



April 8, 2020

Kenneth C. Holt, Secretary
Maryland Department of Housing and Community Development
7800 Harkins Road
Lanham MD 20706

Re: Rental Assistance for the COVID-19 Crisis

Dear Secretary Holt:

On behalf of the Baltimore Metropolitan Council's Housing Committee, we are writing to offer strong support for the immediate creation of a State of Maryland rental assistance program to combat the pending crises in rental housing. We understand that the Maryland Department of Housing and Community Development is exploring creating such an initiative. As you know, the unprecedented COVID-19 public health emergency has massive implications for our State's housing market, which, in turn has additional public health and economic ramifications. BMC's Housing Committee is led by the Baltimore Regional Fair Housing Group, a collaboration among the Baltimore metropolitan area's HUD entitlement jurisdictions (Cities of Baltimore and Annapolis, along with Anne Arundel, Baltimore, Harford, and Howard Counties) and the public housing agencies in those jurisdictions, and it includes many housing practitioner and advocate stakeholders as well.

We are writing to offer the strongest possible support for a robust and administratively simple rental assistance program that will help renters, property owners, and financial institutions alike manage this public health and economic emergency. Without such assistance, we fear the State is looking at a collapse of the rental housing system not unlike the near collapse of the banking system in 2008. As with that crisis, government intervention is necessary to not just maintain the system in the short run, but to ensure that the rental housing business will survive at all into a future recovering economy.

Given the skyrocketing unemployment figures, it is clear that far more renters than usual will not have the resources to maintain their rent payments. While the CARES Act will provide some people with better unemployment benefits, it is not clear when this money will be



available and there are many others who do not qualify for the program. The eviction moratorium in Maryland will prevent those renters from losing their homes immediately, but they will continue to owe the unpaid rent. Many workers who have been fired, laid off, or furloughed will receive no back pay. After jobs have resumed, there is no reason to think employees will have the money to pay back rent. According to the Federal Reserve, about 40% of American households would need to borrow or sell something in order to pay an unexpected \$400 debt. Renters do not have the wherewithal to repay months of unpaid debt. When the eviction ban is eventually lifted, there will be a raft of eviction actions. People affected would be confronted with all the difficulties and perils of looking for housing on an emergency basis, and they would also have the eviction on their record, further hurting their ability to find new housing.

Meanwhile, the rent loss will translate into loan defaults by owners of properties, which in turn will have multiple impacts. Banks and investors will lose revenues, adding to their unwillingness to lend on new developments or acquisitions. Prices will likely drop, resulting in a loss of tax revenues to the State and local governments. With properties failing, the expertise and capacity found in the local development community today could dissipate, making it that much harder for the industry to recover when times improve.

A robust rental assistance program can break this cycle in the most efficient way. By providing funds at the bottom of the housing finance system, all entities up the chain will benefit. Most importantly, renters will not fall behind and owe back rent that they have no means to pay. Up one step in the system, owners will be able to cover their mortgage loans, keeping their properties out of the hands of banks and allowing competent businesses to stay afloat. Banks themselves, while undoubtedly suffering some losses, will not see the catastrophic decline of an entire industry and will be able to keep debt flowing as the business recovers. There is immense value in saving the existing structure rather than allowing it to collapse and needing the time and capital to recreate it.

We would be happy to discuss the details of a rental assistance program that could be funded with a portion of the State's CARES Act assistance. We realize that assistance for renters will be needed from all levels of government, and a number of our jurisdictions, including Anne Arundel, Baltimore, and Howard Counties as well as Baltimore City, are looking at devoting locally controlled funds to rental assistance that could complement a State initiative and/or be designed collaboratively.



We also recognize that there are serious questions regarding how the program might be structured and the amount of assistance needed. We would suggest that applications be taken by, and funding provided directly to, the owners through their management entities. Property managers are already equipped to review income data, they know their residents, and they are on site, making applications easy for residents. Perhaps more importantly, property management personnel are already in place. Providing financial assistance directly to property managers through owners will dramatically simplify the distribution process and would ensure that funds would not be spent by residents on other pressing needs.

Thank you for your consideration of the request outlined in this letter. We are in unprecedented times, and we are available to assist the State's work to avert a once-in-a-lifetime medical and economic crisis. We look forward to working with you on Maryland's response to the pandemic and our swift recovery.

Sincerely,

A handwritten signature in black ink, appearing to read "Erin Karpewicz".

Erin Karpewicz, Chair
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A handwritten signature in blue ink, appearing to read "Peter Engel".

Peter Engel, Chair
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cc: Matthew Heckles, Assistant Secretary