MONETARY INCENTIVES AND REIMBURSEMENTS

STRATEGY: MONETARY INCENTIVES AND REIMBURSEMENTS

Payments, usually one-time, that may encourage participation in the HCV program, or may mitigate perceived risk of being an HCV landlord.

Who: **All PHAs regardless of size and/or location. This strategy tends to be particularly effective in competitive rental markets.**

Cost: $ $$ $$$ Minimal to high, depending on source of funding.

Implementation Considerations: ● **LOW** ● **MEDIUM** ○ DIFFICULT

Monetary Incentives and Reimbursements PHA Process Improvements

PHA Process Improvement	Monetary Incentives and Reimbursements
Increase Recruitment	X
Increase Retention	X
Improve Responsiveness	
Improve Tenant-Landlord Relationship	
Improve Inspections Process	
Minimize Bureaucracy	

Related strategies:

- Partnerships

WHAT THIS IS AND WHY IT WORKS:
Monetary incentives and reimbursements for landlords can be used to respond to reluctance to join the HCV program by addressing delays in leasing and costs for repairs.

While there are many tools a PHA can use to encourage program participation, monetary incentives and reimbursements are often more visible to landlords.

OVERVIEW OF MONETARY INCENTIVES AND REIMBURSEMENT FUNDS

Targeted Issue	Sample Incentive or Reimbursement
UNIT VACANCY/FINANCIAL LOSS	**Signing Bonus:** Offers a financial reward to the landlord for joining the program or for adding more units to the program. **Vacancy Fund:** Can offset the financial burden of a unit sitting vacant and awaiting initial inspection.
DAMAGES TO UNITS	**Security Deposit:** Assistance with a security deposit, while provided to a voucher family, also serves as a way to reduce landlord concerns about damage and repairs above and beyond normal wear and tear. **Damage or Mitigation Fund:** Vacancy and damage mitigation funds can be used in certain circumstances to repay a landlord for losses incurred as a result of a program-related delay or damage to a unit above and beyond normal wear and tear. **Rehabilitation:** While not targeted to address damages, funds to improve units can help landlords maintain and improve their housing stock.

In addition to any financial benefit these incentives and reimbursements offer, landlords recognize them as a symbol of support for some of the financial burdens posed by renting housing. Damage claim or damage mitigation funds may be administered by a PHA, but are more likely to be funded and operated through other entities. This may be because these funds tend to be created alongside the passage of source of income (SOI) legislation to address landlord concerns. The availability of these funds alleviates concern for actual or perceived financial risks regardless of whether the funds are paid out.

Incentives offer more than money

While some PHAs noted that their incentive programs were not frequently accessed, the existence of the programs acknowledges the importance of landlords in the HCV program. The programs lessened landlord concerns about potential financial burdens.

ARE THESE RIGHT FOR MY PHA?

If the PHA wants to increase the number of landlords it is working with, expand into new neighborhoods, or address specific landlord issues, it may wish to explore whether financial incentives and reimbursements will motivate landlords to overcome their possible reluctance to rent to voucher families or satisfy concerns expressed by landlords. The funding source is critical to the PHA determining whether such a program will be a good fit. The PHA may wish to directly fund and administer financial incentives or reimbursements based on careful analysis of any grant or funding restrictions. The PHA may also work with or refer landlords to other organizations that fund and administer incentives and reimbursements. These may include state, county, or local government entities. Social service nonprofit agencies may also administer some incentives. It is important to note that these incentives are often designed for tenants, including voucher families.

The PHA may decide that implementing monetary incentives and reimbursements is the right course of action at a particular point in time. The PHA may want to monitor funds expended and levels of landlord participation to decide whether monetary incentives and reimbursements will be temporary or will remain part of the PHA's toolkit on an ongoing basis.

IMPLEMENTATION

When considering how to add monetary incentives or determining what monetary incentives might be most beneficial, PHAs should examine the following questions:

How can a PHA identify monetary incentives that already exist or take steps to assist in the development of incentives?

- Identify areas of concern that might be improved or resolved with a monetary incentive. At what point does a prospective landlord decide not to work with the HCV program? Is there a juncture where more voucher families are unable to use their vouchers? Why do existing HCV landlords leave the program?
- At meetings or conference calls, pay attention to how other PHAs, localities, or organizations have dealt with similar issues. Ask those organizations how they got started.
- See the Partnerships chapter for a discussion of how to inventory local organizations and programs, identify resources, and reach out to link these programs with the PHA's landlords and voucher families.

NOTICE: Websites or forms related to federal housing programs and the application process administered by the PHA for an incentive program must comply with Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act requirements. The obligation to ensure web content accessibility for persons with disabilities includes, but is not limited to, ensuring that all images, including graphs and charts, include appropriate alt-text.

If a monetary incentive or reimbursement program doesn't already exist, what are steps a PHA can take to locate funding for such a program?

- Being a visible entity in the community can bring unexpected partnerships and funding sources to a PHA. One PHA with a highly engaged executive director and a number of outreach programs designed to educate and employ PHA residents regularly received calls from area nonprofits. These nonprofits had identified a problem, secured funding, and developed a program to address it, but needed a reliable community-based partner for implementation.

Start the Conversation!

After reaching out to foundations or non-profit organizations, one PHA noted that these traditional funding sources held the misconception that PHAs were adequately funded. They also hesitated because the PHA was not a 501(c)(3) organization, unlike most of their other grantees. The PHA explained their mission and their eligible non-profit status, how their goals aligned and how their funding worked, for example, administrative funding restrictions. This education process took about 6 months. Now they have established formal relationships with multiple foundations and have been awarded funding.

- Developing partnerships and serving on boards can alert PHAs to funding sources outside of HUD or known partners. See the Partnerships chapter for more ideas on ways to connect to outside funding sources.
- **Educating organizations who may not understand how a PHA is funded, what restrictions PHAs face in funding, or how the PHA's mission aligns with that of the organization may help open new funding streams. See the Partnerships chapter for more information on working with foundations and other nonprofit organizations for funding.**

The remainder of this strategy will discuss some of the types of monetary incentives that PHAs have implemented or located to attract new landlords and increase satisfaction for existing HCV program landlords.

PHAs must also carefully consider how to market their monetary incentives. For example, if offering a signing bonus for new landlords in high opportunity areas, PHAs need to ensure marketing strategies reach low-poverty/high opportunity markets. In this case, PHAs could advertise locally or spread the word through apartment associations or real estate groups.

MONETARY INCENTIVES AND REIMBURSEMENTS TO ADDRESS UNIT VACANCY/ FINANCIAL LOSS

SIGNING BONUS

A signing bonus is typically a one-time payment that the PHA will make to a landlord who has rented a unit to a voucher family. The PHA sets the conditions of the payment. It may be offered to:

- Landlords who have never participated in the program
- Landlords who may have participated before but have not participated for a specific period of time
- Landlords who rent a unit for the first time in a low-poverty/high opportunity neighborhood where voucher families tend to have a more difficult time finding units

The PHA sets the terms of when during the tenancy the landlord receives the funds and whether a landlord may be eligible for an additional bonus.

VACANCY FUNDS

The process of moving a voucher family into a rental unit can take longer than the process of moving a market-rate tenant into a rental unit. A move-out with excessive tenant damage may also delay a landlord from moving in a new tenant in a timely manner. To encourage landlord participation in assisted housing programs, vacancy funds provide a monetary incentive to landlords to compensate for missed days of rental income. These funds pay the landlord all or a portion of rent the landlord would have been able to collect if renting to a market-rate tenant, but could not receive while awaiting the move-in of a voucher family. The incentive is a recognition that the inspection and paperwork, as well as a move-out with excessive damage, can slow the move-in process. The following are ways that three PHAs have implemented this incentive.

Example 1: One large PHA offers landlords a range of incentives to house voucher holders connected with local homelessness programs. These incentive programs include holding fee (vacancy incentive), security deposit, and damage mitigation. The amount the housing authority can spend on monetary incentive programs for an eligible client from the county is capped at $4,500. The holding fee and security deposit programs are most often used. Landlords are eligible to receive money for the time it takes the PHA to process a new client and have them move in. They can receive up to 1 month's rent per vacant unit held, based on the number of bedrooms and fair market rent. Landlords receive money even if a tenant does not move in. The landlord does not have to wait for a known delay in move-in to apply because the holding fee is included as part of the standard landlord

application under the Homeless Incentive Program. The security deposit offered by the housing authority or its partnering organizations to homeless voucher families is impactful with landlords. The voucher families can be eligible for additional support, including utility assistance and furniture essentials, depending on the needs of the voucher family.

Example 2: A municipal housing department in Arizona, which administers HCV, used 1-year grant funding to create a landlord incentive for vacancy payments and application fees. The housing department will pay up to $500 (for a pro-ration of 7 days of rent) to:

- Landlords who lease to a voucher family upon the move-out of another voucher family
- Landlords who have not been active in the program and have a voucher family ready to move into a unit

To apply, landlords must provide a W-9, a signed lease agreement, dates of move-in, number of days the unit has been vacant, and the rent amount.

This incentive is funded through a somewhat unique source that should remind PHAs to look widely for funding sources. When asking their city grants specialist for funding opportunities, the housing authority learned about a grant available through a tribe. As part of a gaming compact, Arizona tribes that operate casinos must share 12 percent of their revenue with local government services, which they provide in the form of a grant. This housing department also uses HUD HOME funds for security and utility deposit assistance.

Example 3: An additional example of a vacancy incentive program involves a PHA working with multiple organizations. As part of a long-term goal to increase the number of affordable housing units in a tight housing market, a working group of county officials, a local PHA, and landlords passed an SOI ordinance for landlords in unincorporated areas of the county. They then created a set of landlord incentives. Funded by the county but administered by the PHA, the incentives include damage mitigation, vacancy loss coverage, security deposit, and waiver of permit fees for landlords in the unincorporated area of the county with participation in HCV. The PHAs provide landlords with access to fair housing and Housing Quality Standards training. The vacancy incentive provides up to 1 month's rent (up to $3,000) to the landlord while extensive repairs are taking place with the commitment to rent the unit to another voucher holder.

MONETARY INCENTIVES AND REIMBURSEMENTS TO ADDRESS DAMAGE TO UNITS

SECURITY DEPOSITS

Security deposit incentives are typically made to the voucher family, but they end up providing a benefit to the landlord as well as to the family.

Tip: There are HUD funds that a PHA may use for security deposit initiatives:

- PHAs or partnering agencies who receive HUD Continuum of Care Rapid Rehousing funds may use those funds to pay for security deposits, first and last month rent payments, utility deposits and payments, and help with moving costs. PHAs must ensure that no rent or utility payments are paid as a duplicative subsidy to HCV HAP.
- HUD HOME funds may be used for security deposits.
- HUD Emergency Shelter Grants, available to PHAs and other organizations through local government entities to prevent homelessness, can provide financial assistance including rental application fees, security and utility deposits, utility payments, last month rent, and moving costs.
- A PHA could use reserve funds for security deposits.

Under the HCV program, voucher families are responsible for most of the additional costs associated with renting a unit. These costs can include security deposits, application fees, first and last month rent deposits, and utility deposits. If the family lacks the funds, the landlord decides whether to forgo the deposit or seek another family. Accepting a tenant without a deposit increases the landlord's financial risk. Although it is not an incentive where a landlord is guaranteed to receive additional money since the unit may not be damaged, security deposits are a popular incentive with landlords.

Typically, the deposit is returned to the incentive fund if the tenant moves without incurring damages to the unit above normal wear and tear.

Damage Claim or Mitigation Funds

Many landlords are concerned about unit damages. Payment for tenant-caused damages is typically the responsibility of the tenant as stated in lease agreements. This concern can be increased when a landlord houses tenants who may not be financially able to provide a security deposit – such as a low-income family receiving housing assistance from HUD.

Damage claim or damage mitigation funds can pay the landlord for excessive tenant-caused damages beyond normal wear and tear when the landlord has been unable to collect payment from the tenant. Note: Damage fund programs can successfully increase landlord satisfaction even when the landlord does not need to use them. When landlords have access to an initiative that helps pay for repairs, landlords may feel more secure knowing they have funds available if needed for repairs.

NOTICE: When marketing a damage or mitigation fund, PHAs should be mindful to not inadvertently continue the narrative that HCV families will damage units. PHAs can use this opportunity to bust this myth with fact: HCV families do not cause more damage than market-rate tenants.

PHAs might consider marketing this as a mitigation fund to assist landlords with making needed repairs versus making repairs that result from tenant-caused damage.

Elements of damage claim program may include:

- A time frame for submission. For example, landlords are required to apply within 21 days of the tenant moving.
- Submission of evidence that damage exceeds normal wear and tear such as photos and repair estimates.
- Proof that the unit was occupied by a family with a voucher.

Below are examples of three mitigation fund incentives.

Example 1: One state created a mitigation fund, paid through state general funds, when they enacted an SOI protection law. The fund reimburses landlords of HCV tenants for the following:

- Unpaid rent including late fees
- Lease-break fees

- Loss of rent due to repairs for qualifying property damage
- Property damage above normal wear and tear
- Other costs related to lease violation
- Legal fees associated with filing a small claim

To access funds, landlords are required to pursue a small claims judgment. This requirement was intended to increase accountability by having a judge review the claim. However, since not all judges have expertise with move-in/move-out checklists and reconciliation reports, there are criticisms that this step is an extraneous formality. The program claims average $4,000 or more. The benefit ceiling is capped at $5,000. The cost and time associated with the small claims court process may deter landlords for pursuing amounts under $1,000. The program has 45 days to respond to landlord claims. Within 30 days of receipt of funds, successful claimants must then file a satisfaction of judgment which indicates they have received payment. Something important to keep in mind is that larger landlords in metropolitan areas often have more resources to complete such a process than smaller-scale landlords, including landlords in more rural areas.

Example 2: A neighboring state replicated this program, extending it to landlords who serve any subsidized tenant or who will take rental payment from another organization. This mitigation program, however, removed the small claims judgment requirement, citing it as an obstacle to access. To further support housing stability, landlords may apply for mitigation funds at any time during the tenancy, not just when a tenant moves out. They may also apply more than once, but the total for all claims may not exceed $5,000 per lease agreement and any claim must be for at least $500. The program uses internal staff to review the claim applications, which require proof of subsidy, a move-in report, a subsidized housing inspection report, and photos and receipts documenting the damages. The landlord may not then pursue any additional funds from the tenant. More than $3 million has been paid to landlords across the state.

This program also includes a pre-inspection claim to repair existing damages that would cause a unit to fail an initial housing assistance inspection, such as HQS. The landlord is responsible for the first $500 in costs, then the landlord can receive up to $1,000 in reimbursement for additional costs of repairs. Landlords may also claim rent loss for up to 14 days if caused by the needed repairs or inspection.

Partnership Opportunity

While some incentive programs may be run and managed by other organizations, this does not mean there are not ways for PHAs to be involved.

For example, while a state may manage a mitigation program, PHAs may have the opportunity to partner with the state agency to create the processes that facilitate fund access for HCV landlords. This could include obtaining needed forms from the state that the PHA then distributes to landlords or creating a guide for landlords on how to access funds. PHAs with an established relationship with their state agency are also in a position to offer feedback on how the process is, or is not, working for their landlords.

The Partnerships chapter offers additional information on how to establish such a relationship.

Example 3: Another PHA receives yearly funding from a national nonprofit for a damage mitigation program. Under the program, the PHA will set aside 1-month's rent or $1,000 for a year for mitigation of damages to a unit, should it be needed. At the end of one year, the option to access the funds is closed and the funds are returned to the program. The PHA has only had to access these funds once.

Typically, they are able to intervene and resolve issues in time.

Municipal or local governmental funding sources for damage claim funds have included:

- Sales tax increase
- Recording fees on real estate transactions
- State general funds
- Municipal bonds

Tip: If a PHA's state is developing a damage mitigation program, here are a few promising practices:

- Keep the application process accountable, but not overly complex. It should be accessible for landlords with small or large portfolios who may have differing resources and levels of experience in filing claims.
- Clearly post information and educate landlords about how to apply. If landlords will be required to submit move-in paperwork at the time of requesting move-out damages, they need advanced notice to collect this information. If they need inspections or proof of subsidy from the housing authority, provide contact information.
- Set clear timelines and deadlines.

No Mitigation Fund? Other Ways to Help:

If there is no damage mitigation fund in your state, there are some other ways that PHAs can help to alleviate concerns about tenant damages.

- Landlord-Tenant Mediation: This is a way to resolve a complaint between landlords and tenants outside a court setting. Landlord-tenant mediation services may be available through government departments, nonprofit organizations such as fair housing or tenants' organizations, and local bar associations. PHAs typically do not provide these services because of their connection to both parties. See the Partnerships chapter for additional information.

- First and Last Month Rent Assistance (sometimes called Down Payment Assistance): Many landlords require first and/or last month rent payments before renting a unit. Typically, these funds can be used to cover the cost of damages above and beyond normal wear and tear upon move-out. If there are no damages, the funds are returned to the tenant. Low-income families, including voucher families, may not have access to two extra months' worth of rent when they are moving into a new unit. A program that offers this money reduces the landlord's financial risk and this may increase the landlord's willingness to rent to a voucher family. Note: These funds would be used for a deposit and cannot provide rent for months that the PHA pays HAP.

- Tenant Education: Tenant education efforts may provide information on how voucher families might increase their housing stability and meet landlord expectations regarding maintenance and condition of the rental unit.

REHABILITATION

Helping landlords to rehabilitate or improve the energy efficiency and longevity of their housing is another incentive that PHAs can help landlords access. Some PHAs administer support directly. For example, for landlords with properties in one PHA's unincorporated county areas, the housing authority offers a pro-rated waiver on building and planning permit fees related to repairs and improvements. To be eligible, the landlords must participate in rental assistance programs with at least half of their rental units. The program is funded through the county under a partnership of county officials, housing authority representatives, and landlords. The program was created to expand affordable rental housing options in a community with a low-vacancy rate.

Other PHAs partner with organizations to increase the availability of housing units for voucher families. NeighborWorks organizations throughout the United States offer mixes of loans and grants for qualified landlords of (often 1-4 unit) rental properties to upgrade the property. In at least one municipality, landlords who are above the program income requirements can still qualify for a rehabilitation loan if they advertise vacancies with the housing authority.

Tip: Let landlords know about energy-efficiency upgrade incentives for which landlords (and PHAs) may be eligible through states, counties, and utilities. These are listed in the *Database of State Incentives for Renewables and Efficiency*.