



STATE OF WASHINGTON  
DEPARTMENT OF COMMUNITY,  
TRADE AND ECONOMIC DEVELOPMENT

# Landlord Incentives and Protections

*Encouraging Landlords to Rent to Recovering  
Substance Abusers*

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Report to the Legislature  
December 2006



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# Introduction

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In 2006 the Washington State Legislature passed E2SSB 6239, an act “Relating to the impact of controlled substances, primarily methamphetamine,” directing the Department of Community, Trade and Economic Development to produce a study on landlord incentives for recovering substance abusers. Specifically, Section 209 says:

The department of community, trade, and economic development shall report to the legislature on the feasibility of providing incentives and protections to landlords to encourage housing rentals to recovering substance abusers or those convicted of drug crimes. A final report must be submitted to the appropriate committees of the legislature by January 1, 2007.

This report describes existing examples landlord incentives efforts that seem promising, and describes elements of those efforts that could be implemented in Washington State.

## **Difficulty Former Substance Abusers Have Finding Housing**

People who are in recovery from substance abuse, many of whom have drug crime convictions, have significant difficulties securing rental housing on the private market. Private property owners, wary of renting to someone who they believe may damage property or not pay rent, protect themselves by conducting thorough background investigations on prospective tenants.

People with substance abuse issues, whether current or in the past, often have left a trail for the landlord to discover. A background check of a person with current or past substance abuse often includes poor credit scores, a criminal history, and records of not paying rent on time and damage to rental units.

Attempts to address a criminal record through the legal process are not always feasible. In order to vacate a criminal record and remove it from an individual’s record there generally is a three-year waiting period for misdemeanors, a five-year period for Class C felonies, and a 10 year period for Class B felonies. Many people with substance abuse histories do not meet these timeframes and therefore cannot vacate their criminal record as a way to solve the problem of being unable to obtain housing.

Individuals with drug histories will also find their housing options further squeezed by federal and local public housing laws, severely limiting their access to public housing opportunities. Federal laws require local housing agencies to permanently bar individuals convicted of certain sex offenses and methamphetamine production on public housing premises. The federal laws also give local public housing agencies discretion to deny eligibility to virtually anyone with a criminal background. However, local housing authorities have considerable leeway to consider the individual circumstances and history of applicants. They can decide whether to consider arrests not leading to conviction in eviction proceedings. They also can determine how long to deny housing assistance to people with criminal records and decide what, if anything, qualifies as rehabilitation for the purpose of lifting the bar to public housing.<sup>1</sup>

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<sup>1</sup> Legal Action Center, Advocacy Toolkits To Combat Legal Barriers Facing Individuals With Criminal Records: <http://www.lac.org/toolkits/Introduction.htm>

Quantifying the housing needs of persons with drug related criminal histories or drug abuse and treatment needs can be difficult. There are significant numbers of people in Washington State who are in need of substance abuse treatment. As of 2003, DSHS estimated that 11 percent of Washington State residents, 18 years and older, needed substance abuse treatment services.<sup>2</sup> In addition, the number of admissions to treatment programs in which methamphetamine was the primary drug of abuse has more than quadrupled over the last ten years. According to 2005 Substance Abuse and Mental Health Services Administration (SAMHSA) data, over 500,000 people used methamphetamine in the past month. Nationwide, the number of methamphetamine users who were dependent on or abused some illicit drug has risen significantly from 164,000 in 2002 to 257,000 in 2005.

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<sup>2</sup> Washington State Department of Social and Health Services (DSHS): <http://www1.dshs.wa.gov/pdf/ms/rda/research/4/52/state/3.pdf>

# Landlord Incentive/Protection Efforts

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There are four distinct categories of interventions that are designed to encourage landlords to rent to the “hard to serve” populations and protect their financial interests in case of potential losses. Importantly, some existing landlord incentive efforts use aspects of all of these approaches.

## Monetary Incentives and Protections

Landlords and developers are business people who depend upon a profit margin to stay in business and therefore fully understand the role of financial incentives. They are also often concerned with protection of their assets and limiting the amount of tenant relations issues and legal action that is sometimes required. For this reason, programs that include a monetary incentive may attract top-quality participants.

Among the monetary incentives to encourage landlord participation are:

- Tenant-based rent subsidies.
- Rent deposits (for instance triple deposits for high risk tenants).
- Finder’s fees.
- Lease signing bonuses.
- Holding fees (payment of rent while tenant is clearing credit checks or in crisis beds or treatment temporarily).
- Public loans to rehabilitate structures.
- Use of public assistance funds and Social Security Insurance payments for rent.

Monetary risk-sharing protections include:

- Damage deposit and payments.
- Rent payment guarantees.
- Allowances for unlawful retainer or eviction costs.
- Agencies co-signing leases with clients.
- Above-market rent to compensate for potential rent losses.
- Resources to provide credit checks for potential residents.
- Legal assistance to the landlord.

## Outreach to the Real Estate Industry

Strong, targeted communication is essential in obtaining participation from landlords. Some communities have been able to develop partnerships with landlord associations. Other communities have developed relationships with property owners who will provide advice to program administrators.

Examples of outreach to the real estate industry include:

- Educational services for real estate brokers.
- Incentives or finders fees for “leasable” apartments.
- Landlord recruitment campaigns.
- Tools for improved landlord communication.
- Support for the development of relationships with landlord associations.
- Involvement of landlords as advisors to design and evaluate programs.
- Hotline for landlords for crisis resources.

## **Tenant Supports**

Supportive services that provide housing stability and an interface between the landlord and client have been effective in encouraging landlords to rent to people with special needs. In addition, the tenants have an increased success rate in housing.

Landlords often view tenants who have access to strong supportive services as less of a financial risk. Service providers often build relationships with willing landlords, who in turn rent to their clients because of the trust that has been built between the two entities. Evidence that a tenant will be provided an array of services and will have frequent contact with case managers can ease a landlord’s concern over protecting other tenants and their property.

Examples of tenant supports include:

- Strong on-site or off-site case management.
- Tenant education on landlord/tenant rights/obligations, budgeting skills, legal assistance, credit counseling, and repair, etc.
- Crisis respite beds/units.
- Support groups.
- Mental health and chemical dependency treatment and counseling.
- Payment for back rent to offset debt.

## **Subsidized Housing Resources**

There are a number of ways that housing subsidies can supplement the cost of housing, including:

- Project-based subsidies to supplement tenant rent.
- Master leasing (see discussion below).
- Encouraging the conversion of up to 20 percent of a Housing Authority’s Section 8 Tenant-based assistance to project-based assistance.
- Developer set-asides of new units for program participants.
- Project based set-asides of existing units.

# Promising Practices:

## Landlord Incentives and Protections

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The following promising practices provide examples of the types of efforts that may be worth expanding and replicating in Washington State. Due to the preliminary and limited results and outcomes documented by these efforts, expansion and replication should be tied to rigorous outcome evaluation.

### Existing Landlord Incentive Programs in Seattle and Washington

#### United Way of King County, Ready to Rent Program

**Program Description.** The Ready to Rent program is a tenant education and landlord incentive program. The program provides education to potential renters in all aspects of being a good tenant, and provides landlords with rental deposits, access to motivated tenants, and other incentives.

Participating nonprofit organizations are certified by the United Way of King County during a two-day training, to become Ready to Rent instructors that can provide the training to homeless and low-income individuals and families enrolled in their housing or other programs. Individuals and families are eligible to participate in the 12-hour training course once they have achieved stability and are ready to reenter the rental housing market. The training curriculum includes landlord and tenant rights and responsibilities, credit history, managing finances, finding housing, maintaining housing, and the moving process.

#### *Landlord Incentives/Protections*

Landlord incentives include: security deposits paid on behalf of the tenant, referrals of Ready to Rent graduates seeking long-term housing, an additional avenue to advertise their properties on the Rental Housing Association website where Ready to Rent graduates can conduct their housing search, finding tenants who understand their responsibilities and are committed to being successful renters, receive help finding stable and motivated tenants, access to nonprofit social service agencies that provide a variety of resources that may assist tenants in preventing situations that can result in evictions.

#### *Results/Outcome*

Outcomes not yet available.

#### *Program Funding*

The security deposit fund is created by contributions from owners, managers, developers, brokers, agents, and others in Seattle and King County. Mutual Interest is the official charity of the Rental Housing Association of Puget Sound.

#### *Additional description*

Upon completing the training, participants receive a diploma endorsed by United Way of King County, Mutual Interest, the Rental Housing Association of Puget Sound and the agency conducting

the training. Graduates are not guaranteed housing; however, landlords participating in the program view the certificate as a positive factor in selecting tenants with screening barriers.

One of the major partners in the Ready to Rent Program is United Way of King County. United Way of King County researched national best practices and subsequently purchased the Ready to Rent curriculum from the Portland Housing Center and adapted the curriculum to meet the needs of the local community, which included incorporating Washington State Landlord/Tenant laws. United Way of King County plays an important role in ensuring that the program runs smoothly for all agencies, landlords and participants.

Another partner in Ready to Rent is Mutual Interest, a private nonprofit organization, which funds security deposits that make moving from temporary to permanent housing possible for low-income families. To accomplish its mission, Mutual Interest educates and mobilizes the local real estate industry to focus their resources on homelessness in a concrete and meaningful way. In addition to making contributions to the Ready to Rent security deposit fund, Mutual Interest manages security deposit assistance funds raised from other sources.

Rounding out the partnership group is the Rental Housing Association of Puget Sound, the largest association of rental housing owners in the Pacific Northwest, with more than 3,000 members. The association provides tenant screening background checks for Ready to Rent participants and encourages its membership to list their vacant properties with the program and accept Ready to Rent certificates.

## **State Rental Security Deposit Guarantee Program**

### *Program Description*

Authority for this program exists in state law, but no funding has ever been appropriated to implement it. The Washington State Legislature enacted legislation in 1988 (RCW 59.24) allowing CTED to provide local governments, nonprofits, and housing authorities funds to be used as collateral on payment of a residential rental security deposit for participants who, at time of application, are homeless persons or families residing in emergency shelters or transitional housing. In order to be eligible for grants under this program, the recipient local government or nonprofit corporation provides fifteen percent of the total amount needed for the security deposit. The security deposit may include last month's rent where such rent is required as a normal practice by the landlord.

The owner of the rental property must agree to allow the security deposit to be paid by the tenant over a specified number of months as an addition to the regular rental payment, rather than as a lump-sum payment. The tenant shall agree to a payment schedule of a specified number of months in which time the total amount of the required deposit shall be paid to the property owner.

### *Landlord Incentives/Protections*

The property owner may make a claim against the deposit guarantee fund, up to the amount of the original agreement, after first making a claim against the amount of the security deposit actually paid by the tenant. Also to the benefit of the landlord, the participating local government and nonprofits must verify family income and make a determination that the person or family can reasonably make the ongoing monthly rental payments. The program staff is also directed by legislation to make themselves reasonably available to property owners to answer questions or complaints about the program.

*Results/Outcomes*

Program not implemented.

*Program Funding*

No funding has ever been appropriated to implement this program.

*Additional Description*

The local government or nonprofit corporation makes a determination regarding the person's or family's eligibility to participate in the program and a determination that a local rental unit is available for occupation. A determination of eligibility shall include, but is not limited to: (a) a determination that the person or family is homeless or is in transitional housing; (b) a verification of income and that the person or family can reasonably make the monthly rental payment; and (c) a determination that the person or family does not have the financial resources to make the rental security deposit.

A three-party contract is required of persons participating in the rental deposit guarantee program. The parties to the contract are the local government or nonprofit corporation operating a shelter for homeless persons or transitional housing, the tenant, and the rental property owner. The terms of the contract include, but are not limited to, all of the following:

- (a) The owner of the rental property shall agree to allow the security deposit to be paid by the tenant over a specified number of months as an addition to the regular rental payment, rather than as a lump-sum payment.
- (b) Upon execution of the agreement, the local government or nonprofit corporation shall encumber or reserve funds in a special fund created under RCW 59.24.020, as a guarantee of the contract, an amount no less than eighty percent of the outstanding balance of the security deposit owed by the tenant to the landlord.
- (c) The tenant shall agree to a payment schedule of a specified number of months in which time the total amount of the required deposit shall be paid to the property owner.
- (d) At any time during the operation of the guarantee, the property owner shall make all claims first against amounts of the security deposit actually paid by the tenant and secondly against the guarantee. At no time during or after the tenancy may the property owner make claims against the guarantee in excess of that amount agreed to as the guarantee.
- (e) If a deduction from the guarantee fund is required, it may be accomplished only to the extent permitted by the contract and in the manner provided by law, including notice to the legal agency or organization. The tenant shall have no direct use of guarantee funds, including funds that may be referred to as "last month's rent."

CTED may adopt rules to implement this chapter, including but not limited to: (1) the eligibility of, and the application process for, local governments and nonprofit corporations; (2) the criteria by which grants and technical assistance are provided to local governments and nonprofit corporations; and (3) the criteria local governments and nonprofit corporations must use in entering into contracts with tenants and rental property owners.

## **Certificate of Rehabilitation Pilot Project**

### *Program Description*

The Certificate of Rehabilitation Pilot Project (CRPP) helps low-income residents of King County who have committed themselves to a process of rehabilitation and recovery from a history of mental health and/or substance abuse. The participants in this program are eager to work, obtain stable housing, and participate in their community. However, because their mental health and/or substance abuse issues lead to a criminal conviction many cannot achieve these goals because many housing providers and employers screen out these individuals based on a criminal background check, even though the participants are otherwise qualified.

The CRPP creates a mechanism for participants to obtain a Certificate of Rehabilitation. These certificates are valid for three years after issue. They may be renewed and become a permanent order after the three-year expiration if the applicant is able to demonstrate ongoing stability and commitment to recovery goals. Under current law, a certificate of rehabilitation will not remove the criminal record from public view, except in certain circumstances. In those circumstances, employers cannot be given information related to a conviction where the individual obtained a certificate of rehabilitation. For other individuals, the goal of this project is to have employers and housing providers consider a certificate of rehabilitation in addition to or in lieu of the criminal record. The certificate of rehabilitation will allow qualified applicants to obtain housing and employment without waiting many years to go through the process of vacating their record before they become housed or employed. The sponsors of this project continue to work to increase the impact a certificate of rehabilitation will have on an individual's record in order to remove it as a barrier to housing and employment.

### *Landlord Incentives/Protections*

None. This program is included as an example of a program that may make renting to substance abusers and ex-offenders more attractive to landlords if combined with financial incentives.

### *Results/Outcomes (if available)*

None yet available. Participant will be tracked to determine the outcome of the case. The agencies participating in the pilot project meet regularly to assess the project and make changes as needed.

### *Program Funding*

Participating agencies are providing services pro bono.

### *Additional Description*

The Certificate of Rehabilitation Pilot Project (CRPP) is a collaboration of the following organizations: Harborview Mental Health Center, King County Bar Association, Committee to End Homelessness, King County Prosecuting Attorneys Office, King County Quality Review Team .

Social workers or case managers from Harborview will screen each applicant to determine if the applicant meets the program criteria. Each applicant will be given an application form, eligibility checklist, and an explanation of the program.

### *Applicant Criteria*

For purposes of the pilot project, applicants must meet the following initial criteria:

- Three years since time of conviction.

- Completed all the terms of their sentence. Indigent applicants who owe monetary fines must have a payment plan in place and be current on payments.
- No new arrests, convictions, or other criminal activity.
- Documentation of participation in a rehabilitation program such as mental health, substance abuse, or other treatment program.
- Two years documented consistent stability in mental health, substance abuse, housing, public benefits, other applicable treatment goals, and evidence of availability of ongoing supports.
- Documentation of the criminal record that demonstrates the crime is not a violent crime against a person.

### *Documentation*

Once the applicant is found eligible, the social worker will obtain the required documentation related to the participant's rehabilitation. Following this, the case manager or social worker refers the case to the King County Bar Association for legal assistance. The KCBA program manager then places the case with a volunteer attorney. The following documents will be part of a packet prepared by the social worker or the volunteer attorney as applicable:

- Physician's Treatment Verification Form.
- Health Care Practitioner Treatment Summary Form.
- Applicant Affidavit of Rehabilitation.
- Filing Fee Waiver Form.
- Motion and Order for a Certificate of Rehabilitation.
- Note for Motion.
- Notice and Completion of Limited Appearance.

### *Legal Process*

The participant will meet with a volunteer attorney to determine if they meet the legal requirements for a certificate of rehabilitation. If the participant is eligible, then the volunteer will prepare the legal paperwork and file a motion for a certificate of rehabilitation in King County Superior Court. The attorney will then present this motion before the assigned judge. If the motion is granted it will be filed with the court and copies distributed as necessary. The attorney will withdraw from the case following completion of the hearing.

## Existing Landlord Incentive Programs in Oregon and Other States

### Fresh Start, City of Portland

#### *Program Description*

The Fresh Start program permits traditional screening criteria to be relaxed by addressing landlords' concerns through committed supportive services and a landlord guarantee fund. Landlords and property managers agree to rent to people who would not qualify under standard screening criteria, in return for commitment by the resident's case manager to assess potential tenants' housing readiness and to provide supportive services. The goals of the program are to protect owners and landlords interests, mitigate the traditional risks associated with less stringent screening criteria, and meet the needs of persons who otherwise could not access housing. Tenants are exited from the program after one year of successful tenancy.

#### *Landlord Incentives/Protection*

A landlord guarantee fund provides access to funds that will reimburse damages in excess of normal wear and tear to the unit when damages exceed the security deposit. Landlords may receive up to \$2,000 for one bedroom and less and up to \$3,000 for two bedrooms or more. It will also cover one and one half months of non-payment of rent if tenant does not vacate apartment in good standing.

#### *Results/Outcomes*

Formal outcome evaluation data is not yet available. Follow up is targeted to happen with every household after their exit from the program (one year after successful tenancy). In two years there have been two landlord claims against the fund, one for \$547 and the other for \$1,569. The program coordinator indicated the program has been under utilized because the Portland housing market has been soft. She anticipates increased usage of the program with the market beginning to tighten and fewer units available to clients with housing barriers.

#### *Program Funding*

Program funding is a one-time only payment of \$150,000 from City General Funds and \$18,600 from a Collins Foundation Grant.

#### *Additional Description*

Fresh Start is a formal partnership among housing providers, service providers, persons with barriers to accessing housing, and the City of Portland Bureau of Housing and Community Development. It creates access to housing through a "housing first" approach that emphasizes rapid placement into housing and supporting persons in that housing. Fresh Start permits persons with some barriers to housing to meet screening criteria in compliance with Fair Housing laws.

To participate in Fresh Start, service providers must become certified and agree to provide the following services:

- Conduct housing assessment of potential participants to determine housing appropriateness.
- Develop individualized housing goal plan for each participant that defines level and length of services to be provided.
- Provide orientation or training before move-in for participants.
- Send a referral letter to landlord.

- Respond to calls by landlord or participant within 16 business hours (two working days).
- Track occupancy outcomes at three, six, and 12 months and follow-up tracking of housing outcomes at six months (18 months after move-in).
- Provide supportive services as appropriate with the expectation that the participants will receive more intensive services immediately after move-in, even if relationship with landlord dissolves.

In addition, landlords are expected to agree to the following:

- Notify service provider regarding any action that may affect the continuation of tenancy, including: 1) written notice to tenant, 2) any contact with 911 or other service entities, and 3) late rent.
- Agree to inform service providers of actions leading to eviction before the action is taken.
- Fulfill above obligations to tenant even if relationship with service provider dissolves.

## **Second Chance Renter Rehabilitation Program, Oregon**

### *Program Description*

Administered by various agencies throughout the State of Oregon, this is an eight-week program designed to teach homeless people how to be successful, responsible renters; obtain and maintain housing, and how to overcome barriers such as poor credit or rental history, and criminal histories. Landlords renting to Second Chance graduates have better motivated and educated tenants, and can access funds to be reimbursed should the tenants vacate owing rent or damages.

Eligible individuals and families are those with a total household income at or below 50 percent of the average statewide median income. Adult household members must agree to attend all eight classes consecutively. This series of workshops provides information on landlord & tenant law; fair housing; landlord expectations; how to find a rental; budgeting; future financial planning; setting goals; energy conservation; repairing credit; overcoming adversity, self-esteem, conflict resolution, and public policy. Graduates earn a Certificate of Completion, Letter of Recommendation, and a Landlord Guarantee Letter.

### *Landlord Incentives/Protections*

Landlords can access up to \$600 to recover the costs if the tenant vacates owing rent or damages.

### *Results/Outcomes*

St. Vincent DePaul of Lane County has administered the program for 11 years and only paid landlords on two occasions. They stress being an advocate for both the renter and the landlord(s) and property managers, developing rapport, and only referring on those participants who meet strict participation criteria and are truly able to take the steps necessary.

### *Program Funding*

Varies. Each agency administering the program secures its own funding.

### *Additional Description*

Client benefits include:

- Learning rights and responsibilities.



- One-bedroom units                      \$10,000
- Two plus bedroom units                \$14,500

The maximum amount of RMP funding available to participating property owners is determined by multiplying the number of units by the above amounts. This is a cumulative limit over the seven year life of the program.

*Results/Outcomes*

Results not yet available.

*Program Funding*

In 2005, the City Council approved \$800,000 to establish the RMP. This money came from Housing Investment Funds derived from general City revenues

*Additional Description*

The RMP has been established to support the City of Portland’s 10-Year Plan to End Homelessness. As one component of the City’s Plan, the City is encouraging affordable housing developers to develop units dedicated to serving adults and families residing in Permanent Supportive Housing. The guiding principal of the RMP is to support housing providers who agree to provide PSH, by offsetting potential increased financial risks (beyond those typical of affordable housing) associated with operating PSH units.

**Rapid Exit Program, Hennepin County, Minnesota**

*Program Description*

The Rapid Exit Program is an innovative program that facilitates rapid re-housing by relying on early identification and resolution of a family's or individual's “housing barriers” and providing the assistance necessary to facilitate their return to permanent housing. Based on the assessment of a family or individual's housing barriers, a referral is made to a subcontracting agency best able to respond to the client's housing needs. This approach prioritizes the rapid return to housing and provides the assistance necessary to achieve housing stability. While the target population of the Rapid Exit Program is those families and individuals who have moderate to severe barriers to obtaining market housing and are currently residing in the county funded shelter, the concepts used are applicable to the housing issues of ex-offenders and potential incentives to landlords.

Within one week of entry to the county funded shelter, the family or individual is referred to a Rapid Exit Coordinator for a housing barrier assessment. The assessments incorporate a locally developed scale that reflects client characteristics and challenges that make local landlords reluctant to rent to a family or otherwise make locating housing difficult. To facilitate client disclosure, the Rapid Exit Coordinator services are subcontracted to a private, non-profit agency with which the client can feel more comfortable sharing information. The Rapid Exit Coordinator also makes criminal, credit, and housing checks on the clients that are also likely to be done by prospective landlords. Based on the assessment conducted by the Rapid Exit Coordinator, the individual or family is referred to one of the agencies Hennepin County has contracted with to provide clients with individualized assistance to locate and secure housing or provide transitional housing. Non-contracted agencies will also accept referrals from the Rapid Exit Coordinator.

*Landlord Incentives/Protections:*

- Paying double security deposits for those with poor rental history.
- Providing landlords with up-front unlawful retainer/eviction costs deposits so the landlord will not absorb all of the risk.
- Co-signing leases.
- Paying holding fees, a new fee to keep an apartment available while the landlord considers the application of the "troubled" tenant – sometimes refundable, sometimes not.
- Remaining responsive and committed to provide on-going case management intervention with the client and assist the landlord in resolving issues that places the client's housing in jeopardy.
- Providing dedicated staff time to locate potential housing units and maintain an on-going relationship with landlords and responsible landlord association groups in their area.
- Advocacy to promote the “usability” of housing vouchers by reducing landlord disincentives to entering the program.

### *Results/Outcomes*

Hennepin County contracts with the Wilder Research Center to maintain a data reporting and outcome system on individuals and families served by the Rapid Exit Program. According to the last biennium report, 2,463 households (8,976 members) were screened and referred by Rapid Exit Coordinator and 1,714 households (6,933 members) were served in Rapid Exit Program. With a program targeted to those with moderate to severe barriers, the outcome data demonstrates great success, particularly in light of an extremely low vacancy rate (1 percent) in the metropolitan area. Even though 34 percent of households served by the Rapid Exit Program had been homeless before, only 9 percent returned to a shelter after receiving services funded by FHPAP in the following year and 85 percent did not return within two years. For those who did return, their average stay in homelessness declined by more than half, from 29.5 days to 10 days.

### *Program Funding*

The program uses a combination of Minnesota Family Homeless Prevention and Assistance Program (FHPAP) funds and the HUD Supportive Housing Program (SHP) and Emergency Shelter Grants Program (ESG). The funds are used to pay for the Rapid Exit Coordinator and provide the on-going case management and services that help stabilize individuals and families in homes that are not eligible activities or extend beyond the time limits set by HUD programs. As the HUD funding is typically more restrictive, FHPAP funds are used to complement and extend services.

### *Additional Description*

Hennepin County is a state and national leader in developing new tools to rapidly re-house families and individuals experiencing homelessness. The Rapid Exit Program was not only designed for both assuring that persons were re-housed quickly to stabilize their housing, but to provide the tenant and landlord supports to assure they remain housed. As part of the program, the contracted agencies provide individualized assistance to locate and secure housing. Such assistance may include:

- Direct financial assistance for application fees, deposits, and other household "start up" costs.
- Direct financial assistance to resolve other barriers to housing is provided as part of a pilot project and includes activities such as resolving outstanding debt.
- Legal assistance.

- Case management to resolve personal issues that are, or may become, barriers to achieving housing stability.
- Assistance securing furniture and food.
- Provision of short-term or longer-term transitional housing as indicated by the housing barrier assessment and need to reestablish a stable rental history.
- Provision of follow-up case management and referral to stabilize families in their homes following rapid reentry to permanent housing.
- Intervening to keep housing units affordable when housing developments for low income people are sold to a new owner.

## **Housing Stability Plus Program, New York City**

### *Program Description*

The New York City Housing Stability Plus Program (HSP) uses rental subsidies provided under the program in combination with mainstream resources to assist homeless households who are long-term clients in the City's homeless service system. The rental assistance is supported by landlord incentives to encourage leasing of permanent housing in the private market.

Unlike many rental programs, this program does not use housing vouchers or public housing resources but relies heavily on mainstream benefit programs to cover the cost of private market rental housing beyond the HSP subsidy. Rent paid to landlords under the lease consists of SHP subsidies, public assistance shelter allowances received by the tenant, tenant rent, and if applicable, 30 percent of SSI payments. HSP rental assistance is provided over a five-year term, with the HSP assistance dropping by 20 percent in each year of the program so that the tenant's dependency on outside assistance is reduced each year.

Participants are referred from case managers who must complete an assessment before they are provided housing placement services and rental assistance under the program. Existing homeless supportive services are provided by agencies through on-going programs.

### *Landlord Incentives/Protections*

Landlord incentives available under the program include:

- Significant up-front payments to the landlord of three months advance rent plus the pro-rated first month's rent.
- A security deposit consisting of one month's rent.
- Private landlords are used in a consulting role to help evaluate and adjust the program design. A landlord hotline is also used to maintain a list of qualified landlords for the program.
- A unique feature of the program is a 15 percent finder's fee for real estate brokers who find apartments for participants to lease.
- A strong real estate broker outreach program has served to increase the number of apartments that have become available for participants.

### *Results/Outcomes*

Populations served to date include 6,400 households with children and 1,600 without children (410 single individuals). By the end of first 18 months of the program only 100 households had dropped out and returned to shelter systems.

*Program Funding.* About 50 percent of the funding resources come from Temporary Assistance for Needy Families (TANF)/Social Security Insurance (SSI), 25 percent are State contributions and 25 percent come from city levy taxes.

## **Master Leasing**

The following is a description of a *type* of program, rather than a specific program that has been implemented.

### *Program Description*

Master leasing can be used to provide either permanent or transitional housing. Using this strategy, a social services agency or housing provider leases individual units, blocks of units, single-family homes, or an entire building. The agency is the lease-holder and assumes responsibility. The units are then sub-leased at an affordable cost to program participants.

Master leasing works best in communities with an active market in residential rental properties in healthy neighborhoods. It also is effective in cases where owners have vacant structures and have not yet determined its use or the extent of rehabilitation to be undertaken. Landlords can receive long-term rent guarantees prior to initiation of the rehabilitation, helping them to obtain financing. Some models include up-front capital payments to the owner to help finance the rehabilitation.

To be a successful housing model for those with criminal, drug, mental health, or homelessness histories, support services should also be available that can meet the needs of residents in the leased location(s).

### *Advantages*

- As primary lease-holder, the social service or housing provider agency assumes responsibility for rent, damages, etc.
- There is opportunity for a built-in support network when the social services agency is the primary lease-holder and service provider to the tenant, increasing the tenants chances for success.
- Housing providers can secure units quickly with master leasing.
- Opportunity for longer term leases with rental guarantees.
- Allows residents to build rental history and develop living skills while receiving supportive services.
- Community acceptance issues can often be avoided by pursuing this strategy.
- Residents can integrate into the community.

### *Disadvantages*

- If it is necessary to displace residents in a building to be leased, relocation can be complicated and expensive.

- The condition of a leased building needs to be assessed carefully, and staff may be needed to handle interior maintenance issues.
- The lack of a centralized support-service space can be problematic.
- Staff members need to cultivate and maintain relationships with the landlord.



# Example Landlord Incentives Elements

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This section provides three sets of landlord incentive/protection elements. Each of the example elements sets targets a specific population:

Example A: High-Risk Tenants

Example B: Moderate-Risk Tenants

Example C: Low-Risk Tenants

Each example includes a brief description of the probable tenant characteristics, and the advantages and disadvantages of each set of elements. Although these elements are drawn from the promising practices described in the previous chapter, any efforts based on these elements should be rigorously evaluated to measure outcomes.

## Example A: High-Risk Tenants

### *Client Description*

Typical tenants in the high-risk category may be those with multiple difficult issues such as:

- Recent release from jail for drug related offenses.
- On probation or parole for drug related conviction.
- Drug related conviction in the prior 1-2 years.
- Multiple chemical dependency treatment episodes.
- Recent eviction(s).
- Significant prior damage to a rental unit.
- Owe damages or rent on a previous unit.
- Presence of co-occurring disorders (mental health, behavioral/social).
- On-going drug abuse.

### *Set of Elements*

The elements most likely to be attached to high-risk tenants are those that provide significant financial assurances or compensation to landlords, as well as a social services connection for the tenant in order to increase their likelihood of success in renting. Landlord incentives that could be implemented to house high-risk tenants could include one or more of the following:

- Private landlord master leases unit(s) to a social services agency or housing provider for a one to five year lease period. As the primary tenant, the services provider accepts all responsibilities outlined in the lease and then sublets to clients, providing services as appropriate. Rent and payment for damages is guaranteed through the service provider as primary lease holder.
- Payment of insurance premiums for excess insurance coverage (to pay for the difference of bringing the landlord's total liability insurance coverage to \$1 million).
- Above-market rent to compensate for potential rent losses.

- Increased damage deposit.
- Damages (for costs beyond deposit) and legal cost guarantee fund of \$8,000 per client.
- Holding fees (payment of rent while tenant is clearing credit checks or in a crisis bed or in treatment temporarily).
- Mandatory social services connection for all clients.
- Agencies co-sign leases with clients.

#### *Advantages*

- With a master lease, the service provider is primarily responsible for all aspects of the lease. The landlord is assured of receiving rent under a long-term lease with the agency and the tenant has a guaranteed service connection, increasing the likelihood of successful tenancy.
- Significant additional financial compensation up-front and guaranteed resources to cover potential future costs for rent, damages, and legal fees.
- Limits of assistance known to landlord.
- Successful rentals potentially offset poor rental experiences.

#### *Disadvantages*

- Disadvantages to master leasing include a more complicated eviction or tenant displacement process and potential for becoming known as a unit/building that houses substance users or offenders.
- Lack of centralized support services space can reduce availability of services to tenants. This may be problematic for the landlord if services were the reason they agreed to participate.
- Potential administrative burden in turning over units (if not master leasing).

## **Example B: Moderate-Risk Tenants**

### *Client Description*

Typical tenants in the moderate-risk category may be those with issues such as:

- Drug related criminal history.
- History of chemical dependency treatment.
- Poor or no rental history.
- Past eviction or notices to comply or vacate.
- Bad credit.
- Unpaid rent.

### *Set of Elements*

The elements most likely to be attached to moderate-risk tenants are:

- Above market rent to compensate for potential lost rent.
- Increased rent and damage deposits.
- Damage and legal cost guarantee.
- Increased insurance premium payments.
- Holding fees.
- Agency co-signing lease.
- Rent subsidies.

### *Advantages*

- Significant additional financial compensation up-front and/or guaranteed resources to cover potential future costs for rent, damages, and legal fees.
- Limits of assistance known to landlord.
- Successful rentals potentially offset poor rental experiences.

### *Disadvantages*

- Potential administrative burden in turning over units.

## **Example C: Low-Risk Tenants**

### *Client Description*

Typical tenants in the low-risk category may be those with issues such as:

- One misdemeanor drug offense.
- One chemical dependency treatment.
- Poor or limited rental history.
- Limited financial resources.

### *Set of Elements*

Note: Many of the incentive elements for the moderate-risk tenant group could also be applied to the low-risk group. The elements most likely to be attached to low-risk tenants are:

- Increased rent and damage deposits.
- Rent subsidies.
- Finders fees.
- Lease negotiation fees.
- Payment for credit checks.

### *Advantages*

- Additional financial compensation up-front through rent deposit and damage deposit.
- Successful rentals potentially offset poor rental experiences.
- Additional potential advantages if some of the moderate risk incentives are also implement.

### *Disadvantages*

- Would need to institute some of the moderate risk incentives to provide increased financial security to landlord.