

The Impact of COVID-19 on Small Rental Property Management:

Insights from a Chicago Case Study

DECEMBER 2021

ANNA REOSTI & ALLISON SUPPAN HELMUTH



**HOUSING
CRISIS
RESEARCH
COLLABORATIVE**

ABF American Bar Foundation
EXPANDING KNOWLEDGE • ADVANCING JUSTICE

The Impact of COVID-19 on Small Rental Property Management: Insights from a Chicago Case Study

Anna Reosti

Research Professor, American Bar Foundation

Allison Suppan Helmuth

*Ph.D. Candidate, University of Illinois at
Chicago*

©2021 American Bar Foundation

The **American Bar Foundation** (ABF) is among the world's leading research institutes for the empirical and interdisciplinary study of law. The ABF seeks to expand knowledge and advance justice through innovative, interdisciplinary, and rigorous empirical research on law, legal processes, and legal institutions. To further this mission the ABF will produce timely, cutting-edge research of the highest quality to inform and guide the legal profession, the academy, and society in the United States and internationally. The ABF's primary funding is provided by the American Bar Endowment and the Fellows of The American Bar Foundation.

This research was supported by the **Housing Crisis Research Collaborative**, which aims to address the longstanding inequities in access to safe, stable, and affordable rental housing that have been laid bare by the COVID-19 pandemic. It provides policymakers at all levels of government with the data and analysis they need to design, implement, and evaluate more equitable and effective rental housing and community development responses to pandemic and the ongoing rental housing affordability crisis. For more visit: www.housingcrisisresearch.org.

The Housing Crisis Research Collaborative is supported by JPMorgan Chase & Co. and the Wells Fargo Foundation, and managed by the Urban Institute. We are grateful to them for allowing the Collaborative to advance its goals.

Unless otherwise specifically stated, the views and opinions expressed in the report are solely those of the authors and do not necessarily reflect the views and opinions of JPMorgan Chase & Co. or its affiliates.

SUMMARY

In this report, we describe the experiences of small-building landlords in Chicago and how they have responded to challenges posed by the COVID-19 pandemic. We focus on this group because independently owned, small rental properties (SRPs) make up an outsized share of the nation's supply of unsubsidized affordable housing in the private market, which is often referred to as "naturally occurring affordable housing." Under the right circumstances, non-professional owners of SRPs tend to employ distinct approaches to rental property management that can create favorable terms for tenants, such as limiting rent increases, eschewing fees, negotiating partial or late payments, and avoiding or delaying eviction.

However, the COVID-19 pandemic poses multiple threats to the viability of this sector of the rental market. In addition to potentially hastening the ongoing depletion of small-scale rental housing by triggering a wave of selloffs and foreclosures among financially distressed property owners, the pandemic may also drive shifts toward more rigid styles of property management among small-building landlords seeking to recoup COVID-related losses and insulate themselves from future financial risks.

This study draws on in-depth interviews with 69 small-scale landlords in the Chicago area – the majority of whom are owner-occupants and whose units rent, on average, for below-market rates. We find that the majority of landlords in this study continued to use flexible and accommodating approaches to property management during the pandemic. However, a sizeable minority (approximately one-fifth) of landlords whom we interviewed described taking up or planning to adopt more rigid and risk-averse management practices in response to the financial challenges of the pandemic, such as raising rents, fees, and implementing more exhaustive and restrictive tenant screening criteria. Such shifts have the potential to undermine the relative affordability and accessibility of housing in the small-building rental sector.

Understanding how SRP owners are responding to financial uncertainty during COVID-19 is imperative for housing policymakers and researchers who want to stabilize SRP landlords and tenants in the wake of the current pandemic and ahead of future rental market crises. Landlords in our study identified policy supports that would have better helped them weather the financial stresses of the pandemic and manage conflicts with tenants, such as clearer guidance from policymakers around emergency rental assistance programs and protections for mortgage holders. Additionally, we found evidence that eviction diversion and mediation programs would be especially helpful for small-building and owner-occupant landlords who wish to recoup losses but avoid initiating formal eviction proceedings.

Our findings illuminate the circumstances that may drive SRP landlords to adopt more rigid management practices in response to the pandemic, and more fundamentally, the fragile foundations on which the flexible and accommodating business models of some SRP landlords rest. We conclude with a discussion of the policy interventions that could prevent or discourage landlords in this sector from transforming their rent-setting and management practices in ways that pass the risks of market crises on to tenants.

ACKNOWLEDGEMENTS

We are grateful to the small-building and owner-occupant landlords who participated in this study and shared stories with us about their experiences and challenges. We thank the Urban Institute and the Housing Crisis Research Collaborative for indispensable funding and support for this project. We especially wish to thank members of the collaborative for their exceptional intellectual support, including Elizabeth Kneebone, Nathaniel Decker, Christopher Herbert, Solomon Greene, Ingrid Gould Ellen, Katherine O'Regan, Kathryn Reynolds, Madeline Brown, Monique King-Viehland, and Reed Jordan. We are grateful for the feedback we received from our colleagues in the University of Illinois-Chicago's Neighborhoods, Housing and Urban Sociology working group, especially Maria Krysan, Elly Field, Max Cuddy, and Nora Taplin-Kaguru. We also wish to thank our student research assistant, Cassidy Wang, who assisted with data collection and analysis for this project, as well as Theo Noomah, who constructed a database of public rental property records that aided us with recruiting participants to be interviewed. Finally, we wish to acknowledge with gratitude the organizations and institutes that funded iterations of field research on which this report is based, including the American Bar Foundation, the Institute for Research on Race and Public Policy at University of Illinois-Chicago, the Center for Research on Women and Gender at the University of Illinois-Chicago, and PEO International.

INTRODUCTION

Traditionally, much of the rental housing stock in the United States has been owned and operated by independent, non-professional landlords who own fewer than four rental units (Strochak 2017). The share of the rental housing stock owned by small rental property (SRP) landlords has declined in recent years as ownership has consolidated in the hands of larger investors (Kolomatsky 2017), but SRPs continue to play an important and distinct role in the rental market. Small-scale owners have long provided a disproportionate share of the naturally occurring affordable housing stock (Garboden and Newman 2012) and recent evidence suggests that across varied market conditions, small portfolio ownership is associated with a significantly greater likelihood of setting rents below market rates (Decker 2021b).

While housing scholars have debated the extent to which the management practices of SRP owners meaningfully depart from those of larger, more-professional landlords (Hulse et al. 2020; Garboden 2021), considerable evidence suggests that landlords with small rental portfolios file evictions less frequently than larger and/or more professionalized landlords (Colburn et al. 2020; Decker 2021c; Garboden and Rosen 2019; Immergluck et al. 2019; Leung, Hepburn, and Desmond 2020; Pfeiffer et al 2019; Raymond et al. 2018). Their flexible, discretionary tenant screening methods may also make them more accessible to tenants with discrediting background characteristics, like criminal or eviction records (Greif 2018; Reosti 2020; Shiffer-Sebba 2020; but see also Decker 2021c for a discussion of the fair housing concerns associated with the informal screening practices of SRP landlords).

Though the COVID-19 pandemic has brought attention to the structural vulnerabilities of the SRP housing stock, instability in the small-scale rental sector, particularly among owner-occupant landlords, long predates this crisis (Mallach 2007). The relatively small scale of SRP owners' enterprises puts landlords in this sector at greater risk of exiting the market via sale or foreclosure in response to routine financial stresses like rental delinquency, turnover, vacancies, and unexpected repairs or expenses. Small-scale landlords who live in their rental properties (owner-occupants) are especially vulnerable during rental market crises because their own housing security is tied up with the viability of their rental businesses.

While the property management practices of owner-occupant landlords are understudied (Wegmann et al. 2017), they own and manage significant proportions of the SRP housing stock in cities like Chicago where over half of all 2-to-4-unit buildings are owner-occupied (Institute for Housing Studies at DePaul University 2021). Studies suggest that owner-occupancy in small buildings is associated with lower rents and higher levels of property maintenance (Ellen et al. 2013; Porell 1985). Furthermore, owner-occupancy provides an important path to homeownership and a source of housing stability for groups who face systemic barriers to single-family homeownership (Bentley 2014; Institute for Housing Studies 2021).

The impact of the COVID-19 pandemic on small-building landlords and tenants

Researchers and policy advocates have raised the alarm about the potential consequences of the COVID-19 pandemic for the SRP sector, where owners have fewer financial resources to weather economic shocks relative to landlords with larger portfolios. Furthermore, results from

two recently conducted national surveys suggest that there has been an uptick in the number of landlords that listed properties for sale or took steps to sell their units and/or properties in 2020 (de la Campa et al. 2021; Decker 2021a). As such, COVID-19 is poised to potentially exacerbate the ongoing depletion of the naturally occurring affordable housing stock should larger numbers of SRP owners exit the rental market. Further reduction in the SRP housing stock could also hasten the trends toward rental ownership turnover and consolidation in the hands of large-scale institutional owners. Housing scholars and tenant advocates have raised various concerns about ownership consolidation in the rental market, which has been linked to rising rents, higher rates of eviction, and more unforgiving approaches to property management (Fields 2014; Burns 2018; Raymond et al. 2018).

A wave of selloffs and foreclosures is not the only threat that the COVID-19 crisis poses to the small-scale rental sector and the tenants who rely on it. Small-scale property owners who remain in the market may try to mitigate losses and perceived risks associated with rental market crises or emergency tenant protection laws by passing them on to tenants in the form of rent and move-in fee increases or tightening of tenant screening criteria. These shifts in management practices would undermine the relative affordability and accessibility of the SRP sector.

However, forecasting behavior among small-scale landlords is difficult because management practices in the decentralized SRP sector are often quite idiosyncratic and disconnected from profit-maximization logics (Garboden and Rosen 2018; Schwemm 2006). For instance, housing researchers still struggle to understand why, and under what circumstances, small-scale, non-professional landlords elect to set rents below market rate and employ more accommodating and flexible approaches to property management (Decker 2021b; Reosti 2020; Shiffer-Sebba 2020). In this study, we investigate the decision-making strategies and motivations that underly how small-scale landlords are responding to COVID. We use these insights to discuss which policy interventions would best help SRP owners to maintain or adopt management practices that are associated with affordable, accessible, stable, and safe housing in the face of rental market crises.

CASE STUDY

Responses to COVID-19 among Chicago-area small-building landlords

This paper draws on preliminary findings from a qualitative study of management practices among small rental property owners in Chicago. Our study draws on in-depth interviews with 69 landlords in Chicago who own and manage buildings with six or fewer rental units. The vast majority of landlords in our sample are owner-occupants, who own what are locally known as “two-flat” or “three-flat” buildings, which are the predominant form of naturally occurring affordable housing but have been rapidly declining in Chicago (Institute for Housing Studies at DePaul University 2021). This type of small, multi-unit building has historically made up between half and three-quarters of the total available rental housing in Chicago’s low-income

and racially segregated neighborhoods, and its decline threatens the overall supply of affordable housing in the city.

Our interview protocols were designed to investigate what landlords' property management practices looked like before the pandemic, and the circumstances, opportunities, and motivations that drive SRP landlords to either maintain or abandon rental management practices associated with affordable, accessible, stable, and safe housing in the face of market crises. We also explore landlords' experiences with policy interventions designed to stabilize the rental market during COVID-19, such as mortgage forbearance, emergency rental assistance (ERA), and eviction diversion and mediation programs.

We use our data set to address three key questions:

1. Prior to the pandemic, what motivated some SRP owners to set rent at below-market rates and exercise flexible and accommodating approaches to property management?
2. How have the increased financial stresses and instability related to COVID-19 impacted property management practices among SRP landlords?
3. What have been SRP landlords' experiences with emergency policy interventions during COVID-19, and how have public policies impacted the way landlords have responded to pandemic-related economic challenges?

Following a description of the study's data and methods, we present findings that correspond to each of these research questions. We conclude by discussing the implications of those findings for housing policy and research.

DATA AND METHODS

Sampling, Recruitment, and Data Collection:

The findings we present in this report are based on our analysis of in-depth, semi-structured interviews with small-building landlords in Chicago.¹ Small-building and owner-occupant landlords are a difficult population to access (Shiffer-Sebba 2020). As such, we recruited people to participate through a variety of methods, including stratified random selection as well as purposive and snowball sampling methods, with a primary goal of recruiting an economically and racially diverse group of people from a range of Chicago neighborhoods within the city's segregated and unequal rental market. Our recruitment methods included door-to-door canvassing of neighborhoods where two- and three-flats are most densely concentrated; internet-based advertisements on Facebook and neighborhood or community listservs; flyers in libraries and other community gathering places; in-person recruitment at neighborhood

¹ Each author conducted interviews for separate qualitative research studies. In this report, we have combined our pre-existing datasets to analyze key trends across the combined set of interviews.

meetings; and flyers mailed to a random selection of small-building addresses from publicly available tax records. Prior to the beginning of the COVID-19 pandemic, interviews took place in-person, at the homes where owner-occupant landlords lived. Once the pandemic began, we shifted interviews online where they took place by telephone and Zoom video chat. Each interview was recorded and transcribed prior to analysis.

Timeline of Data Collection

In total, we conducted interviews with 69 landlords across 64 households on the north, west and south sides of Chicago. These interviews took place during three distinct time periods, with the first set of interviews conducted prior to the beginning of the COVID-19 pandemic (from September 2018 through 2019); followed by another set of interviews in the first year of the COVID-19 pandemic (from May through December 2020); and finally in the second year of the pandemic (from May through October 2021). Table 1 illustrates the timeline of data collection.

Table 1. Timeline of Data Collection

	Pre-Covid (2018/29)	Early Covid (2020)	Late Covid (2021)	Total
Landlords Interviewed (N)	18	26	25	69

Analyzing interviews with different landlords across these three different time periods allows us to explore how SRP owners described and justified their management practices under everyday conditions (i.e., prior to the pandemic), how they initially responded to the uncertainty during earlier phases of the pandemic, and finally, why and how landlords elected to maintain or shift their practices after a year of managing their properties during the pandemic.

Who are the Landlords in our Study?

The majority of landlords whom we interviewed for this study are owner-occupants. Over two-thirds are women (68%) and nearly half (49%) are people of color (including 25% Black building owners, 17% Latinx, 3% Asian and 4% mixed race). Most landlords had a bachelor’s degree or higher, and the overall sample of interview participants skewed younger, with over half of all landlords under age 45 (60%). Only 7% of landlords were retirement age or older.

Although our non-random sampling methods do not allow us to generalize to all small-building landlords in Chicago, the younger age of landlords in our study (in comparison to other recent research on small building owners, e.g., Kneebone et al. 2021) may in part be related to the large proportion of our sample who are owner-occupants. Many of the owner-occupants in this study explained their decision to buy a multi-unit home as a logical “next step” in their lives—as they grew their families and outgrew their former apartments—and as an alternative to purchasing a single-family home that was often out of their financial reach.

Table 2. Landlord Characteristics (n=69)

Occupancy Status		
	Owner-Occupant	87%
Race		
	White	51%
	Black	25%
	Latino	17%
	Asian	3%
	Mixed Race	4%
Gender		
	Women	68%
	Men	32%
Age		
	26 - 35 years	32%
	36 - 45 years	28%
	46 - 55 years	19%
	56 - 65 years	9%
	66+ years	7%
Education		
	High School or GED	3%
	Some College or Associate's Degree	13%
	Bachelor's Degree	48%
	Graduate Degree or Higher	32%

Note: Percentages may not always add up to 100 due to missing or unreported data for age and education.

In terms of their rental portfolios, the majority of landlords whom we interviewed (72%) owned only one building. In most cases, this was the building that they lived in. Several landlords expressed aspirations of one day expanding their rental portfolio to purchase another building, while many others were clear in their wish to use their rental building as their own form of housing, without any intention or interest in expanding their portfolio. A large majority of the buildings owned by landlords in this study were one- to three-unit buildings. The largest rental property in our study was an owner-occupied building with five rental units. The owner of that building was the only study participant to support themselves entirely on the income generated from their rental property. All other landlords in our sample primarily relied on their own (or a household member's) income from full- or part-time employment, or other income sources. We collected income data from 44 of the 64 households in this sample, asking landlords to report their total annual household income from all sources. These figures appear in the table below.

Table 3. Landlords' Portfolio Characteristics (n=64)

Tenure as a Landlord		
	Less than 1 year	6%
	1 to 4 years	41%
	5 to 10 years	17%
	11 to 20 years	20%
	21 years or more	14%
Number of Buildings Owned		
	1 building	72%
	2 buildings	8%
	3 buildings	9%
	4 or more buildings	3%
	Owns a Condo Unit (No Building)	2%
Number of Rental Units in Portfolio		
	1 unit	39%
	2 units	31%
	3 units	13%
	4 units	5%
	5 to 11 units	11%
Income Source		
	Rental Income is Primary Income	2%
	Other Employment/Income is Primary Income	98%
Total Household Income (from all sources)		
	\$30,000 or less	6%
	\$30,001 to \$59,999	8%
	\$60,000 to \$79,999	16%
	\$80,000 to \$99,999	11%
	\$100,000 to \$149,999	16%
	Over \$150,000	13%
	Missing or Not Reported	31%

Note: 5 married couple households are included in this table, resulting in a total number of 64 rental portfolios across 69 landlords. Percentages may not always add up to 100 due to missing or unreported data. Additionally, only the units in the primary residence were counted for 6 owner-occupant landlords, resulting in a slight undercount of total units for those 6 participants.

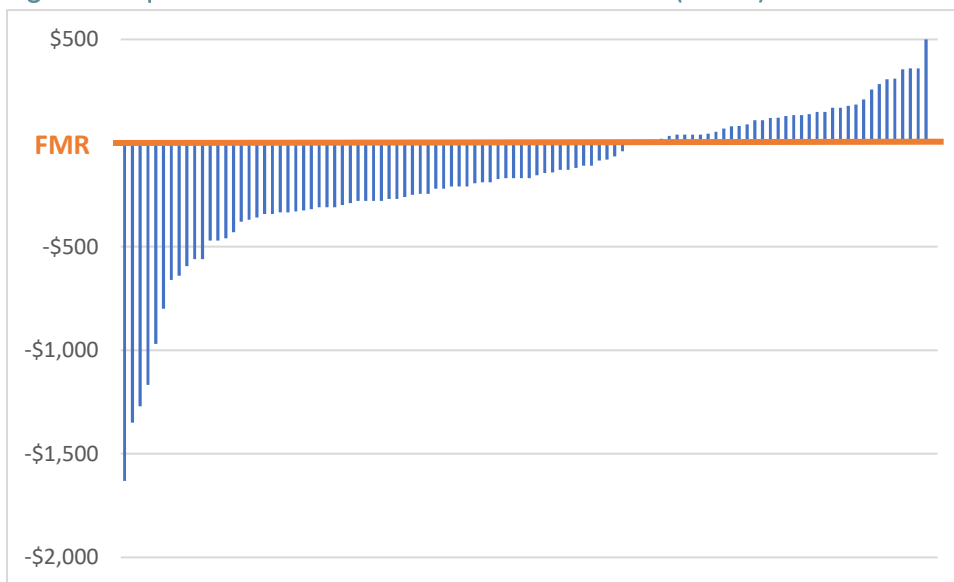
Additionally, we collected rent, unit-size, and location for a total of 104 rental units across the 64 landlord portfolios in this study.² Nearly two-thirds (65%) of all units were being rented below what the Department of Housing and Urban Development (HUD) determined to be fair

² We collected precise street-level addresses for 72 of these units to determine their ZIP Codes. For 32 units, we collected the name of the neighborhood in which they were located and calculated the average fair market rent for each ZIP Code that intersected with that neighborhood.

market rent (FMR) for their ZIP Code.³ This means that the majority of units in our sample were being rented for less than what a landlord could earn with a voucher-supported housing unit in the same neighborhood. The remaining 35% of units were being rented to tenants for prices above FMR, although 9% were only \$55 or less above FMR. The prevalence of below-market rent-setting among landlords in our study exceeds the level observed in a recent national survey of SRP owners which found that just under half of respondents set rent at below-market rates (Decker 2021b) and is potentially reflective of the large numbers of owner-occupant landlords in our sample.

Figure 1 displays each of these 104 units and the total amount in dollars above or below the FMR that they were being rented.⁴ The units that were furthest below their neighborhood’s FMR were most often (though not always) rented to landlords’ family members. For example, one landlord in our sample charged her son and his family \$500 per month to rent a three-bedroom apartment, making the rent for his unit \$1,168 dollars below the FMR for that neighborhood.

Figure 1. Reported Rents in Relation to Fair Market Rent (n=104)



The neighborhoods and geographic areas where landlords in our sample lived and owned buildings are displayed in Table 4, with nearly half of all units located in north side Chicago neighborhoods, 37% in west side neighborhoods, 12% in south side neighborhoods, and 1% in suburban Cook County.

³ HUD defines Fair Market Rents as estimates of the 40th percentile of gross rents in a given ZIP Code.

⁴ Two of the units included in Figure 1 were being rented for \$0 per month, in one case through an informal work-trade agreement between the tenant and landlord, and in the other case for a family member. All other rents ranged from \$100 per month at the lowest to \$2,300 at the highest, with an average rent of \$1,235.17 and a median rent of \$1,250.

Table 4. Rental Units by Geographic Area (n=104)

Percent	Area	Neighborhoods
49%	North Side	Roscoe Village, Logan Square, Edgewater, Jefferson Park, Avondale, Albany Park, Lakeview, Rockwell, Lincoln Square, Arcadia Terrace, North Center, Irving Park
37%	West Side	Pilsen, East Garfield Park, Humboldt Park, Austin, Little Village, Brighton Park
12%	South Side	Englewood, Auburn Gresham, Burnside, Chatham, South Shore, Bronzeville, Park Manor
1%	Suburban Cook County	Barrington

FINDINGS

Our analysis suggests that the financial stress and uncertainty associated with COVID-19 triggered divergent reactions on the part of the SRP landlords interviewed for this study, the majority of whom are owner-occupants. Many landlords understood COVID-19 to be an anomalous crisis that did not fundamentally alter their perceptions of risk, or the flexible approach to rental management that the majority of this study’s interviewees reported taking prior to the pandemic. However, a sizeable minority (approximately one-fifth) of landlords whom we interviewed after the start of the pandemic described shifting toward more rigid and risk-averse management styles or planning to do so at some point in the near future.

In what follows, we present select findings from our interviews in three sections. In the first section, we establish a baseline account of what the management practices of this study’s landlords looked like prior to the pandemic. We also examine the varied financial and non-financial explanations that landlords offered to justify approaches toward landlording that, at first glance, run counter to profit-maximization. In the second section, we explore the circumstances and motivations that drove this study’s landlords to either maintain or shift away from a flexible and accommodating approach to rental management in response to pandemic-related challenges. Finally, in the third section we examine landlords’ experiences with, and perspectives on, emergency policy interventions implemented during COVID-19, including mortgage forbearance, emergency rental assistance, and eviction diversion and mediation programs.

I. Motivations for Flexible and Accommodating Management Styles

The majority of SRP owners in our study were accustomed to setting their rents well-below market rate and to using flexible or accommodating approaches to managing their rental properties and interacting with tenants. These approaches can include minimizing rent increases or deliberately setting rent below market rate, accommodating late rent payments

without fees or penalties, eschewing formal background and credit checks during tenant screening, or creating work-trade agreements with tenants. These more flexible (and less profit-driven) approaches are not typically depicted in the existing literature on landlords, but they were regularly used by those whom we interviewed. Almost all the landlords in this study reported using at least one of the aforementioned practices. In this section of our findings, we describe the circumstances and perspectives that motivated landlords to use these more flexible and accommodating management styles. To do so, we draw on our full dataset of interviews, including those interviews that were conducted prior to the start of the COVID-19 pandemic, as well as those that were conducted during the pandemic in which landlords were asked to describe their general approach to various management issues under everyday (i.e., non-pandemic) conditions.

The prevalence of flexible and accommodating management styles among those whom we interviewed may partially reflect the large proportion of owner-occupant landlords in this study (87%). Those who lived in the same buildings as their tenants may have had more opportunities to develop familiar and cooperative relationships with them. In addition to developing cooperative relationships with their tenants, many owner-occupants also expressed a feeling of personal identification with tenants, having themselves previously been renters, often up until the moment they bought their first home and became an owner-occupant. When asked why they decided to purchase a multi-unit rental building, they often explained that it was a desire to become home-owners—not landlords—that led them to purchase a rental building, and that a single-family home was simply unaffordable.

Holly,⁵ a 38-year-old white landlord, purchased her two-flat with her husband when they decided that they “want[ed] to stay in the city” and that they “want[ed] to have a family in the city.” Although she and her husband both work in high-paying jobs—with a combined household income of approximately \$250,000—their decision to buy a multi-unit building was motivated by their realization that they could not afford a single-family home in any of their preferred neighborhoods. Holly said:

“When we looked at the cost of single-family homes in the areas where we would want to live, it was just like, no, like, no, no friggin’ way. Like it's just unobtainable, unattainable—and so a lot of it was just like: you can buy a two flat in a really nice neighborhood for less than a single family in that same neighborhood.”

Landlords with middle and lower incomes expressed similar sentiments. Mariah is a 47-year-old Latina landlord who makes approximately \$55,000 per year. When she decided to buy a building after her divorce, she said “I knew I needed a rental. I'm single, by myself. I don't make a ton of money and I just knew I needed something to help me compensate.” Mariah was also motivated to buy a building because she wanted to have a home where she and a close friend could live out their “empty nest” years, without being routinely outpriced from rental housing by gentrification, as had happened in two previous neighborhoods where her friend had lived.

⁵ Pseudonyms are used throughout this report to refer to interview participants.

The desire to become home-owners—and to have safe, secure, and stable housing for themselves and their families or friends—was shared among many of the landlords in this study. Corrine, a 26-year-old Black woman who owned a two-unit building on the south side, described her own prior experiences with homelessness as a child as a motivation for why she purchased her first building, which now housed several members of her family who were paying rents that she set well-below market rate. She said:

“I wanted to make sure that future generations in my family always had somewhere to stay. I actually used to be homeless. When my parents divorced, my father pretty much took everything from my mom. Because she was a stay-at-home mom, she did not have an education and did not have a source of income, so we became homeless. So just, you know, seeing my mother struggle like that really, really made me want a catalyst to, you know, never see my family in that predicament again.”

Owner-occupant landlords’ prior experiences as renters, combined with what was often a primary motivation to become home-owners, rather than landlords, may be part of what led people within this group to adopt management styles associated with more favorable terms for tenants. This was part of an overall orientation to managing their buildings that was less driven by a desire to make a primary income from their rental units, and more by a desire to offset the costs of their own housing.

In addition to this general orientation reflecting their personal paths into the rental business, landlords who used more flexible approaches to rental management largely justified doing so in one of three ways. First, some landlords explained that taking a more accommodating approach to rent-setting and fees was advantageous from a business perspective because it helped them avoid costly turnovers. Second, other landlords cited financial constraints on their ability to take a rigid approach to management issues, particularly with respect to the costs of evictions. Such constraints lead them to take a more accommodating stance when dealing with non-paying tenants. Finally, another set of landlords cited non-financial reasons for their flexible and accommodating approach to management issues that were grounded in normative concerns, such as an awareness of inequality in the housing market and a desire to interrupt what they saw as exploitive landlord-tenant relationships.

Financial advantages of flexible management

Some landlords contended that a flexible approach made the most sense from a business perspective, particularly because keeping rents low and making accommodations for tenants helped them to avoid costly turnovers. Mia, a white owner-occupant living in a predominantly Latinx neighborhood, described this by saying that “being a good person is good business.” For Mia, this meant that she would never “unnecessarily just jack up [the tenant’s] rent” so that she could earn a higher income. Instead, she felt that keeping rents low will lead tenants to want to continue renting from her. She felt that if she refrained from raising rents, then “you’re going to take care of your unit, and you’re going to, you know, make your payments, and you’re going to do all these things because you appreciate that better treatment.”

Similarly, Clark, a 37-year-old white, owner-occupant landlord living in a predominantly white neighborhood, explained that while he does sometimes implement a rent increase, he typically set the rents in his three-unit building below market rate, and that if one of his tenants told him they couldn't afford a rental increase, he would negotiate a lower rate in order to keep them as a tenant. He explained the balance between these two positions as follows:

“My mortgage payments are going to go down, [so] why should [the tenant's payments] go up? [But] if you completely divorce your rent from the market rates, then like, how are you determining your rent?”

Multiple landlords whom we interviewed put this calculus in more literal terms, explaining how the expenses associated with turnover outstripped the benefits of raising rents. Anthony is a Black landlord in his early forties who owns five buildings on the city's south side, one of which he used to live in. He described the cost-benefit analysis that accounted for his rent-setting practices:

“There is some value in having a tenant long term. There's a cost to flipping an apartment. There's a cost to acquiring a new tenant. There is effort that I have to now divert attention into. So, there are a lot of factors. If you're telling me a \$50 rent increase gets you \$600 bucks, you know, annually is \$600 bucks, you know, versus turning that apartment around. So, in a period of time where maybe I've had a tenant for four years. And let's say, every two years, I turned that unit over. How many times am I paying to have it repainted? Or how many times am I losing that first month's rent? So again, you just kind of play with the economics. I don't have a formula, but I just feel, you know, sometimes that I'm inclined to stay the course with longer serving tenants.”

Accommodations driven by financial constraints

While several landlords described flexible management and low rent as “good business,” landlords with lower incomes occasionally experienced financial constraints (long before the COVID-19 pandemic began) that led them to negotiate with tenants, accept lower rent payments, and delay eviction proceedings for non-paying tenants. Martha, a 30-year-old Black landlord who owned a building in a predominantly Black and lower-income west side neighborhood, described the bargain she made with herself and her tenants in order to get by when she couldn't afford eviction.

As a married woman with 4 children, Martha was the sole earner for her family, working part-time and pursuing a nursing degree. At the time of her interview, her total household income was less than \$20,000 per year. When she heard from a friend about a non-profit home-ownership organization that helped working-class people buy homes, she decided to take a course with them and was persuaded to buy a multi-unit building because her income was not high enough to afford a single-family home. However, Martha's tenants had not been paying rent consistently, and she knew she could not afford the legal fees to pursue eviction, nor did she want her units to sit empty. Instead, she bargained with her tenants and tried to persuade

them to make partial rent payments. But she continued to worry about whether she would miss her mortgage payments if her savings ran out. Martha said:

“My whole plan is to get through the wintertime. Hopefully both people who are here right now will pay their rent and I'll be able to meet my mortgage without touching my savings and then I could hit the ground running in the springtime, because I'll be close to graduation. Maybe I will be able to save more money. I'll be a different person then. I just don't want to put my living situation in jeopardy.”

When asked what she thought would be different in the springtime, Martha explained that when she graduated and was able to increase her income with a new job, she would “have more money to play with,” which would allow her to afford to pursue eviction of her non-paying tenants and thus stabilize her own living situation.

Social and normative explanations

While some landlords gave financial explanations for their flexible and accommodating management styles, others were motivated to take flexible approaches for non-financial reasons, choosing to accommodate tenants and provide a high quality of responsiveness out of their own awareness of racialized housing inequality, and/or a personal affinity with renters. Most of the landlords whom we interviewed had previously been renters up until the point that they bought their first home, and they expressed a desire to be the kind of landlord they would have wanted when they were tenants. Zoe, a 43-year-old white woman and owner-occupant on the west side, explained how she tries to respond quickly to tenants' needs because it is what she would have wanted as a tenant. She says:

“There's always something like, oh, my hot water isn't working. Or, you know, it's lukewarm and not hot. And so I'm like, OK! I want to be responsive, because having rented for decades, I stayed at the places that had responsive landlords and that kept the place up. So I try super hard to be the redemptive narrative for landlords. And [the tenants] are super grateful. I mean, like, they constantly express gratitude.”

Melinda, a Latina landlord in her fifties who owns a multi-unit building on the north side, described the accommodating approach she generally takes to dealing with nonpayment. Though her son criticized what he felt were her naïve business practices, Melinda defended her actions on the normative principle that it was wrong to impose fees on financially insecure tenants:

“And I've never charged a late fee. Because if they're already struggling to pay the rent, how am I gonna charge them late? My son keeps telling me he's not going to be like me. He said, 'Oh, no, I'm not gonna be like you, helping them and then they're not paying rent' ... he has a different mentality.”

In addition to personally identifying with renters, some landlords expressed an awareness of racial and class inequality that led them to strive to create better housing experiences in their

own relationships with tenants. Corrine, the 26-year-old Black landlord who was currently renting her units to members of her family explained that:

“Historically, Black people have been redlined and have not been allowed to move to certain places. [Chicago is] extremely segregated because of historical redlining. So race plays a significant role in me wanting to own my own place, not just for like personal gain or familial gain, but also just to be informative to other Black people. [...] Even going through this experience, I was able to help two other people close on their homes.”

Some small-building landlords explicitly distinguished their approach to landlording from that of larger, corporate, rental companies who they characterized as bad actors. Ray, a white long-term owner of three buildings on the city’s north side, explained why he thought it was important to resist offers to sell his building in a hot market. He sees small landlords like himself as part of a bulwark against ownership consolidation in the hands of exploitative, large-scale rental companies:

“I mean, these are awful people. And, you know, the only thing stopping awful people is not-awful people. So there is some extent of like, well, I want more buildings so that [name of local mega-landlord] gets fewer of them. I can't compete with him on a financial level, but in terms of kind of contributing to your community and trying to make the world a proverbial better place, well, sometimes just being not a jerk of a landlord is all you need to do.”

Potential threats to fair housing posed by flexible approaches to tenant screening

Whereas most of the management practices described in this section create favorable conditions for tenants, the flexible approach that many of this study’s landlords took to tenant screening may be less universally beneficial for prospective tenants and have mixed implications for housing access and equity in the small-building sector. The small-building landlords we interviewed by-and-large did not use rigid screening criteria, such as a minimum credit score. Instead, they closely scrutinized applicants’ financial circumstances, and often made tenant selection decisions using subjective criteria, sometimes putting a special emphasis on in-person meetings as way to get a “feel” for the intangible aspects of applicants’ personalities, dispositions, and lifestyles. Owner-occupants may be particularly invested in choosing tenants with whom they would like to live on the basis of subjective criteria. Additionally, many owner-occupant landlords interviewed for this study drew from within their own social, familial, and professional networks to recruit tenants, meaning that the benefits of their flexible approaches to management may remain a resource that accrues primarily to those who are already within their social circle. While more subjective approaches to tenant screening in this sector have the potential to help renters who face barriers elsewhere access good housing (e.g., people with damaged credit histories), these approaches can also run afoul of the aims of fair housing law (Reosti 2020, 2021).

II. Adapting to COVID: Continuity and Change in Management Practices

The onset of the COVID-19 pandemic and the enactment of state and federal eviction moratoria in 2020 forced many landlords to adopt new property management practices, particularly with respect to handling rental delinquency. For example, two national surveys of landlords conducted during the pandemic found that landlords were significantly more likely to make accommodations for tenants who fell behind on rent in 2020 than in 2019 (Kneebone et al. 2021). In this section, we draw on a subset (51 of 69) of our interviews conducted after March 2020 to explore how small-building landlords adapted to financial challenges associated with the pandemic. Of the landlords we interviewed during this period, just under half (46%) had their rental income negatively affected by the pandemic. For most of the landlords in this group (78%), the negative impact was primarily due to their tenants' inability to pay rent, while the remainder experienced unexpected or extended vacancies that they attributed to the pandemic. Meanwhile, for several other landlords who did *not* experience a loss in rental income, the impact of COVID-19 was primarily emotional, prompting anxiety about how they would make ends meet if they, or their tenants, lost their jobs.

In response to this general economic uncertainty and COVID-related income loss, we find that the landlords in our study undertook divergent strategies. The majority (80%, or 41 of 51) of landlords maintained the flexible and accommodating approaches that had characterized their management practices prior to the pandemic and adapted those approaches to meet new needs of tenants that arose during COVID-19. A substantial minority (20%, or 10 of 51) of landlords interviewed after the start of the pandemic described implementing more rigid and risk-averse rental management practices or expressed their intentions to do so at some point in the future, such as the next time they filled a rental vacancy or following the expiration of eviction moratoria. We use these data to examine landlords' justifications for the varied strategies they adopted when faced with COVID-related challenges, and the circumstances, constraints, or opportunities that permitted different approaches to managing and mitigating economic losses and risks.

Continuity: adapting accommodating management styles to meet the needs of tenants

For a number of landlords who had described taking accommodating and flexible approaches toward rental management prior to the pandemic, the same orientation guided their response to COVID-19. These landlords tended to view the pandemic as an historically anomalous crisis that demanded special accommodations for tenants unable to pay rent for the duration of the public health crisis. In contrast to other landlords whom we interviewed (described in the following section), COVID did not upend their longstanding approach toward rental management, nor did it fundamentally alter their conceptions of economic risk. During the pandemic, the actions of landlords in this sub-group were often motivated by a pre-existing business or normative commitment to accommodating tenants who fell behind on rent. For landlords that experienced a reduction in rental income due to nonpayment however, this approach was usually only possible for those who went into the pandemic with higher levels of

personal wealth or primary income from their 'day jobs.' This additional economic security allowed landlords with flexible approaches to absorb losses related to their rental units without jeopardizing their own ability to pay their mortgage or meet other financial commitments.

The early days and weeks of the pandemic offered the first test of landlords' commitments to their pre-COVID rental management styles, and many of those whom we interviewed reported reaching out to tenants during this period to assure them that they would make arrangements if tenants fell behind on rent. For example, Evelyn, a 60-year-old Latina landlord who owned three multi-unit buildings in a west side neighborhood, one of which she lived in, said "I reached out to all my tenants and I said hey, let me know if we need to make special arrangements." Evelyn explained that she wanted "to make sure they know that we're a team," because in addition to her daughter, who lived in one of the units, Evelyn knew that many of her tenants were food-service workers, and that they would likely lose their jobs. Her approach worked out well. Several of her tenants did need to "make arrangements," as she would say, but they eventually were able to begin paying back their rent. At one point, one of her tenants who had a steady income and was able to work from home offered to pay several months of her own rent up-front, in an effort to take the pressure off Evelyn and her other tenants while their income had stopped. In this sense, Evelyn's statement that "we're a team," turned out not just to be a shallow reassurance directed at her tenants, but a reflection of the genuine cooperative relationships and goodwill that she had established with them.

Some landlords went beyond reassuring tenants that they would make accommodations should the need arise, and proactively offered rent-relief to tenants whose occupations put them at high risk of unemployment during COVID. Irene, a white landlord in her fifties who owned three multi-unit buildings on the city's north side, preemptively cut her tenants' rent in half. Her decision was motivated by the expectation that her tenants, many of whom work in the arts, would soon be unemployed and she didn't want to burden them with additional worries about losing their homes or falling into deep arrears. In explaining her behavior, she also reflected on broader disparities in power and resources between landlords and tenants:

"My philosophy is like, if I can afford, I mean, basically, they're paying my mortgage, so I'm still gonna own the property... they're just helping me pay for it. So I was just like, well, I don't really want to put that burden on them while people around them are getting sick and dying, you know? I didn't want to have to have them think about, what am I going to do? Like down the road, am I gonna have to pay this money back? I mean, as long as I could have afforded to help them and cut their rent, that's what I was gonna do."

Mia, a white landlord in her thirties with a property on the west side, also proactively reached out to tenants with an offer to cover their rent or create payment plans if needed. Like Evelyn, Mia reported that her tenants responded in turn, by making every effort to pay rent when they were able. Both cases illustrate how the cooperative relationships some owner-occupant landlords enjoy with their tenants aided them in making alternative arrangements when their tenants' incomes were impacted by COVID. Mia remarked:

“The way that we've interacted with folks, over COVID, nobody's actually missed a payment. We had some people we worked out something like payment plans with, but we tried to proactively really help people get to resources. We let them know before things shut down: we're going to cover you if you need to be covered, and we'll work out a payment plan later. [...] I didn't want people [to freak out that they would be evicted]. Put food on your table and take care of your family. And the response from people towards that has been, like, people feel very responsible for paying their rent, which is like the opposite of what the real estate people would tell you.”

Other landlords made accommodations for tenants in arrears in a more reactive fashion when tenants lost their jobs. Darrel, a 29-year-old Black landlord who owned and lived in a two-flat building in Chatham, explained his decision to waive the unpaid rent of a tenant in both practical and normative terms. His high income from his tech industry career allowed him to cover the mortgage without his tenant's rent, and he contended that his tenant—an essential worker who had lost her job after taking a maternity leave—would be harmed more by the accumulating rental debt than he would be by forgiving her unpaid rent. Darrel worked with his tenant to apply for emergency rental assistance, but their application was not successful. When asked whether he would set up a payment plan to try to recoup the lost rent once his tenant went back to work, he explained:

“I will probably just write it off due to 2020 madness and COVID and all that stuff. Like I said, I'm not hurting for it. It's not like it affects me negatively. It only affects her negatively for me to hound her and ask her for money from three months ago. And I'm not really in the position where I really, really, really need it. So I'll just probably let it go.”

Finally, some landlords maintained that their fiscal responsibility and prudent business practices before the pandemic enabled them to weather COVID's challenges and make accommodations for tenants in arrears. Anthony is a Black corporate professional in his early forties who owns and manages five multifamily buildings on Chicago's south side. He discussed how his business training and experience motivated him to ensure that he had a “balanced portfolio” of tenants, which in his case meant a mix of voucher recipients and unsubsidized white-collar and blue-collar tenants. This mix of tenant income levels and sources helped assure that if one of those groups fell behind on rent, such as the working-class tenants employed in vulnerable service occupations, steady rent payments from the other groups would help ensure that he met his financial commitments.

“Were we impacted by the pandemic? Absolutely. But I've always been a huge... I've just always been big about making sure that we were operating responsibly, right? God forbid something happens and you lose multiple tenants or whatever, you know. Or let's say, me and [my employer] do make a decision to depart from each other's company, I've got to be able to maintain... my organization. I tend to be, you know, kind of financially driven to just make sure we're not getting too far out ahead on things.”

Change: adopting more rigid management practices to recoup losses and mitigate risk

For other landlords in this study, the experience of COVID-19 prompted a reevaluation of the management practices that they had employed prior to the pandemic. Landlords in this category expressed plans and intentions to change aspects of their approach to rental management in an effort to insulate themselves from future financial risks associated with non-payment. These landlords were very hesitant about renting to future tenants who might default on payment, which motivated them to rethink their approach to rent-raises, fees, and especially tenant screening. Among landlords who shifted to more rigid management practices, all but one, or 90%, experienced a loss in income during COVID-19. In contrast, a smaller proportion (34%, or 14 of 41) of landlords who did *not* shift toward a more rigid management style reported that their rental incomes were negatively impacted by the pandemic.

A number of those whom we interviewed reported that prior to the pandemic, they rarely raised rents and typically waited until they were between tenancies to do so. Kayla, a Black owner-occupant landlord in her thirties who owned one building on the city's west side, was typical in reporting that she had raised rents sparingly in the past and only in response to rising expenses, particularly property taxes. At the time of our interview, her income from her work in freelance real estate had been significantly reduced and her only tenant had missed rent for the last three months. As a result, she was in forbearance on her mortgage and concerned about the adverse impacts forbearance would have on her creditworthiness. She said she planned to institute more regular rent-raises with her next tenant, specifically on an annual basis coinciding with the renewal of the tenant's lease.

Kayla also indicated that whereas in the past she has required only a small non-refundable move-in fee for new tenants, going forward she would also require first and last month's rent upon move-in as a way to secure against future losses. Similarly, Dave, a white landlord in his forties who rents a condo in the western suburbs, described his plans to require first and last month's rent from future tenants. In addition to using the extra fees as insurance against future rental delinquency, Dave also wanted to use the requirement of first and last month's rent to screen out financially unstable applicants. If an applicant couldn't come up with two months of what he thought to be below-market rent for his condo, that would be a "red flag" from his perspective:

"I think maybe the next time I rent, I would [ask for] a little bit more on the upfront...\$1350 for a two-bedroom place is a pretty reasonable amount. And for somebody not to have first and last. I mean, that's kind of scary now. I think back and I go, wow, they don't even have you know, \$2500 or \$3,000. That's kind of a red flag in my mind."

Dave was particularly concerned with finding a way to prevent rental delinquency in the future because his current tenant had not paid rent in fifteen months (which partially predated the pandemic). He had also gone into mortgage forbearance and was behind several months on the

payments to his condominium homeowner's association (HOA) at the time of our interview. These experiences had caused him to reevaluate the flexible, informal, and "hands-off" approach he had taken to landlording for the last fourteen years and make efforts to implement a more professionalized approach to management issues. He was one of multiple landlords to describe wanting to change his practices for screening future prospective tenants, which would include instituting a requirement that applicants meet a particular income-to-rent ratio:

"I've been doing a ton of research since all this went down. And one of the things that I've learned about a little bit more with screening tenants is... I heard a guy talk about it, a kind of a real estate guru guy... he doesn't rent to people unless their income threshold hits a certain percentage of their, I think his number and I can't remember exactly what the number is, but after taxes, he looks at what their income is per month. And then he won't rent to anybody if it exceeds, I think, 30 or 35% of their take home after taxes, which I think is actually a pretty good rule of thumb."

For some landlords who had less experience in the rental business prior to the pandemic, COVID-19 was instrumental in shaping their orientation toward rental management. Sarah, a white owner-occupant landlord in her early thirties, had purchased a two-flat on Chicago's north side in 2019 primarily as a means to finance homeownership for her and her husband in an otherwise unaffordable neighborhood. They had inherited a tenant from the previous building owner who, at the time of our interview, had not paid rent for five months. While she hadn't previously given much thought to how she would screen future tenants upon purchasing the building, she said that she was committed to using very stringent screening procedures as a result of her experience during COVID-19: "We will be doing very, very thorough vetting and background checks, two weeks of pay stubs, references from previous jobs, as much screening as we can, we will be doing all of that."

Sarah also indicated that she was resolved to confront late or missing payments more promptly and consistently in the future, after initially letting late payments from her current tenant go during the pandemic:

"As soon as we...start getting late rent until last summer, like the height of the pandemic...it's just a very strange [time]. So we tried, we were just very understanding, you know. In the future, it will be 'no, rent is due on this date'. After this date, late fees go into effect, you know, just be much more upfront the entire time. I don't want to use the word aggressive, but just more upfront."

However, some of these landlords acknowledged that there were no foolproof strategies for eliminating risk through tenant screening, and that some of the plans they described were either unpractical or illegal. Dave, the landlord who wanted to raise income-to-rent thresholds for future tenants, admitted upon probing that doing so might dramatically shrink his applicant pool for a rental unit he already had trouble filling. In addition to raising move-in fees, Kayla also expressed interest in re-screening future tenants on an annual basis upon lease renewal,

particularly to determine whether their employment or credit status had changed. She acknowledged that many tenants would balk at that request, however. Her reflection underscores the reality that implementing more formal rental management practices that might be standard on the part of professional rental companies is easier said than done for SRP owners, particularly owner-occupants like Kayla who share a building with their tenants.

Researchers have observed that the level of subjective scrutiny with which some non-professional, small-scale landlords screen applicants raises legal concerns because informal strategies to assess intangible aspects of applicants' personalities or lifestyles (i.e., in-person interviews) are very difficult to implement in a manner consistent with fair housing law (Decker 2021c; Greif 2018; Reosti 2020). Monica, a Black landlord in her fifties who owned multiple properties in Chicago's southern suburbs, expressed a general intention to vet future tenants more thoroughly by looking beyond what she could learn "on paper." At the time of our interview, two of her tenants were in deep arrears and she had gone into forbearance on one of her properties and predicted another property would soon go into foreclosure after going through multiple forbearances. She described her desire to learn about future prospective tenants' mental health issues through the tenant screening process, while readily acknowledging such a plan was neither legal nor feasible.

"This sounds really, really bad... I would love to see, which I probably can't do legally, some kind of mental health background. I mean, there are a number of people with some serious mental illnesses that can wreak havoc. And so I don't know how to put that on my reference questionnaire. But that is definitely something that if I could find a way to bring that in, without violating somebody's privacy laws, like asking their current landlord, have they had any previous outbursts? COVID has really taught me to think more about the person I'm bringing in as opposed to their credit score."

Finally, the limits of some landlords' plans for risk-mitigation in the wake of COVID-19 came into starkest relief when the topic turned to selling their properties. Monica maintained that she would love to resolve some of her financial problems by selling off one of her properties in which the current tenant was \$20,000 in rental arrears at the time of our interview. But because of local market conditions, the fact that she purchased the property during the pre-2008 housing bubble, and her underwater status on the mortgage, she doubted she would be able to sell it for an adequate price:

"The one property that the tenant hasn't paid since February 2020, because we knew we were about to lose it, we did put it on the market to sell. So I would rather do a short sale or sell it out instead of having it ding our credit, but we owe more on it than it's worth right now, because we bought that property in the height of the housing market, you know, years ago, and so we owe more than it's worth. We've been trying to sell it, but nobody's coming in at a price that we can walk away without bringing money."

Dave, another landlord who went into mortgage forbearance during the pandemic, reflected on the practical challenges he would encounter in selling his condo. Although the housing market

was heating up at the time of our interview, he speculated that the tax penalty for selling his condominium as a rental property (which would be necessary as he has been unable to re-occupy the unit) would preclude him from making a profit from any sale: “I sell the property outright now as a rental, my tax obligations are massive. I mean, I've got depreciation, I've got recoup fees to pay, I've got Illinois taxes to pay, I mean, capital gains. Like, by the time I sell it, it's basically a wash. So to me, that's not a good financial decision.”

These findings should alert policymakers and advocates to the potential implications of landlords’ adoption of more rigid management practices in the wake of COVID-19, which could further undermine the affordability and accessibility of housing in the small-building rental sector. At the same time, caution should be taken in forecasting landlords’ future behavior on the basis of their self-reported plans. Our findings highlight various examples of landlords’ plans to shift their management practices in response to the pandemic but also identify some of the constraints on the ability of SRP landlords to bring those plans to fruition. For example, some particularly frustrated landlords expressed their desires to sell off their rental portfolios and exit the market but faced a number of financial and practical barriers to doing so. In the discussion to follow, we explore policy interventions that could help prevent landlords from shifting the costs and risks of rental market crises on to tenants.

III. Responses to Emergency Policy Interventions

While the timing of our data collection meant that only those whom we interviewed in the later stages of our study had experiences with and/or reflections on policies like emergency rental assistance (ERA), those interviews suggest that some of the anxieties that drove landlords’ adoption of risk-averse management practices were linked to perceived shortcomings in the emergency policy environment during the pandemic. Though landlords expressed a wide range of opinions about COVID-era housing policies, particularly eviction moratoria, there was more consensus around the policy supports that SRP owners in this study thought *would* have helped them weather the financial stresses of the pandemic and better manage conflicts with tenants: 1) stronger regulatory action mandating relief from mortgage payments, and 2) clearer guidance from city and state policymakers around ERA programs and other emergency tenant protection policies. In this section we describe landlords’ experiences with mortgage protection, rental assistance, and eviction diversion and mediation programs, as well as their perspectives on the merits of those policy interventions.

Mortgage Protections

A number of landlords expressed frustration that federal policymakers did not mandate mortgage relief protections for borrowers beyond forbearance and that the banking industry was not asked to assume more of the risk associated with the crisis. Ray, a white long-term owner of three buildings on the city’s north side, described how the weak guidance from his bank and policymakers about mortgage forbearance and relief compounded his sense of insecurity going into the pandemic:

“We were terrified. Because, you know, I had no confidence that the lienholders were going to do anything out of the goodness of their heart for us poor little landlords, in terms of the mortgage payment goes. We didn't hear anything. And even after, like, the pandemic kind of got in as part of the routine, I don't think I heard from... you know, you got your canned copy stupid email from [name of bank] saying, ‘let us know if you're having trouble making a mortgage payment.’ They didn't say what they're gonna do, if anything...There's a lot of sympathy for the renters, which I understand. And from the high levels [policymakers], you know, there was this bizarre sympathy for, you know, making sure the banks don't go under.”

Multiple landlords took aim at the shortcomings of forbearance policies, which they contended were not adequate measures to protect landlords who experienced deep shortfalls in rental income. Landlords also expressed concerns that going into forbearance would adversely impact their credit-ratings. These views were shared by the three landlords in this study who went into mortgage forbearance during COVID-19 (Dave, Monica, and Kayla), and articulated by Irene:

“It's actually very frustrating that that [forbearance] was like a solution to a problem where, I mean, it's not a solution. I was just like, basically, you're gonna let me not pay my mortgage payment, but I'm gonna kick the can down the road? You know, meanwhile, you guys are charging me tons of interest. And I mean, there could have been a lot of different ways that the banks could have done this. But they decided to, you know, of course, the banks would be the greedy ones and just not offer anybody anything.”

For Melinda, a Latina landlord in her fifties who has owned a single rental property on the city's north side for over two decades, the failure of federal policymakers to issue stronger protections for borrowers, such as mortgage payment forgiveness, was consistent with her general impression of government deference to interests of the banking industry:

“I don't understand why the government doesn't put pressure on the banks...Because what they did at the beginning...telling the landlords, ‘Oh, you don't have to pay the mortgage for three months.’ But then at the end of that, you had to pay the whole amount. So, if you couldn't pay it, if you couldn't pay one month, what makes them think they are going to be able to pay three months together? ...To me, that was a scam for the bank just to keep the property.”

Though most landlords in this study did not go into forbearance or foreclosure, the fear of being left “on the hook” for mortgage payments without consistent rental income or meaningful support from creditors or policymakers was a salient source of anxiety and uncertainty for many of the landlords whom we interviewed. Such anxieties were a powerful motivator for those who felt compelled to mitigate future risk by adopting more rigid management practices.

Emergency Rental Assistance and Eviction Diversion/Mediation Programs

In contrast to much of the media coverage on the fraught rollout of state and local ERA programs that highlighted problems with burdensome and complex application processes, the five landlords in this study who had applied for ERA funding at the time of their interviews had few complaints about the application process.⁶ As Melinda put it, “It wasn't that hard at all.”

That said, many of those whom we interviewed expressed frustration with the lack of transparency around the rollout of ERA programs, and in particular, the lack of clear guidance with respect to when application portals would open, how much funding they could request, and when they could expect to receive funding if their applications were approved. These issues compounded landlords’ sense that they were being left to sink or swim by policymakers if they were dealing with prolonged nonpayment and struggling to keep up with expenses. Dave, the owner of a single condominium unit with a tenant in deep arrears, speculated that larger rental companies could probably weather this challenging environment, but that the situation was different for a “small fry” operator like himself:

“It's like dog-eat-dog, like, ‘figure it out.’ And I think the lack of communication and the lack of planning, you know, to make us wait an entire year to be able to apply for some kind of rental assistance. I mean, that's just not right. I mean, that's way too long for the average person. That should have been figured out three months after the lockdown. They should have been able to come out with some kind of plan, but you know, now we're over a year from that. And it's like, I just applied last week for rental [assistance].”

None of the landlords in this study had received funds from rental assistance programs at the time of our interviews, but some expressed the view that they were an effective remedy for landlords dealing with nonpayment (unlike mortgage forbearance). Ray described the experience of his brother, another SRP landlord who had received funding from an ERA program to cover the majority of his tenant’s back rent. Though he speculated that there was no perfect policy solution to address COVID’s impacts on renters and landlords, the ERA programs would be effective if the funds make their way to qualifying landlords:

“I don't know if anyone really had the right answer. I understand why they would put an eviction moratorium in... you know, millions of people losing their jobs over nothing that they nor their employer really had any control over. And then you're just supposed to throw them out on the street? Like, that is an awful option. But I don't know what the answer was to okay, well, if you if you can't evict them, but they don't have any money to pay their bills, now what? And I know that there were programs out there for assistance, probably poorly managed, and poorly rolled out as most big city programs are. The brother I had referred to earlier, he wound up getting some amount of assistance from some program, because of the year that he went without getting any rent. He didn't get the full amount of the rent that was owed, but he got I want to say

⁶ Their experiences might be reflective of the steps program administrators in Illinois and Chicago took to reform these programs in response to community feedback, and the revised federal guidelines for ERA-granting agencies issued in 2021 which encouraged streamlining of application processes.

something like two thirds of it from this program. If that's the best you're going to get? You know, I think, as a landlord, who's in a fairly fortunate position, that's probably fine. If everyone was able to take part in that and get that type of assistance, that would probably be fine.”

Various landlords whom we interviewed also wished they had access to better practical and legal guidance about dealing with rental delinquencies and navigating the eviction moratorium. This issue is particularly relevant for SRP owners who lack the means, and in many cases the desire, to file evictions or hire private attorneys as way to resolve nonpayment issues. Four of the landlords whom we interviewed had filed eviction cases during the pandemic at the time of their interviews, and all but one did so without an attorney. These landlords all recounted attending a string of electronic court appointments in which they were given little useful information about the trajectory of their cases.

However, one landlord’s positive experience with court-assisted mediation speaks to the promise of this model for resolving conflicts between landlords and tenants and meeting the distinct needs of SRP landlords.⁷ Dave contrasted his experience with mediation and conventional eviction court proceedings in very strong terms, explaining that the mediation process was the first time that he got any practical guidance during the pandemic and that the process was successful in breaking through the fifteen-month standoff between him and his tenants over nonpayment:

“I will tell you that I think the best benefit of the mediation process for us was literally the pragmatic element of just coming up with a plan because before the mediation last week, there was zero plan. And the mediation process brought some things to light, it opened up some conversations between myself and the people that are in the property. And we at least came up with a short-term plan...at this point, any plan was better than where we were, which was basically the last year and a half, I've been stressing about my mortgage and my HOA payment, and I can't get these people out, and am I gonna have to spend \$5,000, \$10,000, just to get them out of my property? I mean, these are the things that I've been thinking about. And it's incredibly stressful. You know, especially because I was out of work. And so when we went to the [early resolution process], I spoke with a lawyer that gave me some guidance. And [the tenants] got some guidance on their side. And I think there's some value in that, that try to support people that are just working people, you know.

I will also say, the legal system, when you appear before a judge, it's a heightened situation for the average person. It's not a good quality feeling of like you can share and things like that. I mean, the judge cut me off multiple times when I tried to explain things to him. And it's not a good process for the everyday person. Whereas mediation, you don't have that. You're not standing in front of a judge that's like, gonna pound his gavel down, right? You're like having a conversation, people are willing to listen. **To me, that process is much better for the everyday person.”**

⁷ Two other landlords were also diverted to landlord-tenant mediation through the court system, but at the time of the interviews their tenants had yet to appear at their scheduled mediation sessions.

DISCUSSION

Our findings build on an emerging body of research that strives to understand the distinctive modes of property management employed by some non-professional owners of small rental properties, including owner-occupants. At first blush some of the practices of SRP owners in this sector can appear haphazard or illogical from a cost-benefit perspective, such as setting rents at below-market rates and routine leniency in response to late or missed rent. Examining these practices from the perspective of owners, however, reveals that such practices are deliberate and motivated by business-oriented, social, and/or normative concerns. Owner-occupant landlords in particular have motivations for entering the rental housing business that are quite distinct from larger and more professional landlords. The financial aspirations of owner-occupants are often comparatively narrow: rather than maximizing income from rents or building their real estate investment portfolios, many of the owner-occupants in this study became landlords as a means to attain first-time homeownership status for themselves, provide housing for extended family members, and/or pass down property they hope will provide future financial security for their children. Under the right conditions, the flexible and accommodating management styles in this sector can create favorable terms for tenants in need of stable and affordable housing in the private rental market.

However, COVID-19 served as an important test for SRP owners that revealed the shaky foundations on which these discretionary approaches to rental management rest. While many of the landlords in this study maintained their accommodating and flexible approach to rental management in the face of minor-to-moderate financial challenges associated with COVID-19, a substantial minority of those interviewed reported taking up or planning to adopt more rigid and profit-oriented management practices in response to financial losses incurred during the pandemic. Those risk-mitigating adaptations included raising rents, fees, and implementing more exhaustive and restrictive tenant screening criteria. Landlords who had tenants in deep arrears at the time of their interviews, who had seen communication break down with non-paying tenants, and who were interviewed at later stages of the pandemic were more likely to report that the increased financial uncertainty and risk associated with COVID-19 (whether real or perceived) had caused them to rethink their approach to the rental business.

In the absence of longitudinal data collected from a larger and more representative group of landlords, our study leaves many questions unanswered as to how widespread and permanent the adoption of these risk-mitigating strategies will be among SRP owners in the wake of COVID-19. Without follow-up interviews, we are unable to determine whether the landlords interviewed early on in this study shifted their management practices in response to pandemic-related hardships, or conversely, whether those who expressed intentions to adopt more rigid practices will end up abandoning those plans if and when rental market conditions are normalized from the perspective of owners (e.g., funds from ERA programs are more widely distributed and eviction moratoria are lifted). Our data also highlight the practical difficulties that some landlords in this study may face in implementing a more rigid style of management, such as extended vacancies if they adopt overly exclusionary screening standards. Nonetheless,

even the prospect that a small minority of SRP landlords will implement such practices in response to COVID-19 should be concerning for policymakers at a time when the small-building rental housing stock, which has traditionally played an important role in the provision of relatively affordable and accessible housing in the private rental market, is experiencing rapid decline in many cities. Such a shift would reduce the availability of these units to tenants who benefit from more flexible and accommodating management styles.

This study's findings thus raise questions about how market crises might not only speed the exodus of small-scale, independent owners from the rental market (Sun 2020), but also spur the transformation of management practices in the SRP sector in such a way that the organizational distinctions between small and large-scale landlords are increasingly blurred. As such, this study also helps illustrate what some have described as the "unnatural" character of the so-called "naturally occurring affordable housing stock" that is disproportionately constituted by small rental properties (King 2017). Namely, that there are few if any *immutable* features of small-scale rental properties that make them inherently more affordable or make management practices in this sector reliably more friendly to tenants (Wegmann et al. 2017). In the case of COVID-19, our findings also suggest that emergency policies to protect tenants (such as the relatively strong state eviction moratorium in Illinois and emergency tenant protection regulations enacted in Chicago), do not necessarily preclude rental housing providers from passing the costs and risks of crises on to tenants in ways that may be felt long after the crisis is resolved.

IMPLICATIONS FOR HOUSING POLICY AND RESEARCH

This study helps demonstrate the need for both proactive and responsive policy supports to help SRP owners withstand shocks that may drive them to abandon flexible and accommodating approaches to rental management during rental market crises. Our findings also shed some light on how SRP owners were directly impacted by the existence or absence of policy interventions to stabilize rental markets during COVID-19, as well as what landlords in our study perceived to be a lack of clear guidance and outreach around certain policy interventions like rental assistance and mortgage forbearance. Many housing advocates and policymakers have described the delayed rollout of ERA programs as an unfortunate but inevitable consequence of the reality that state and local agencies were tasked with building these programs from the ground-up amid an unprecedented public health crisis. This study's findings certainly underscore calls for governments to be better prepared to administer emergency rental aid ahead of future crises (Collinson et al. 2021). Landlords' reflections also suggest that short of an earlier and more seamless rollout of ERA programs, earlier and clearer communication from policymakers about forthcoming rental assistance programs and mortgage protections during COVID-19 may have helped quell some anxieties on the part of small-scale landlords who felt compelled to pursue their own risk-mitigation strategies.

The experience of a few of the landlords in this study with eviction court mediation services hints at the distinct appeal that non-adversarial forums for conflict resolution outside of, or at

least adjacent to, the court system might hold for smaller, non-professional landlords. Mediation services could play an especially salutary role in facilitating communication between landlords and tenants in owner-occupied buildings, where close quarters can increase the likelihood and consequences of interpersonal conflict. Access to free or low-cost mediation services might also make small-scale landlords less invested in subjective and potentially discriminatory tenant screening methods geared toward preventing conflict by screening out applicants on the basis of intangible personality features (e.g., one landlord's plan for screening applicants for mental health issues).

Many of the landlords whom we interviewed explained their general reluctance to file evictions on the basis of concerns about filing costs, the challenges of doing so without an attorney, and ethical concerns about displacing tenants through the legal system. As such, policymakers should consider avenues to make housing mediation accessible for landlords who do not want to go through the channels of eviction court to access those services. Evidence from evaluations of eviction diversion, prevention, and mediation services both prior to and during the pandemic also make clear that such programs are most effective in resolving conflicts when they are tied to the distribution of emergency funds that can cover non-payment (Daley 2020; Parrish 2021; Treskon et al. 2021). Expanding policy tools to address intermittent non-payment would help reduce the more routine sources of financial insecurity that can lead SRP landlords to shift their rental management practices in ways that pass risks onto tenants.

While we have highlighted what our findings reveal about the merits of emergency housing policy interventions, such as rental assistance and court-assisted mediation, our data also underscore the value of more permanent supportive programs in helping SRP landlords weather crises like COVID-19. In particular, landlords in this study who participated in the housing choice voucher (HCV) program were relatively insulated from the economic impacts of COVID despite renting to economically vulnerable tenants. For these landlords, the experience of the pandemic strengthened their positive orientation toward voucher programs, and one landlord who rented to a mix of voucher and unsubsidized tenants said that she planned to exclusively rent to voucher tenants going forward. Enhanced unemployment insurance also played an important role in protecting many landlords in our study from economic hardship during the pandemic, either by allowing unemployed tenants to stay current on their rent or helping landlords who lost their 'day jobs' keep up with mortgage payments and other building expenses.

Beyond the specific insights our findings provide into SRP owner practices during COVID-19, this study highlights two more general lessons for both housing researchers and policymakers. First, our findings regarding the subjective standards that some SRP landlords use to screen and select tenants raise questions about what kinds of tenants are able to access housing in this sector and benefit from the reduced rents and tenant-friendly management styles that can be found within it. Further research could investigate the demographic and socioeconomic characteristics of the tenant populations served by small-building and owner-occupant landlords to explore whether the informal tenant screening and selection practices in this sector reinforce existing patterns of housing exclusion and segregation.

Second, not all small-scale landlords approach rental management in ways that create favorable conditions for tenants, or put differently, portfolio size is not neatly predictive of landlords' orientation to management. Relatedly, to the extent that SRP owners are more likely to take an accommodating and flexible approach to rental management than their larger-scale counterparts, those management styles are vulnerable to disruption by changing circumstances created by market crises or other economic shocks. Understanding these dynamics is of special importance for policymakers seeking to preserve or expand the affordable housing stock with interventions focused on boosting the supply of 2-4-unit rental properties. Our findings regarding the variability and instability of management practices in the SRP sector suggest that policymakers should consider ways to tie supports and incentives for small-building ownership to demonstrated commitments to rental management practices that create favorable conditions for tenants, such as below-market rent-setting and utilization of eviction diversion and mediation programs. Doing so would help to support low-income tenants as well as small-building and owner-occupant landlords in maintaining stable, secure, and affordable housing.

References:

- Bentley, Chris. 2014. "The Tale of the Two-Flat." *WBEZ Chicago*, August 20th.
- Burns, Rebecca. 2018. "You think your landlord is bad? Try renting from Wall Street" *The Intercept*, January 20th.
- Colburn, Gregg, Rebecca J. Walter, and Deirdre Pfeiffer. 2020. "Capitalizing on Collapse: An Analysis of Institutional Single-Family Rental Investors." *Urban Affairs Review*, DOI: 1078087420922910.
- Collinson, Robert, Ingrid Gould Ellen, and Benjamin Keys. 2021. "Bolstering the Housing Safety Net: The Promise of Automatic Stabilizers." *The Hamilton Project, Brookings Institution, Washington, DC*.
- Daley, Cynthia Witman. 2020. "Achieving Housing Stability with Eviction Diversion Programs: A Guide to Best Practices during COVID and Beyond." Regional Housing Legal Services. <https://rhls.org/wp-content/uploads/Achieving-Housing-Stability-with-Eviction-Diversion-Programs-during-COVID-and-Beyond.pdf>
- de la Campa, Elijah, Vincent Reina, and Christopher Herbert. 2021. "How Are Landlords Faring During the COVID-19 Pandemic?" Joint Center for Housing Studies of Harvard University.
- Decker, Nathaniel. 2021a. "The Uneven Impact of the Pandemic on the Tenants and Owners of Small Rental Properties." *Terner Center for Housing Innovation, UC Berkeley*. July 13th.
- _____. 2021b. "Affordable Housing Without Public Subsidies Rent-Setting Practices in Small Rental Properties." *Journal of the American Planning Association*, 87(1): 62-72.
- _____. 2021c. "How Landlords of Small Rental Properties Decide Who Gets Housed and Who Gets Evicted." *Urban Affairs Review*, DOI: 10780874211041513.
- Ellen, Ingrid Gould, Vicki Been, Andrew Hayashi, and Benjamin Gross. 2013. "Maintenance and Investments in Small Rental Properties: Findings from New York City and Baltimore." Furman Center for Real Estate and Urban Policy & Johns Hopkins Institute for Policy Studies. <http://furmancenter.org/research/publication/maintenance-and-investments-in-small-rental-properties-findings-from-new-yo>
- Fields, Desiree. 2019. "Automated landlord: Digital technologies and post-crisis financial accumulation." *Environment and Planning A: Economy and Space*, DOI: 0308518X19846514.
- Garboden, Philip M.E. 2021. "Amateur real estate investing." *Journal of Urban Affairs*: 1-20.
- Garboden, Philip M. E., and Sandra Newman. 2012. "Is Preserving Small, Low-End Rental Housing Feasible?" *Housing Policy Debate* 22(4): 507–26.
- Garboden, Philip M.E., and Eva Rosen. 2018. "Talking to Landlords." *Cityscape: A Journal of Policy Development and Research*, 20(3): 281-291.

- Greif, Meredith. 2018. "Regulating Landlords: Unintended Consequences for Poor Tenants." *City & Community* 17 (3): 658–74.
- Hulse, Kath, Margaret Reynolds, and Chris Martin. 2020. "The Everyman archetype: discursive reframing of private landlords in the financialization of rental housing." *Housing Studies* 35(6): 981-1003.
- Immergluck, Dan, Jeff Ernsthausen, Stephanie Earl, and Allison Powell. 2020. "Evictions, large owners, and serial filings: Findings from Atlanta." *Housing Studies* 35(5): 903-924.
- Institute for Housing Studies at DePaul University. 2021. "Characteristics of the 2 to 4 Stock in Chicago Neighborhoods." Research Report, May 13th.
- Leung, Lillian, Peter Hepburn, and Matthew Desmond. 2021. "Serial eviction filing: civil courts, property management, and the threat of displacement." *Social Forces* 100(1): 316-344.
- Mallach, Alan. 2007. "Landlords at the Margins: Exploring the Dynamics of the One-to Four-Unit Rental Housing Industry." *Prepared for Revisiting Rental Housing: A National Policy Summit, Harvard University, Joint Center for Housing Studies.*
- King, Steve. 2017. "Thoughts on the Unnatural Occurrence of Cheap Housing." *Shelterforce*, April 25th. Available at: <https://shelterforce.org/2017/04/25/thoughts-unnatural-occurrence-cheap-housing/>
- Kneebone, Elizabeth, Nathaniel Decker, Elijah de la Campa, and Christopher Herbert. 2021. "The Impact of the Pandemic on Landlords Evidence from Two National Surveys." Joint Center for Housing Studies of Harvard University.
- Kolomatsky, Michael. 2017. "Mom and Pop Own Fewer Rental Units." *New York Times*, August 31st.
- Parrish, Deanna Pantín. 2021. "Designing for Housing Stability: Best Practices for Court-Based and Court-Adjacent Eviction Prevention and/or Diversion Programs." Harvard Negotiation and Mediation Clinical Program and the American Bar Association. <https://hnmcp.law.harvard.edu/wp-content/uploads/2021/06/Deasigning-for-Housing-Stability.pdf>
- Pfeiffer, Deirdre, Silvia R. González, Paul M. Ong, and Chhandara Pech. 2019. "Wall Street Single-Family Homes in Los Angeles County: An Analysis of Invitation Homes Center for Neighborhood Knowledge." *UCLA Luskin School of Public Affairs*, August 14th.
- Porell, Frank W. 1985. "One Man's Ceiling Is Another Man's Floor: Landlord/Manager Residency and Housing Condition." *Land Economics*, 61(2), 106–118.
- Raymond, E. L., R. Duckworth, B. Miller, M. Lucas, and S. Pokharel. 2018. "From Foreclosure to Eviction: Housing Insecurity in Corporate-Owned Single-Family Rentals." *Cityscape: A Journal of Policy Development and Research* 20(3): 159– 88.

Reosti, Anna. 2020. "'We Go Totally Subjective': Discretion, Discrimination, and Tenant Screening in a Landlord's Market." *Law & Social Inquiry* 45(3): 618-657.

_____. 2021. "The Costs of Seeking Shelter for Renters With Discrediting Background Records." *City & Community* 20(3): 235-259.

Schwemm, Robert G. 2006. "Why Do Landlords Still Discriminate (and What Can Be Done about It)." *John Marshall Law Review* 40: 455.

Shiffer-Sebba, Doron. 2020. "Understanding the Divergent Logics of Landlords: Circumstantial versus Deliberate Pathways." *City & Community* 19(4): 1011-1037.

Strochak, Sarah. 2017. "Five Things That Might Surprise You About the Fastest-Growing Segment of the Housing Market." Urban Institute. <https://www.urban.org/urban-wire/five-things-might-surprise-you-about-fastest-growing-segment-housing-market>

Sun, Kevin. 2020. "Coronavirus cascade: How Covid-19 disruption could impact multifamily landlords, lenders." *The Real Deal: New York Real Estate News*.
<https://therealdeal.com/2020/03/20/coronavirus-cascade-how-covid-19-disruption-could-impact-multifamily-landlords-lenders/>

Treskon, Mark, Solomon Greene, Olivia Fiol, and Anne Junod. 2021. "Eviction Prevention and Diversion Programs Early Lessons from the Pandemic." Urban Institute.
<https://www.urban.org/sites/default/files/publication/104148/eviction-prevention-and-diversion-programs-early-lessons-from-the-pandemic.pdf>

Wegmann, Jake, Alex Schafran and Deirdre Pfeiffer. 2017. "Breaking the Double Impasse: Securing and Supporting Diverse Housing Tenures in the United States." *Housing Policy Debate* 27(2): 193-216.