

UCLA ECONOMIC LETTER

REAL ESTATE AND THE MACROECONOMY



A partnership between the UCLA Ziman Center for Real Estate and the UCLA Anderson Forecast sponsored by the Ziman Center's UCLA Rosalinde and Arthur Gilbert Program in Real Estate, Finance and Urban Economics

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Monthly condensed analyses of crucial real estate and economic issues offered by UCLA Anderson Forecast and UCLA Ziman Center for Real Estate. This Letter summarizes a new study by researchers from [UCLA Center for Neighborhood Knowledge](#) in collaboration with analysts from Ong & Associates (a public-interest research organization): Paul Ong, Chhandara Pech, Elena Ong, Silvia R. González and Jonathan Ong. The study identifies the neighborhoods with the highest concentration of renters in Los Angeles County at the greatest risk of losing their jobs because of the COVID-19 crisis, placing them and their family in imminent danger of homelessness. The study also identifies the challenges of implementing new temporary renter protection policies, which will mean many of the most vulnerable renters will fall between the cracks unless public agencies and community groups take additional and immediate actions.

A link to the complete study is [here](#).

L.A.'s COVID-19 Economic Crisis

The Most At-Risk Neighborhoods, Ranked by Demographic, Socioeconomic and Housing Characteristics

By [Paul Ong](#), [Chhandara Pech](#), [Elena Ong](#), [Silvia R. González](#) and [Jonathan Ong](#)

Los Angeles County has nearly two-thirds of a million residents living in low-income renter households that are one paycheck away from being unable to cover their monthly housing cost. The workers in these households are at high risk of losing their jobs because of the COVID-19 crisis, placing them and their family in imminent danger of homelessness.

“On average, more than three-fourths of the renter households in the most vulnerable neighborhoods are households with children, compared to just a little more than half of the households in the least vulnerable neighborhoods.”

Local governments have stepped in by passing ordinances that allow affected renters to defer payments without the risk of eviction during the health emergency. However, there is a daunting problem of effectively implementing the policies because of numerous barriers facing the most vulnerable populations.

This study provides information to public agencies and community organizations to help them better identify neighborhoods with a high concentration of vulnerable renters, to understand the neighborhoods' socioeconomic and demographic characteristics, and to design outreach programs that address the specific challenges in each place.

Specifically, this study utilizes three dimensions to identify vulnerable neighborhoods with:

- (1) A disproportionate large number of renters on the edge of financial vulnerability due to high housing cost burden;
- (2) A disproportionate large number of workers vulnerable to job displacement due to retail and service-sector closures; and
- (3) A disproportionate number of people excluded from the federal Coronavirus Aid, Relief and Economic Security Act, known as the CARES Act.

Some of the most vulnerable neighborhoods are concentrated in South and Central Los Angeles, including areas near downtown such as MacArthur Park, Pico-Union, Harvard Heights, Koreatown, Hollywood and East Hollywood, and Boyle Heights. There are pockets of vulnerability in San Fernando Valley (e.g., Van Nuys) and central Long Beach.

The study also finds that many of the most vulnerable neighborhoods face multiple barriers to learning, understanding, and utilizing the new temporary protections. The findings provide information that local officials and community stakeholders can use to target resources in recovery efforts.

While effective and quick implementation of rental protections is critical, it is important to note that the temporary deferral of rent payment will create a new set of threats to renters, apartment owners and the full rental housing eco-system.

In addition to identifying which rental neighborhoods are most at risk, the study identifies their demographic, socioeconomic status, and housing characteristics. As expected, more vulnerable neighborhoods have a larger share of renters that are severely burdened by housing costs and have less disposable income after paying for housing related expenses. Further, these vulnerable neighborhoods have higher rates of unemployment and workers at risk of job displacement due to closures in sectors impacted by COVID-19. Moreover, the most vulnerable neighborhoods are the least likely to have workers that are covered by unemployment insurance and far more individuals least likely to receive a CARES Act individual rebate from the federal government.

TABLE 1: COMPONENTS OF RENTER VULNERABILITY INDEX

	Lowest Vulnerability	Low	Moderate	High	Highest Vulnerability
% Renters spending 50% or more of income on housing	21%	27%	31%	34%	38%
% Renters with less than \$12K annually after housing cost	20%	28%	33%	38%	43%
% Unemployed rate pre-COVID-19	5%	6%	7%	8%	10%
% At-risk workers from COVID-19 job displacement	13%	15%	18%	19%	21%
% No unemployment insurance coverage	10%	14%	17%	19%	27%
% Excluded from CARES Act individual rebate	12%	16%	18%	21%	27%
Renter Vulnerability Index	224	355	455	541	658
Number of census tracts	300	300	299	297	304

Source: Neighborhood characteristics information is derived from 2014–18 5-year ACS.

Note: Higher RVI value = higher vulnerability.

The reported values in the table represents the average (mean) of all the census tracts in each neighborhood type.

As indicated in **Table 2** below, the most vulnerable neighborhoods have more Latinx renters and fewer white renters; conversely the least vulnerable neighborhoods have more white renters and fewer Latinx. Twice as many black Angelenos reside in high-vulnerability neighborhoods than in low-vulnerability areas. Moreover, immigrants are more relatively concentrated in higher-vulnerability neighborhoods. Higher-vulnerability neighborhoods are lower income, with a higher share of renters with a household income of less than \$35,000 and fewer households with financial assets (e.g. interest, dividends, or net rental income) that could potentially help offset some of the economic burden. In terms of educational attainment, many of the renter households in the most vulnerable neighborhoods have less than a high school education, whereas many of the renters residing in the least vulnerable neighborhoods have a college degree.

TABLE 2. NEIGHBORHOOD DEMOGRAPHIC AND SOCIOECONOMIC CHARACTERISTICS BY RENTER VULNERABILITY INDEX

	Lowest Vulnerability	Low	Moderate	High	Highest Vulnerability
% White renters	45%	33%	23%	18%	12%
% Asian renters	14%	14%	12%	11%	10%
% Black renters	8%	11%	12%	15%	15%
% Latinx renters	29%	39%	51%	54%	61%
% Immigrants	27%	33%	37%	41%	45%
% Renters with less than \$35K	25%	34%	41%	47%	55%
% Households with assets	25%	17%	12%	8%	6%
% Renters with less than high school education	9%	17%	26%	32%	39%
% Renters with college education	44%	33%	24%	19%	16%
Number of census tracts	300	300	299	297	304

Source: Neighborhood characteristics are derived from 2014–18 5-year ACS.

Note: The reported values in the table represents the average (mean) of all the census tracts in each neighborhood type.

In terms of the housing characteristics as reported in **Table 3** below, households in more vulnerable neighborhoods tend to be households with children. On average, more than three-fourths of the renter households in the most vulnerable neighborhoods are households with children compared to just a little more than half of the households in the least vulnerable neighborhoods. Furthermore, renter households in the most vulnerable neighborhoods tend to have more people as measured by the average household size. Related to this is the proportion of the households that are overcrowded, defined by the Bureau of Census as having more than 1.51 persons per room. Renter households in the most vulnerable neighborhoods are at least three times more likely to be overcrowded compared to renters in the least vulnerable neighborhoods.

The most vulnerable neighborhoods have a disproportionately higher number of households without broadband Internet connection and more likely to be limited English-speaking households. The lack of access to broadband could be a barrier for vulnerable renters to access information or receive services as agencies and direct service organizations are increasingly using the web as their primary mode of communicating availability of resources during the COVID-19 pandemic. The digital divide becomes more divisive with sheltering in place.

TABLE 3. NEIGHBORHOOD HOUSING CHARACTERISTICS BY RENTER VULNERABILITY INDEX

	Lowest Vulnerability	Low	Moderate	High	Highest Vulnerability
Rented units as % of all occupied units in tract	58%	66%	71%	77%	84%
% Overcrowding (1.51 or more persons per room)	3%	6%	8%	10%	14%
Average household size renter	2.53	2.75	3.02	3.13	3.27
% Renter households with children	57%	60%	72%	75%	79%
% Limited English-proficient households	8%	12%	16%	20%	25%
% Households without broadband	22%	30%	35%	41%	46%
% Section 8 rental units	3%	5%	6%	8%	8%
Number of census tracts	300	300	299	297	304

Note: The reported values in the table represents the average (mean) of all the census tracts in each neighborhood type; Section 8 data comes from HUD’s Picture of Subsidized Housing for 2019; and all other neighborhood characteristics are derived from 2014–18 5-year ACS.

CONCLUSION

This study identifies a concentration of vulnerable neighborhoods in South and Central Los Angeles and pockets of vulnerability in San Fernando Valley and central Long Beach. Residents in many of the most vulnerable neighborhoods are also likely to face multiple barriers to learning, understanding, and utilizing the new temporary protections due to limited English proficiency and limited access to the Internet.

California and Los Angeles now have in place several new temporary renter protection policies. They were developed quickly, and still need further refinement and stronger provisions.

An immediate and urgent need is to implement and enforce the existing policies. The most vulnerable renters and neighborhoods to the disruptions being created by COVID-19 are also the ones facing multiple barriers to utilizing the protections. It is critically important to continually monitor developments in real time, particularly by identifying the renters who fall behind in their payment during the COVID-19 crisis and their ability to utilize the temporary protection.

This can only be done by greater collaboration among public agencies, community groups, and researchers to gather and analyze the data. It may also require new ways to gather information through social media and crowdsourcing. Such information is vital to effectively implement the policies.

Our elected officials should also prepare for the looming problem after the end of the public health emergency. The temporary renter protection policies only defer rent payments. A real and frightening possible outcome is a dampening of the rental housing supply as well as a new wave of evictions and homelessness in the post-COVID-19 era.

Affected renters must pay their regular rent and the accumulated debt. The most affected renters are exactly the ones who will come out the least able to survive financially. Today, they are suffering from COVID-19 unemployment and exclusion from COVID-19 financial relief (CARES Act rebates and UI benefits). They are likely to be among the last to recover economically. It is not too early to start developing policies and strategies to ensure a more just recovery for these households.

