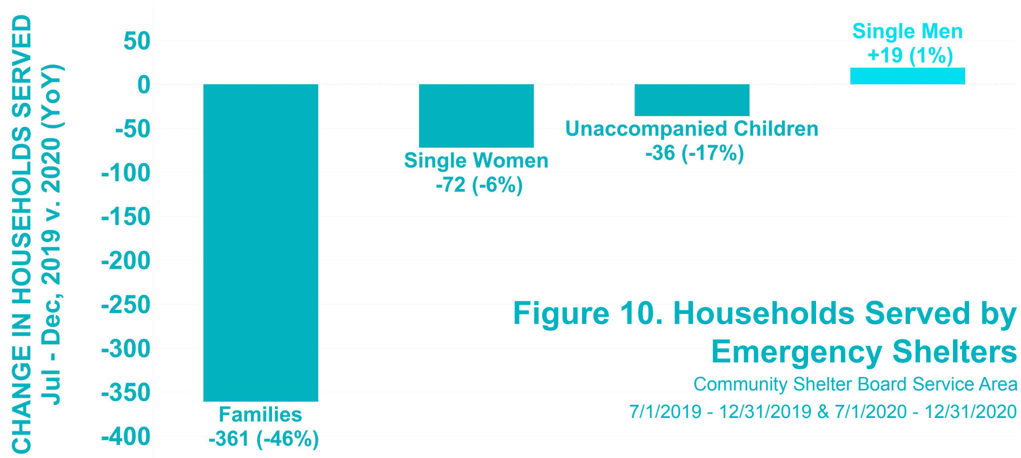


Figure 10. Households Served by Emergency Shelters
Community Shelter Board Service Area
7/1/2019 - 12/31/2019 & 7/1/2020 - 12/31/2020

SOURCE : Community Shelter Board

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