Eviction Risk in Nevada

July 2020

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Eviction risk manifests in two ways

1 Long-term income loss:

- Federal and state benefits are limited and/or unavailable (e.g., undocumented workers, contract / gig workers, long-term unemployed workers, etc.)
- Housing costs (and other expenses) may exceed monthly income (and benefits -- for which there may be a "cliff effect")
- Reemployment prospects may be limited, and benefits are expected to expire this summer, before a full economic recovery with full employment

2 Short-term cash flow problems:

- Benefits are delayed or arrive inconsistently, creating cash flow problems
- For several benefit programs, there is a cliff effect, meaning that benefits may not significantly increase income
- An unexpected medical or family expense may place short-term pressure on cash availability

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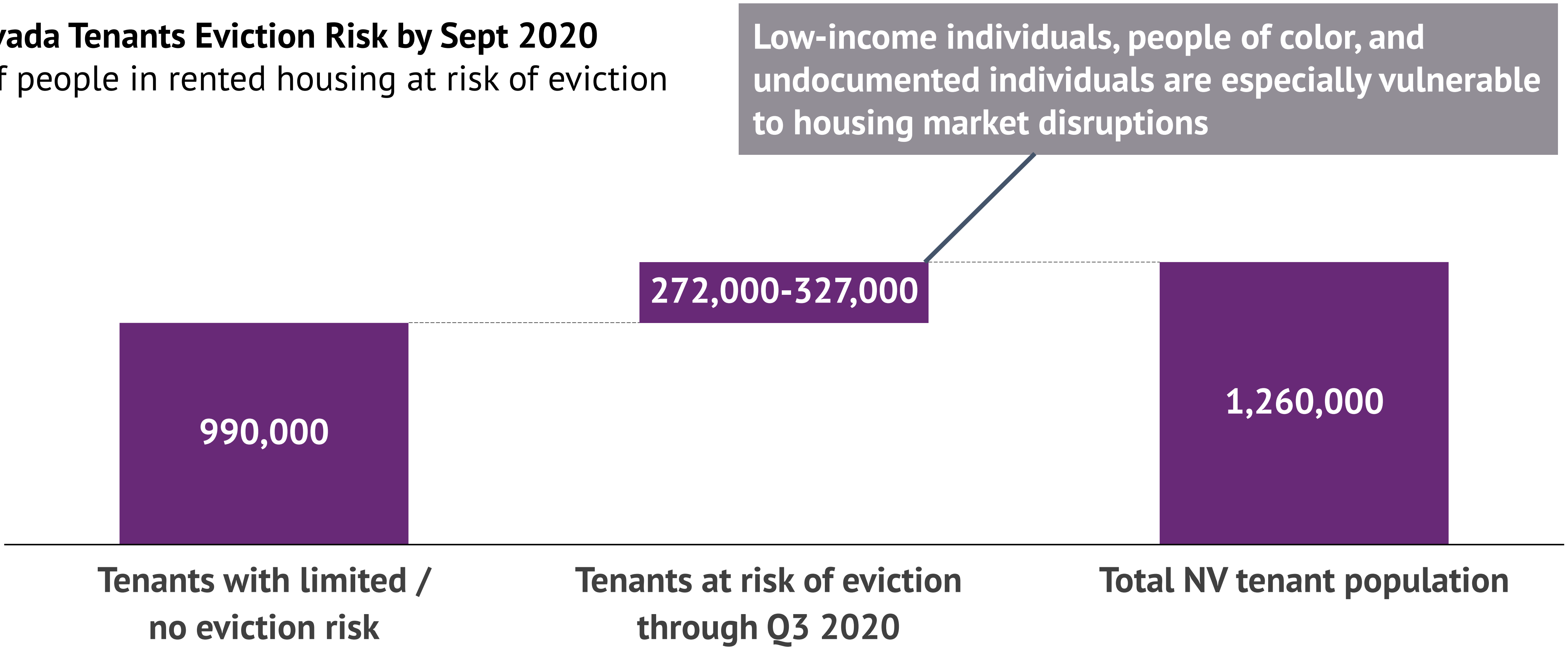
Between 272,000-327,000 Nevadans (or 118,000-142,000 households) could struggle to pay their rent by September 2020

Nevada Tenants Eviction Risk by Sept 2020
# of people in rented housing at risk of eviction



Source: COVID-19 Eviction Defense Project (CEDP) Model, 6/5/2020. See Methodology Page for Details.

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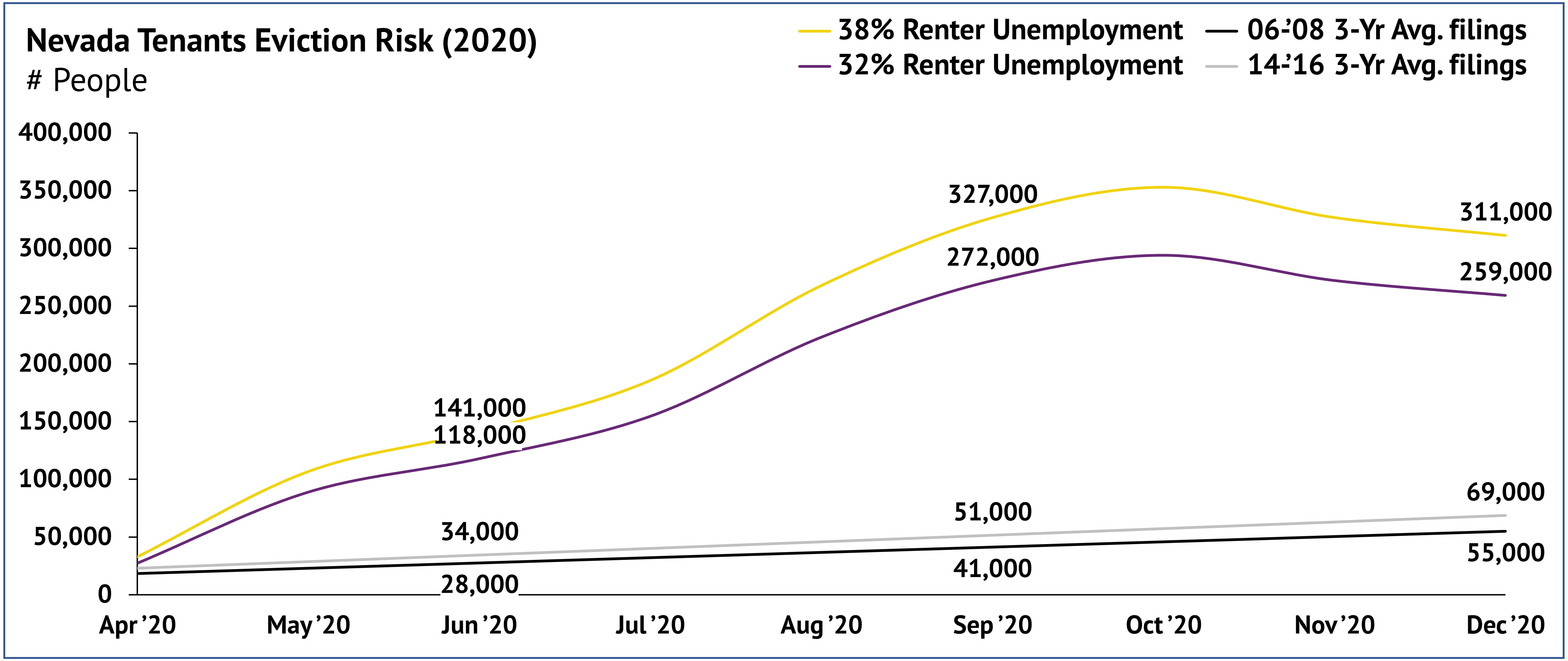
Nevada will likely experience a surge in evictions when eviction moratoria expire (on 08/31/2020)



Source: COVID-19 Eviction Defense Project Model, 6/5/2020. See Methodology Page for Details; Eviction Lab Nevada eviction filing data, scaled to have same denominator (renter households). Note: COVID-19 EDP model includes evictions, eviction filings, and cases where tenants move to avoid an eviction filing.

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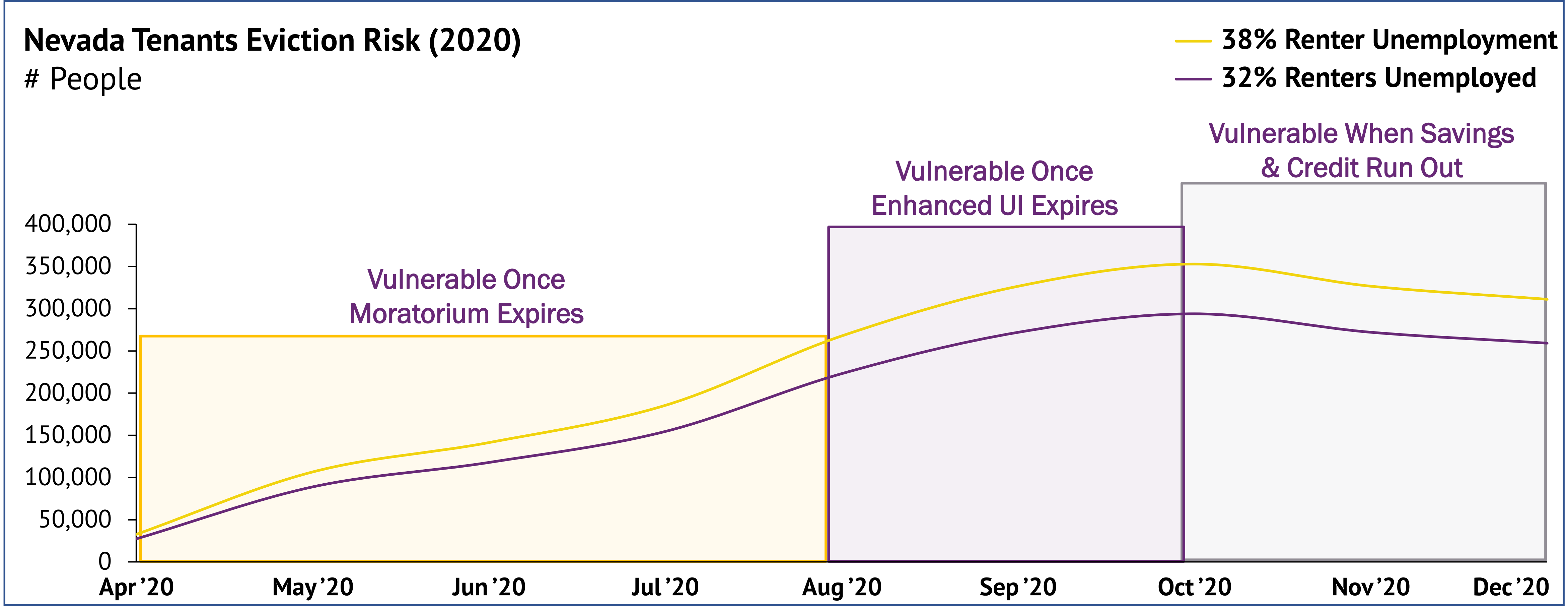
The COVID-19 eviction crisis will have 3 phases; of the ~300K Nevadans at risk of eviction, people of color, low-income & undocumented renters are most vulnerable



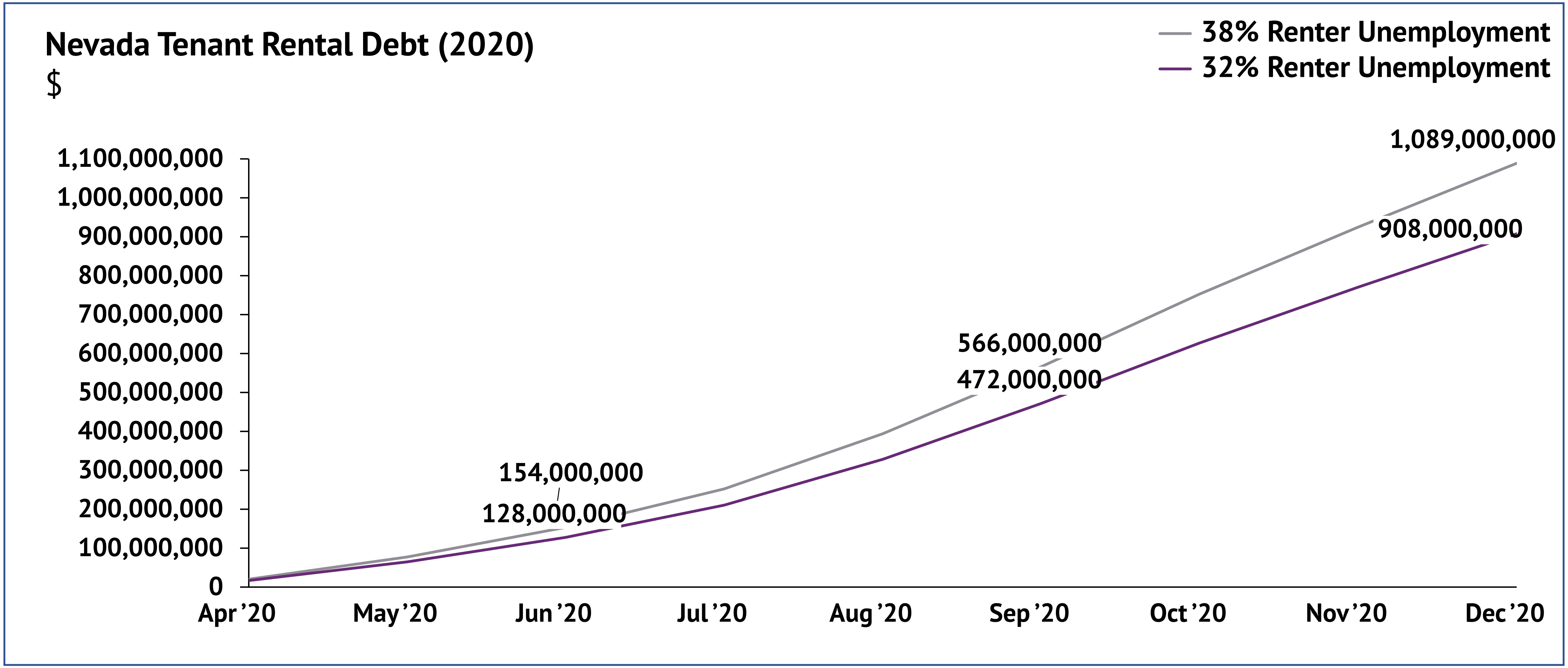
At Risk Groups

- Non-Citizens
- Citizens unable to access unemployment insurance (UI) & stimulus without savings
- African American & Latino/a Communities
- Middle- and moderate-income individuals & families with high rental cost burdens

- African American & Latino/a communities
- Lower-income citizens w/ low savings
- Middle-income families paying high-rents with savings or access to credit
- Families with low savings or access to credit

- Families with savings and access to credit after enhanced UI expires
- Lower-middle income families that saved UI and stimulus above typical income
- Multi-income families

Nevada rental debt could be between $900M-$1.1B by 2020 if economic conditions remain unchanged



Source: COVID-19 Eviction Defense Project Model, 6/5/2020. See Methodology Page for Details.

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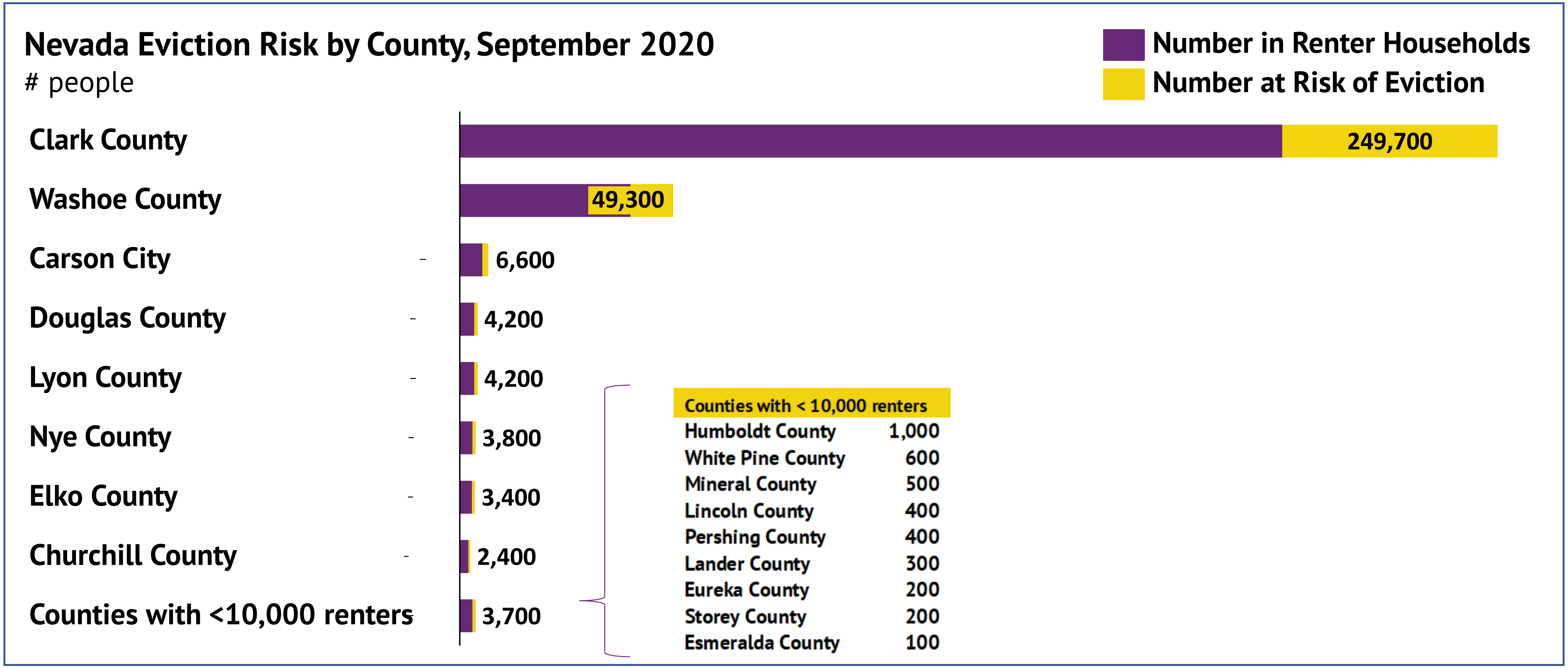
Every county in Nevada is likely to experience an increase in evictions



Source: COVID-19 Eviction Defense Project Model, 6/5/2020. See Methodology Page for Details.

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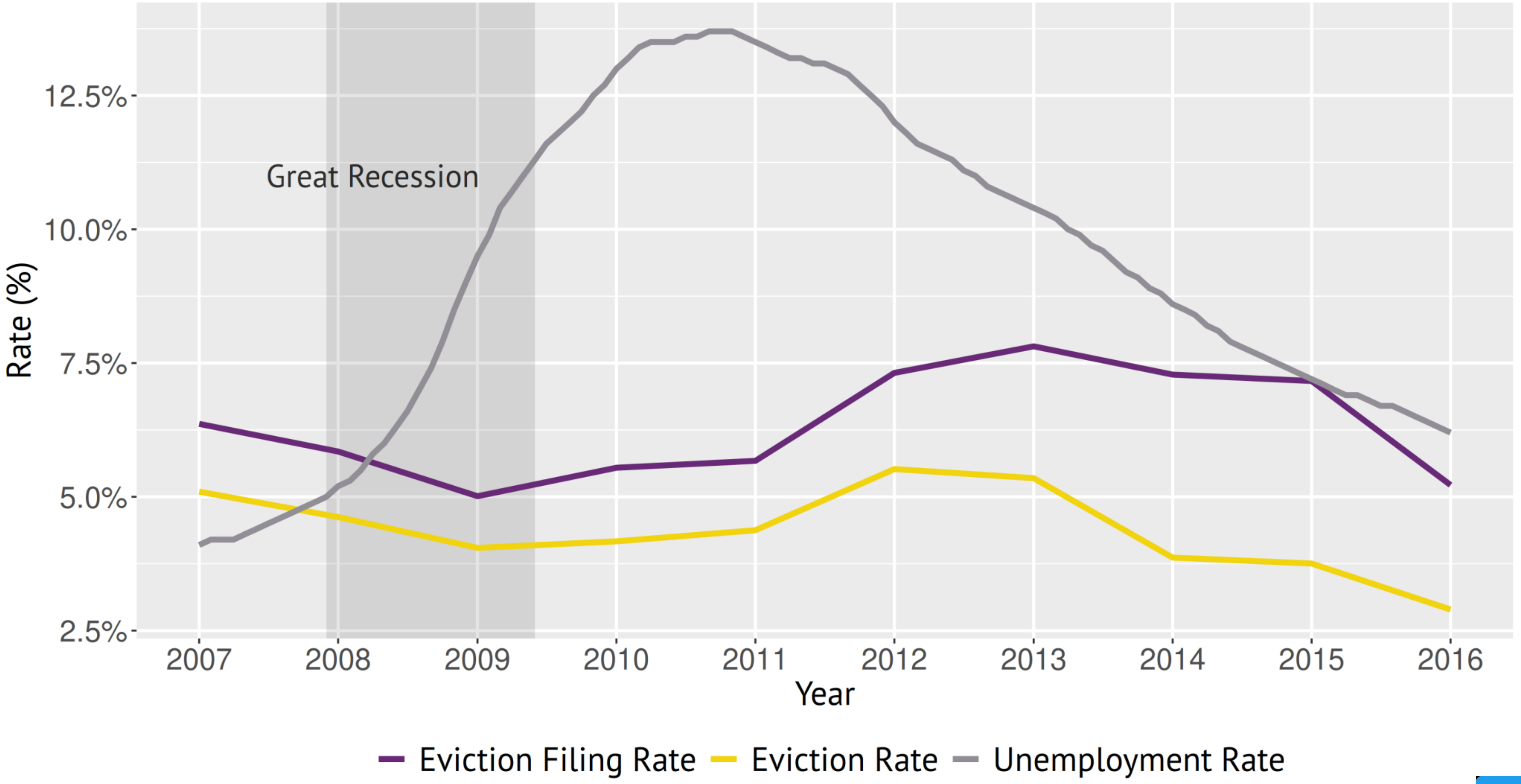
Historical data reveals evictions increased in Nevada as unemployment declined, and the economy began to recover



Source: Guinn Center calculations, using data from EvictionLab.org and U.S. Bureau of Labor Statistics

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While eviction moratoria temporarily protect tenants, evictions are expected to significantly increase when they expire

Currently, eviction moratoria:

- Delay eviction proceedings in court
- Stop sheriffs from removing tenants from their homes
- Create incentives for landlords and tenants to negotiate payment agreements
- Allow local governments to stand up rental assistance programs to distribute CARES Act funds

When eviction moratoria expire:

- Landlords will be able to **immediately begin eviction proceedings** against tenants who have been unable to pay
- Landlords will be able to **sue tenants for unpaid rent**
- Tenants who have been unable to pay will face **displacement and debt**
- Tenants may have **damaged credit history** that could make it harder for them to secure housing

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The number of potential evictions threatens the stability of the housing market & suggests the need for additional federal assistance

Further financial support for tenants and landlords

- Provide additional cash support to both tenants and homeowners to extend the ability to pay beyond reopening of the economy
- Leverage CARES Act and future rent relief funds for rental assistance with an emphasis on vulnerable tenants and small/ medium-sized landlords

Protect tenant and landlord credit

- Seal records of non-payment evictions and eviction filings from credit agencies and landlords through 2020
- Beyond 2020, seal records of non-payment evictions and eviction filings from credit agencies and landlords for any COVID-19 health related matter

Property tax support for state and local governments

- Leverage CARES Act and future relief funds to provide further cash support for state and local governments confronting significant declines in property taxes

State & local policymakers can take immediate action to protect tenants in the short-term

Short-term action

1 **Establish mediation program for tenants and landlords**	Nevada's *enforceable*, statewide moratorium expires on August 31, 2020 Create a statewide mediation program that will allow tenants and landlords to work out repayment plans
2 **Suspend summary evictions**	Suspend summary evictions for failure to pay rent through December 31, 2020
3 **Suspend late fees**	Suspending late fees through 2020 would lessen the financial impact of non-payment and allow more tenants to catch up on money owed to their landlords
4 **Increase penalties for illegal lockouts**	Increase penalties for landlords who illegally lock out tenants or make premises unlivable during moratoria with oversight and monitoring by the Nevada Attorney General's Office

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Contact

About the Guinn Center

The Guinn Center is a 501(c)(3) nonprofit, nonpartisan, independent research center that seeks to identify evidence-based solutions through research, public engagement, and strategic partnerships.

Contact information:

Nancy Brune, Ph.D., Executive Director
Meredith Levine, Director of Economic Policy
Dan Liden, Director of Data Analytics
Guinn Center
P.O. Box 750117
Las Vegas, Nevada 89136
Email: info@guinncenter.org

About COVID-19 Eviction Defense Project

The COVID-19 Eviction Defense Project aims to stop mass evictions and homelessness in the wake of the COVID-19 crisis by pairing lawyers with tenants facing evictions, developing rigorous economic analyses to inform the discussion, and devising policies and innovative solutions that keep Americans housed.

Contact information:

Sam Gilman, Co-Founder
Email: sam.gilman44@gmail.com

Methodology

The COVID-19 Eviction Defense Project Model predicts, by state and by month, how many people will run out of money based on job loss during the pandemic. It allows us to project three different unemployment scenarios among renters: 20%,[1] 25%,[2] and 30%.[3] Effective, total unemployment (including renters and homeowners) topped out at 20% in April,[4] and the Census Bureau's housing pulse survey indicates that 30% missed last month's rent or mortgage payment, or have slight or no confidence that their household can pay next month's rent or mortgage on time.[5] State unemployment risk is scaled based on Terner Center's analysis of the number of renter households with at least one worker in an industry at high risk of job loss,[6] including "Food Service; Entertainment; Mining and Extraction; Non-Essential Manufacturing; Non-Essential Retail; Non-Essential Travel, Transportation, and Tourism; Other Services."[7] Based on American Housing Survey, our analysis assumes that one third of seniors work.

The model evaluates the effect of CARES Act stimulus payments by family type, enhanced unemployment for three months, and state unemployment (including different weekly UI caps) on family budgets. It cuts the data based on 13 family types to ensure that we accurately allocate stimulus funds, 5 income tiers, the number of income earners, 3 levels of cost-burden, and citizenship status. Average income assumptions by state come from the American Community Survey and are presented in 2019 dollars.[8]

We analyzed family budgets on a household level. Our base data source is CHAS Table 7, as our source data by state.[9] This enabled us to establish household income tiers, by family type, by cost-burden, and by state. From there, we used AHS data to differentiate by family type and size. We needed to do this in order to establish different budgets for two-income families compared to single-income families and to allocate the stimulus by family size. We further differentiated these ratios by household income tier using AHS data. After establishing these ratios, e.g., the percentage of single families with two children using 2015 AHS data, we assumed the same ratios held for 2019 and multiplied this ratio by the 2019 population. We establish average rents by calculating the median housing cost to income ratio (HCIR).

For each Household Area Median Family Income (HAMFI) tier, we use CHAS Table 7 data to tabulate the percentage of people who are not cost burdened, the percentage who are moderately burdened, and the percentage who are severely burdened by family type.[10] We assume these ratios remained the same between 2016 and 2019. Using median HCIR data provided by the National Low Income Housing Coalition, we then calculate the median burden for this group, giving us the median rents by HAMFI tier and cost-burden level.[11]

The month in which someone runs out of money is based on the CBO's projections of the distribution of job losses over time and observation about unemployment claims.[12] For example, we project that 20% of total lost jobs occur in March, 45% in April, 20% in May, and 15% more over the course of the summer and beyond. We account for situations where families have savings or temporary government benefits exceed family income. These situations effectively delay eviction risk -- the moments where families run out of money.

Importantly, the base case of the model predicts a recovery, assuming that 25% of unemployed renters return to work by the end of the year.

Beyond renter unemployment rate, cost burden, rents, and timing of job losses, five inputs drive the model, particularly the timing that people run out of money. We aim to model more conservative assumptions to account for unobservable, unmodelable facts.

1. Percentage of people with no access to UI based on Ben Zipperer & Elise Gould's Economic Policy Institute Survey, which provides inputs of 10%, 15%, 27% or 36% of people who cannot access UI, and the New York Times' coverage of unemployment filings.[13] This model also accounts for the at least 6.7% of residents over the age of 18 who are non-citizens (American Community Survey).[14,15]

2. Percentage of people who can weather a 3- month cash emergency, as measured by Urban Institute data. This is likely to be a very conservative assumption, given that the Fed's 2016 Consumer Financial Survey indicates far lower savings amounts, but we included it to account for people who had enough savings, access to credit, family support, or could otherwise find additional funds to cover a cash emergency.[16]

3. Percentage of benefits above pre-surplus income saved for future months: 20%. This is a conservative assumption given that families can project uncertainty with reemployment. Based on EITC spending, families typically only save 10% of EITC checks 6 months after payment, with 65% being spent in the first month or on repaying debts according to a study by Washington University in St. Louis.[17]

4. Percentage of non-rent income that can be cut (by income tier). The assumption is based on the Economic Policy Institute's family budget calculator.[18] It considers semi-variable (in a pandemic) expenses like food, transportation, and childcare. The assumption is also likely conservative, as these cuts account for drastic sacrifices like reducing food intake and choosing not to pay other bills.

5. Percentage of income covered by state UI (absent federal enhancement). This assumption is applied up to state UI caps, using Nevada's rate of 60% of income replaced by state UI, which is likely a conservative assumption as replacement is often 50% or less of a person's income. The fifty-state UI maximum payment information came from the U.S. Department of Labor.[19]

Several other assumptions are important to note: we calculate that the average renter family size is 2.3 compared to an average family size of 2.53 based on 2018 American Housing Survey. We also scaled incomes and rents to 2019 $ using BLS data on wage growth.

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