



City of Arts & Innovation

City Council Memorandum

Housing Authority Memorandum

TO: HONORABLE MAYOR, CITY COUNCIL AND HOUSING AUTHORITY MEMBERS **DATE: APRIL 24, 2018**

FROM: OFFICE OF HOMELESS SOLUTIONS **WARDS: ALL**

SUBJECT: HOUSING FIRST AND MEASURE Z – PROPOSED \$150,000 FOR YEAR ONE OF THE LANDLORD INCENTIVE PROGRAM

ISSUES:

Approve a Housing First Landlord Incentive Program with the goal of identifying, growing and maintaining Housing First units in the City of Riverside's existing rental stock to be made available to Riverside homeless residents.

RECOMMENDATIONS:

1. That the City Council and Housing Authority approve a new Housing First Landlord Incentive Program utilizing \$150,000 in year one of Measure Z Funds allocated for addressing homelessness that includes the following components:
 - a. Housing First landlord participation incentive;
 - b. Landlord liaison and lease compliance counseling;
 - c. Contingency fund for extra ordinary damages; and
 - d. Tenant application assistance.
2. That the Housing Authority authorize the Executive Director, or his designee, to execute Landlord Incentive Agreements, making minor corrections as necessary, that incorporate landlord incentives for the purpose of establishing Housing First units in the City of Riverside's existing rental housing stock.

BACKGROUND:

On March, 13 2018, the City Council and Housing Authority unanimously approved the City of Riverside's Housing First Plan (www.riversideca.gov/h1plan) to identify housing solutions for homeless residents and embarked on an ambitious strategy to create approximately 400 Housing First units throughout the City over the next decade. This goal includes the development of

approximately 50 Housing First units annually for the next ten years, which must occur in the following ways:

1. Development of “brick and mortar” housing units with new construction projects that will take approximately 2-4 years of planning, funding and development;
2. Acquisition of existing residential housing units;
3. Utilizing properties and residential housing units donated by local churches; and
4. Integrating Housing First clients into existing rental housing units to meet immediate and short term housing needs.

It is anticipated that the integration of 400 Housing First units in the City will entail a mix of development strategies, with hard development and unit integration in the existing housing stock working hand-in-hand to produce mandated units.

This report is to propose an incentive strategy for “soft unit” development of Housing First units in the City’s existing rental housing stock.

DISCUSSION:

The Riverside Housing First Plan includes an objective to create and develop supportive housing through the “creation of incentives for community-based landlords to rent units to homeless households” (Page 29: Table 3, Recommendation 4). In order to meet this objective, Staff proposes utilizing \$150,000 in year one of the Measure Z funds already appropriated to the Office of Homeless Solutions to implement a number of incentives to encourage landlords of existing apartment complexes to make units available for Housing First clients, and to maintain that unit stock over the long term.

Landlord Incentives

Housing First Landlord Participation Incentive

In order to incentivize landlords to accept Housing First clients who utilize rental vouchers in a very competitive rental market, it is necessary to provide a participation incentive. This incentive may be particularly attractive in instances where there is a gap between the Fair Market Rent of a housing Voucher utilized by a Housing First tenant, and the actual market rent of an apartment. To help bridge this gap, staff is proposing an annual landlord incentive payment of no more than \$500 per unit. Although not an actual “rental gap subsidy”, this incentive would help to defray some costs for the landlord and make the Housing First tenant and the voucher more attractive in an expensive rental market.

The proposed Housing First landlord participation incentive of \$500 for each unit is anticipated to cost \$25,000 for the first 50 Housing First units, and will increase by \$25,000 annually for each additional block of 50 Housing First units added to the program. This amounts to an estimated cost of \$25,000 in year one, \$50,000 in year two, \$75,000 in year three, and \$100,000 in year four.

Landlord Liaison and Lease Compliance Counseling

In discussions staff conducted with Riverside landlords, one of the most requested items landlords

consider when renting to Housing First clients is a contact person who can intercede in issues related to tenancy. This person would serve as a liaison between the landlord and the tenant and help ensure that all Housing First tenants meet residential lease requirements.

In order to address this service need to help retain landlords and assist Housing First tenants, Staff is proposing to assign an existing staff person to act as a landlord liaison and be responsive to landlord concerns during normal business hours. After-hours liaison services will be provided through a contract with a professional property manager for an anticipated annual cost of \$50,000.

Lease compliance counseling will be a requirement of case management to be offered by the supportive services providers, which will include counseling on being a good neighbor and landlord relations. The cost of this component will be borne by the supportive services provider.

Contingency Fund for Extra Ordinary Damages

One potential concern of prospective landlords is that Housing First tenants may damage rental units above and beyond a normal wear and tear of tenancy causing extra ordinary expenses not covered by a security deposit. To address this concern, staff is proposing to establish a contingency fund that would allow for payments for repairs of extra ordinary damages with a limit equal to one month’s rent (\$1,250) per tenant occupancy. Such a fund would remain with the City and be drawn upon landlord request and City landlord liaison inspection and approval.

Staff anticipates a cost of \$62,500 to establish a baseline contingency fund for the first 50 Housing First units, and anticipates growing this fund by \$15,000 annually as additional Housing First units are added to the program.

Tenant Application Assistance

Staff acknowledges that Housing First clients may not satisfy the application and credit requirements of some landlords, and is thus proposing a \$50 payment to the landlord to help offset the application processing fees for each Housing First tenant. Staff anticipates the annual cost of this component to be \$2,500.

The table below summarizes the anticipated cost of each of the above discussed components for the proposed Landlord Incentive Program.

LANDLORD INCENTIVE PROGRAM COST ALLOCATIONS				
	Year 1	Year 2	Year 3	Year 4
Housing First Landlord Participation Incentive	\$25,000	\$50,000	\$75,000	\$100,000
Landlord Liaison and Lease Compliance Counseling	\$50,000	\$50,000	\$50,000	\$50,000
Contingency Fund for Extra Ordinary Damages	\$62,500	\$77,500	\$92,500	\$107,500
Application and Credit Check Assistance	\$2,500	\$2,500	\$2,500	\$2,500
Program Administration	\$10,000	\$10,000	\$10,000	\$10,000
Total Annual Expenses	\$150,000	\$190,000	\$230,000	\$270,000

Utility Assistance Program

The Riverside Public Utilities Department has an existing utility assistance program for income qualified customers, which includes a security deposit assistance of \$150 to establish a utility account plus a \$150 credit toward the utility bill every year thereafter. Customers may also qualify for assistance with energy efficient home appliances and lighting. This program can be utilized by Housing First tenants to provide assistance with paying their utility costs.

Landlord Agreements

In exchange for the above incentives, landlords would be required to sign an Incentive Agreement that would tie these incentives to the available Housing First units. The Incentive Agreements would not supersede a traditional lease for Housing First clients. Traditional leases will be required of Housing First tenants who must abide by all lease provisions. Incentive Agreements are for the set-aside of units, allowing access by wrap-around service providers, and to address landlord concerns regarding leasing to previously homeless tenants.

The ability to create units from the existing housing stock is critical for Riverside's Housing First plan to meet its goals.

The Community and Economic Development Director concurs with this report.

FISCAL IMPACT:

The Landlord Incentive Program is consistent with the adopted Housing First Plan objective of Creating and Developing Supportive Housing through the creation of incentives for community-based landlords to rent units to homeless households. An amount of \$500,000 per year for the first four years from Measure Z Funds has already been allocated to assist with homelessness. The proposed Landlord Incentive Program will utilize \$150,000 in year one of the allocated Measure Z funds, and will increase by \$40,000 annually for a total program cost of \$840,000 over four years.

Prepared by:	Emilio Ramirez, Office of Homeless Solutions Director
Certified as to	
Availability of fund:	Adam Raymond, Chief Financial Officer/Treasurer
Approved by:	Alexander Nguyen, Assistant City Manager
Approved as to form:	Gary Geuss, City Attorney

Attachment:	Presentation
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