

Economic Considerations of Good Cause Eviction Laws

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The primary economic impact of good cause eviction laws is to afford to tenants a similar level of stability and predictability to that enjoyed by homeowners. That increased stability is an effect of decreased eviction rates and eviction filing rates in cities that implement good cause policies. The negative consequences of evictions on household stability, household finances, health and mental health are well documented in the literature, so policies that can reduce eviction rates should be looked upon favorably by policymakers interested in better outcomes in those areas.

There are relatively few studies on the impact of good cause eviction ordinances in American jurisdictions, due in part to the relatively small number of jurisdictions that have implemented good cause policies. However, one significant research paper was published in 2019 on the effects of good cause eviction laws on eviction rates and eviction filing rates in several California cities where such laws were implemented. The policy is referred to as “just cause” in California, but the policy is more or less equivalent to “good cause” laws being considered here in New York.

That study (Cuellar 2019) found that “passage of a just cause eviction ordinance has a negative statistically significant effect on eviction and eviction filing rates,” specifically noting that they find “a -0.808 percentage point difference between eviction rates before and after the passage of just cause eviction ordinances in the treatment cities” as compared to non-treatment cities. With eviction rates in the studied cities ranging from 0.07 to 4.32%, the -0.8 percentage point change is not only statistically significant, but also significant in an economic sense.

While literature on the impacts of good cause laws is slim, there is abundant literature on the impacts of evictions on households in general, ranging from the impacts on household stability and finances to health and mental health outcomes. Taking the conclusions of Cuellar 2019 seriously allows us to consider what the impact of decreasing eviction rates could mean for household well-being in a jurisdiction considering a good cause eviction law.

In a highly-cited 2015 paper from Matthew Desmond, also the author of a popular book on housing instability, *Evicted*, Desmond and his co-author Rachel Kimbro quantify the impacts of eviction on an array of health and well-being outcomes for parents and children in households that have experienced eviction. In the paper (Desmond 2015) the authors use weighted probabilities to understand the effects of an eviction on otherwise similar individuals and households.

For example, the paper concludes that “for two mothers who are very similar, but only one experiences an eviction, the mother who is evicted is more than twice as likely to report that her child is in poor health,” among other impacts, including parenting stress, depression, and material hardship. In addition, the authors conclude that some of these impacts on households who have faced eviction may take years to recover from. In particular, material hardship and depression do not appear to be moment-in-time events, but long-lasting and difficult to resolve

consequences: “On some measures, eviction may not simply drop poor mothers and their children into a dark valley, a trying yet relatively short section along life’s journey; it may fundamentally redirect their way, casting them onto a different, and much more difficult, path.”

Very recently, there has been work done estimating the negative impacts on COVID-19 mortality and transmission rates during the pandemic following the premature lifting of the various eviction moratoria in place at the national and state-levels. A study (Leifheit 2021) this summer estimates that the expiration of eviction moratoria at the state level was associated with a doubling of COVID-19 community transmission as well as a significant positive impact on mortality. In particular, in places where eviction moratoria were lifted, transmission rates doubled on average, and mortality rates increased fivefold in the months following the change in policy.

These studies together paint a clear picture of the positive impacts of a good cause eviction policy. Good cause policies are linked to a decrease in eviction and eviction filing rates (Cuellar 2019), evictions are linked to impacts on numerous household well being measures, including material hardship and depression, with long-lasting, or “sticky”, effects (Desmond 2015), and policies that limit eviction are associated with positive public health outcomes in a highly transmissible disease situation: our current coronavirus pandemic.

In addition to the positive effects of policies like good cause that reduce the number of evictions, it is also very unlikely that such policies have the negative economic consequences that would, for example, reduce housing supply.

There are two mechanisms by which various housing policies are theorized by some to reduce housing supply. One such framework is that some housing policies encourage conversion of rental units to owner-occupied units by making it somewhat less profitable to operate a rental unit. This is of course nonsensical—the housing units are not being “removed” from the market—rental units will only be converted to owner-occupied units if there is existing market demand for those types of homes.

The other theorized mechanism is that some housing policies can reduce owner returns, leading to a decrease in total private housing investment. However, if a policy like good cause reduces the economic rents that can be collected, what we would actually expect to see is an increase in the marginal returns on investments—like maintenance and renovations. If a property owner is not able to collect the economic rents that come from cycling through new tenants and raising rents every year, but still desires growing returns, then reinvestment of revenues back into the property actually becomes a *more* attractive option.

Housing Stability

As an illustration of the current disparity between tenants and homeowners in terms of housing stability, consider first the situation of a homeowner with a mortgage. For the duration of the mortgage’s term, the lender in fact has a very strong claim to the property at the end of the day—just try not making any mortgage payments for six months to find out (hint: the property

will be foreclosed on and the bank will take possession of the home—and the courts will enforce this course of action).

If, however, a homeowner does in fact make the requisite payments on their liability, they will continue to enjoy occupancy of the home for as long as they wish. But this is not the case for people who rent their homes. In most places in the United States, a tenant in good standing—that is, one who pays their rent, or, one might say, makes the requisite payments on their liability—has no such right to enjoy continued occupancy of their home. Instead, a tenant in good standing can be kicked out of their home, with full force of the law, with as little as 30 days notice in most places in the United States, save for a few jurisdictions that have implemented various forms of good cause eviction laws.

Imagine for a moment if a homeowner was informed by their lender that the lender will be taking full possession of the property and extinguishing the liability for no reason other than it being the end of an arbitrary contract period and the lender deciding that they wished to do so. I suspect most would find this unacceptable, but for about half of the population—tenants—this is in fact how things work. Good cause eviction laws are precisely the tool to correct this disparity in how households are treated based on the type of contract through which they occupy a home.

Curiously, there is somewhat of a movement among landlords in the US to rebrand the profession as “housing providers”, but this is in conflict with the industry position on good cause eviction laws. If landlords want to be called housing providers, that’s fine—but policymakers should be free to ensure that residential property owners actually provide housing—not simply at the landlord’s leisure, but on an ongoing basis and as a regulated service. Good cause eviction laws are an excellent way to level the playing field and to ensure that housing services are provided fairly.

Further Information

Cuellar, Julieta. "[Effect of “just cause” eviction ordinances on eviction in four California cities.](#)" *Journal of Public and International Affairs* (2019).

Desmond, Matthew and Rachel T. Kimbro. "[Eviction’s Fallout: Housing, Hardship, and Health.](#)" *Social Forces* 94, no. 1 (2015): 295-324.

Leifheit, Kathryn M., et al. "[Expiring eviction moratoriums and COVID-19 incidence and mortality.](#)" Available at SSRN 3739576 (2020).