



Rental Market Stabilization Fund Proposal

Introduction

The COVID-19 pandemic will cause significant economic harm to Connecticut's housing market, to the detriment of both landlords and tenants, unless steps are taken to stabilize the rental housing market. A Rental Market Stabilization Fund, providing rental assistance to ensure stability for Connecticut's residential rental market, is vital.

One-third of Connecticut households rent their homes. Rental costs in Connecticut are the 9th highest in the nation, with a modest two-bedroom apartment costing \$1,321.00 in monthly rent. According to pre-pandemic statistics, nearly 120,000 Connecticut households spend over half their income on rental housing costs (rent and utilities).¹ With the recent pandemic causing massive unemployment,² thousands of tenants are likely to be unable to pay their rent through no fault of their own, causing a ripple effect and downward spiral throughout our state and local communities. If tenants are unable to pay their rent, their landlords will then have trouble paying their mortgages and property taxes; and our cities and municipalities who rely on those taxes to fund sorely needed services will also feel the shortfall. Without intervention, the public health pandemic will likely be followed by a housing and homelessness emergency. Connecticut should act now, using available state and federal resources, to stabilize Connecticut's rental housing market.

Brief Summary

Connecticut will create a Rental Market Stabilization Fund ("Stabilization Fund") to benefit residential tenants who have been adversely impacted by COVID-19 by providing rental assistance to their landlords.³ Landlords will be required to apply to the Stabilization Fund, on behalf of and with the cooperation of their tenants, to seek compensation for lost rental income prior to the termination of a residential lease or initiation of an eviction. Eligible tenants may also apply. Stabilization Fund assistance will be applied to residential tenants' outstanding rental account balances, provided that the household has paid, or has agreed to pay, at least 30% of their household income as rent for each affected month. Landlords who receive assistance from the Stabilization Fund must forgive a portion of the unpaid rent, waive late fees, interest,

¹ <https://www.psychousing.org/news/housing-homelessness-connecticut-2020>;
<https://reports.nlihc.org/oor/connecticut>

² More than 21% of Connecticut's workforce has filed for unemployment compensation, the second highest rate in the country (<https://taxfoundation.org/unemployment-insurance-claims/>).

³ "Landlord," "Rent," "Tenant," "Rental Agreement" and other terms in this act are used as defined in Connecticut's Landlord-Tenant Statutes, Conn. Gen. Stat. §47a-1 *et seq.*

penalties and similar charges from tenants' rental account balances, and agree to maintain the assisted tenancy, without any rent increase, for a period of twelve months.

Detailed Overview

Program Elements:

- (1) Assistance from the Rental Market Stabilization Fund shall be available to tenants' outstanding rent/use and occupancy balances accrued during the Public Health and Civil Preparedness Emergency and for two months thereafter (the "**Assistance Period**"), provided the tenant: a) is unemployed, has experienced a loss in employment or income, is unable to work, or has experienced an increase in expenses, as a result of the Public Health and Civil Preparedness Emergency; and b) has paid, or has agreed to pay, at least 30% of their household monthly income towards the rent ("**the tenant portion**"), for each month during the Assistance Period. If a tenant has failed to pay the tenant portion of rent for a prior month covered by the Assistance Period, the tenant must agree and make payments on a repayment plan to repay it as a condition of continued eligibility for the program, unless waived by the landlord.
- (2) Landlords who receive financial assistance from the Stabilization Fund shall forgive 20% of each tenant household's rent accrued during the Assistance Period, and shall not attempt to collect such forgiven rent amount as a debt, apply security deposits to cover such amount, or attempt to bring an eviction action for such amount.
- (3) The Stabilization Fund shall pay the difference between the tenant portion and 80% of the rent accrued during the Assistance Period (the "**Rent Gap**"). Such payment shall constitute full and final payment of the tenant's rental obligations during the Assistance Period.
- (4) Assistance shall be available regardless of the immigration status of the tenant household. Subsidized tenants, meaning tenants who already participate in state or federal housing subsidy programs that ensure that their rental obligation does not exceed 30% of household income, shall not be eligible for assistance from the Stabilization Fund.
- (5) Provided a tenant complies with Paragraph (1) above, they shall not be subject to eviction for rent due during the Assistance Period.
- (6) No landlord may initiate or file an eviction action for rent due during the Assistance Period without first completing an application for payment from the Stabilization Fund.
- (7) Applications to the Stabilization Fund may be made by a landlord or a tenant at any time during the Assistance Period and until 60 days after the end of the Assistance Period;
- (8) At the conclusion of application processing, each participating landlord and tenant household shall receive a written notice, stating the outcome of the application, and providing a statement of the amount of rental assistance that was or will be provided to the landlord on behalf of each tenant household from the Stabilization Fund.
- (9) If a tenant is found ineligible for the Stabilization Fund, the amount of unpaid rent shall be treated as consumer debt (and not the basis for an eviction). The tenant shall be provided with notice and shall have a period of sixty days to enter into a reasonable written repayment agreement with the landlord for repayment of the balance of any rent

arrearage accrued during the Assistance Period. Such agreement shall provide no less than six months to repay such balance.

- (10) Stabilization Fund payments are a lawful source of income as defined by C.G.S. § 46a-63 that all landlords, including landlords in owner-occupied two-family properties, regardless of other statutory exemptions, are required to accept. Any landlord who refuses to accept or participate in the Stabilization Fund program shall be barred from seeking to evict or collect the Rent Gap from a tenant, and any attempt to do so shall constitute an unfair trade practice.

Eligibility:

- (1) The Stabilization Fund shall be available to pay the Rent Gap to (a) any landlord of any eligible tenant in the State of Connecticut (as described in Paragraph (1) of “Program Elements” above) who has liquid assets (defined as cash, money held in a checking or savings account, stocks, or bonds) of \$5,000 or less; and has median household income, during the Assistance Period, of less than 60% of the state median income;
- (2) The Stabilization Fund shall be available only for a rental property occupied by a tenant as a primary dwelling;
- (3) Landlords receiving Stabilization Fund payments shall (a) continue to make housing available to the tenant under the same terms, including monthly lease amount, existing at the time of the Assistance Period for a period of 12 months; (b) waive all costs, fees and charges (including late fees and attorneys fees) incurred during the Assistance Period as a result of non-payment or partial payment of rent by the and tenant; and (c) be prohibited from sending information regarding any late or waived rent to any third parties, including, but not limited to, credit bureaus and tenant screening companies;
- (4) The following will be required of applicants for the Stabilization Fund:
 - a. Tenants shall submit required income and expense documentation, together with an explanation and such available documentation necessary to establish eligibility, directly to the administrator. Proof of tenant eligibility may be established by tenant certification, signed under the pains and penalties of perjury;
 - b. The Stabilization Fund application shall include a tenant release form that will allow the designated administrator to verify income in applicable CT Department of Labor records;
 - c. Landlords shall submit an accounting of rent due under the lease, rent paid by the tenant for each month; and
 - d. Landlords shall submit a copy of the lease, or if an oral lease: (1) a statement signed by both the landlord and the tenant certifying the existence of the tenancy and the amount of rent, together with at least one rent receipt (if available); and (2) landlord’s proof of ownership or management authority of the property.
- (5) Landlord violations of the provisions and protections of the Stabilization Fund shall constitute an unfair trade practice.

Administration:

In order to expedite the creation of this program and the commitment of funds to stabilize rental markets, the Department may wish to utilize existing agencies and systems that have administered state housing-related funds, such as the Rental Assistance Program.