

HOUSING CRISIS

What the eviction moratorium means for the future of Arizona's rental industry

By REBECCA L. RHOADES

On Aug. 3, the Centers for Disease Control and Prevention (CDC) issued a new moratorium to temporarily halt eviction in counties where COVID-19 is spreading rapidly, which includes Maricopa. This new stay, which the U.S. Supreme Court vacated on Aug. 26, came only two days after the expiration on July 31 of a federal moratorium that began, in various forms, on March 27, 2020.

According to the Arizona Multihousing Association (AMA), while some have viewed the moratoriums as necessary policy interventions, many housing experts warn that continued deferment will not only halt future investment but may permanently push small investors out of the market entirely.

"The federal eviction moratorium has meant that many rental property owners have gone nearly 18 months without collecting rent. In some cases, renters have accrued more than \$20,000 in rental debt," says Courtney LeVinus, president and CEO of the AMA. "Yet all of these owners are still required to pay their mortgages, property taxes, insurance and costly repair bills, regardless of whether or not the renter is in default."

A survey conducted by the National Rental Home Council in early 2021 found that, as a result of these moratoriums, 30% of single-family rental home property owners say they will be forced to tighten standards when evaluating future rental applications, 11% have been forced to sell at least one

of their properties, and 12% have been forced to sell all their properties.

Even if a fraction of these estimates proves true, the effects on the rental industry will be long-lasting.

"Historically, the market has been 50-50 smaller landlords vs. institutional ones," explains Mark Zinman, attorney and partner at Zona Law Group, which focuses on residential property management issues. "If a large management company has even one tenant out of 10 who doesn't pay indefinitely due to a moratorium, it's going to increase rents to account for that loss of income. The mom-and-pops will be forced to sell off their assets or transfer them to the institutional investors and permanently decrease the amount of stock on the market. Either way, you're going to end up with the same result of increased rents."

A MORATORIUM MUDDLE

While many experts predicted a surge in eviction filings immediately following the cessation in July of the initial federal moratorium, Zinman's office did not see an outpouring of pleadings. "Property owners realize that they're better off keeping someone in a home who is paying them maybe 70% of the rent and following a payment plan as opposed to evicting them and not getting another tenant or, worse, finding one who ends up filing for bankruptcy. Eviction is a last option," he says.

Federal emergency rental assistance is available, but unlike other pandemic-



Courtney LeVinus



Mark Zinman

related programs, money has been slow to reach those affected. According to the AMA, Arizona received about \$1 billion in federal funding, but only about 17% has been allotted so far.

In order to qualify for rental assistance, both the tenant and landlord must sign and submit a declaration form, and even then, the process is complicated and applicants face extreme scrutiny by the government. The antipoverty nonprofit Wildfire, which was contracted to distribute \$22.5 million in aid, noted that 36% of landlords were denied funds.

While it could take years for all of the issues and lawsuits surrounding the moratoriums to be resolved, one thing is certain: The current crisis, combined with threats of future moratoriums has caused many investors to pull out of an already tight market.

"We're in the position of potentially losing 10% of our stock because owners are exiting the market," says LeVinus. "That should scare everybody." ■ ■ ■