

The COVID-19 health and economic crises have created an urgent need among communities to pursue innovative financing and project models to prevent and end homelessness and promote housing stability among low-income households. This brief provides information on financing options for the development and implementation of shallow rental subsidy programs as one model to support housing stability for low-income individuals and households experiencing economic volatility due to COVID-19.

Shallow Rental Subsidies

A shallow rental subsidy program provides a long-term rental subsidy to participants in order to help them achieve housing stability and prevent homelessness or reentry into homelessness. The subsidies are considered “shallow” compared to traditional “deep” subsidies such as those provided by Housing Choice Vouchers and Permanent Supportive Housing (PSH) because they provide a lower level of assistance, often based on a set monthly amount.

Shallow rental subsidies are particularly effective for recently rehoused or unstably housed households living in high-cost rent environments, those experiencing fluctuations in income and employment, those on housing waitlists, and those on a fixed income that need a small amount of rental assistance but not the level of support provided through Rapid Rehousing (RRH). Emergency Solutions Grants (ESG) or ESG-CV cannot provide permanent funding for a shallow subsidy program but could provide initial funding while a community identifies a permanent funding source. There are a number of other financing options including those described in the examples below. Following are several factors to consider for establishing a shallow rental subsidy program in your community.

Design Considerations for Shallow Subsidy Programs

Communities that are interested in developing a shallow rental subsidy program should consider the following elements of program design in order to respond to the distinct needs of the population they intend to serve:

Population of focus: Shallow rental subsidy programs may be designed to respond to the particular needs of a population of focus such as seniors, veterans, persons with significant health or behavioral health needs, or people exiting institutions of care. The population of focus for the program may be impacted by the funding source and may impact components of program design such as length and amount of assistance provided. For example, a shallow subsidy program designed for people who are anticipated to increase income should look different in the length and amount of assistance provided from a program designed for fixed-income households that will need assistance indefinitely. Individuals and households may still be cost burdened while receiving shallow rental subsidy assistance.

Length of assistance: Shallow subsidies may be of indefinite length or may be for a defined term such as up to five years. They are often intended to be available for several years longer than most RRH programs. Projects should consider the population, number of clients they plan to serve, and the amount of assistance that will be provided to help determine the length of the program. Often, these programs provide for eligibility redetermination at certain intervals—for example, the Supportive Services for Veteran Families (SSVF) Shallow Subsidy program requires redetermination every two years with the household eligible for continued assistance, if needed.

Amount of assistance: Shallow subsidy programs often establish a flat rate or fixed subsidy amount, but the method for determining this amount varies across programs. The subsidy amount could be determined through a number of methodologies, including a flat dollar amount (e.g., \$200/month per household), a fixed percentage for all households (e.g., 30 percent subsidy of total rent and utility costs per household), or a fixed percentage based on Fair Market Rent (FMR), income, or unit size (e.g., 35 percent subsidy based on FMR).

Additional program services: Shallow rental subsidy programs may be designed to only provide rental subsidy assistance, but many programs offer program participants access to additional housing stabilization services. Examples of such services include housing navigation and placement resources, move-in assistance, “light touch” case management, connections to mainstream resources, and budgeting and money management training.

Case Studies

The following case studies highlight community examples of shallow subsidy programs for low-income persons who may be at risk of or experiencing homelessness, including information on the federal, state, local, and/or private funding source(s) utilized to support the program.

Friendship Place Veteran Services Division, Washington, D.C.

Funding Source: SSVF program’s Shallow Subsidy initiative—Veterans Affairs (VA). The SSVF Shallow Subsidy initiative provides rental assistance to very low-income and extremely low-income veteran households who are enrolled in SSVF’s RRH or Homeless Prevention (HP) services and remain rent-burdened and require the longer-term, shallow subsidy rental assistance to maintain permanent housing. For more information on the SSVF Shallow Subsidy initiative, including eligible geographies, please see the [Compliance Guide](#) and [FAQ](#) document.

The Friendship Place SSVF Shallow Subsidy project is available to SSVF eligible veterans earning 30–50 percent of the Area Median Income (AMI) or below for housing within D.C. city limits. A 35 percent flat-rate subsidy is provided to each household based on the FMR of the unit for a period of two years, which can be recertified for another two years, if needed. Participants are required to pay for their amount of the rent over the flat subsidy amount, as well as utilities. Participants in the Shallow Subsidy program also receive “light touch” housing-focused case management through the program.

Please see [Built for Zero’s user guide](#) for more information on the Friendship Place SSVF Shallow Subsidy Program.

Housing Authority of Tulare County, California

Funding Source: Moving to Work (MTW) Demonstration Project—U.S. Department of Housing and Urban Development (HUD). MTW is a demonstration program for county public housing authorities (PHAs). The focus is to provide flexibility to use federal funds in innovative ways to combine employment and housing assistance for low-income families in public housing. For more information on the MTW Demonstration Project, please see the [Demonstration Project Information](#) and [Participating Agencies](#) information.

The Housing Authority of Tulare County offers flat rents in its public housing units and fixed subsidies in its voucher programs through its MTW demonstration program. Rents and subsidies are based on unit size and not income; therefore, participants can keep the full amount of extra income they make while participating in the program. Assistance ends when a household’s income reaches 120 percent of the AMI or after five years in the program, whichever comes first. Please see [the Housing Authority of Tulare County’s page on MTW](#) for more information on this project.

Salvation Army Community Integration Services (CIS) Shallow Subsidy Program, Los Angeles

Funding Source: Local/County funds. The Salvation Army CIS Shallow Subsidy Program is funded through a [\\$12 million annual grant](#) from the Los Angeles Homeless Services Authority. The funding from this grant comes from Los Angeles County Measure H, which utilizes one-quarter of a center increase in the county’s sales tax to provide funding for homeless response services, rental assistance, and housing. For more information on Measure H, please see [Los Angeles County’s Homeless Initiative](#) .

The Salvation Army CIS Shallow Subsidy Program provides rental assistance support to individuals or families who have received RRH assistance and need ongoing rental assistance to maintain their housing due to rent burden and low income. The program provides assistance with up to 35 percent of monthly rent for a period of up to 5 years, depending on their level of need. Additionally, the program has prioritized 20 percent of its slots

for seniors (persons 62 years of age and older) who need rental assistance to maintain their housing due to rent burden and low income while waiting for affordable/low-income housing.

To be eligible for the Shallow Subsidy Program, individuals must be:

- A Los Angeles County resident enrolled and currently housed through an RRH or HP program;
- An adult (18 years of age or older);
- Low income (have income at or below 50 percent AMI);
- Experiencing severe rent burden (paying at least 60 percent of their income toward rent);
- On a subsidized/low-income housing wait list or employed or in an employment education training program;
- In good standing with landlord/property manager; and
- Stable as a tenant, requiring a minimal amount of help for rent and not needing case management.

For more information on the Salvation Army CIS Shallow Subsidy Program, please see the [Program Information](#) and [Flyer](#).

DC Flexible Rent Subsidy Program, Washington, DC

Funding Source: Local funds. Funding for this pilot program is provided by the DC Department of Human Services (DHS), which partners with the non-profit organization Capital Area Asset Builders (CAAB) to administer the program.

The DC Flexible Rent Subsidy Program (DC Flex) launched as a pilot program in September 2017 to provide shallow, flexible subsidies to assist low-income families in maintaining affordable and stable housing. The goal is to assist families whose income or earnings fluctuate month-to-month and whose situations may not require the deeper subsidies that are offered through other housing voucher programs.

DC Flex allocates \$7,200 a year to each family via a program-specific bank account for up to four years (the term of the pilot), or longer if the program is continued. The program allows families to decide how much of the subsidy to spend each month, up to their full rent amount.

To be eligible, families must:

- Earn 30 percent of AMI for DC;
- Receive income from employment;
- Have a valid lease in a DC-registered apartment; and
- Have applied for or received emergency housing or homelessness assistance in the past.

The program does not offer case management or housing search assistance, but families are required to attend at least two one-on-one financial coaching sessions. At the end of each year, the family can withdraw up to \$500 of leftover funds for household expenses and, at the end of the program, the family can withdraw any remaining savings. For more information on the DC Flexible Rent Subsidy Program, please see this [article from Urban Institute—Greater DC](#).

Shallow Rent Pilot Program, Philadelphia, PA

Funding Source: Local funds. The City's Division of Housing and Community Development (DHCD) has dedicated \$2,000,000 from the City's Housing Trust Fund (HTF) to provide Shallow Rent Vouchers. DHCD hopes to continue this level of funding for at least five (5) years; however, this commitment is conditioned on the ongoing availability of funds.

In January 2020, the Philadelphia Housing Development Corporation (PHDC) announced a new Shallow Rent Pilot Program designed to provide monthly rent vouchers, not to exceed \$300/month, to tenants who are leasing units in the City of Philadelphia at rent levels that exceed 30 percent of their gross income ("cost-burdened tenants"). Rent vouchers will be issued directly to owners and property managers of affordable housing properties with

income-restricted rental units on behalf of their cost-burdened tenants. Assistance is available for tenants until they no longer qualify as a cost-burdened tenant. Projections are that this project will help 1,100 families in the first year.

For more information, please see PHDC's [Request for Proposals](#) for the Shallow Rent Pilot Program.

Innovative Funding Models

The [Flexible Subsidy Call Out Sheet](#) (2018) developed by the Homelessness Policy Research Institute highlights a number of innovative models for developing flexible, flat, shallow, and soft subsidy programs.

Programs highlighted include:

- Flexible Housing Subsidy Pool—Los Angeles County, California
- Napa Flexible Housing Funding Pool—Napa County, California
- Affordable Housing Fund—Denver, Colorado
- Flexible Housing Subsidy Pool—Chicago, Illinois
- Flexible Rent Subsidy Pilot Program—District of Columbia
- Housing Solutions for Health Program—Alameda County, California
- Shallow, Flat Subsidy—Alameda County, California