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PROMOTING LANDLORD PARTNERSHIPS TO OVERCOME HOUSING ATTAINMENT BARRIERS

BACKGROUND

HomeBase and the RSC have been discussing NIMBY issues and best practices to address the ongoing challenges of housing location for the last couple of decades. The hardest-to-house populations, such as persons with felony records, multiple evictions, behavioral health challenges, and long-term or chronic homelessness, have historically faced difficulties affording market rate rental units and meeting the screening criteria set by property owners, managers, and landlords. This memo will introduce practical strategies that have been implemented in various communities.

Financial incentives can help mitigate the real and perceived risks associated with renting to homeless households, such as non-payment of rent, property damage, or the burden of having to deal with other potential problems caused by tenants. While financial incentives can be helpful to gain landlord interest, community examples show that financial incentives alone are not proven to substantially increase landlord participation in rental assistance programs. Programs with the greatest success in recruiting landlords, housing residents, and retaining both tenants and landlords alike provide robust nonfinancial as well as financial incentives for landlords.

FINANCIAL INCENTIVES FOR LANDLORDS

PRE-LEASING INCENTIVES: LEASING BONUSES AND BROKER'S FEES

Leasing bonuses can be provided to landlords as a non-refundable reward for leasing to "hard to house" tenants.[1] There are two types of leasing bonuses in practice:

- A fixed bonus amount provided to landlords for each unit they rent to clients
  - Example: $100 bonus/unit rented
- A fixed-scale system where the leasing bonus provided is determined by the type of unit or the size of household
  - Example for unit size: $400/studio, $600/one-bedroom apartment rented
  - Example for household: $400/single tenant, $600/family

[1] http://partnering-for-change.org/wp-content/uploads/2011/07/Brief_RehsingStrategiesFINAL.pdf.

Payment of administrative costs and pre-leasing fees can also serve as a financial incentive for landlords. The Rapid Exit Program in Hennepin County, Minnesota pays holding fees for vacant units while a landlord considers a client's application, and the Housing Stability Plus Program in New York City provided a 15% finder's fee for real estate brokers who found units for low-income residents during the programs three-year run.[2]

RISK MITIGATION POOLS

"Risk mitigation pools," also known as insurance pool grants and landlord guarantee funds, reduce landlord exposure to financial risks caused by excessive damage costs and non-payment of rent. Risk mitigation pools create a reserve fund that can be accessed by landlords to reimburse payments for damage and inconveniences that are not covered by a security deposit.

Some examples of risk mitigation pools in practice include the Landlord Liaison Project in King County, Seattle; the Home Forward Program in Portland; The South Hampton Roads Insurance Pool Grant in Norfolk, Virginia; and the Risk Mitigation Pool of the City of Portland that is held and administered on behalf of the City of Portland Bureau of Housing and Community Development. King County provides funding for and holds management and oversight of the risk mitigation pool and staff oversee the process of approving and submitting claims to the County for damages. Examples of typical costs include: carpet, vinyl floor, wall damage, cleaning, garbage hauling, and legal costs.[3] Risk mitigation pools vary in size, but are often between $800,000 and $1,000,000.[4]

There are a few general restraints and guidelines that are common across risk mitigation pools that help them function and mitigate the financial risk taken on by program providers. These include:

- Claims against tenants for funds from the risk mitigation pool must be above and beyond those costs covered by the security deposit
- Most risk mitigation pools do not cover normal operating costs for landlords such as repainting or replacement of furniture for reasons such as "wear and tear"
- Landlords must provide receipts for repairs caused by excessive damage in order to be reimbursed through the risk mitigation pool
- Funds from the risk mitigation pool are usually capped between $1,000-2,000 per household

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[2] http://partnering-for-change.org/wp-content/uploads/2011/07/LandlordIncentivesProtections.pdf.
[3] www.kingcounty.gov/.../DCHS/Levy/ProcurementPlans/VHS_Levy_2_3.ashx
[4] http://partnering-for-change.org/wp-content/uploads/2011/07/LandlordIncentivesProtections.pdf, http://www.homeforward.org/landlords/section-8-features, http://www.endhomelessness.org/page/-/files/MOU%20for%20Insurance%20Pool%20Funds.pdf.

- Financial guarantees are often time limited, expiring after 6-12 months of responsible tenancy

SECURITY DEPOSITS

Some programs provide landlords with increased security deposit payments as a way to incentivize landlords. Program providers can negotiate with landlords to determine new security deposit amounts to reflect the real and perceived risks for landlords. For example, the Rapid Exit Program in Hennepin County, Minnesota pays double security deposits for clients with poor rental history.[5]

Rapid rehousing providers often utilize ESG and TANF funds to pay for modest incentives including paying security deposits for program participants or negotiating increases in deposit amounts. CalWORKS provides move-in costs, such as last month's rent, security deposits, utility deposits, and cleaning fees, provided that the total rent does not exceed eighty percent of the family's total monthly income. Generally, this assistance is only available once in a lifetime, unless the homelessness was the result of domestic violence or a natural disaster.[6][7] Yolo County's 2014 strategic plan outlines an objective to partner with the Center for Families to ensure that this resource is reaching eligible families.[8]

The Emergency Solutions Grant program (ESG) includes the following eligible costs for financial assistance: rental application fees, security deposits, last month's rent, utility deposits, utility payments, and moving costs.[9] In Los Angeles County, the Department of Public Social Services is using ESG funding to provide security and utility assistance for families moving into permanent housing and those enrolled in a rapid re-housing program.[10]

PROTECTIVE PAYEE PROGRAMS

Protective payee programs function by holding a client's monthly income in an escrow account that is managed by a third party. This third party then becomes responsible for making rent payments on behalf of the tenant. Protective payee services should not be confused with representative payee services. While the latter are often targeted to individuals deemed incapable of handling their own finances (e.g., severely disabled individuals on SSI), the former have no legal requirements for participation. Protective payee programs serve to convince landlords and management companies to relax screening criteria, while at the same time enabling program participants to build budgeting and financial management skills. The Shelter to Independent Living (SIL)

[5] http://partnering-for-change.org/wp-content/uploads/2011/07/LandlordIncentivesProtections.pdf.
[6] http://www.lafla.org/service.php?sect=govern&sub=help;
[7] http://www.211scc.org/downloads/CalWORKs%20Resource%20Guide%202014.pdf
[8] http://www.yolocounty.org/home/showdocument?id=26136
[9] https://www.hudexchange.info/resources/documents/ESG-Program-Components-Quick-Reference.pdf
[10] http://documents.lahsa.org/Programs/funding/2014/rfp/HFSS/FINAL-2014-HFSS-RFP-AND-APP.pdf

Program in Lancaster, Pennsylvania uses a protective payee program on a time-limited basis as a means of addressing landlords' concerns about high income-to-rent ratios and poor credit histories among hard to house clients.[11]

SAVED COSTS: TENANT VETTING AND REFERRALS

Some programs provide landlords with financial incentives through costs saved in tenant vetting and referral processes. Tenant vetting programs broadly involve checking referral and assessment information for the client to create a comprehensive character reference and background check for the landlord to evaluate. Landlords may view those clients who have been thoroughly vetted and referred by a program that has a vested interest in that client's success as a more attractive potential tenant.[12]

Discussion

What kinds of financial incentives have been successful with landlords in your CoC?

What partnerships may be needed in order to develop financial incentives in your community?

NONFINANCIAL INCENTIVES FOR LANDLORDS

Financial incentives for landlords are often paired with nonfinancial incentives that create a supportive environment for the tenant and landlord alike.[13] Some examples of nonfinancial incentives include:

- Tenant certification and recommendation programs that provide hard-to-house clients with education on topics such as budgeting, tenant rights, repairing credit, and other tools to be a responsible tenant. Clients who complete the program receive certificates of completion or recommendation letters that allow them to apply for housing from landlords partnered with the program.
- Case management and support services provided during transitional housing period
- Landlord access to support hotlines
- Property maintenance for client-occupied units provided by rental assistance program or associated agencies
- Character letters from case managers and/or respected third parties, such as religious leaders, employers, or even parole officers, describing how the head of

[11] http://partnering-for-change.org/wp-content/uploads/2011/07/LandlordIncentivesProtections.pdf.
[12] http://www.crisis.org.uk/data/files/publications/Youth%20&%20PRS%20report.pdf.
[13] http://partnering-for-change.org/wp-content/uploads/2011/07/Brief_RehsingStrategiesFINAL.pdf.

household or individual concerned has participated in specialized services (e.g., substance abuse treatment, mental health counseling, financial education classes) and has made great strides in overcoming personal problems indicates to a landlord a level of commitment, motivation, and ability to turn one's life around
- Recognition (e.g. thank you or birthday cards from staff and clients, hosting owner appreciation breakfasts at which partners receive plaques or other type of recognition)

Discussion

What nonfinancial incentives have been helpful in your community for engaging and maintaining landlord participation?

What are some strategies used in your community for locating new landlords who might be willing to participate?

PROJECT PROFILES

LANDLORD LIAISON PROJECT: KING COUNTY, SEATTLE

The Landlord Liaison Project (LLP) began in March 2009, as a means of increasing access to private market and non-profit owned rental housing for vulnerable populations moving out of homelessness into permanent housing. The LLP is supported by the King County Department of Community and Human Services, the City of Seattle, King County, Representative of the United Way of King County, and a broad array of service and nonprofit housing providers.[14]

The Landlord Liaison Project provides landlords with the following services:
- Access to qualified, vetted applicants to fill vacant units
- Access to LLP's 24-hour hotline to address immediate issues
- Rapid response to landlord concerns by partnering agencies and the YWCA
- Access to a Landlord Risk Reduction Fund in the case of excessive property damage and/or the nonpayment of rent. The Risk Reduction Fund established in King County is $1 million.

The LLP provides clients with important services as well, such as move-in costs and rental assistance, eviction prevention, tenant trainings, mediation with landlords, and

[14] http://partnering-for-change.org/wp-content/uploads/2011/07/LandlordIncentivesProtections.pdf.

access to support services through partner agencies for at least the first year of their tenancy in permanent housing.

During its first 10 months, the Landlord Liaison Project placed 147 households in permanent housing with a retention rate of 96% of households after 6 months of tenancy. 68% of the tenants were subsidy holders. During the same time period there were 87 interventions/mediations on behalf of housed clients between the landlords and case managers, but no calls placed after hours to the 24-hour emergency hotline. In 2009, the LLP used only $2,663 from the Risk Reduction Fund for repairs to damage caused in three client units. Finally, 71% of landlords involved in the program stated that they were "satisfied" or "very satisfied", with 79% ranking the financial guarantees of the LLP as the most important factor for their participation.[15] [16]

HOME FORWARD: PORTLAND, OREGON

Home Forward, the housing authority in Multnomah County, Oregon, has emphasized the need to provide better housing choices and accessibility to rental properties for Section 8 voucher holders. The program provides landlords with financial incentives to take on Section 8 voucher holders as tenants, while still allowing landlords to charge market rate for their units. Home Forward pays a set amount, directly to the landlord, and the renter pays the difference. Landlord rents have to be reasonable compared to rents for similar units in the same market area.

Home Forward has created the Landlord Incentive Fund, which is a $100 leasing bonus paid directly to the landlord each time he or she rents a unit in a low-poverty census tract to a Section 8 participant. The housing authority has also established the Landlord Guarantee Fund (LGF), which will reimburse up to two months of rent for damage beyond wear and tear that exceeds $1,000 in a client's unit.[17]

Home Forward has experienced mixed results through its Section 8 housing and landlord incentive program. In the first six months of 2012 alone, the program helped 301 voucher-holders find rental units in low-poverty neighborhoods.[18] However, the program also received criticisms for not strictly enforcing their policies on renting in low-poverty census tracts and allowing clients to rent substandard units in high-poverty census tracts through Home Forward. Furthermore, the $100 leasing bonus was incorporated into Home Forward policy after the Landlord Guarantee Fund failed to recruit or retain Section 8 landlords.[19] Home Forward's director of rent assistance has

[15] All statistics found in the Landlord Liaison Project 2010 Performance and Evaluation Report.
[16] For more information, see: http://www.landlordliaisonproject.org/.
[17] http://www.homeforward.org/landlords/section-8-features.
[18] http://www.oregonlive.com/portland/index.ssf/2013/02/oregon_bill_would_end_section.html.
[19] http://www.oregonlive.com/portland/index.ssf/2014/03/home_forward_plans_to_give_low.html.

indicated that the new financial incentive has not resulted in a substantial increase in landlord participation.

HOUSING STABILITY PLUS: NEW YORK CITY

Housing Stability Plus (HSP) provided rental subsidies to long-term clients in the City's homeless service system, while at the same time providing landlord incentives to encourage the leasing of units to subsidy holders and "hard to house" tenants.

The financial incentives provided to landlords through HSP were substantial, including[20]:

- Advanced payment of three months rent to landlords
- Increased security deposit payments consisting of one month's rent
- 15% finder's fee for real estate brokers who found apartments for HSP clients to lease
- Streamlined application and inspection process for lease signing

The Program received about 50% of its funding from Temporary Assistance for Needy Families/Social Security Insurance, 25% from State contributions and 25% from city levy taxes.

During its existence, the program served 6,400 households with children and 1,600 without children, with only 100 households vacating their tenancy early or dropping out of the program. The program was also the first to introduce the 15% finder's fee as a landlord incentive.[21] However, Housing Stability Plus suffered from a lack of quality apartment units that led to tenant dissatisfaction, opaque rules and regulations that were difficult for landlords to understand, and landlord dissatisfaction with the lack of financial guarantees provided while dealing with high-risk tenants.[22] As a result, the Housing Stability Plus Program was eliminated in 2007, less than three years after its implementation.

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[20] http://coalhome.3cdn.net/0fc1b9afcc11c89627_dgm6vdpb8.pdf, http://partnering-for-change.org/wp-content/uploads/2011/07/LandlordIncentivesProtections.pdf

[21] http://partnering-for-change.org/wp-content/uploads/2011/07/LandlordIncentivesProtections.pdf.

[22] http://www.gothamgazette.com/index.php/housing/3574-a-new-program-to-fight-homelessness.