



HEARTLAND CENTER FOR **JOBS & FREEDOM**

THE STATE OF EVICTION

2023



**Heartland Center for
Jobs and Freedom**

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Executive summary

Kansas City has long been known as a more affordable place to live than other parts of the country, but that is rapidly changing. This year, Kansas City ranked number one nationwide in steepest rent increases. It is no wonder that eviction filings are now higher than pre-pandemic levels – higher than we have seen in years, maybe even ever. As poor and working-class tenants struggle to pay rent, they find themselves in eviction court more frequently. And, as the real estate speculators exploit a profitable rental landscape, they are evicting tenants en masse and replacing them with those who can eek by paying even more. We also know that wages are not increasing at the same rate as rents. Without unions, fast-food, healthcare, custodial, warehouse, restaurant, service, gig workers, and many other low-wage workers cannot keep up.

In this report, we detail the present housing landscape and put forward how we can support movements for change. Improving conditions at work and fighting for affordable housing is clearly a pressing need. Here is what can and should be done, with urgency:

- 1. Defeat state laws prohibiting cities from increasing wages, enacting paid sick leave, and controlling rents;**
- 2. Bolster Right-to-Counsel;**
- 3. End voucher discrimination;**
- 4. Ensure that the affordable housing we have is livable and its structural integrity is preserved;**
- 5. Generate affordable housing at scale and at a rapid pace;**
- 6. Organize unions in the workplace and at home.**

Problems such as these change only through broad, democratic movements for change. Please stay tuned as we work alongside our allies to win the gains workers and tenants need and deserve.

- Gina Chiala, Executive Director of Heartland Center

Introduction

June 1, 2023 was the one year anniversary of Right to Counsel, and tenants in Kansas City need attorneys on their side in eviction court more than ever.

Since Right to Counsel went into effect on June 1, 2022, 1,941 tenants have exercised their right to an attorney. Eighty-six percent of represented tenants avoided eviction. Tenants and attorneys have joined forces to assert tenants' rights, transforming how the courts operate. Without a doubt, the passage of Right to Counsel has meant and will continue to mean real institutional change.

However, the overall state of housing in Kansas City is getting worse, not better. When Heartland Center, Stand Up KC, KC Tenants, and the Missouri Workers Centers joined forces in the fall of 2021, eviction filings ranged from 350-650 eviction lawsuits a month, often falling below pre-pandemic levels. The patchwork of pandemic relief - stimulus checks, the CDC eviction moratorium, and rental assistance dollars - didn't reach every tenant, but it kept many afloat during a time of great economic uncertainty.

In the year since, both rents and evictions have climbed steeply, exceeding pre-pandemic averages. Eviction filings have reached 800 cases for five of those months, including February, March, and April of 2023. In June, filing numbers neared 1000 in Kansas City. Rental relief dollars have run dry while inflation soars, and poor and working-class tenants are being pushed out of their homes for renters able to pay higher prices.

Rental pricing is unregulated and is higher than it's ever been, with a 2-bedroom renting for \$1462 on average. For working families making the Missouri minimum wage of \$12 an hour, a stable home is often out of reach, and they are all too often subjected to eviction.

As for the affordable housing that does exist, it falls woefully short of the need. And much of it is being destroyed by speculators looking to profit from tax credits without maintaining homes to the health and safety standards required by Missouri law. HUD estimates that two-thirds of low-income tenants live in substandard housing, data which comes to life each week in eviction court.

For tenants utilizing housing choice vouchers, poor housing conditions put their vouchers at risk, as properties fail inspections. Furthermore, many tenants lose their vouchers before they can even use them. Tenants wait years, sometimes decades, on the list for vouchers, and when their number is pulled, they have a few months to find a landlord who will accept their voucher. But fewer and fewer landlords are willing to rent to voucher tenants. If a tenant cannot find a placement in that timeframe, the tenant loses the voucher.

We are proud of the strides that Right to Counsel has made in the past year, representing almost 2,000 tenants and keeping 86% housed and with no eviction record. But we know it's not enough.

In this report, we are going to share data and tenants' stories that shine a light on the quiet crisis happening across Kansas City. We're also sharing what we're doing to rise to the moment and what a path forward could look like, led by workers and tenants.

Outcomes of the first 15 months of Right to Counsel

1,941

tenants were represented by RTC
Over 350 cases are still in the midst of being resolved.

1,326

tenants avoided eviction
Includes judgments in favor of tenants and voluntary and involuntary dismissals.

- Legal Aid of Western Missouri resolved 700 cases, with 84% (589) of tenants avoiding eviction.
- UMKC Tenant Initiative resolved 725 cases, with 83% (602) of tenants avoiding eviction.
- Heartland Center for Jobs and Freedom resolved 136 cases, with over 99% (135) avoiding eviction.

73%

of tenants represented by RTC are Black, compared to 26% of Kansas City's population.

67%

83%

of extremely low-income renters, which make up the majority of who is sued for eviction, are in the labor force, disabled, or seniors.

of tenants represented by RTC are women.

343

Top evictors in KCMO



2022

225



Jan-Aug
2023

Landmark Realty

Doing business as KC Willowcreek, Canyon Creek, Gatehouse, Coach House, Ashton Apartments, Waldo Heights, Township.

Gained ownership in 2020 for most properties.

Based in California.

204



2022

279



Jan-Aug
2023

Spruce Capital Partners

Doing business as Eastwood Tic I, II, & III, Kings Tic I, II, & III.

Gained ownership in 2022.

Based in New York/Delaware.

110



2022

72



Jan-Aug
2023

Hudson Reserve

Doing business as The Lund Company.

Gained ownership in 2021.

Based in New Jersey.

What trends do we see in the top evictors?



There is a recent change in ownership.

For the majority of the properties owned by Kansas City's top evictors, the ownership changed hands in the past 2.5 years.



While management may be onsite, the owners are based in other states.

The LLCs are all based in coastal cities like New York City, San Francisco, and Jersey City. The massive amounts of rent they collect from tenants do not flow back into our community.



The zip codes represented are in historically segregated areas.

Kansas City has a shameful history of segregation that extends far beyond the Jim Crow era. The complexes with the highest rates of eviction are in neighborhoods with higher populations of Black and Latinx residents. Eviction and quality housing conditions are and always have been racial justice issues.



The properties are federally-backed.

Landmark Realty's properties are financed by Fannie Mae and Freddie Mac, depending on the property. Spruce Capital Partners' properties are all financed by Freddie Mac.

Affordability in Kansas City



Kansas City has the highest increase in median rent in the nation in the past year.

A report by Rent.com analyzed median rents in the 50 most populous cities in the US and found that Kansas City had the highest increase between June 2022 to June 2023 – a whopping 16.17% higher. The median rent in Kansas City is now \$1696. For many low-wage workers, the median rent is more than their monthly paycheck. In order for a worker to not be cost-burdened by the median rent, they would need to make \$61,000 yearly. In contrast, a full-time minimum wage worker makes about \$25,000 a year.

The median rent price doesn't tell the full story of what rent costs for tenants. A report by the National Consumer Law Center found that many landlords tack on junk fees that can drive costs up hundreds of dollars a month. Here are just a few examples: convenience fees, insurance fees, common area maintenance fees, nonrefundable pet fees, amenities fees, pest control fees, check cashing fees, trash fees, and excessive late fees. Some of these fees are charged for maintenance that a landlord is already responsible for. Some are for services that are ultimately not provided or are greater than the cost to the landlord. Some, like excessive late fees, bury tenants further into debt and increase the amounts landlords sue tenants for in eviction court.

How can Kansas City thrive when so many are barely able to make rent each month, and those prices keep being set higher by landlords, especially out-of-state owners whose only investment in our city is profit?

Affordability in Kansas City

Average rent by apartment size

*not median



Studio

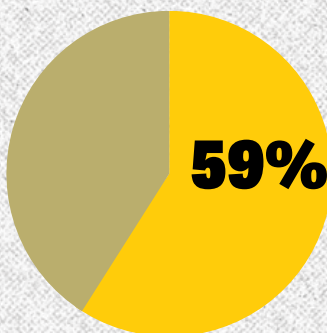


1 bedroom

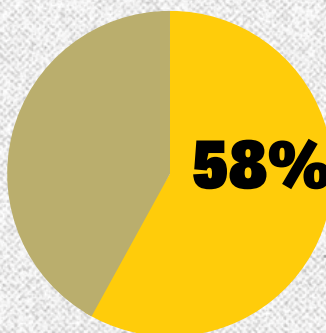


2 bedroom

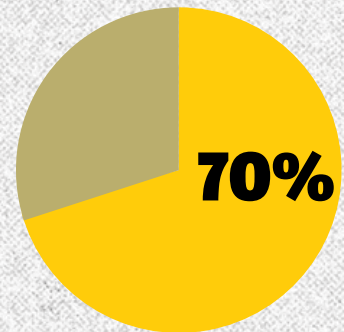
A full-time minimum-wage worker (\$12/hr) would spend...



Studio



1 bedroom

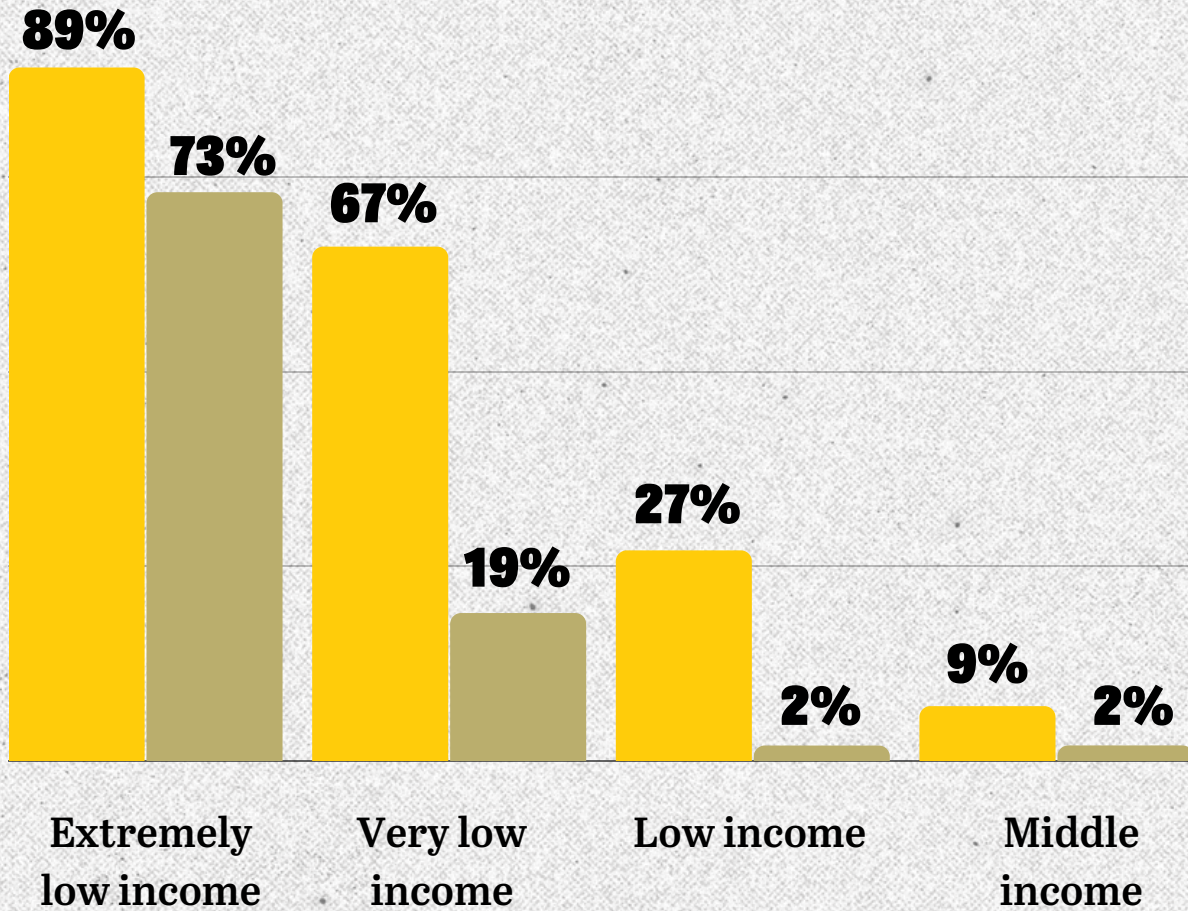




2 bedroom

of their gross (pre-tax) income on rent.

The cost burden for renters

Rental cost burden by income bracket for Kansas City, MO



-  Cost-burdened (more than 30% of income is spent on rent)
-  Extremely cost-burdened (more than 50% of income is spent on rent)

There is a large gap between the amount of renters needing affordable housing and the number of affordable units available on the market. For example, there are only 33 affordable units per every 100 extremely low-income households.

LIHTC: A temporary solution

What is LIHTC?

The Low-Income Housing Tax Credit program is used by private developers to build and rehabilitate affordable housing for low and moderate-income tenants. At a cost of \$9.5 billion, it is the largest federal program in affordable housing.

LIHTC properties rent to tenants making 80% or less of the Area Median Income, with a significant percentage going to tenants making 60% or less of the AMI. In Kansas City, this means that a household of four would need to make less than \$61,500 annually to qualify for most LIHTC housing. In exchange for the tax credits, the landlord must keep rent below a certain threshold, depending on which program they opt into. LIHTC units in Kansas City typically range between \$500-\$1000 a month.

LIHTC properties are not permanently affordable. After 15-30 years, they roll off the program and go back to the private market, to be rented at an unregulated market rate.

Two-thirds of Kansas City, Missouri's LIHTC properties are set to roll off within 10 years, if they are not renewed.

Rolling off by 2028 or before

2,778 units



Rolling off between 2028-2033

3,649 units



The state of affordable housing: Charrise's story

Heartland represented Charrise in an eviction case last year. She was living in an income-based apartment on the East Side and felt unsafe in her home due to an incident with an employee of the complex. As part of the settlement agreement, Charrise chose to move, thinking that six months would be more than enough time to find another affordable, accessible home. Charrise was born with cerebral palsy and uses mobility aids. Because of her disability, Charrise lives on a fixed income and needs a home that is wheelchair-accessible. Charrise and Heartland's social worker spent countless hours calling, visiting, and applying for new housing. Between the two of them, they estimate that they contacted 350 properties, and applied to 50, expanding their search even to other metro areas.



Candace and Charrise on move-in day

Everywhere they looked, there was another obstacle: long waitlists, unaffordable rent, inaccessible units, and taxing screening processes. In January 2023, Charrise found herself living in a motel, and then couch-surfing for several months. Charrise expressed feelings of hopelessness around this time. Each time they went to apply at an income-based property, they drove past shiny new luxury high-rises she could never afford. She asked,

"Where am I and people like me supposed to go?"

Charrise's story

Charrise did everything right. She showed up with the right paperwork, took the initiative to call affordable complexes weekly, and asked friends who were moving if she could take over their lease. But month after month, she ran into dead ends.

Finally, after a year of searching, Charrise found the perfect place for her: an affordable, wheelchair-accessible 2-bedroom in a quiet, leafy neighborhood close to a grocery store. She is reunited with her support dog whom she entrusted to a family member while she did not have stable housing. After so much fear and uncertainty, the day she moved in, she kept repeating, "I am so happy."

It shouldn't take tenants like Charrise a full year to find affordable housing. But this is the reality in a city that is squeezing out income-based housing and raising the rents on unregulated, market-rate units. We have a crisis of affordability because landlords extract profit from a basic need, and poor and working-class tenants suffer the most from this crisis.



Charrise reunited with her dog, Tailless.

What does the algorithm have to do with rent?

When you sign a lease - whether you are moving to a new apartment or renewing for another year - the amount you pay may be determined by an algorithm.

RealPage, a real estate tech company, has bragged about driving rental prices up by as much as 14.5% and increasing rents by double digits for tenants. How could one company have this much influence over the market? It's because they created a software called YieldStar that recommends pricing for millions of units across the country by analyzing data they collect from property management companies.

This removes the human element of raising rents, as some say that leasing agents have "too much empathy" when setting prices. While RealPage claims that the software is legally compliant, they are facing increasing scrutiny for potential violations of antitrust laws by artificially raising rents and suppressing competition. Multiple class action lawsuits have been filed (Navarro v. RealPage, Inc. et al.; Cherry et al. v. RealPage, Inc. et al.) alleging collusion in rental prices for the 8% of units nationwide that use the software.

We don't know yet how many rental companies in Kansas City use the RealPage algorithm, but the last thing tenants in Kansas City need is a cold, unempathetic algorithm determining the cost of a basic need and right: housing.

Tenants are workers and workers are tenants



Housing issues closely tie to workplace issues.

It is important to note the link between housing issues and workplace issues. Low-wage workers face double exploitation. They frequently work for multi-billion dollar industries but are not paid enough to keep up with rent, much less have savings. The lack of paid sick days and any kind of PTO combined with low wages means that a short absence from work, due to an illness, transportation problem, or death in the family, places low-wage workers in the crosshairs of eviction.

When workers go home at night, they face exploitation by their landlords as well. Too often, low-wage workers pay high rents for substandard housing. And, when they fall behind on rent, they are charged exorbitant fees too.

Low-wage industries profit by paying workers too little and landlords profit by charging low-wage workers too much. This dual exploitation requires dual organizing efforts: unions in the workplace and unions at home.

Where do we go next?

At Heartland, we are rising to meet the moment by expanding our eviction defense team from one full-time attorney to five full-time attorneys by the end of 2023.

This will quadruple our capacity for eviction defense, and we will take on about 500 eviction cases every year, representing 500 households.

We are also growing our new Safe Homes for All program, which litigates poor housing conditions for tenants and will be taking on cases big and small.



In April, we filed a class action against Stonegate Meadows, a LIHTC property in south Kansas City that has been severely neglected by its owners. This case has drawn the attention of decision-makers like Congressman Emanuel Cleaver.

By holding landlords accountable for the maintenance of their properties, we will preserve affordable housing stock in Kansas City and the surrounding areas.



Restoring Local Democracy is Key

The state legislature has banned cities from enacting rent control, increasing minimum wages, passing paid sick days, just scheduling and the like. We have joined a coalition of organizations to restore the power of local government to respond to the needs and demands of tenant and worker movements.



Conclusion

It should not be so difficult to meet what is a basic human need: housing. Yet, our housing system is failing workers and tenants and placing them on the brink of homelessness. This is no way to live. We can do better. Let's join together in the fight for secure, stable, and safe housing; for livable wages and union rights; for a society that views housing, not as an investment model, but as a human right.

**Stand with tenants, stand with workers,
stand with their movements for change.**