



DISTRICT BRIDGES POLICY BRIEF: RENT RELIEF

ISSUE

DC's brick and mortar small businesses are in crisis, due to the emergency closures necessitated by the COVID-19 virus. Their suspended or curtailed operations have prevented businesses from being able to meet their rental payments, causing upstream problems for commercial property landlords and their mortgage holders. Although the DC moratorium has prevented evictions, a recent court decision has found this moratorium unconstitutional and the DC Council has conducted a hearing to review. Although a temporary stay has kept the moratorium in place, the possibility of widespread evictions may be imminent. A fragmented response to this fragile balance will further imperil recovery efforts and threaten the future of many small businesses that are key drivers of economic growth, job retention, and creation. Preserving these existing small businesses supports the health and vitality of neighborhood commercial districts.

OPPORTUNITY

The current crisis has shifted the landlord-tenant relationship in DC. Rather than face persistent vacancies and new tenant attraction efforts, some property owners are willing to work with existing tenants on interim rent relief. However, smaller landlords and tenants lack templates for lease work-out documents, a clear understanding of alternative lease structures (e.g., percentage-based rents), and calculations for setting an escalation clause. Lenders are also eager to avoid foreclosures; mortgage holders are better positioned to negotiate with lenders if landlords are able to provide signed tenant agreements that provide a timeline for the restoration of rent-based revenue. When the eviction moratorium is lifted, the pent-up eviction filings may quickly overwhelm the courts, delaying any landlord satisfaction for years. It is in the interest of all parties to find a mutually beneficial accommodation to prevent the long-term economic effects of small business closures and sustained vacancies.

DISTRICT BRIDGES RESPONSE

District Bridges will convene an ad hoc working group to address challenges faced by different stakeholders, including tenants, property owners, lenders, policymakers, and researchers. The group will be tasked with identifying resources and tools that can support and preserve viable small businesses and minimize evictions and vacancies during this unprecedented economic crisis. We anticipate developing tools, resources, and processes to address the following needs:

- Triage: Assessment of small business viability for long-term sustainability, recognizing that some businesses were not meeting lease obligations prior to the current crisis.
- Effect emergency measures to prevent tenant eviction and loan default. Support mutually beneficial temporary rent relief that ensures property owners receive predictable payments and protects tenants from the threat of immediate eviction and business failure.
- Forbearance: Develop options and models for renegotiation of leases and mortgages to reflect new realities of revenue potential, based on post-COVID cash flow.

Restructure: Options and models for longer-term restructuring of leases, mortgages, and property taxes as the economy regains momentum and tenants and landlords recover.