



# Risk-Based Displacement Insurance

A rent stabilization proposal for protecting  
tenants and reducing displacement



a collaboration between

**HOUSING  
FORWARD MA**

Josh Zakim  
Brad Clark



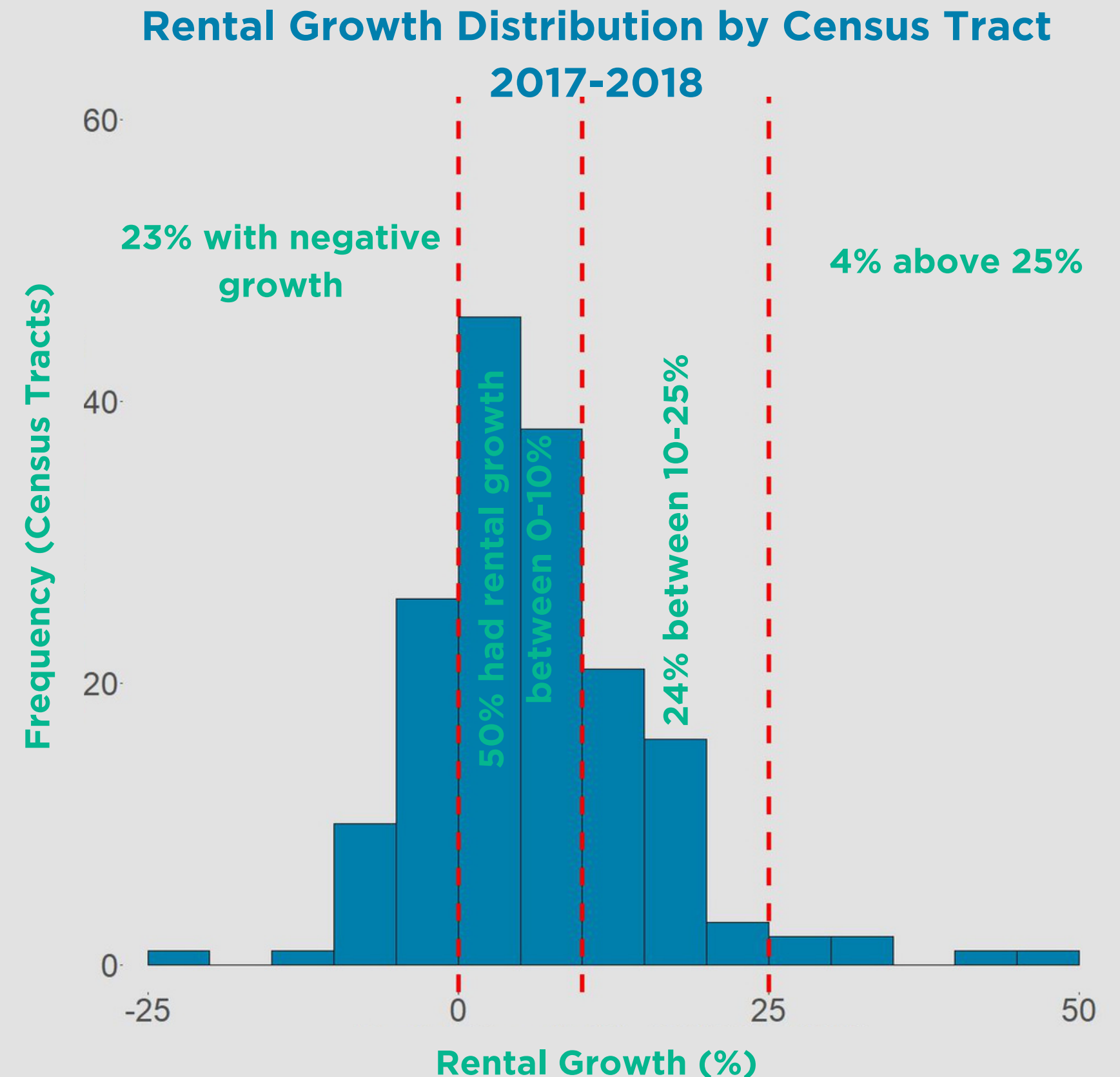
Professor Jonathan Gruber





# Background: The Challenge

- **Housing has become unaffordable to many in Boston**
- **The rate of rental growth varies substantially around the city**
- **Examination of "Census Tracts"**
  - Small contiguous areas within neighborhoods of 1200-8000 people (typically ~4000)



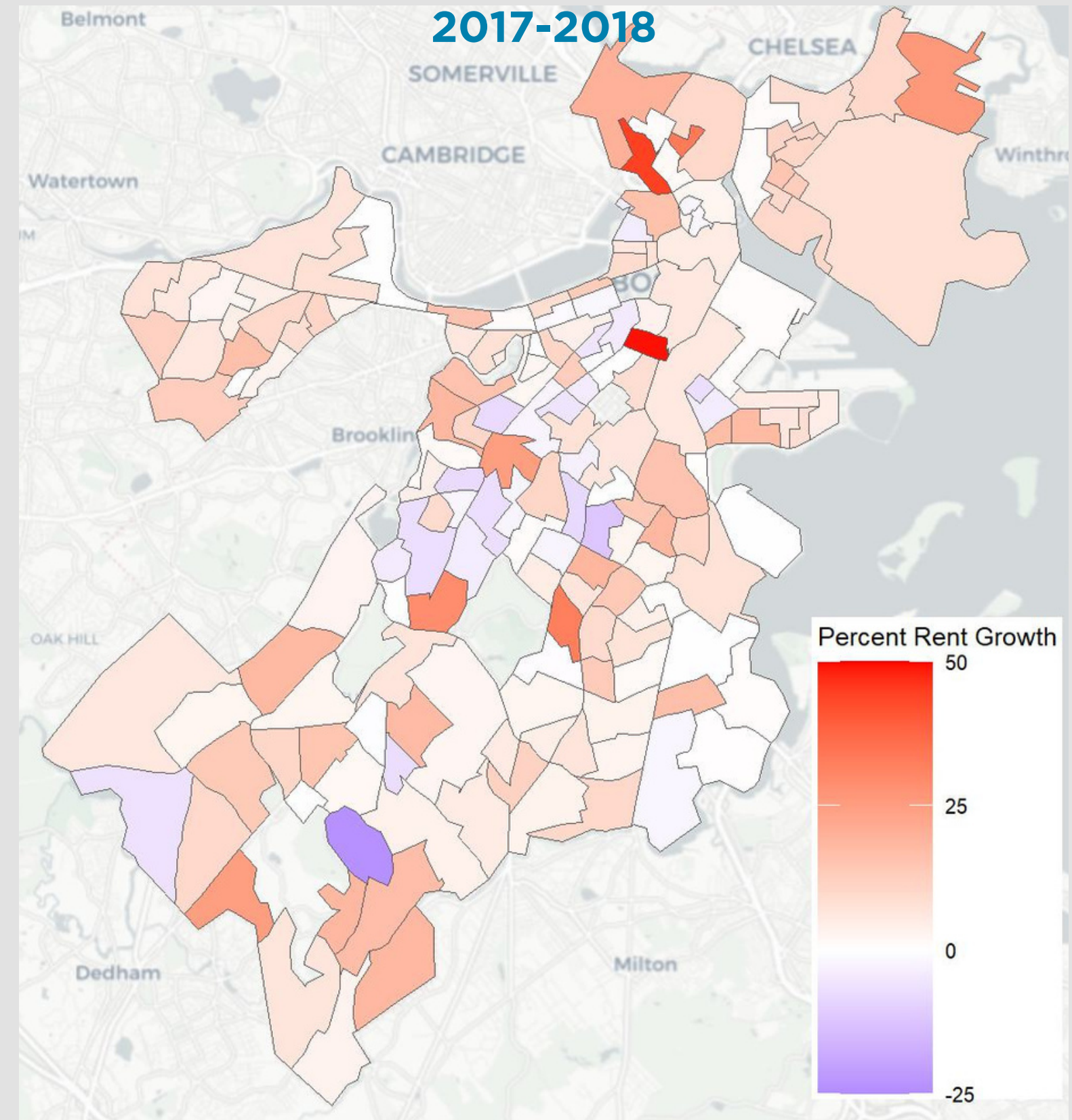




# Background: The Challenge

- **Various "hotspots" of extraordinary rental growth, such as those in South End and Charlestown**
- **Other areas with flat or declining rents**

Rental Growth by Census Tract





# Solution: Displacement Insurance

- Renters receive a direct payment based on their income and how much rents went up in their Census Tract
- Applies to all renters in a Census Tract, after income + housing type eligibility.
  - Excludes Section 8 recipients and 80% of tenants in income-restricted units. No other restrictions on citizenship or legal status, etc.
- For example, renters with family incomes below \$75,000 get a check if the rent in their Tract goes up by more than 5% + inflation
  - Income requirements, rent growth thresholds, etc. are flexible
- Program covers excess growth over the past 3-5 years

**Payment = Typical rent for an apartment with n bedrooms \*  
(CT rental growth - inflation - 5%)**



# Displacement Insurance: Advantages

- **No incentive for any landlord to raise rent to qualify, since payments are based on growth from the entire census tract**
  - **Some concern over landlord concentration of market power within Census Tracts to be explored**
- **Program is targeted to provide direct assistance to those most at risk of displacement**
- **Gives cash directly to renters who can decide the best use of assistance for them and their families. Could be used to offset rent, move to a different apartment, or even move to a different neighborhood**



# Displacement Insurance: Costs

- **Based on 2017-2018 Census Tract rent increases and income, and neighborhood level distribution of apartment types**
- **When scaled to 2021 rents for 2021-2022 payments (increase rental base by 6.3%):**
  - **Total cost: \$20.7 million**
  - **Number of Recipients: 24,708**
  - **Average payment per month: \$69.94**
  - **Note: rate of rental growth not adjusted, as updated ACS data is not yet available.**



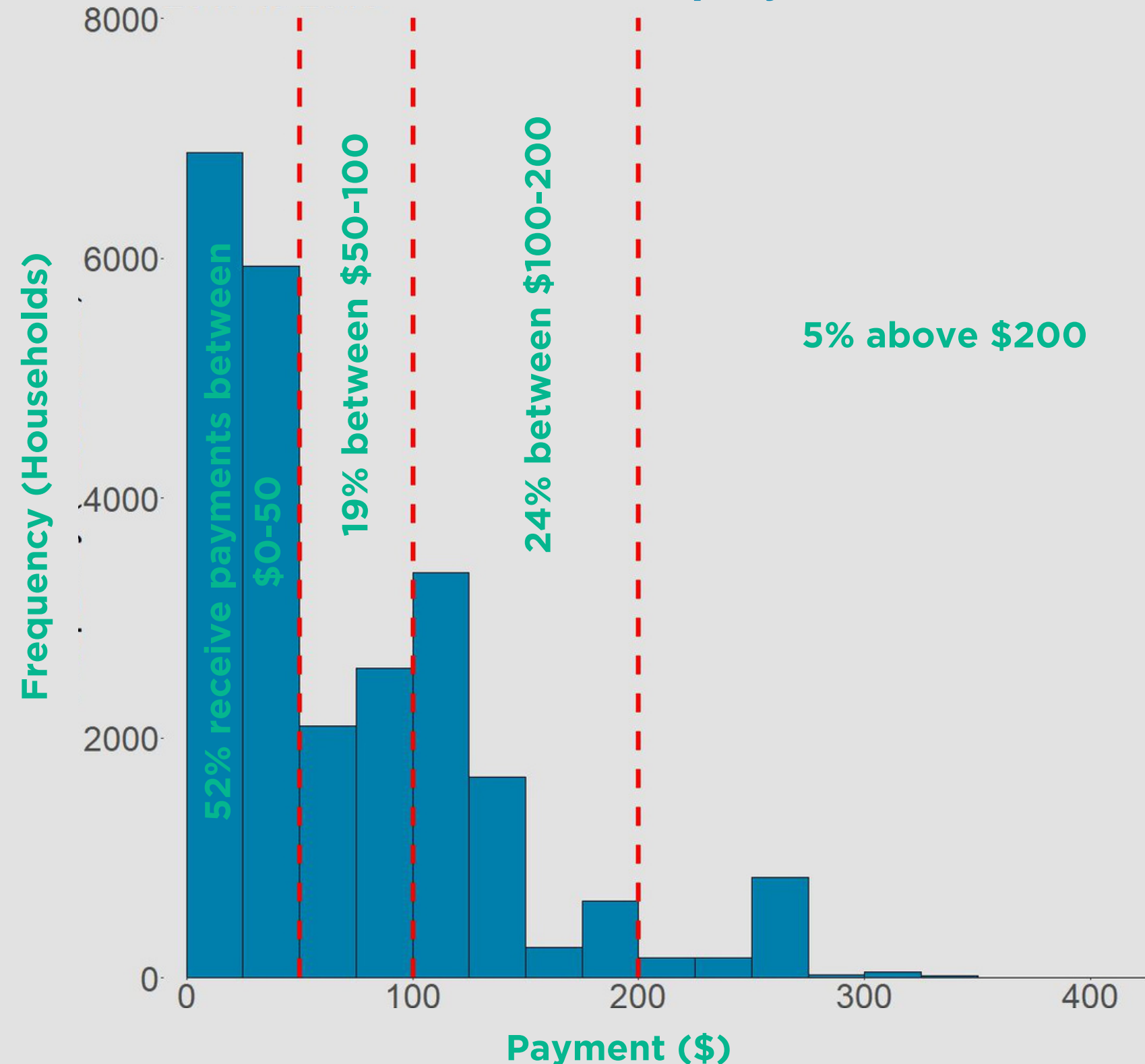


# Displacement Insurance: Costs

## Distribution of Monthly Payments:

- **Average payment: \$69.94**
- **Median: \$49.29**
- **Highest Payment: \$346.05**
- **29% of households receive payments exceeding \$100**
- **9% receive payments exceeding \$150**

Distribution of Monthly Payments  
2021-2022 (proj.)

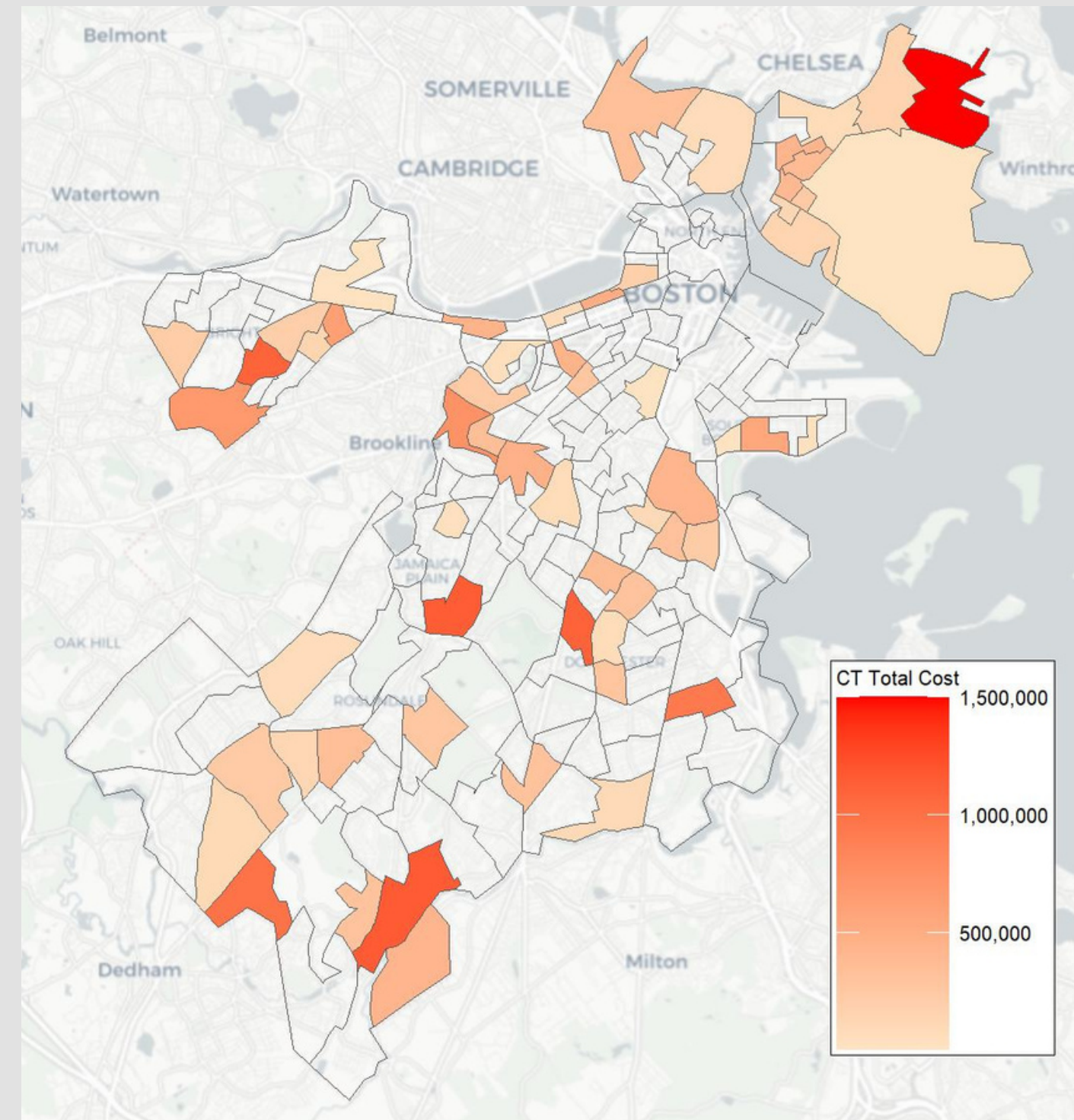




# Displacement Insurance: Costs

**Total Annual Payments by Census Tract  
2021-2022 (proj.)**

Top Census Tracts	2021-2022 Cost (Proj.)
511.01 (East Boston)	\$1.5m
1403.00 (Hyde Park)	\$1.2m
1202.01 (Jamaica Plain)	\$1.1m
901.00 (Dorchester)	\$1.1m
4.01 (Brighton)	\$1.1m







# Addressing Potential Concerns

- **This is not a perfect tool. More people experience rental burdens or could benefit from larger transfers**
  - **However, this as a starting point, the largest impact for minimal cost**
- **We propose a pilot program over the next 24-36 months for targeted geographies or stricter income requirements**
  - **Test the efficacy of the program, and modify for improved efficiency and reach**
- **City can implement this on its own, without approval from the State Legislature**



# Displacement Insurance: Pilot Proposals

Income Eligibility	Tenant Protection	Eligible Geography	2021-2022 Cost	Number of Households	Avg. Monthly Payment
<\$50,000	CPI + 10%	All of Boston	\$4.0m	5,416	\$61.70
<\$25,000	CPI + 5%	All of Boston	\$3.1m	5,468	\$46.85
<\$25,000	CPI + 0%	All of Boston	\$9.6m	7,453	\$107.39
<\$50,000	CPI + 5%	Dorchester + East Boston	\$4.3m	4,755	\$75.66
<\$50,000	CPI + 0%	Dorchester + East Boston	\$8.7m	6,025	\$120.53



# Sources

**Apartment List. 2022. "Apartment List Rent Estimates."**

**City of Boston, Department of Neighborhood Development. 2022. "Income Restricted Units by CT."**

**Department of Housing and Urban Development. 2021. "Assisted Housing: National and Local, Census Tracts."**

**FRED Economic Data. 2022. "Consumer Price Index for All Urban Consumers: All Items in U.S. City Average."**

**U.S. Census Bureau. 2016-2019. "American Communities Survey (ACS)."**

**Ziskin, Alla. 2014. "2010 Census Tracts & Neighborhoods." BRA Office of Digital Cartography.**





# Displacement Insurance: Smaller Options

Income Eligibility	Tenant Protection	2021-2022 Cost	Number of Households	Avg. Monthly Payment
<\$75,000	CPI + 5%	\$20.7m	24,708	\$69.94
<\$50,000	CPI + 5%	\$11.6m	14,863	\$64.99
<\$25,000	CPI + 5%	\$3.1m	5,468	\$46.85
<\$75,000	CPI + 10%	\$7.7m	9,538	\$67.16
<\$50,000	CPI + 10%	\$4.0m	5,416	\$61.70
<\$25,000	CPI + 10%	\$0.7m	1,521	\$42.12



# Displacement Insurance: Bigger Options

Income Eligibility	Tenant Protection	2021-2022 Cost	Number of Households	Avg. Monthly Payment
<\$75,000	CPI + 5%	\$20.7m	24,708	\$69.94
<\$100,000	CPI + 5%	\$25.6m	30,775	\$69.24
<\$150,000	CPI + 5%	\$36.1m	39,951	\$75.27
<\$75,000	CPI + 0%	\$48.8m	36,742	\$111.48
<\$75,000	CPI + 3%	\$30.3m	29,575	\$85.45



# Displacement Insurance: Neighborhoods

**Program: <\$75,000 - CPI + 5%**

Neighborhood	Program Total
Dorchester	\$4.1m
East Boston	\$3.4m
Jamaica Plain	\$1.2m
Mattapan	\$0.4m
Roxbury	\$0.5m
South End	\$0.3m

**Program: <\$50,000 - CPI + 10%**

Neighborhood	Program Total
Dorchester	\$0.9m
East Boston	\$0.7m
Jamaica Plain	\$0.5m
Mattapan	\$0.0m
Roxbury	\$0.0m
South End	\$0.0m





# Appendix: Potential Concerns

- **In the interest of administrative costs and avoiding perverse incentives for landlords to raise individual rents, we are excluding tenants in areas that are not experiencing exceedingly high rental growth**
  - **Some tenants making under \$75,000 may benefit from rental displacement insurance**
  - **This proposal offers low overhead and administrative costs**
  - **The inclusion of more recipients will require more costs for hiring more people**
  - **Inclusion of individual tenants experiencing high rental growth could incentivize landlords to increase individual rents**