



# Red Tape and ‘Shadow Debt’ are Pushing Renters to the Edge

Despite the promise of increased assistance, roadblocks remain.

By Aiyana Moya

Elizabeth has been waiting for her Covid-19 rent relief application to be processed since she applied at the beginning of May.

“At this point, we are prioritizing rent over other things. Since May, I have been paying rent in full, and so in May, June and July we had to ask our family members to borrow money,” says Elizabeth, who requested *GT* withhold her last name.

A month after she sent in her application, she received a letter saying she was missing necessary documents, and that her application was on hold. For the past two weeks, Elizabeth has been trying to contact someone working at Housing is Key, the state program that processes rent relief applications, or Community Bridges, a local nonprofit that is helping tenants fill out the forms.

Now, Elizabeth, 34, is in limbo, unsure if she qualifies for assistance. “It’s a very scary place to be,” she says.

Over a year after losing their jobs to pandemic-related causes, Elizabeth remains unemployed, and her husband, a landscaper, is only able to get work once a week. Elizabeth says she knows that her family, theoretically, qualifies for the Covid-19 rent relief: they are below 80% of the Area Median Income and experienced financial hardships due to the pandemic.

But Elizabeth says she can't afford to rely on theoretical assistance. With a family of five, including a 1 year-old, her primary concern is staying housed —even if it means cutting back on other essentials to pay rent.

“I have cut back on food, my internet, PG&E,” she says.

Elizabeth first heard about the Covid-19 rent relief program at a local food bank. It was there that she met a leader from [Communities Organized for relational Power in Action \(COPA\)](#), a faith-based nonprofit addressing issues like affordable housing. The COPA leader told her about the eviction moratorium and Senate Bill 91 —now updated as Assembly Bill 832.

California Gov. Gavin [Newsom signed AB 832 on June 28](#), along with an executive order that extended California's eviction moratorium through Sept. 31. SB 91 was originally enacted in January 2021 with the goal of distributing funds to California renters experiencing pandemic-induced financial loss.

The updated bill attempts to correct the gaps that excluded certain renters from the first round of applications. For instance, the new bill allows tenants with informal leases to qualify, requires either the tenant *or* the landlord to apply (the former bill required both parties to apply) and distributes \$250,000 to Community Bridges to help facilitate in-person assistance and outreach —a critical component given the application must be submitted online.

COPA advocated for these changes and more, like 100% of back-rent forgiveness, up to three months of future rent, assistance with utility arrears and tenant records during the pandemic to be “masked,” or hidden, which are now included in the updated bill.

“Of course there's still some obstacles, but I think what we have now is much better than what we saw initially,” says COPA organizer Mayra Bernabe.

But even though some obstacles were removed, their impact lingers, Bernabe says. “I know some of our families have mistrust for our

government programs, because of the way they've been rolled out before," she says.

## **A ROCKY ROLL OUT**

One barrier that continues to discourage applicants is its limited non-digital accessibility.

Santa Cruz currently has a C- grade on its California Broadband Infrastructure [Report Card](#), leaving almost 16,000 households without access to adequate internet—primarily, low-income and minority households.

Minority households are also the most in need of rental assistance: in Santa Cruz County, the Latinx population accounted for [over half of the Covid-19 cases](#), and statewide the Latinx population accounts for [40% of Covid-19 rent relief applicants](#).

"When clients hear about this, they go out and they try to find it, and then they get burned out, and so people get frustrated," says Community Bridges CEO Raymon Cancino.

Even with recent local efforts to bridge the [digital divide](#), and AB 832's increased assistance for those with less access to digital resources, Elizabeth thinks that having an online application remains the biggest deterrent for people applying to the new bill.

"The hardest part of the application was the online system," she says. "I know a lot of people who know about this program. But they couldn't apply [to SB 91], because they weren't able to do it online."

This obstacle was taken into account when awarding funding to local organizations, says Housing and Community Development Specialist Jessica Hayes, who helped draft AB 832.

“Now applicants can also just call the list of partners, who will actually come to a person’s house and sit with them and complete the application online right there,” says Hayes.

That’s not the only obstacle tenants face: long processing times leave them to decide whether to fall behind on rent while they wait to qualify for assistance, or to try to find a way to continue paying, says Watsonville Housing Manager Carlos Landaverry.

“I don’t know of anyone that has received any money from the state,” Landaverry says.

Santa Cruz County has received \$16 million in federal funds to distribute to renters in need. More than 700 residents have applied for nearly \$6.7 million in rent relief and \$700,000 in utility arrears.

“We have over 300 people that we have helped apply for the program since March. And these people, their application is still in progress. They haven’t got a yes or no answer,” Landaverry says.

Hayes says there are multiple reasons for the months-long processing times, including building out fraud and duplication protection, establishing a secure auditing process, and the system of prioritization based on income and risk of eviction applied to each application.

“We’re hopeful that in the next couple of weeks, we should be through all of those older applications,” says Hayes. “Our target is to get within a two-to-four-week turnaround time.”

Greg, who asked to have his last name withheld, owns four houses in Santa Cruz County and submitted an application for rent relief with his tenant three months ago. Currently, his tenant owes around \$15,000 in back rent.

“[The state says] the application submitted, but won’t give any estimate on how long it might take. But I’m cautiously optimistic,” says Greg. “I may be getting a windfall of like 15 months of rent, which I sort of wrote off.”

Greg qualified for a mortgage forbearance, which he used for six months and provided him with a financial cushion for the tenant falling behind on rent. And, out of his 40 tenants, this is the only tenant who still has back rent. “The 40 other tenants that I have, everybody caught up eventually,” he says.

There’s a prioritization of rent, especially in Santa Cruz County, which is experiencing a housing shortage, Cancino says. “There’s an old saying that goes, the rent beats first. And so a lot of people, you know, put other expenses on credit cards borrowed money to pay the rent. So it isn’t the fact that they have rent debt—they have debt to their neighbor, or to their friend,” he says.

## **IN THE SHADOWS**

This practice of borrowing money in order to pay rent creates what has been coined ‘shadow debt,’ and refers to rent-adjacent debt tenants accrue when prioritizing paying rent.

Elizabeth and her husband are \$5,700 in debt to family and friends, a debt they accrued to keep their family housed.

“We went from having three incomes to having nothing,” says Elizabeth.

Initially, Elizabeth was unaware of the eviction moratorium that Newsom signed on March 27, 2020. With limited access to the internet and no outreach from local or state organizations, her family was left in the dark about the order and rental assistance opportunities.

Even though Elizabeth is aware of the moratorium now, she doesn’t want to put her relationship with her landlord in jeopardy. And without the guarantee that her application for rent relief would be processed, she would rather incur debt with family than risk her housing situation.

“[When I applied for rent relief], I was unsure about qualifying for the program because a lot of the requirements were so hard,” she says.

Elizabeth isn't alone. Landaverry sees renters choosing to self-evict or prioritize rent over other basic necessities rather than tarnish their relationship with their landlord and test the eviction moratorium. Tenants opt to accrue debt to family and friends before getting behind on rent.

"The truth is that people around here, [renters] have been very responsible, they've been paying the rent. A lot of them have to borrow money, or use credit cards," Landaverry says.

Housing and Community Development Specialist Jessica Hayes, who helped draft AB 832, says the state attempted to account for shadow debt by incorporating the chance for future rent coverage and receiving aid for utility arrears.

"We can help pay future rents in three-month chunks now, that would give renters some relief in their personal budget to pay that debt that they incurred," Hayes says.

But as far as accounting for debt accrued via credit cards, or informally with family and friends?

"It's really, really hard to address that debt once it has become removed from the original payment. So we're continuing to have conversations with that at the federal level, but I don't honestly foresee, in the immediate future, any sort of solution," Hayes says.

The important thing, Hayes stresses, is that if tenants think they might be eligible for rental assistance, to apply. "If folks feel like they need assistance to apply for it, and really put it on us to evaluate that application," she says.