2019 Building HOME Webinar Series IV, Chapter 7

Les Warner: So we're going to be covering Chapter 7, tenant-based rental assistance. And as you may recall, we've been talking about there are four eligible HOME activities. Homeowner rehabilitation, HOME buyer rental and tenant-based rental assistance is our final of the activities that we're going to be covering.

So we wanted to start out with a poll just to get a feel for how many of you are funding a HOME TBRA activity and then we're going to follow with a question about the type of TBRA that you're funding. So the poll looks like it's up and open. If folks can go ahead and vote now on our first question.

John: The poll will be closing in 20 seconds.

Les Warner: Great. All right. So for the folks that responded just a few more doing TBRA than are not. But I think it's a good thing, even if you are not currently running a TBRA program, to understand how that program would work and what the opportunities are. Our second question is up, if you can go ahead and respond for those of you that are running a TBRA program.

John: Poll will be closing in 20 seconds.

Les Warner: Great. All right. So kind of across the board on what folks are doing and that's great. So we're going to be talking about as we go through this topic a little bit about what your options are as far as program design. So for those of you that are not doing a program, you'll understand a little bit more about the different answers that folks have provided on this.

So tenant-based rental assistance, TBRA, is a program or an activity that's essentially providing a rent subsidy to individual households. So we're looking at what's going to be affordable for them in rent and the tenant paid utilities and then subsidizing the costs for those households based on their income. So we could run this as just a straight rental subsidy program. We could also help with security deposits and utility deposits. So you could have just a TBRA program that assisted with security deposits but did not include ongoing rental payments.

And so in some markets you might determine that we've got a lot of households that the thing that's really the barrier for them to get into housing is that maybe there's affordable rental situation, but they just can't come up with a security deposit. So that would be an option depending on what you saw your local needs as being.

If you're going to do utility deposits, that needs to be in conjunction with either rent or security deposits. So really some thought needs to go into, for a TBRA program who is my targeted household that I'm trying to assist, what are their needs and so what's the right design. I think part of this is also thinking about, I may have a limited amount of funding and I'm trying to make as much impact as possible and kind of thinking about how to best do that.

So some of the advantages of a TBRA program. You know I kept talking throughout these sessions about that HOME is a housing production program. And so you might look at TBRA as sort of a temporary fix. So if you as part of the goals of your local HOME program are trying to stabilize or add to the supply of affordable housing, it may be that you're using TBRA to try to help those households that at this point there is not yet a unit that's available for them.

Now, there are cases when you look at your market you realize, you know one of the ways for us to do this is to instead of creating units, we can subsidize the rent for some folks and that kind of stretches the effort or the impact that we're able to have.

So it gives you quite a bit of flexibility. We're going to be talking a little bit more about program design, so we can pretty specifically target our tenant-based rental assistant to some particular target groups or it may just be a broader program on folks that need some assistance with rent affordability. And it is a way to move money quickly but also for small investments, be able to reach a number of households that you otherwise would not be able to assist on that.

It also could be part of assistance with relocation or displacement. You may have folks that maybe you have units that are converting to market rate units and you've got a group of people in your community that are suddenly kind of cast out in looking for affordable housing. Or maybe you're targeting a particular sector of the population where you have folks that maybe are transitioning out of homelessness or are working through a self-sufficiency program and you're trying to be part of that support system as they are building towards self-sufficiency.

So let's talk a little bit about what we can pay for as part of this activity and what has to come out of admin. So those of you that have been around for a while with the HOME program will recall that TBRA had been the one activity where the cost to operate that program had up until this point had to be completely coming out of the PJ's admin. And so I think in some cases, PJs were a little hesitant on how much TBRA they were going to do because of this concern about living within their admin budget.

So one of the changes with the 2013 rule was that it allows certain costs to be charged as a project delivery cost. So the annual inspections that we would be doing on the units to make sure that they meet our property standards and then also our income eligibility determination.

So each year, whether it's that initial funding or it's that at that one-year renewal, we would be calculating that household income and then doing our calculation to determine what is the affordability subsidy that we're going to need to provide as part of our TBRA assistance. So those two main functions are something that can be charged off as a project delivery cost.

Other costs that are related to marketing the program, overseeing that, are still going to have to come out of your admin line item, but there is a little relief here with this change in the rule and that may be helpful for some PJs who may want to reconsider whether this is an activity they might want to undertake. I will say overall that we're seeing the dollars spent in TBRA going up in recent years and I think partly because it's a very effective way to make a quick impact with investment.

So as I mention we have some variety in the kinds of TBRA programs and the program does allow that. So we could do a community-wide program where anyone who income qualified could be assisted with TBRA, but we also could pair these. So we might have a self-sufficiency program that was being operated and we could set up a TBRA program that was specific to the self-sufficiency program. We also could operate TBRA in conjunction with home buyer, where we're assisting with affordability assistance with those households while they are saving to prepare hopefully for home ownership.

Also, we could do a targeted population. So I gave the example of individuals coming out of homelessness or other situations where we are helping them as they hopefully transition towards self-sufficiency. And then, as I mentioned, we could have an anti-displacement program.

So for instance, if we saw a number of properties within our community who had gone market rate, we could provide a TBRA program that was specifically set up that would not be property-specific, but it would be for anyone in a similar situation.

So it could be for folks that are being displaced or at risk of being displaced with this change from subsidized to market rate. So we have some opportunities there. We also already talked about doing strictly a security deposit program and then also talked about utility deposits can be incorporated in with either a rental assistance program or could be part of that security-deposit-only program.

So let's talk about some of the things that we can't do with this. So if we have an owner of a cooperative or mutual housing unit, so if you're in an area where these are recognized by state law, then they're not considered renters and so they wouldn’t be eligible. So if you were in an area where these were not recognized as ownership, then you would have the potential of being able to assist.

We can't provide these funds to folks in the shelter for overnight or temporary shelter but, as we talked about, we could have a program that was assisting them as they were coming out of the shelter or other temporary facilities and moving into a permanent housing situation where we talked about indicators such as having a lease specifically in their name and being income eligible.

We could be assisting with TBRA for those households. And of course, as always, when we determine whether it's appropriate to provide assistance, we can't duplicate if they - we've got a household that's already receiving rental assistance and they're already not paying anything more than 30 percent of their household's income, we couldn't provide them TBRA because essentially there isn't a need for it and we would simply be duplicating or over subsidizing that household.

So as part of your program design, you're going to need to have a tenant selection in place. So what your process is going to be for income eligibility if you have preferences in place as part of that. Now, we mentioned earlier for the program rule that at initial occupancy that our households had to be at 60 percent and below and we talked about that that included TBRA.

And so as far as initially being accepted into our TBRA program because we're held at 90 percent overall of our household's being at 60 percent or below, I would think that most programs are going to say for TBRA that all households at least at initial occupancy are going to need to be at 60 percent and below.

You as PJ could obviously, as part of your tenant selection criteria, have a more restrictive. You could be targeting this a little bit lower. You could make it at 60 percent and below not just at initial occupancy, but for at any point that they would be continuing to receive TBRA assistance. That's really a local preference or program design that needs to be spelled out within your written policies.

We also have a couple of ways that we could select who was going to be receiving this assistance, but we could do our own waiting list and so that could be based on these specific program designs that we're using, but you also could simply be saying I'm going to target this TBRA program for these households that are on the Public Housing Authority's waiting list and you might be using, I would think, the Housing Choice Voucher waiting list. And so in that case, those folks that are receiving TBRA are not going to lose their place on the Housing Choice Voucher waiting list.

And so your hope would be, now that's really going to depend based on the length of those waiting lists, but your hope may be that your exit strategy for these households would be that they're on TBRA until the point that they come to the top of the waiting list and are able to get a Housing Choice Voucher which would be a longer term source of subsidy for them.

And so you have to think about what if - how am I going to select those that are going to receive this, and whether I'm going to use my own waiting list or whether I'm going to tie in with the Public Housing Authority and their waiting list.

Keep in mind that, of course, with HOME funds, our tenants must be low income, so we're going to determine their income; we're going to make sure that that income determination's no older than six months at the point that we're going to sign that contract and commit to provide our HOME funds to assist them.

And also, for our TBRA we're going to annually be reverifying income and when we do that, we're also going to be then resetting what that rental subsidy would be. So if their income goes up a bit, then we might be reducing what that monthly TBRA subsidy that we are going to be providing. If their income goes down, we're be raising that level.

So last bullet point here is what we really just talked about a moment ago. This reminder that when we have this project rule that has to be met with at least 90 percent of those households, that initial occupancy, so I'm suggesting probably the easy way to be able to do this is to simply say, we're going to keep our TBRA for households at 60 percent and below and that might make it a little bit easier to operate but it's really - it's a local decision for you.

So where can folks then take their TBRA assistance? Where can they live? So they could live in any publicly or privately owned unit or property and that would include a HOME-assisted property. So we spent some amount of time in a couple of places in this training saying that you can't use HOME funds as a project-based subsidy.

So I couldn't design as the PJ, I couldn't design and set up a TBRA program that was only going to assist folks who lived in the West Side Manor Apartments. But so it's not tied to a particular property or properties, but if that tenant finds that there's an available unit in one of your HOME-assisted properties and that's where they wish to live, that's perfectly fine. You didn't design your program to only help that particular property.

We also talked already about this duplicative form of rental subsidy. And the unit must have a reasonable rent. And we're going to be talking about how that may be defined for your program in a couple of minutes here.

So another program design decision that you have to make is about portability. So we said that this is a subsidy that is going to the tenant versus to a property or a specific unit. So you must allow the TBRA recipient to move to another unit within your service area. So within the PJ's area you are required to allow them.

So let's say I have approved someone for a TBRA and when they come to their one-year lease renewal that family says, I want to move to a different property ad I want to be able to take my TBRA assistance with them. That's perfectly fine and you need to allow that. You, of course, are going to go through your annual reverification. You're going to inspect that unit to make sure that it meets your property's standards, but that is allowable.

The program design issue here is that you don't necessarily have to allow them to take that assistance outside of your area. And so that's a decision that you need to make some PJs will say, I've got limited HOME funds to serve the residents of my area and so I don't want to be using some of the funds to subsidize someone who's going to live elsewhere. But in other cases, we'll have programs that will say, I'm going to make my policy that I will allow portability for this person who maybe is moving for a job or is moving for educational reasons.

So that's something that you can lay out within your program design. Keep in mind that if they are moving outside of your, let's say, city for example, that that other unit you're going to have to make sure is in inspected and you, of course, are going to be annually recertifying that household. So there could be some logistical issues or challenges for you, although it might be that you have another entity in that area agree to do an inspection on your behalf and be able to handle that in that way.

So let's talk about property standards. So this is one of the places where with the revision of property standards with the new HOME rule or updated HOME rule, we saw the Section 8 housing quality standards, HQS, removed for the most parts from our standards except for in tenant-based rental assistance.

And in many cases across the country, our TBRA is actually being administered by that local Public Housing Authority. So it really makes sense and kind of aligns well with those programs which are also using HQS, so this is the one place that we're using the housing quality standards. So that's going to be the standard that will be used for your inspection of those units.

You also need to have occupancy standards in place. So this is talking about for, based on a household size, what's the minimum size of that unit that they will occupy. So would we allow six people to occupy a two-bedroom unit. So you as a PJ could either develop your own standards.

It may be that you have a local standard such as a Public Housing Authority that has a standard in place and you could choose to adopt that standard for use for your program. Also keep in mind that the lead paint requirements which are under Subpart M also apply to this, so part of our inspection is ensuring that we have units that are hazard-free as far as lead.

So lease requirements, again, we talked yesterday about the prohibitive lease provisions which are in Chapter 6 listed out there. So we want to make sure that the leases do not contain those. Also make sure that we have a lease; generally, it's going to be for a one-year period and that you also have to have some standards in place about termination or non-renewal. So for instance, we could have a self-sufficiency program where they were required to participate in that program.

So we talked about in rental housing that you could not require someone to participate in the services, this is one of the exceptions that for a self-sufficiency program that we could have a household be required to participate in the self-sufficiency program and if they failed to do that, they would still receive TBRA but they would not be eligible for renewal on that. And we'd want that to be spelled out within our program requirements.

So our process then for determining what is going to be affordable for that household is going to be based on looking at what the available income that that household has. We talked about wanting to make sure that folks were renting a unit that had a reasonable rent, so we're going to have a payment standard for each bedroom size.

So we want to make sure that we're not assisting a tenant who rents the penthouse apartment and then we're going to make that affordable for them. Also, as part of that calculation, we're looking at both the costs of the housing and the utilities, much like we talked about for rental housing that affordability calculation includes all the tenant paid utilities along with their housing costs. So the way that subsidy is calculated is going to depend on the type of TBRA program that you have adopted.

So let's talk about that payment standard. So this is something that's going to be established by the PJ and it would apply for all of your units. So you could choose to use the Section 8 payment standard, but you might, in reviewing those, determine this doesn't really line up with the particular area of housing that I'm in and I don't really think that works well for us. So you could choose to do a market study and establish your own payment standards that you're going to use.

And this is essentially setting the upper limit for the rent based on which you're going to provide a subsidy, and we'll walk through a couple of examples particularly using the Housing Choice Voucher model which will help you understand that if you're someone who's not dealt with this.

So our subsidy is going to be based on that payment standard minus 30 percent of that household's adjusted income. So we're going to expect that tenant to pay what's going to be affordable for them and we're defining that as 30 percent of their household adjusted income. So in some cases, we're going to find that a household is going to choose a more expensive unit. We're still going to use our payment standard instead of that actual rent. Some of this is going to depend on the particular program design, you'll see in a minute when we talk about Housing Choice Voucher that they have some more specific rules. For a local program design, you could choose to design your program a little bit different.

You also would be establishing a minimum household payment. So that might be that you said everybody's going to pay a minimum of $50 whether that is a little bit more than 30 percent of their household income or not, it would be typical that you would have a minimum household payment at some level. And then you can pay up to 100 percent of the security deposit, utility deposits.

Part of your program design would also lay out when those deposits are returned when they exit, are those deposits going to be returned to the program or are they going to stay with that household. If they're coming back to you, if that security deposit comes back to you as the program, that may mean that that household's going to have difficulty moving to the next unit because of not having the money to be able to do that.

So let's talk a little bit about the models and I think that'll help you see kind of how this would be done. So typically we're seeing that particularly when the program is being operated by the local Public Housing Authority, we're going to see use of the Housing Choice Voucher program as the model, but as I said, you as the PJ have the option to be able to develop a local model that can be operated a little different than the Housing Choice Voucher model.

So the way the Housing Choice Voucher model works is that we will have established a payment standard. A household could choose to rent a unit that was more expensive than that standard but it's going to affect the amount that that household's going to be paying.

So there is a limit on how expensive that unit can be and so the Housing Choice Voucher program has said that we'll work with households that have rented a more expensive unit but we will not assist if that difference that that tenant's now going to be paying is going to exceed 40 percent of their total tenant payment.

In other words, they're concerned about if the household chooses to rent too expensive of a unit, it's not going to be sustainable for them because they really can't cover that and deal with all the other expenses for that household. So the payment subsidy that the PJ's going to make for TBRA under the Housing Choice Voucher model is never going to exceed our payment standard, but if we have a household that selects a cheaper unit, we might actually be paying less than that because our household is always going to be paying that 30 percent of the total tenant payment that's required by that model.

So depending on the unit that they rent, the household's payment is always going to be at least 30 percent but it might go higher if they choose to rent a more expensive unit. Let's look at a couple of examples here. So if our payment standard for a one-bedroom unit is $1,000 and the calculated share that that family's going to make, which is considered to be affordable, is $300 then the maximum payment the TBRA is going to make is $700, and that's what's needed to make that payment standard unit affordable.

In Example 1 they've located a unit they want to rent and it's a little higher than that, it's $1100. And so the program's still going to pay that $700 that we determined was the amount that needed to be paid based on our payment standards. And so the tenant is going to be paying higher than that $300. So they're going to be paying the difference of $400 and, in this case, that's still falls within this cap under the Housing Choice Voucher example of not exceeding 40 percent of their total payment.

Example 2, they found a unit that was cheaper than our payment standard. And so in this case we again, we're going to require that household to pay what's going to be affordable for them, which is the $300. So the program is going to benefit from that more affordable unit and we're going to be paying $600 rather than $700. Now, for a local program design, you could handle this differently and say that if they found a more affordable unit that the tenant would benefit from this rather than the program, that's really a local program design if you're doing a local program but Housing Choice Voucher program has some specific rules on this.

So we're going to have a rental assistance contract with that household. Those contracts can't exceed two years, but they could be renewed. So we could have a household that, let's say lived in a unit and received TBRA for a 10-year period, every two years we're going to renew the contract and every year we're going to be going back requalifying their income, resetting the level of assistance that they're going to need based on their current income and the cost for that unit.

Now, I just wanted to mention that typically we see a variety of models here. A lot of our TBRA programs are being administered by the local Public Housing Authority, but we also have programs run by other partners and that's why we have a variety of models. And you, in putting together your program, need to be clear on how that's going to operate. I will also mention you could have several TBRA programs.

You could have a TBRA program that was set up with the Public Housing Authority that was going to use their waiting list, but you might have a second TBRA program that was maybe targeted towards folks transitioning out of homelessness and that was being operated by someone else and had a different program design as far as some of the calculations and the rules that would apply.

All right. So John, I'm going to have you end the recording for a moment and then restart it and we'll start our question and answer session.