

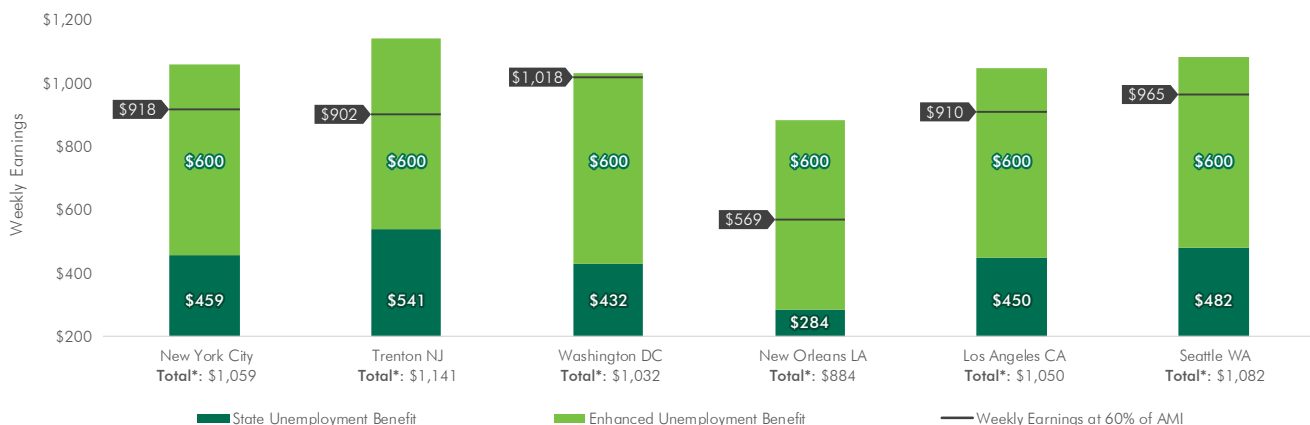
CBRE AFFORDABLE HOUSING
RESEARCH SERVICES

AFFORDABLE HOUSING BRIEF

CARES ACT EXPANDS ACCESS AND BENEFITS OF
UNEMPLOYMENT INSURANCE

In this month’s Affordable Housing Brief, we thought it would be helpful to provide owners and operators with insights into how the CARES Act (“the Coronavirus Aid, Relief, and Economic Security Act”) unemployment benefits may support LIHTC tenants during this time. We will examine how the enhanced the CARES Act unemployment benefits will help an out-of-work LIHTC tenant earning 60% of Area Median Income (AMI) in six metro areas¹ that have experienced high numbers of COVID-19 cases. The additional benefits should allow tenants nationwide to meet rent obligations during their period of unemployment. The graph below demonstrates how the weekly addition of \$600 in unemployment compensation gives the tenant more income than a weekly wage equal to 60% of AMI in all six metros:

Weekly Earnings* vs Enhanced Unemployment Benefits Through July 31, 2020



*Totals are the sum of the State Unemployment Benefit and the Enhanced Unemployment Benefit

The unemployment compensation system is a cooperative state and federal program administered jointly by the Department of Labor and each individual state. While funding for unemployment insurance programs comes from the state, the federal government, and private companies in the form of employment taxes, it is up to each state to decide the maximum amount of benefits paid, the duration of those payments, and the requirements for eligibility to receive those payments. For this reason, unemployment benefits vary widely by state. For example, the highest possible benefit paid is \$1,495 per week in Illinois, while Mississippi provides the lowest maximum weekly benefit at \$235. CNBC reports that the nationwide average weekly benefit in January was \$385². Most states provide 26 weeks of coverage and Massachusetts allows 30 weeks, while Florida and North Carolina only offer 12 weeks of benefits.

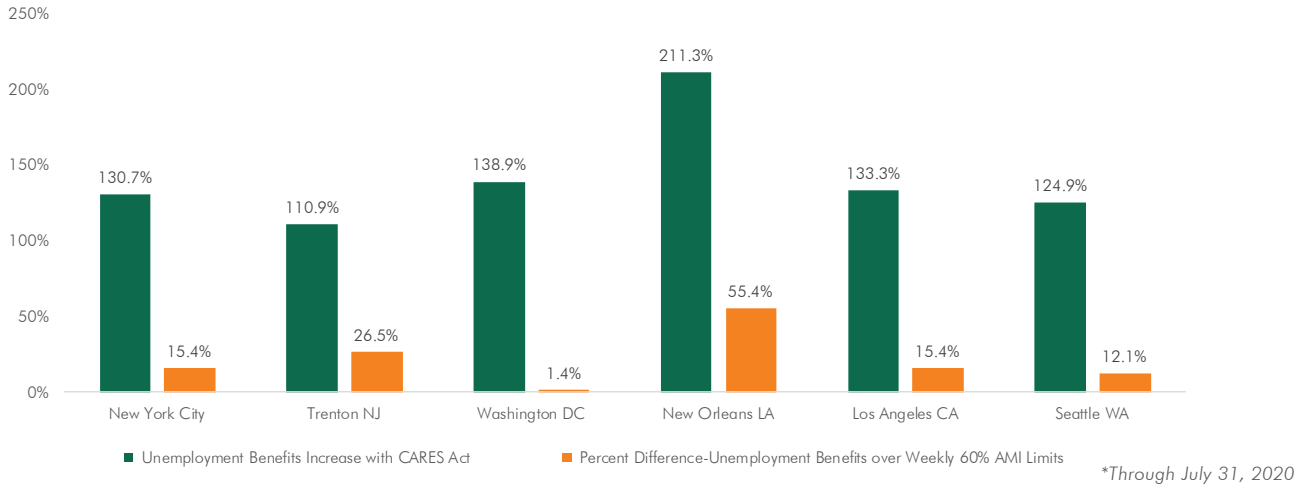
The CARES Act passed on March 27, 2020 creates the Pandemic Unemployment Assistance program to provide greater benefits than existing state programs. The legislation increases the weekly benefit by an additional \$600 to be added to the existing state benefits through July 31, 2020, extends the duration of benefits by 13 weeks over the state period through December 31, 2020, and extends the eligibility for jobless benefits to groups of workers who would not otherwise be eligible for benefits such as the self-employed and independent contractors. The maximum duration for unemployment benefits is restricted to 39 weeks under the Act.

¹<https://www.huduser.gov/portal/home.html>

²<https://www.cnbc.com/2020/03/26/coronavirus-relief-bill-what-to-know-about-unemployment-benefits.html>

The increase is most dramatic in New Orleans where the \$600 weekly benefit increases the total weekly unemployment compensation by 211.3%, but the benefit increase is substantial in all six metros.

Percentage Increases Attributable to CARES Act*
 (Based on 2020 60%, One Person AMI Income Limits for Each Metro)

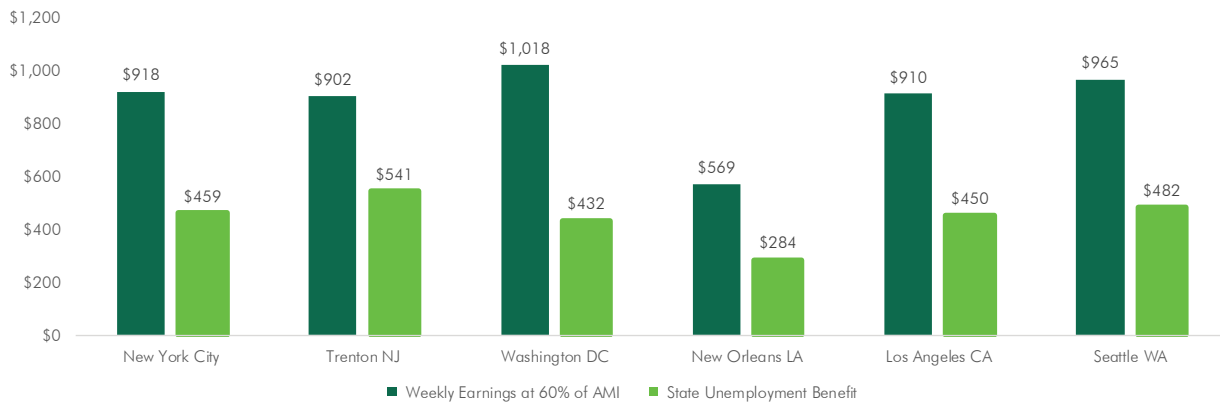


When measured against the one bedroom monthly rent limit at 60% of AMI in each metro, the added unemployment cash benefits drop the monthly rent burden from 32% in each metro to less than 30% of household income, the federal income standard for housing affordability.

	60% of AMI Income Limit	Monthly Earnings (60% of AMI)	Enhanced Monthly Unemployment Benefits*	2020 HUD 1-Bdrm Monthly Rent Limit at 60% of AMI	Rent Burden at Monthly Earnings (60% of AMI)	Rent Burden at Enhanced Monthly Unemployment Benefits*
New York City, NY	\$47,760	\$3,975	\$4,585	\$1,279	32%	28%
Trenton, NJ	\$46,920	\$3,906	\$4,941	\$1,257	32%	25%
Washington D.C.	\$52,920	\$4,408	\$4,469	\$1,417	32%	26%
New Orleans, LA	\$29,580	\$2,464	\$3,828	\$792	32%	21%
Los Angeles, CA	\$47,340	\$3,940	\$4,546	\$1,267	32%	28%
Seattle, WA	\$50,160	\$4,178	\$4,685	\$1,344	32%	29%

After July 31, 2020, the \$600 per week enhanced unemployment benefits end and unemployed wage earners still on unemployment will continue to receive the basic state unemployment benefits for the remainder of their eligibility. The following graph illustrates the state weekly unemployment amount allowed for the weekly wage at 60% of AMI in each of the six metros.

Weekly Earnings at 60% of AMI vs State Weekly Unemployment Benefit



More than 26 million people have filed for unemployment benefits in the last five weeks as the result of the COVID-19 pandemic. As we work our way through the economic upheaval caused by the pandemic, the aggressive enhancements to the unemployment insurance program in the CARES Act should work to bridge tenants to future employment and enable them to continue to meet rent obligations.

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