Report to the House Appropriations Committee and the Senate Finance and Appropriations Committee

The Virginia Housing Stability Fund Model Program Guidelines Submitted
Pursuant to Budget Item 114 N

Submitted by:
The Department of Housing and Community Development

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Executive Summary

Nearly 300,000 low-income Virginia renter households occupied a home that was not affordable to them in 2017, and the numbers have only increased over the last 5 years. Approximately 29% of all Virginias are cost-burdened, meaning they pay more than 30% of their income on rent. While extremely low-income and very low-income households most urgently need affordable rental housing, an increasing number of low-income renter households are also struggling with rising rents.

The Federal Housing Choice Voucher program is designed to alleviate these problems by giving tenants a voucher that they can use on the open market to rent an otherwise unaffordable home. The tenant pays 30% of their income towards rent and utilities, and the voucher pays the rest. However, there is a significant need for more vouchers at the federal level. Waiting lists are extremely long, and only one out of every four households that is eligible for a voucher actually receives one. While some states have a state-level rental assistance program that is similar to the federal Housing Choice Voucher program, Virginia does not have such a program.

Item 114N of Chapter 2 of the 2022 Acts of Assembly, Special Session I directs the Department of Housing and Community Development to convene a stakeholder workgroup which will develop model program guidelines for the Virginia Housing Stability Fund. The Fund would provide state-funded, long-term rental assistance for lower-income, cost-burdened Virginians. Based on suggestions from stakeholders, the Virginia Housing Stability Fund should:

- Prioritize housing stability, reducing homelessness, landlord participation, housing mobility, housing choice, creating resource-rich communities, reducing administrative burdens, increasing housing stock and production of units for underserved populations, and the transition to unsubsidized housing when feasible;
- Utilize direct to tenant payments to decrease administrative burdens on landlords and increase autonomy and flexibility for tenants;
- Equally fund both project-based and tenant-based vouchers to increase the number of affordable units available;
- Provide funding for a wide range of housing expenses;
- Update the payment standard and Fair Market Rent calculation to better reflect rental markets;
- Be implemented on a statewide basis by a state agency with appropriate jurisdiction;
- Make the proper up front investments in software, human resources, and other infrastructure to ensure a successful program.

With these recommendations, the Virginia Housing Stability Fund can be a well-functioning program that funds affordable housing construction, reduces barriers to landlord participation, and actively promotes mobility and housing choice for tenants.

Definitions

Area Median Income (AMI) - U.S. Department of Housing and Urban Development (HUD) defined income cutoffs used for program eligibility based on the median income of the area. HUD adjusts a locality's median income every 5 years using ACS Census data.

Cost-Burdened - HUD defines a household as cost burdened if they pay more than 30 percent of their net income on rent**.**

Extremely Low Income (ELI) - Based on the HUD definition, includes households that are at or below 30 percent of the Area Median Income (30% AMI). The threshold by city and county is determined by HUD annually.

Fair Market Rent (FMR)- HUD uses FMR to determine payment standards for several programs including the Housing Choice Voucher Program. FMRS are estimates of 40th percentile gross rents for standard quality units within a metropolitan area or non metropolitan county. HUD updates these figures annually.

Low Income (LI)- Based on the HUD definition, includes households that are at or below 80 percent of the Area Median Income (80% AMI). The threshold by city and county is determined by HUD annually.

Permanent Supportive Housing (PSH) - an evidence-based practice that combines affordable rental housing with community-based services to address the treatment, rehabilitative, and recovery support needs of participants

Severely Cost-Burdened - HUD defines a household as severely cost burdened if they pay more than 50 percent of their net income on rent**.**

Small Area Fair Market Rent (SAFMR) - Small Area Fair Market Rents are alternative FMRs that measure rents for standard quality units within a zip code. They may be used by Public Housing Authorities instead of the FMR for the metropolitan area.

Very Low Income (VLI) - Based on the U.S. Department of Housing and Community Development definition, includes households that are at or below 50 percent of the Area Median Income (50% AMI). The threshold for very low income households by city and county is determined by HUD annually.

Acronyms

AMI- Area Median Income

DHCD - Virginia Department of Housing and Community Development, also referred to in the report as "Department"

DC Flex - District of Columbia Flexible Rent Subsidy Program

ELI- Extremely Low Income

EHV- Emergency Housing Voucher

ERAP- Emergency Rental Assistance Programs

ESG - Emergency Solutions Grants

HAP- Housing Assistance Payment Contract

HB854 study- Legislation passed during the 2020 General Assembly session which directed Virginia Housing and the Department of Housing and Community Development to conduct a study of policies and programs which influence the creation and preservation of affordable housing. The study was completed in January 2022 and can be accessed here.

HCV- Federal Housing Choice Voucher Program

HPS- Household Pulse Survey

HQS- Housing Quality Standards

HUD- U.S. Department of Housing and Community Development

LI- Low Income

MSA- Metropolitan Statistical Area

PBRA- Project Based Rental Assistance

PBV- Project Based Voucher

PHA- Public Housing Authority

PSH- Permanent Supportive Housing

SAFMR- Small Area Fair Market Rent

TBRA- Tenant-Based Rental Assistance

TBV- Tenant-Based Voucher

VH- Virginia Housing

VHSF- Virginia Housing Stability Fund

VLI- Very Low Income

VRLTA- Virginia Residential Landlord and Tenant Act

Background

Legislation Requiring the Study of a Statewide Rental Subsidy Program

Item 114N of Chapter 2 of the 2022 Acts of Assembly, Special Session I directed The Department of Housing and Community Development ("The Department" or "DHCD") to convene a stakeholder workgroup consisting of housing developers, homeless services providers, housing providers, landlords, tenants, tenant advocates, and others that would "develop model guidelines for the creation of a program to provide long-term rental assistance to low-income, very low-income, and extremely low-income renters to enable them to afford housing costing 30% of their income." [1] The Department convened the stakeholder workgroup and divided the stakeholders into focus groups of housing developers and landlords, tenants and tenant advocates, homeless service providers and public housing authorities, and researchers with subject matter expertise. It then held further meetings with the full work group and conducted additional one-on-one consultations. The information gained form the stakeholders in these sessions is basis of the program guidelines. A full list of workgroup members and their affiliations can be found in Appendix A.

Prior to this study's enactment, Chapter 482 of the 2020 Acts of Assembly, also known as HB854 directed DHCD and the Virginia Housing Development Authority ("Virginia Housing" or "VH") to "study ways to incentivize the development of affordable housing in the Commonwealth of Virginia." [2] As part of that study ("HB854 study"), DHCD, VH, and external research partners researched the feasibility of a Virginia statewide rent subsidy program.[3] One of the HB854 study's recommendations was that the Commonwealth should "develop a rental assistance program based on the federal Housing Choice Voucher program, with expanded eligibility, flexibility, and increased efficiencies."[4] The HB854 study, specifically chapter 26, state-funded rental assistance, is therefore a major part of the history leading up to these model guidelines, and it will be referenced throughout this report.

The HB854 study found that both the current level of federal assistance and the supply of affordable rentals in Virginia is well below the needs of the over 300,000 low-income renters in Virginia who are cost-burdened. While the fact that Housing Choice Vouchers (HCVs) are currently underfunded is well-known,[5] many stakeholders emphasized that lack of affordable housing supply is the primary cause of rental instability. Many households who receive federal HCVs struggle to find housing that can meet the required payment standard and pass inspections, resulting in vouchers being unused and returned. One stakeholder warned that if

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[1] Appendix D

[2] Appendix E

[3] Virginia Housing and Virginia Department of Housing and Community Development, "State-funded rental assistance" in *HB854 Statewide Housing Study.* Richmond, VA: HousingForward Virginia, January 2022, https://dmz1.dhcd.virginia.gov/HB854/pdf/hb854-full-report-print.pdf

[4] Virginia Housing and Virginia Department of Housing and Community Development, *HB854 Statewide Housing Study.* Richmond, VA: HousingForward Virginia, January 2022, https://dmz1.dhcd.virginia.gov/HB854/pdf/hb854-full-report-print.pdf

[5] "76% Of Low-Income Renters Needing Federal Rental Assistance Don't Receive It." Housing. Center on Budget and Policy Priorities, July 2021. https://www.cbpp.org/research/housing/three-out-of-four-low-income-at-risk-renters-do-not-receive-federal-rental-assistance.

this program does not coincide with an increase in the production of affordable units, it will be a waste of taxpayer money. Therefore, these program guidelines address both the lack of rental assistance and the lack of supply of housing.

The HB854 study also made several important recommendations that were considered by the focus groups. The program should be a statewide program, unlike the current federal program that is administered by regional Public Housing Authorities; it should prioritize Virginians below 30 percent AMI and in need of permanent supportive housing (PSH); it should reduce barriers to assistance that are present in the federal program; it should focus on equity and efficiency; it should ensure resident success through choice, mobility counseling, and landlord involvement. It also held out the Massachusetts Rental Voucher Program and the D.C. Flexible Rent Subsidy Program as examples that Virginia could use when designing its own program. While the stakeholders, and as a result, these guidelines, do not endorse all of the HB854 study's recommendations, the study's recommendations did inform the questions DHCD asked the stakeholders. Furthermore, there is a significant amount of consistency between what the HB854 study found and what the stakeholders discussed that is reflected in this report.

Finally, the HB854 study authors noted that "programmatic changes (e.g., payment standard levels and utility allowances) are politically and financially difficult to implement. [Therefore] policymakers should endeavor to make appropriate decisions during the initial design phase." In the spirit of this suggestion and in accordance with the recommendations of the various focus groups, this report suggests several bold and innovative guidelines that build on what is good about the federal Housing Choice Voucher program and fix what is not. The following report gives an overview of housing needs in Virginia, a brief summary of the federal Housing Choice Voucher Program, and an explanation of the work group's proposed model guidelines for the Virginia Housing Stability Fund (VHSF).

Housing Needs in Virginia

There is an advancing crisis of housing affordability across the entire Commonwealth of Virginia. Based on recent data submitted to the Virginia General Assembly in the HB854 study,[6] more than 300,000 low-income Virginia renter households occupied a home that was not affordable to them in 2017, and the numbers have only increased over the last 5 years. Approximately 29% of all Virginias are cost-burdened.[7] Housing cost burden is rising for nearly all households with incomes below the statewide average income, but the problem disproportionately affects non-white households, female-headed households, and seniors.[8] While extremely low-income (ELI) and very low-income (VLI) households most urgently need affordable rental housing, an increasing number of low-income (LI) renter households are also struggling with rising rents.[9]

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[6]Virginia Housing and Virginia Department of Housing and Community Development, *HB854 Statewide Housing Study.* Richmond, VA: HousingForward Virginia, January 2022, https://dmz1.dhcd.virginia.gov/HB854/pdf/hb854-full-report-print.pdf

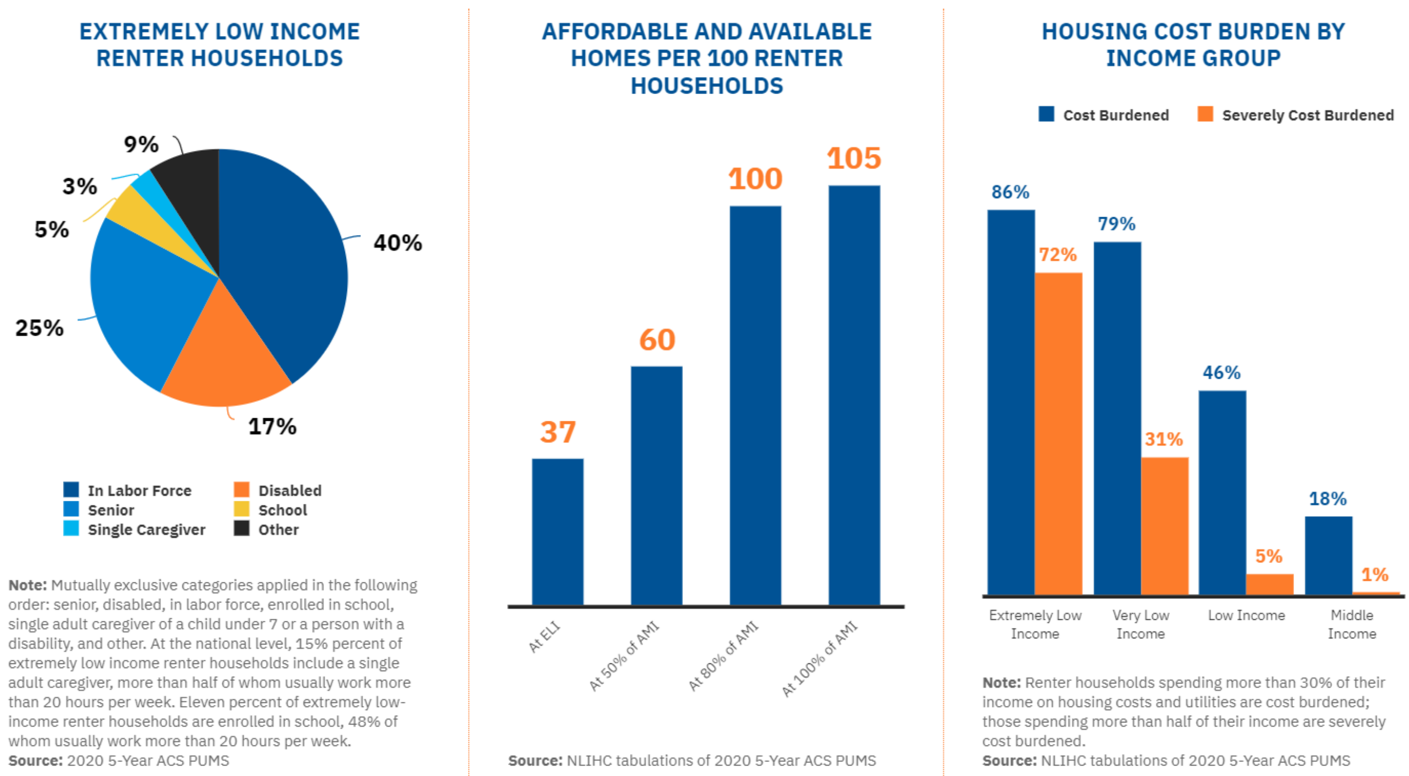
[7] Joint Legislative Audit and Review Commission, *Affordable Housing in Virginia.* 559. Richmond, VA: 2021. http://jlarc.virginia.gov/pdfs/reports/Rpt559-1.pdf

[8] Joint Legislative Audit and Review Commission, *Affordable Housing in Virginia.* 559. Richmond, VA: 2021. http://jlarc.virginia.gov/pdfs/reports/Rpt559-1.pdf

[9]Virginia Housing and Virginia Department of Housing and Community Development, *HB854 Statewide Housing Study.* Richmond, VA: HousingForward Virginia, January 2022, https://dmz1.dhcd.virginia.gov/HB854/pdf/hb854-full-report-print.pdf; Item 114N of Chapter 2 of the 2022

For all renter households in Virginia making under 80% AMI, there are insufficient affordable and available homes. Virginia has a deficit of nearly 300,000 affordable and available units for households at or below 50 percent AMI, including a deficit of 148,720 for ELI households and 149,300 for VLI households.[10] According to the most recent 2022 "The Gap" report from the National Low-Income Housing Coalition, which measures the lack of affordable rental housing in each state, there are only 60 affordable and available homes per 100 VLI renters, and only 37 units per 100 ELI households.[11] Practically, this means that 86% of ELI renters were cost-burdened and 72% were severely cost-burdened. Among VLI renter households, 79% were cost-burdened and 31% were severely cost-burdened. Among LI renter households, 46% were cost-burdened and 5% were severely cost-burdened.[12]

Figure 1: Household Makeup, Housing Availability, and Cost Burden



Acts of Assembly, Special Session I requires the VHSF to provide long-term rental assistance for all three of these income populations.

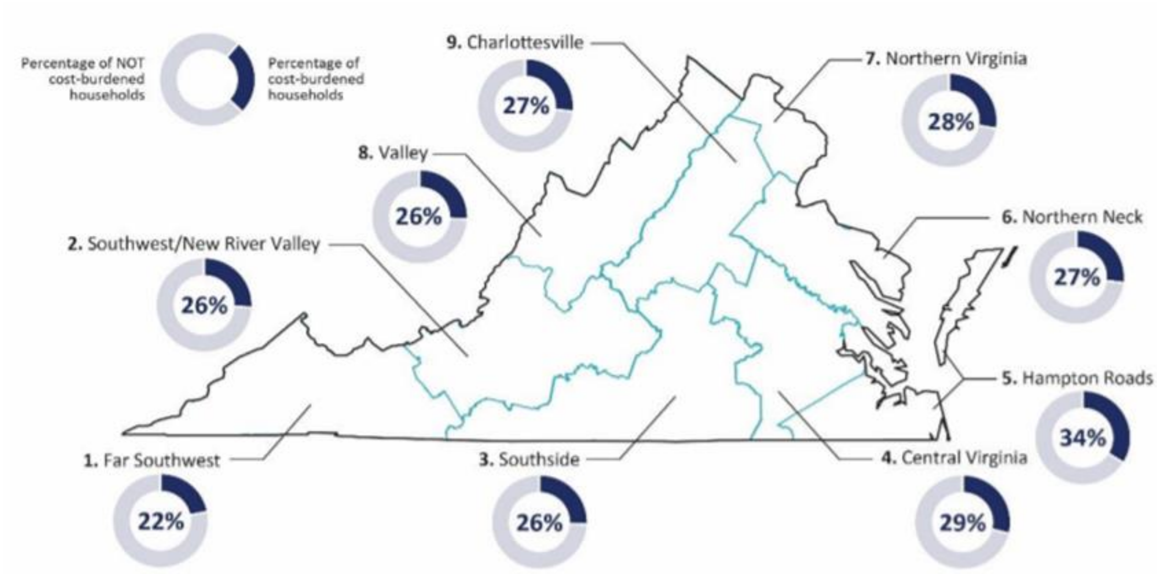
[10]Virginia Housing and Virginia Department of Housing and Community Development, *HB854 Statewide Housing Study.* Richmond, VA: HousingForward Virginia, January 2022, https://dmz1.dhcd.virginia.gov/HB854/pdf/hb854-full-report-print.pdf

[11]"No State Has an Adequate Supply of Affordable Rental Housing for the Lowest Income Renters". The Gap. National Low Income Housing Coalition, May 2022. https://nlihc.org/gap; While there are a sufficient number of affordable and available units for LI households in theory, it is clear from the numbers that many VLI and ELI renters are renting (at a cost-burdening rate) many of these units, meaning that LI and middle-income renters must rent even more expensive units. Therefore, the cost burden for LI renters cannot be significantly reduced unless there is enough housing for VLI and ELI renters as well.

[12] "No State Has an Adequate Supply of Affordable Rental Housing for the Lowest Income Renters". The Gap. National Low Income Housing Coalition, May 2022. https://nlihc.org/gap

Figure 2: Cost Burden by Region

Households in Hampton Roads are more likely to be cost burdened than in other regions



SOURCE: JLARC analysis of American Community Survey, 5 year data, 2015–2019.

Rent has become unaffordable for lower-income Virginians in nearly every part of the Commonwealth. Those earning a minimum wage in Virginia would have to work 90 hours per week on average in order to afford a two-bedroom apartment.[13] At the same time, the number of apartments with gross rents below $700 has decreased across Virginia in the last decade—especially in large markets—and apartments with higher gross rents have increased substantially.[14] In many parts of the Commonwealth, as many as 4 out of 5 renters cannot afford a median-priced rental home.[15] In the Urban Crescent, renters tend to experience both higher prices and higher rates of cost-burden, with the Hampton Roads and Richmond regions experiencing the highest percentages of cost-burdened households.[16] Small markets have seen the most growth in higher-cost units; units with rents between $1,250 and $2,000 more than doubled from 2010 to 2019.[17] High-cost rental units have increased even in rural markets.

At the same time, rental vacancy rates are dropping throughout Virginia. Large markets are experiencing the most significant decline in vacant units, dropping from 7% to 5% in the past

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[13] “Virginia”. Out of Reach. National Low Income Housing Coalition, July 2022. https://nlihc.org/oor/state/va

[14] Virginia Housing and Virginia Department of Housing and Community Development, *HB854 Statewide Housing Study.* Richmond, VA: HousingForward Virginia, January 2022, https://dmz1.dhcd.virginia.gov/HB854/pdf/hb854-full-report-print.pdf

[15] Joint Legislative Audit and Review Commission, *Affordable Housing in Virginia.* 559. Richmond, VA: 2021. http://jlarc.virginia.gov/pdfs/reports/Rpt559-1.pdf

[16] Joint Legislative Audit and Review Commission, *Affordable Housing in Virginia.* 559. Richmond, VA: 2021. http://jlarc.virginia.gov/pdfs/reports/Rpt559-1.pdf

[17] Joint Legislative Audit and Review Commission, *Affordable Housing in Virginia.* 559. Richmond, VA: 2021. http://jlarc.virginia.gov/pdfs/reports/Rpt559-1.pdf

decade. By the second quarter of 2021, Virginia's rental vacancy rate was 4.4%, the 14th lowest rate in the country.[18]

The COVID-19 pandemic has also increased housing instability across multiple measures. In May 2020, the U.S. Census Bureau began the Household Pulse Survey (HPS) to measure the impacts of the COVID-19 pandemic. The HPS began asking residents about housing insecurity in late August, and between 20 and 30% of Virginians have consistently reported that it has been somewhat or very difficult to pay their regular household expenses.[19] Meanwhile, Virginia's eviction rate, as calculated by The Eviction Lab at Princeton University, has remained above five percent since 2000, several points higher than the national average.[20] As of 2016 (the most recent statewide annual data currently available), the Commonwealth's eviction rate was 5.1%.

The unavailability of a supply of permanent affordable units for those exiting homelessness is another significant and growing problem and hampers the ability of providers to rapidly rehouse individuals and families. Homelessness saw a slight uptick in the 2020 Point-in-Time (PIT) count. The 2022 PIT count identified 6,529 individuals as experiencing homelessness in Virginia, an increase of 12% over 2021 data.[21] Approximately 17% of households experiencing homelessness identified during the PIT count included households with dependent children. In the 2022 PIT count, there were 5,111 adults. Of these adults, 22% were chronically homeless, eight percent were veterans, 13% were survivors of domestic violence, 14% had a substance use disorder, and 26% had a serious mental illness. The average number of days a household stays homeless has increased 17% from last year to 410 days, and only 40.5% of households exiting homelessness exited to a permanent housing solution, a 1% decrease from last year. [22]

These trends of a decreasing stock of affordable housing, rising rents, increasing housing instability, and an uptick in homelessness demonstrate the need for state-level intervention. Based on the available data, there are approximately 410,000 ELI, VLI, and LI renter households across the Commonwealth of Virginia who are currently experiencing housing unaffordability and could be eligible for a state-level housing voucher program.[23]

The Federal Housing Choice Voucher Program

Federal Housing Choice Vouchers (HCVs) were first developed in 1974 as part of a major restructuring of the federal government's role in the housing market. President Richard

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[18] Virginia Housing and Virginia Department of Housing and Community Development, *HB854 Statewide Housing Study.* Richmond, VA: HousingForward Virginia, January 2022, https://dmz1.dhcd.virginia.gov/HB854/pdf/hb854-full-report-print.pdf

[19] Virginia Housing and Virginia Department of Housing and Community Development, *HB854 Statewide Housing Study.* Richmond, VA: HousingForward Virginia, January 2022, https://dmz1.dhcd.virginia.gov/HB854/pdf/hb854-full-report-print.pdf

[20] "The Eviction Lab". The Eviction Lab at Princeton University. Princeton University, 2022. https://evictionlab.org/

[21] Virginia Department of Housing and Community Development, *2022 Virginia's Homeless Programs Report to the House Appropriations and Senate Finance Committees.* Richmond, VA: 2022.

[22] Virginia Department of Housing and Community Development, *2022 Virginia's Homeless Programs Report to the House Appropriations and Senate Finance Committees.* Richmond, VA: 2022.

[23] Joice, Paul."Consolidated Planning/CHAS Data". Office of Policy Development and Research (PD&R). United States Department of Housing and Urban Development, 2022. https://www.huduser.gov/portal/datasets/cp.html#2006-2019_query

Nixon supported efforts to move away from directly producing or managing subsidized housing units, and the federal voucher program was intended to supplement and eventually replace public housing.[24] Between 1974 and 1996, the program grew incrementally, but it has grown very little since 1996, with new vouchers going to special populations or to replace public housing that was removed from the market.[25]

HCVs are targeted towards ELI households with 75% of vouchers going to those households. The other 25% of vouchers are targeted to VLI and LI households. Public housing agencies may set additional preferences based on other criteria. Once a household receives a tenant-based voucher, it has 60 days to find suitable housing, but individual housing agencies are free to extend that period for a variety of reasons. The housing agency must verify that the unit meets federal housing quality standards (HQS) via an inspection and that the rent is reasonable compared to market rents for similar units in the area.[26]

A family with a voucher generally must contribute the higher of 30 percent of its income or a “minimum rent” of up to $50 for rent and utilities. The voucher covers any remaining housing costs, up to a limit, called a payment standard, set by the housing agency that is based on HUD’s fair market rent (FMR) estimates. The payment standard is typically 110% of FMR, which is set the 40th percentile of rent in the metropolitan statistical area (MSA) or non-metropolitan County as estimated by five year American Community Survey data.[27] Housing agencies may establish a higher payment standard as a reasonable accommodation for a person with a disability. In some areas, the Small Area Fair Market Rent (SAFMR) has been instituted, which uses the 40th percentile rent for the zip code as FMR instead of the 40th percentile rent for the metropolitan area or non-metropolitan county.[28] This helps tenants to access housing in more expensive parts of a metropolitan area. [29]

Up to 20 percent of a housing agency’s HCV allocation can be used as Project-Based Vouchers (PBVs) instead of Tenant-Based Rental Assistance (TBRA). PBVs are attached to a specific unit, and the landlord contracts with the state or local public housing agency to rent the unit to households with low incomes. After a household has lived in a home with a PBV for a year, they can opt to move to a different location with the next tenant-based voucher that becomes available. In this situation, the total number of vouchers remains the same, as another household from the waiting list can then move into the PBV unit and benefit from the rent

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[24] Couch, Linda. 2015 Advocates’ Guide., *Housing Choice Vouchers.* Washington, D.C.: National Low Income Housing Coailtion, 2015. https://nlihc.org/sites/default/files/Sec4.12_Housing-Choice-Vouchers_2015.pdf

[25] Couch, Linda. 2015 Advocates’ Guide., *Housing Choice Vouchers.* Washington, D.C.: National Low Income Housing Coalition, 2015. https://nlihc.org/sites/default/files/Sec4.12_Housing-Choice-Vouchers_2015.pdf

[26] “Policy Basics: The Housing Choice Voucher Program”. Housing. The Center on Budget and Policy Priorities, April 2021. https://www.cbpp.org/research/housing/the-housing-choice-voucher-program

[27] “Fair Market Rents.” Office of Public and Indian Housing. United States Department of Housing and Urban Development, 2021. https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/landlord/fmr

[28] “Fair Market Rents.” Office of Public and Indian Housing. United States Department of Housing and Urban Development, 2021. https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/landlord/fmr

[29] United States Department of Housing and Urban Development, *Small Area Fair Market Rent Demonstration Evaluation.* Meryl Finkel, Samuel Dastrup, Kimberly Burnett, Thyria Alvarez, Carissa Climaco, and Tanya de Sousa. Washington, DC: HUD, 2017. https://www.nahma.org/wp-content/uploads/2014/04/SAFMR-Interim-Report.pdf

subsidy. Much like HCV TBRA, tenants of PBV units pay the higher of 30 percent of their income or a minimum rent, and the subsidy covers remaining housing costs up to a limit. This program should be distinguished from Section 8 Project-Based Rental Assistance (PBRA), which functions much like a PBV except that a tenant is not eligible for a tenant-based voucher when they move.[30]

Virginia has a 2022 Housing Choice Voucher Budget Authority of $482.43 million in funding from the Department of Housing and Urban Development (HUD) and had more than $62 million in HCV reserves as of December 2021.[31]Virginia has nearly 57,000 vouchers, 48,277 of which were in use as of May 2022, with slightly more than 48,000 currently in use. The average per unit cost of a voucher in 2022 was about $800.[32]

Over the course of the focus groups, participants discussed several positive and negative aspects of the Federal HCV program. Data shows that the program has been successful at preventing homelessness among its participants.[33] Tenant-based rental assistance works well in more slack housing environments where there are vacant and available units, and it can promote mobility and neighborhood choice, as well as deconcentrate poverty.[34] Project-based vouchers help to subsidize development, and the certainty of rent helps with financing and underwriting for developers. Focus group participants also generally agreed it was positive that the HCV program focused most on the population that needs support the most, with most vouchers going to the lowest-income households, and the ability of the program to adjust to participant income so that no one pays more than 30% of their income towards housing costs is valuable. Stakeholders noted the importance of inspection requirements because they ensure that tenants are able to live in safe and healthy units. Other stakeholders also noted that the homeownership program and family self-sufficiency programs associated with Section 8 provide households with support and economic advancement opportunities.

However, focus groups also highlighted an extensive list of problems with the current Federal HCV program. There is a significant need for more funding for vouchers. Waiting lists are extremely long, and only one out of every four households that is eligible for an HCV actually receives one.[35] Even when a household does manage to receive a voucher, there is no guarantee that they will be able to secure housing. In tight inflationary housing markets, many potential tenants do not successfully find housing that meets all of the requirements to use their

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[30] "Policy Basics: Project-Based Vouchers." Housing. Center on Budget and Policy Priorities, January 2022. https://www.cbpp.org/research/housing/project-based-vouchers

[31] "Housing Choice Voucher Program." Office of Public and Indian Housing. United States Department of Housing and Community Development, 2022. https://app.powerbigov.us/view?r=eyJrIjoiM2Y2OTQ2MTAtODVkNC00YmM2LThhOWEtZWY4MGU5YWFmZDFmIiwidCI6IjYxNTUyNGM1LTIyZTktNGJjZC1hODkzLTExODBhNTNmYzdiMiJ9

[32] Housing Choice Voucher Program." Office of Public and Indian Housing. United States Department of Housing and Community Development, 2022. https://app.powerbigov.us/view?r=eyJrIjoiM2Y2OTQ2MTAtODVkNC00YmM2LThhOWEtZWY4MGU5YWFmZDFmIiwidCI6IjYxNTUyNGM1LTIyZTktNGJjZC1hODkzLTExODBhNTNmYzdiMiJ9

[33] Michelle Wood, Jennifer Turnham and Gregory Mills. "Housing Affordability and Family Wellbeing: Results from the Housing Voucher Evaluation." *Housing Policy Debate* 19, no.2 (2008):367-412.

[34] Margery Austin Turner. Committee on Financial Services, Subcommittee on Housing and Community Opportunity, United States House of Representatives, *Strengths and Weaknesses of the Housing Voucher Program,* 1997. https://www.urban.org/sites/default/files/publication/64536/900635-Strengths-and-Weaknesses-of-the-Housing-Voucher-Program.pdf

[35] Erika C. Poethig, "One in four: America's housing assistance lottery," Urban Institute, May 28, 2014, https://www.urban.org/urban-wire/one-four-americas-housing-assistance-lottery

voucher.[36] The FMR standard is outdated and inaccurate for fast-moving markets, and it can be difficult to find units where the rent is low enough to qualify.[37] Sometimes, units that have rents beneath the payment standard are poorly maintained and cannot meet Housing Quality Standards or they are in neighborhoods that tenants believe to be unsafe. If a tenant fails to find housing before the end of their allotted time period, they are not reintegrated back onto the waitlist. Landlords are less likely to want to participate in the program when FMR is too low for the market, and source of income laws are ineffective when landlords can evade having to accept vouchers by simply raising their rents above the payment standard.[38] There are an insufficient number of housing units overall, but the number of units that are eligible for HCV is even more constricted. Tenants sometimes feel as though they are trapped in unsafe housing situations because they are not empowered to report violations of housing standards; a landlord could simply choose not to renew a lease and no longer accept their voucher.

Stakeholders also highlighted administrative burdens and high barriers to entry as problems with the current program. The idea of "guaranteed rent" through the voucher is a misconception because not all public housing authorities pay on time, sometimes leaving landlords struggling to pay their bills. Each jurisdiction may have slightly different requirements, and landlords who work in multiple jurisdictions may find it difficult to keep up with these small differences in regulations. While some focus group members believed that mobility between jurisdictions was a positive of the HCV program, moving from one jurisdiction to another can pose challenges because of differences in regulations and the lack of an effective handoff. Eligible expenses are also limited and inflexible, with many housing costs such as security deposits or parking fees not covered by the HCV program.[39] Additionally, there are often preferences for families, women, and children, making it difficult for single males, those in need of rapid rehousing services, or individuals exiting correctional facilities to move up on the waiting list and access housing subsidies.[40] The burden of inspections was frequently cited, particularly due to long timeframes and the need to have multiple inspections for multiple different programs. These burdens hinder the ability for landlords to lease up quickly.

In regard to PBVs, focus group members stated there is a limited supply of PBVs because PHAs are cash-strapped and reluctant to provide PBVs instead of TBRA. Therefore, getting a PBV to make a unit affordable for individuals with extremely low incomes can be

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[36] Meryl Finkel and Larry Buron, "Study on Section 8 Voucher Success Rates, Volume I: Quantitative Study of Success Rates in Metropolitan Areas," Office of Policy Development and Research, U.S. Department of Housing and Urban Development, November 2021, https://www.huduser.gov/publications/pdf/sec8success.pdf; Up-to-date and reliable data on success rates of voucher usage are not publicly available. One historical study found that approximately 70% of voucher users were successful at renting a unit using their voucher. Evidence that this persists is anecdotal based on conversations with the stakeholders and ongoing case study evidence.

[37] "Fair Market Rents," National Housing Law Project, accessed September 2022, https://www.nhlp.org/initiatives/housing-voucher-utilization/fair-market-rents/

[38] Alison Bell, Barbara Sard, and Becky Koepnick, "Prohibiting Discrimination Against Renters Using Housing Vouchers Improves Results," Center on Budget and Policy Priorities, December 20, 2018, https://www.cbpp.org/research/housing/prohibiting-discrimination-against-renters-using-housing-vouchers-improves-results

[39] "The Housing Choice Voucher Program Guidebook," U.S. Department of Housing and Urban Development, accessed on September 2022, https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/guidebook

[40] "Housing Choice Vouchers Fact Sheet," U.S. Department of Housing and Urban Development, accessed on September 2022, https://www.hud.gov/topics/housing_choice_voucher_program_section_8#hcv04

difficult. Davis-Bacon requirements drive up costs of development if developers want to include more than eight PBVs, so most developers only provide eight or fewer affordable units in their buildings to avoid Davis-Bacon regulations.[41] Slow reviews of subsidy layers often leaves developers uncertain about a transaction until only a few days before money actually changes hands.

VHSF Program Guidelines

These initial recommendations deal with the high-level aspects of the program: how payments should be made, the ratio of project-based to tenant-based rental assistance, eligible expenses, and eligible applicants. These recommendations are not consensus recommendations, but rather are compromise recommendations that take into account the suggestions and needs of the various stakeholders raised in the focus groups.

Goals of Virginia Housing Stability Fund (VHSF) Program

The focus groups identified multiple potential goals for the program that ultimately guide the structure of the model guidelines. The goals are as follows:

- Prevent housing instability
- Promote mobility and housing choice
- Increase landlord participation
- Avoid concentrating poverty
- Reduce administrative burdens
- Increase housing stock and production of units for underserved populations
- Reduce homelessness
- Promote transition to unsubsidized housing when feasible

Program Overview

Focus Group Recommendation: The VHSF program should utilize direct to tenant payments and other, related measures to decrease administrative burdens on landlords and increase autonomy and flexibility for tenants.

When asked about the design of the program on the highest level, some stakeholders strongly believed that the biggest barrier to landlord participation in the federal HCV program is the risk of late payments. One straightforward way to reduce that risk is to implement a direct-to-tenant program. Research has shown that "the rent eats first", meaning that housing costs are fixed, and tenants are much more likely to pay them before other expenses.[42] Tenants are also more likely to reduce their consumption of other budget items to pay rent with extra money, as opposed to the other way around.[43] When low income households are provided additional

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[41] 24 CFR 983.154(a) "Conduct of development work," Legal Information Institute, Cornell Law School, Accessed September 2022, https://www.law.cornell.edu/cfr/text/24/983.154#:~:text=of%20Popular%20Names-,%C2%A7%20983.154%20Conduct%20of%20development%20work.,the%20requirements%20of%20this%20section.

[42] Matthew Desmond, *Evicted: Poverty and Profit in the American City* (New York: Crown, 2016), 302.

[43] Whitney Airgood-Obrycki, Alexander Hermann, and Sophia Wedeen, "The Rent Eats First: Rental Housing Unaffordability in the US," Joint Cener for Housing Studies, Harvard University, January 2021,

financial resources, like the Earned Income Tax Credit, tenants are most likely to spend the additional funds on necessary expenses like transportation, paying bills/debt and savings.[44] To help expedite payments to landlords, some focus group members brought up alternative voucher programs such as the District of Columbia's Flexible Rent Subsidy Program (DC Flex), a "shallow subsidy" that gives households $7,200 per year in rental assistance that they can apply, in amounts of their choosing, toward their rent each month.[45] While the amount withdrawn each month may vary, the money can only be used for rent, and is supplemented by any income the tenant chooses to add.[46] The tenant can then easily verify that rent was paid by using paper or electronic receipts or pictures.[47]

In addition to being direct-to-tenant, one of the key innovations of DC Flex is that each month, the tenant's full rent is deposited into a checking account. This means that the tenant may, but does not have to, withdraw the full amount to pay rent for a given month. Instead of paying 30% of their income, a tenant may pay less to cover unexpected expenses by withdrawing full rent. Alternatively, a tenant may be able to pay half of their income towards rent one month and can retain funds in the account, allowing them to save money in the account for a self-sufficient future.[48]

Based on focus group recommendations, the TBRA portion[49] of the VHSF should utilize a flexible, direct-to-tenant model based around an escrow and checking account created in the tenant's name. The administering agency could partner with third party banks of nonprofit institutions specializing in financial education and matched savings to create the escrow and checking accounts. The Commonwealth already has a similar system in place with the Virginia Individual Development Accounts where DHCD holds matched savings based on household deposits in an escrow account for a future home purchase.[50] Similar to DC Flex, the tenant

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https://www.jchs.harvard.edu/sites/default/files/research/files/harvard_jchs_rent_eats_first_airgood-obrycki_hermann_wedeen_2021.pdf

[44] Andrew Goodman-Bacon, Leslie Mcranahan, "How do EITC recipients spend their refunds?" *Economic Perspectives* 32, no. 2 (2008), https://www.chicagofed.org/publications/economic-perspectives/2008/2qtr2008-part2-goodman-;
etal; Mendenhall et. all., "The Role of Earned Income Tax Credit in the Budgets of Low-Income Families." *Social Service Review* 86, no. 3, (2012), https://users.nber.org/~kling/eitc.pdf

[45] Leopold et al, "DC Flexible Rent Subsidy Program, Findings from the Program's First Year," August 10, 2021, page vi, https://www.urban.org/research/publication/dc-flexible-rent-subsidy-program-findings-programs-first-year

[46] Leopold et al, *DC Flexible Rent Subsidy Program*, page 2

[47] Leopold et al, *DC Flexible Rent Subsidy Program,* page 18

[48] Several stakeholders were concerned that having rent flexibility would set tenants up to fail by allowing them to overdraw their escrow account several months in a row, leaving them with no money at the end of the lease. While this is a real concern, the authors note that, along with the strong evidence from the DC program that tenants will budget their money well over the course of a year, a flexible payment system still requires the tenant to contribute a portion of their income to the rent, which is fundamentally the same as the federal HCV program. If a tenant with a federal HCV does not pay 30% of their income in a given month, then they will also be subject to an eviction or late fees, even though the voucher is still valid. In other words, there will always be a risk of the tenant not budgeting their money properly so long as they are paying a portion of their income towards rent.

[49] As will be discussed below, the VHSF should also have equal funding for tenant-based rental assistance and project-based vouchers. An account-based, direct-to-tenant voucher is not suitable for project-based vouchers since the rent payments go straight to the owner of the property regardless of the tenant.

[50] "Virginia Individual Development Accounts (VIDA)," Virginia Department of Housing and Community Development, accessed November 2022, https://www.dhcd.virginia.gov/vida

would have a set amount of funds (the "voucher") put into an escrow account at the beginning of the lease to be used monthly for rent and utilities over the course of the entire lease. However, unlike DC Flex, the escrow account will be funded based on a tenant's expenses instead of at a flat rate. Each month, funds would be deposited into the tenant's checking account such that the amount is equal to the *total* cost of rent and utility allowance for that month. Then, each month, the tenant may withdraw all of the funds from the checking account (equal to one month's rent and utility allowance) to pay for rent and utilities, or may withdraw only a portion of the funds. At the end of the month, once the tenant verifies that rent was paid, the escrow account would replenish the checking account for the next month by depositing only the funds that were withdrawn to pay rent.

At the end of the lease, similar to DC Flex, the voucher holder could elect to either roll over all of the remaining balance into the next lease's escrow account, or make a one-time withdrawal with any remaining money rolling over into the next lease's account. When the tenant exits the program and no longer has a housing choice voucher, any remaining balance in the escrow account could be withdrawn or deposited into an interest bearing savings account.

An account-based program offers many advantages over a traditional voucher system that makes payments to landlords. First, it reduces the administrative burden on landlords to accept voucher holders, as they are being paid full rent by a voucher holder in the same way as their other tenants. Second, it reduces paperwork, as the only verification needed is a receipt from the landlord if the tenant pays rent in cash or money order, something that is already required by Virginia Residential Landlord Tenant Act (VRLTA).[51] Once the tenant submits the receipt, the administering agency may deposit the next month's rent into the checking account.[52] Third, because funds can easily be available in the tenant's checking account on a predetermined date before any rent is due, it eliminates both the risk of late payments to landlords by the program and late payments by tenants. Finally, this system offers benefits to tenants who are able to pay more than 30% of their income in rent by allowing them to save for when they potentially exit the program or use the funds at the end of the lease for another large expense.

There is considerable risk to using a direct to tenant, flexible expense voucher. Because the tenant can withdraw the full cost of rent and utilities each month, they may run out of funds in escrow towards the end of the lease and not be able to pay their rent in the final months of the voucher. An eviction in month 12 of a 12 month lease would not only create instability, but would seriously jeopardize a tenant's chances of receiving another voucher. Therefore, the VHSF could alternatively implement a traditional voucher that pays landlords. While this report does not consider that alternative in depth, such a program could be successful if it also implemented the other structural changes this report considers such as statewide administration, paying for other housing expenses, using an improved payment standard and FMR calculation, and decreasing administrative burdens in other areas.

However, two ideas came up repeatedly throughout the focus group discussions. First, there is dire need for innovation in the administration of vouchers that will increase landlord

[51] Va. Code 55.1-1204(J). Terms and conditions of rental agreement; payment of rent; copy of rental agreement for tenant, https://law.lis.virginia.gov/vacode/title55.1/chapter12/section55.1-1204/#; Payments made online or directly from the checking account will have built- in receipt functions, and therefore, no paperwork is required.

[52] The administering agency does not need to deposit the funds into the account on the day it receives the receipt. Rather, there are no administrative barriers to depositing the funds on a predetermined day of the month.

participation. Direct-to-tenant payments are an important part of that innovation. Second, there is no step-down program to help tenants move off of a voucher into long-term housing that they can afford on their own. Allowing tenants to save in escrow over several years, especially if their income increases before recertification, would allow for upward mobility and a softer exit from the voucher program. When combined with the early success of the DC Flex program, where 41% of participants had extra funds at the end of the year,[53] it is clear that using a flexible payment voucher is a risk that should be taken with the understanding that tenants also need education and other resources to help them use their escrow account responsibly over the life of the program.

Focus Group Recommendation: The VHSF program should be split between project-based and tenant-based vouchers to increase the number of affordable units available.

The majority of stakeholders suggested that the VHSF program should be a combination of project-based (PBV) and tenant-based rental assistance (TBRA), but had varying suggestions on the allocation of each.[54] While the current federal HCV program caps PBVs at 20 percent, the VHSF should start each year by splitting funding equally between PBVs and TBVs and then allow any unused funds for PBVs to be converted to TBVs so that housing assistance does not go unused. While many stakeholders wanted more PBVs than the federal program, an even split is more than what any individual stakeholder recommended. However, the VHSF should significantly increase funding for PBVs because they are the only way that the VHSF can encourage the production of more affordable housing units. Given the lack of units for VLI and ELI renters, it is important that the VHSF make a significant investment in housing production through PBVs for these populations.

A further description of the Tenant-Based Rental Assistance and Project-Based Voucher components of the VHSF is below.

Tenant-Based Rental Assistance (TBRA)

Overview

The TBRA component of the VHSF should use a direct to tenant flex-voucher model similar to the District of Columbia's Flexible Rent Subsidy Program (DC Flex). The amount of the voucher, held in escrow, should consist of 1) the rent minus 30% of the tenant's income (or a $50 minimum contribution) for each month of the lease, 2) an allowance for utilities for each month of the lease, and 3) the cost of the security deposit plus $150 for moving-related expenses. Similar to the federal HCV program, a tenant would be expected to pay 30 percent of

[53]Leopold et al, *DC Flexible Rent Subsidy Program*; Because DC Flex gave every participant exactly $7,200 per year regardless of their rent or income, it is difficult to compare these results to a program that will set the amount of the voucher based on the tenant's ability to pay. A quick estimate of the payments for a voucher holder in Richmond, VA shows that an escrow account will contain as much as $10,572 (30% AMI for a family of 4 = $27,000, FMR for a 3 bedroom unit = $1,556/month). Therefore, the number of voucher holders who will have funds remaining in escrow will likely be much higher.

[54] The stakeholders representing landlords generally favored TBRA, but this was not a point they emphasized. Two stakeholders did individually suggest a PBV only pilot program with TBRA phasing in over time as households in project-based units moved became eligible for TBRA. However, the authors concluded that the context and wording of Item 114N of Chapter 2 of the 2022 Acts of Assembly, Special Session I, specifically the phrase "enable [renters] to afford housing" implied that eligible households should be able to apply for some form of assistance that allows for rentals on the open market. Therefore, this type of pilot was not explored in more depth.

their income or a $50 minimum towards their rent. However, unlike the federal program, in cases where utilities are not included in the lease, the TBRA should also include a utility allowance. Furthermore, an extra amount would be available in the first month for security deposits and housing-related incidentals such as moving costs, parking and utility deposits and connection fees. Items two and three are explained in more detail in the *Payment Standards and Fair Market Rent* and *Eligibility Expenses for Tenant-Based Rental Assistance* sections below, respectively.

Eligible Expenses for Tenant-Based Rental Assistance

Focus Group Recommendation: The VHSF program should provide funding for a wide range of housing expenses including security and utility deposits, application fees and moving expenses.

The HB 854 study suggested that a rental assistance program should allow funding to be used towards security deposits and application fees. Many stakeholders agreed, stating that the combination of various fees and expenses create insurmountable financial barriers to moving for many tenants. The federal housing choice voucher does not address this problem. If a tenant must pay the first month's rent and a security deposit worth two months' rent all at once, this can easily surpass $3000. Considering that in 2021, 61% of Americans could not afford to pay for a $1,000 emergency,[55] it is clear that the lump sum payments required at the beginning of most leases are unattainable for many tenants across the Commonwealth.

Several stakeholders pointed to the Emergency Housing Voucher (EHV) program as an example of a program that successfully incorporated payments for expenses beyond rent. During the COVID-19 pandemic, HUD has issued a limited number of Emergency housing Vouchers. These vouchers include a Service Fee of $3,500 for each voucher which covers expenses including housing search assistance, security and utility deposits, rental application fees, holding fees, moving expenses, tenant-readiness services, essential household items, and renter's insurance if required by the household's lease. Several other federal funding sources like Emergency Solutions Grants (ESG) and Emergency Rental Assistance Programs (ERAP) also cover expenses like security deposits. On the state level, an independent evaluation of the first year of the Virginia Eviction Reduction Pilot Program (VERP) found that the flexibility to cover security deposits, moving costs, transportation costs and child care expenses was a critical component to the program having a statistically significant impact on lowering eviction filings and judgements.[56]

This flexibility for covering additional expenses has been key to helping renters in a variety of programs find housing quickly, and many stakeholders wanted to see these expenses continue to be covered under the VHSF program. Given the strong consensus from the focus groups and research indicating the beneficial outcomes of covering additional expenses, moving expenses should be taken into account when determining the amount of the voucher and, in the

[55] Lorie Konish, "Just 39% of Americans could pay for a $1,000 emergency expense," CNBC, January 11, 2021, https://www.cnbc.com/2021/01/11/just-39percent-of-americans-could-pay-for-a-1000-emergency-expense.html

[56] Teresa et. al., "The Virginia Eviction Reduction Pilot Program: Final Report on Phase 1," RVA Eviction Lab, September 26, 2022, https://www.dhcd.virginia.gov/sites/default/files/Docx/verp/VERP-2020-final-report.pdf

first month, an extra allowance should be available to cover security deposits and other moving-related expenses.

While the focus groups were nearly unanimous in recommending that the vouchers should cover more than just rent and utilities, the suggestions ranged from large expenses such as security and utility deposits to small expenses such as pet fees, parking fees, and renter's insurance. The three expenses that stakeholders mentioned most often were security deposits, application fees, and expenses related to utilities (either past due utilities or utility deposits required when a tenant moves). By utilizing the flex voucher approach, this voucher can easily address these costs by including a one-time disbursement for extra fees and leave it up to the tenant how to spend those extra funds. Therefore, in order to promote mobility and reduce administrative burdens, the TBRA portion of the VHSF should include an additional amount equal to the security deposit + $150 for incidental expenses that can be withdrawn from the tenant's account in the first month.

The $150 in funds on top of the security deposit allows the tenant to pay for the security deposit plus one of the other commonly mentioned expenses– utility deposits and application fees. Dominion Energy is allowed to charge a utility deposit up to two months of usage to be paid over three months.[57] The average monthly electric bill for residential consumers in Virginia is $225/month. If a customer must pay a $450 deposit over three months, this would average to $150/month, so a tenant can use their voucher to cover the first month upon move in. In Virginia, a rental application fee cannot exceed $50.[58] Therefore, the tenant could alternatively use $150 to pay for 3 to 4 rental applications submitted shortly before signing a lease.

Another added benefit of the "flex" voucher system for TBRA is that, in any given month, a tenant can use the voucher to indirectly pay for unexpected expenses that may come up. Even though a tenant's voucher would be calculated based on the full rent minus 30% of their income, a tenant can withdraw up to a full month's rent and utilities from the voucher. This means that if a tenant is not able to cover their 30 percent portion of the rent one month, they can utilize the voucher to cover the unmet portion. This gives the household the flexibility to pay for unexpected housing and non-housing expenses that may come up such as a higher than normal utility bill, a car repair or a reduction in work hours. It also means that if a tenant can pay more than 30 percent one month, they can save the rest of the voucher for later in the year when income may be more limited. Any remaining voucher funds at the end of the lease term would be carried over for the next year. An example of a potential tenant's voucher usage is below:

Figure 3: Example Flex TBRA Ledger

Tenant A's rent is $1,000 per month with all utilities included. They are able to contribute $300 per month towards the rent based on their income, but they are allowed to withdraw up to $1,000. Based on their income and voucher cost, their TBV would be $9,550 ($8,400 in rent and utilities + $1,000 security deposit + $150 other costs) to be used over the course of a 12 month lease. Based on Tenant A's spending over the 12 months, they would have $300 remaining in their checking and $850 in their escrow account at the end of the lease term. Assuming Tenant

[57] 20VAC5-10-20. Rules on meter testing, bad check charges and late payment charges. https://law.lis.virginia.gov/admincodeexpand/title20/agency5/chapter10/#
[58] Va. Code 551.-1203. Application; deposit, fee, and additional information. https://law.lis.virginia.gov/vacode/title55.1/chapter12/section55.1-1203/#

A’s income and rent does not change, if they choose to roll over the extra funds they would have $10,700 available for the next voucher year.

	Starting Voucher Balance (Escrow Account)	Amount of subsidy transferred to checking account	Amount accessible via checking account	Amount of Subsidy Used by Household (Checking Account)	Amount paid by household	Checking account balance at month’s end
Month 1	$9,550	$2,150	$2,150	$1,350	$800	$800
Month 2	$7,400	$200	$1,000	$650	$350	$350
Month 3	$7,200	$650	$1,000	$700	$300	$300
Month 4	$6,550	$700	$1,000	$700	$300	$300
Month 5	$5,850	$700	$1,000	$1,000	$0	$0
Month 6	$5,150	$1,000	$1,000	$750	$250	$250
Month 7	$4,150	$750	$1,000	$500	$500	$500
Month 8	$3,400	$500	$1,000	$700	$300	$300
Month 9	$2,900	$700	$1,000	$700	$300	$300
Month 10	$2,200	$700	$1,000	$650	$350	$350
Month 11	$1,500	$650	$1,000	$800	$200	$200
Month 12	$850	$800	$1,000	$700	$300	$300

Eligible Applicants for Tenant-Based Rental Assistance

Focus Group Recommendation: The VHSF should have income preferences and also allow for a variety of tenants to receive vouchers.

Per item 114N of Chapter 2 of the 2022 Acts of Assembly, Special Session I, all households making less than 80% of area median income (AMI) must be eligible to receive TBRA. However, several stakeholders consistently pointed out the need for some type of income targeting similar to the federal program to ensure that the subsidy reaches those most in need. Therefore, since the project-based component will prioritize ELI renters (as will be discussed below), households who have been on the HCV waitlist and households making 30-50% AMI should be prioritized for TBRA.

There was significant disagreement among the stakeholders about whether there should be targeting based on criteria other than income. While some noted that many lower-income people, particularly working, single adults and elderly men without children, cannot receive a voucher from the federal HCV program because the federal preferences for extremely-low income, family size, and disability effectively exclude them from the program, others pointed to research that suggests that vouchers have the greatest positive economic effects if children under the age of 10 can move to better neighborhoods. Ultimately, in order to fill gaps not covered by the federal program and focus on increasing mobility, the administering agency should mainly prioritize tenant income as opposed to family size or other factors used for the federal program. This can be done using a weighted lottery system for the TBRA with more weight given based on income brackets and for those who have been on the waiting list for an extended period of time to ensure that every eligible household has a chance to receive a voucher while giving preference those who are underserved by the federal program.

Focus Group Recommendation: Income targeting should mitigate the negative effects of a benefits cliff by limiting immediate income cutoffs for voucher holders.

TBRA recipients should be able to receive a voucher as long as they remained 80 percent and below the area median income, similar to the federal HCV program. This, combined with two-year recertification, would mitigate the negative effects of benefits cliff since a household would still receive TBRA even if their income rose above the priority income thresholds. An increase in income during recertification would mean that a household’s total annual Flex TBRA benefit should be adjusted so that the income portion of the calculation would take into account thirty percent of the household’s increased income for rent.

Project Based Rental Vouchers (PBVs)

Overview

Focus Group Recommendation: Additional project-based vouchers that provide deep subsidy for the lowest-income renters will help spur development.

In general, VHSF project-based vouchers (PBVs) will operate in much the same manner as the federal program and will provide the Commonwealth with an additional tool to encourage the development of affordable rental housing units. PBV assistance may be attached to newly constructed or substantially rehabilitated housing. The administering agency would enter into a Housing Assistance Payment (HAP) contract with an owner for an initial 15-year term. Like the federal program, the option of an additional 15-year extension will be available. During the term of the HAP contract, the administering agency makes housing assistance payments to the owner for units leased and occupied by eligible households. For this reason, the PBV portion of the VHSF should not utilize direct to tenant payments. By guaranteeing a future source of stable income for a development, PBVs can be integral to the financing package that makes constructing or rehabilitating affordable housing possible.

In order to qualify for receipt of a project-based voucher, the project must meet the following standards:

1. Housing Quality Standards (HQS)[59]
2. Fair Market Rent (FMR)[60]
3. Neighborhood requirements[61]
4. Any other state or local requirements for the building.

Like in the federal program, PBVs should not be attached to (1) shared housing; (2) units on the grounds of a penal, reformatory, medical, mental, or similar public or private institution; (3) nursing homes or facilities providing continuous psychiatric, medical, nursing services, board and care, or intermediate care; (4) units that are owned or controlled by an educational institution or its affiliate and are designated for occupancy by students of the institution; (5) manufactured homes; and (6) Transitional Housing. However, the administering agency may attach PBV assistance for a dwelling unit in an assisted living facility that provides home health care services such as nursing and therapy for residents of the housing. PBV assistance also should not be used for owner-occupied units or homeownership assistance or for units receiving other forms of public subsidy.

Focus Group Recommendation: PBVs should avoid further concentrating poverty.

Focus group participants emphasized the need to ensure that PBVs do not further concentrate poverty. Instead of capping the number of units in a building that are eligible for PBVs or requiring that neighborhoods must meet certain criteria, focus group participants recommended emphasizing that units should be constructed in neighborhoods that are rich with resources and opportunities without enforcing any potentially contradictory requirements. Some factors that should be considered when evaluating which projects will receive PBVs include whether the neighborhood:

1. Has adequate utilities and streets available to service the site;
2. Promotes greater choice of housing opportunities and avoids undue concentration of assisted persons in areas containing a high proportion of lower-income persons;
3. Is accessible to social, recreational, educational, commercial, and health facilities and services and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents;
4. Is so located that travel time and cost via public transportation or private automobile from the neighborhood to places of employment providing a range of jobs for lower-income workers is not excessive;
5. Is not seriously detrimental to family life or a neighborhood where substandard dwellings or other undesirable conditions predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.

[59] See section below on recommendations regarding inspection requirements
[60] See section below on recommendations regarding adjustments to Fair Market Rent
[61] Found below in this section

Focus Group Recommendation: Households living in a unit that is subsidized with a PBV should have the opportunity to receive tenant-based rental assistance should they choose to move.

Stakeholders suggested that the household should be able to terminate a PBV-assisted lease at any time after the second year of occupancy and receive TBRA if it is available. The household would be required to give the owner and the administering agency advance written notice of intent to vacate in accordance with the lease. The administering agency must then offer the household the opportunity for continued tenant-based rental assistance. If tenant-based rental assistance is not immediately available upon termination of the family's lease of a PBV unit, the administering agency must give the family priority to receive the next available tenant-based voucher.

Eligible Expenses for Project-Based Vouchers

Focus Group Recommendation: The VHSF program should provide funding for a wide range of housing expenses including security and utility deposits, application fees and moving expenses.

For the reasons outlined above in the *Eligible Expenses for Tenant Based Rental Assistance* section, project-based vouchers should provide funding for more than just rent. However, there was no consensus among the stakeholders on the most effective way to do this because paying tenants directly in project-based units could affect underwriting for developers. Since the potential effect of a direct to tenant PBV on underwriting is unknown and in the interest of reducing administrative burdens, the VHSF should continue to pay vouchers to landlords for the PBV portion. Furthermore, landlords should be required to include all utilities within the rent when applying for PBVs to simplify the Payment Standard and FMR calculation and align it with the TBRA portion. Households in units with PBVs would then contribute 30 percent of their income for rent and utilities or a minimum rent of $50 per month, and the voucher would pay the difference between the tenant contribution and the unit’s total rent and utilities. Security deposits, application fees, and utility deposits will continue to be eligible additional expenses. The amount of the security deposit should be paid directly to the landlord, and the $150 for moving expenses can be paid directly to the tenant upon the signing of the lease.

Eligible Applicants for Project-Based Vouchers

Focus Group Recommendation: PBVs should be tailored primarily to high-needs populations that require access to more intensive social services.

As noted above, there is a need for targeting to ensure that the program serves those who need it the most. Unlike the TBRA portion, however, the PBV portion of the program should focus on those in the greatest need of housing, not necessarily those who need the voucher to become more mobile. Therefore, while all households making less than 80% of area median income (AMI) should be eligible to occupy units subsidized with PBVs, households making under 30% AMI and special populations should be prioritized for PBVs. The PBV portion of the VHSF should also use the same weighted lottery system with additional entries for those in the preferred income bracket and those who have been on the waiting list for an extended period of time. Additionally, for projects that use PBVs to house special populations, only those meeting the requirements for residency would be entered into the lottery for those units. Special populations include the elderly, those with intellectual or developmental disabilities, those with substance abuse disorder or severe mental health conditions, those exiting from institutions, and chronically homeless individuals.

During the term of the HAP contract, the owner must lease contract units only to eligible households selected and referred by the administering agency from the waiting list. The owner is responsible for adopting written tenant selection procedures that are consistent with the purpose of improving housing opportunities for lower-income households and reasonably related to program eligibility and an applicant's ability to perform the lease obligations. An owner must promptly notify in writing any rejected applicant of the grounds for any rejection.

Other Program Components

The following recommendations concern specific and often technical program components that apply to both the PBV and TBRA portions of the VHSF. They include how to calculate the payment standard and the Fair Market Rent, the recertification process, application barriers and issues related to portability, inspections, and recommendations for implementation. While they may not reflect consensus ideas, these recommendations are based on best practices and the suggestions of stakeholders who are experts on these individual issues.

Payment Standards and Fair Market Rent

Focus Group Recommendation: The payment standard should be set to the cost of the advertised rent paid without deductions for utilities that the rent may cover; the tenant-based rental assistance should include an additional monthly amount for utilities.

The payment standard is perhaps the most important component of a rental assistance program. While tenants can rent a unit with a listed rent higher than the payment standard, the tenant must pay the difference between the payment standard and the gross rent, in addition to the 30% of their income they are already paying. Functionally, this typically limits tenants to units with rents listed under the payment standard. The focus groups noted that one limitation of the payment standard is that it is based on FMR, which is an estimate of both rent and utilities. This causes significant confusion for both landlords and the PHAs when a unit includes some utilities in the price of rent, but not others. In this situation, the advertised “rent” for a unit may not qualify for a voucher even though it is below the payment standard. If a tenant must pay all of the utilities, the rent must be significantly lower than the payment standard to make up the difference. Trying to estimate the average cost of utilities in total, and then subtracting only the ones that the tenant must pay requires a significant amount of estimation, and the stakeholders mentioned that this process was both inefficient and confusing.

In order to avoid these inaccuracies and decrease administrative burden on both the government and the landlord, stakeholders suggested that the payment standard calculation process should be streamlined to be intuitive, accessible, and easy to calculate for both landlords and tenants. Therefore, the VHSF should set the payment standard according to the advertised rents in an area without considering how many utilities are paid for by the tenant. As mentioned above, this means that utilities must be calculated separately. However, rather than being a burden, this fact makes the flex voucher even more advantageous, as the voucher can easily allocate an additional, individualized amount to the tenant each month to cover any utilities that the tenant pays based on an accepted utility estimate for the area and housing type.[62]

When calculating the utility payment, a generally accepted standard is that tenants should not pay more than 6% of their income in utilities.[63] Therefore, in the same way that the voucher is calculated such that the tenant pays 30% on income each month, but can withdraw the full amount, the utility payment should be calculated such that the voucher covers the accepted utility estimate minus 6% of their income, but the tenant can withdraw the full amount of the utility estimate each month if needed. For purposes of the project-based component of the VHSF, landlords will be required to include all utilities in the rent calculation for the unit.

Focus Group Recommendation: The fair market rent should be based on current market data collected from a reputable, market based source instead of surveys; it should be set at 90-110% of the true median rent by zip code.

According to the stakeholders who were familiar with the way the FMR is calculated, there are two main problems with the federal HCV FMR: the data used is neither timely nor accurate, and using the data from an entire MSA or county does not accurately reflect the large differences in average rents by neighborhood in a given locality.

First, regarding data, FMR is calculated every year using the five year American Community Survey data for each Metropolitan Statistical Area (MSA) and Non-metropolitan County. The FMR is then set at the 40th percentile of rents in that area. Since the ACS data is calculated every five years, the FY2022 FMRs were calculated primarily using 2016-2020 ACS (the most recent ACS data) as a baseline that was then supplemented by local surveys.[64] The focus group members suggested that starting with the ACS and then adding survey data is an outdated method and is inaccurate for fast-moving markets. The VHSF should instead use up-to-date market data available from Zillow, CoStar or other business sources to ensure that the FMR reflects the rental market. HUD also recently proposed using market data from these sources in the calculation of FMR to compensate for the lack of published ACS 5-Year Estimates.[65]

Second, the stakeholders noted that the current process of calculating a regional FMR for an entire Metropolitan area greatly decreases the utility of the FMR as a tool to increase mobility and deconcentrate poverty. Within any given city there are vast differences in rents within each zip code, neighborhood, and census tract. If rentals were evenly distributed across

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[62] One such example is the Virginia Housing Development Authority's rent calculations for the size and type of home in the tenant's area of the state.

[63] American Council for an Energy-Efficient Economy, *Lifting the High Energy Burden in America's Largest Cities.* Ariel Drehobl and Lauren Ross. Washington, DC: ACEEE, April, 2016. 10. https://www.aceee.org/sites/default/files/publications/researchreports/u1602.pdf

[64] "Fair Market Rents," Office of Policy Development and Research, U.S. Department of Housing and Urban Development, accessed September 2022, https://www.huduser.gov/periodicals/ushmc/winter98/summary-2.html#:~:text=Participants%20in%20the%20voucher%20program,function%20primarily%20to%20control%20costs.

[65] "Proposed Changes to the Methodology Used for Calculating Fair Market Rents," U.S. Department of Housing and Urban Development, July 13, 2022, https://www.federalregister.gov/documents/2022/07/13/2022-14913/proposed-changes-to-the-methodology-used-for-calculating-fair-market-rents

all zip codes, then this would not be a problem, as the median for a city would not be skewed by prices in a particular neighborhood on either end. However, because rental units tend to be concentrated in lower-income, lower-rent neighborhoods with higher-density housing, the median for the metropolitan statistical area is brought down by the rents in a handful of neighborhoods.

The stakeholders noted that this creates two interrelated problems. First, a neighborhood with rents that exist at the true average now has rents above the median, even though rental stock is being offered at market rate for the neighborhood or zip code and the rent could be considered affordable. Put differently, the rents in poor neighborhoods bring the area median below the median for more affluent neighborhoods. This reduces mobility to otherwise desirable neighborhoods. Second, a greater number of rentals in low-income neighborhoods are now available because the median for the neighborhood is below the median for the area. Put differently, the rents in the affluent neighborhoods bring the area median above the median for poorer neighborhoods. This leads to a concentration of vouchers in low-income neighborhoods. All of the stakeholders want the Federal Housing Choice Program to increase mobility and deconcentrate poverty. However, those that have studied these issues pointed out that a FMR that covers an entire MSA does neither of those things, but incentivizes the opposite. The FMR should therefore be adjusted to ensure that average-priced rental units available in a given zip code are accessible to a voucher holder. In the few jurisdictions that have instituted Small Area Fair Market Rent (SAFMR), which relies on zip-code level data instead of MSA- or county-level data, SAFMRs increase the number of units with rents below the applicable FMR in high-rent ZIP Codes and reduce the number in low-rent ZIP Codes, offering lower poverty, higher school proficiency, higher job proximity, higher environmental quality, and lower rates of both property and violent crime to residents.[66]

In addition to the problems created by a low FMR cited above, stakeholders discussed how an FMR that is chronically below what the market can bear creates further barriers. Landlords are less likely to want to participate in the program when the FMR is below what the market is able to charge because they would be lowering their rents to participate.[67] Affordable rental housing is artificially excluded from voucher holders, forcing ELI tenants to rent homes that would be affordable for LI tenants, and so on. Furthermore, source of income protections become ineffective when landlords can easily evade having to accept vouchers by simply raising their rents to market rates, especially if those rates are slightly above the payment standard.[68] With all of this in mind, a larger overhaul of how the VHSF calculates FMR is needed to take into account lags in data, neighborhood differences, and any other factors that cause the FMR to be chronically below what landlords can, should, and do charge on the open market. These factors require using the true median instead of the 40th percentile to ensure that the FMR stays competitive in the current rental market.

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[66] Meryl Finkel et. al, "Small Area Fair Market Rent Demonstration Evaluation: Interim Report," Office of Policy Development and Research, U.S. Department of Housing and Urban Development, August 2017, https://www.nahma.org/wp-content/uploads/2014/04/SAFMR-Interim-Report.pdf

[67] Alison Bell, Babara Sard, and Becky Koepnick, "Prohibiting Discrimination Against Renters Using Housing Vouchers Improves Results, Center on Budget and Policy Priorities, December 20, 2018, https://www.cbpp.org/research/housing/prohibiting-discrimination-against-renters-using-housing-vouchers-improves-results

[68] Bell, Sard, and Koepnick, "Prohibiting Discrimination Against Renters."

In summary, given the importance of the payment standard and the FMR, along with the significant deficiencies with the federal payment standard, the VHSF should make the following adjustments when calculating its FMR:

- Use market data available from Zillow, CoStar or other business sources to ensure as up-to-date data as possible and reduce other inaccuracies.
- Calculate the FMR using small area fair market rent based on zip code instead of metro area.
- Increase the payment standard to 110% of the true median, up from the current level of 40th percentile, to adjust for unavoidable underestimations in a changing market.

This recommendation is not made lightly. Making these adjustments, and thereby using a FMR calculation and payment standard that is different from the federal FMR calculation and payment standard calculated by HUD, creates significant costs that will need to be borne by the administering agency and will increase the price for each voucher. For this reason, this suggestion is counter to the HB854 study's recommendation to adhere to the federal HCV program as closely as possible. However, members across all focus groups noted that the current FMR calculation and payment standard hinders the federal program. It is confusing for both tenants and landlords, difficult to administer, inefficient, concentrates poverty, reduces mobility, is not reflective of rental markets, and limits the number of units a tenant can rent. Therefore, this recommendation should be a central component of the VHSF.

Recertification

Focus Group Recommendation: Annual income recertification should not be required for all households, especially for households that are on a fixed income.

The current HCV program requires annual recertification to determine how much voucher assistance a household will receive. Focus group participants mentioned that annual recertifications can be over burdensome especially for households that are on a fixed, limited income such as households receiving social security or disability benefits. Bi-annual recertification should be required for the VHSF program. If a household's income drops during recertification, the administering agency should recertify annually to make sure that the voucher amount is indicative of the household's income.

Application Barriers and Portability

Focus Group Recommendation: The VHSF program should reduce common HCV barriers to receiving assistance by following federal best practices.

Similar to the recommendation of the HB854 study, focus group members mentioned that the VHSF program guidelines should reduce barriers for assistance particularly among those with criminal histories, eviction histories, debt status and undocumented individuals who tend to face a harder time receiving assistance under the current HCV program. Focus group members recommended allowing for assistance regardless of immigration status or eviction status and to follow HUD's 2016 Application of Fair Housing Act Standards to the Use of Criminal Records Guidance for those with a criminal history.[69]

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[69] "Office of General Counsel Guidance on Application of Fair Housing Act Standards to the Use of Criminal Records by Providers of Housing and Real Estate-Related Transactions," U.S. Department of

Focus Group Recommendation: The VHSF program should provide households flexibility in the amount of time it takes to find a unit.

Focus group members mentioned that the COVID-19 pandemic has increased the amount of time it takes for tenants to find a unit that will accept their TBV. Prior to COVID, many housing authorities were able to place tenants in federal HCV units within 30-45 days. Since COVID, it now takes some organizations six months to a year to find properties with those experiencing chronic homelessness being the hardest to house. Since Virginia is already experiencing a shortage of affordable units, the VHSF should follow the HCV standard for voucher placement during a move.

Focus Group Recommendation: The VHSF program should be implemented statewide to reduce issues with portability.

The focus group mentioned that the current HCV program may incentivize tenants to move to an area with shorter waitlists. Tenants in the current program may move to another locality to get a voucher and then move back to their original location since HCV vouchers are portable. By creating a state-administered program, there would be two central waitlists (one for PBVs and one for TBRA) which would eliminate the portability problem that the HCV program unintentionally created.

Focus Group Recommendation: Tenants should be allowed, but not forced, to rent a number of bedrooms below what they apply for if local zoning regulations allow for such rentals.

Some stakeholders mentioned that bedroom requirements made it difficult for some families to find a unit that takes their specific TBV. If a single guardian household with two children requires a bedroom for each child, it can further limit the amount of options available. In situations where local zoning regulations allow, tenants should be allowed, but not forced, to rent a unit with fewer bedrooms than what they applied for if one is available.

Inspections & Habitability

Focus Group Recommendation: The VHSF should accept other inspections that are substantially similar to the Housing Quality Standards in order to limit the number of inspections that must be completed.

Some stakeholders stated that they must undergo inspections for other programs and that all of their units must meet building code requirements. Therefore, much of what is inspected for in the HQS is redundant. While HQS serves an important purpose, the VHSF should take this into consideration, especially for new or recently constructed, larger multi-family buildings. Therefore, if a building has been inspected for another federal program such as the Low Income Housing Tax Credit program, the USDA Section 583 program, or another state-funded program, an inspection can be done on paper with minimal documentation required. Furthermore, if a certificate of occupancy has been issued for a new building in the past 12 months, it should be sufficient for inspection purposes. The program does need Housing Quality Standards similar, if not identical to, the federal standards, but those should be used as a last

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Housing and Urban Development, April 4, 2016, https://www.hud.gov/sites/documents/HUD_OGCGUIDAPPFHASTANDCR.PDF resort for units that have not recently been inspected for another program. Inspections should be required for both PBV and TBRA units.

The VHSF should also limit the number of units that need to be inspected in large apartment buildings where a large number of units are receiving some type of subsidy through VHSF. If inspections are done for a multi-family building where more than 25 units are receiving subsidies, a random 20% sample of the units in the building should be inspected annually in lieu of requiring individual inspections to when tenants move in or move out. If any of the sampled units fail inspection, all units should be inspected that year.

Implementation

Focus Group Recommendation: VHSF should be administered by a central, statewide agency to eliminate potential abuses of portability and confusion caused by regional differences in how the program is administered.

One key question that was asked of all the stakeholders was who should administer the VHSF. While the federal HCV program is administered by local public housing authorities in each metro area, and the balance of state is administered through contracts with Virginia Housing, the stakeholders were nearly unanimous in suggesting that the program be administered by a state-government agency, whether that is Virginia Housing or the Department of Housing and Community Development. A governmental agency with state-wide jurisdiction was a logical choice, as non-profit stakeholders suggested that contracting to regional nongovernmental organizations would require a large administrative fee in order to increase capacity, public housing authorities noted the significant fixed costs associated with software and other tools, and other stakeholders praised both DHCD and VH's ability to run programs during the COVID-19 pandemic that were easy to use and benefited all parties. Having a statewide program would also obviate the need for regional waiting lists and eliminate abuses related to receiving a voucher in a jurisdiction with no waiting list and then moving to a more desirable area. Therefore, the VHSF should be run by a statewide government organization that has a proven track record of managing rental assistance programs such as VH or DHCD.

Focus Group Recommendation: The administering agency should make the proper investments to ensure landlord and tenant needs are met.

Many stakeholders were adamant that the most-needed improvement to the Federal HCV program was that rent needs to arrive on time. They often stated it as a matter of program culture, stating that participants should be treated as customers, not as means to an end. Therefore, the VHSF should make the proper up front investments in software, human resources, and other infrastructure to ensure that the basic needs of landlords and tenants are met. Rent should be made available in the tenant's checking account by the administering agency before rent is due each month. Owners should receive payment for PBVs on or before the 5th of the month, with the administering agency responsible for paying late fees if the funding is not received on time. Tenant escrow accounts (and payments to tenants in PBV units) should be fully funded after signing a contract with the administering agency but before the beginning of the lease. While all of these recommendations seem simple, they will reduce participation in the program if they are not done properly from the beginning.

Appendix A: VHSF Work Group Members

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Allison Brown, Virginia Housing Alliance
Betty Wolfe, Habitat Roanoke
Bryan Ailey, People Incorporated
Bryan Coleman, NAACP
Brian Koziol, Virginia Housing Alliance
Carl Williamson, Newport News Public Housing Authority
Carol Brown, University of Richmond
Chris McKee, Franklin Johnston Group
Christie Marra, Virginia Poverty Law Center
Erica Holmes, St. Joseph's Villa
Erin Barton, Virginia Realtor Association
Felecia Motteler, Virginia Supportive Housing
Julie Anderson, Virginia Supportive Housing
Katherine Shester, Washington and Lee University
Kathryn Howell, Virginia Commonwealth University - RVA Eviction Lab
Kellen MacBeth, NAACP
Kenyatta Green, Richmond Redevelopment and Public Housing Authority
Lisa Porter, Bristol Redevelopment and Housing Authority
Mariko Lewis, New Virginia Majority
Marla Posey, The Lawson Companies
Marybeth Adkins, Family Crisis Support Services
Michael Wong, Harrisonburg Public Housing Authority
Mike Chiappa, Arlington Partnership for Affordable Housing
Molly Jacobson, Virginia Housing Alliance
Monica Jefferson, Housing Opportunities Made Equal
Monica Sarmiento, Virginia Coalition for Immigrant Rights
Nicole Dula, Arlington County
Patrick Algyer, Northern Virginia Apartment Association
Patrick McCloud, Virginia Apartment Management Association
Phil Tegeler, Poverty and Race Research Action Council
Renee Pulliam, Thalhimer Properties
Sunshine Mathon, Piedmont Housing Alliance
Tommy Herbert, Virginia Apartment Management Association
William Davis, Tenant

Appendix B: Department of Housing and Community Development

Bryan Horn, Director
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Appendix C: Other State Rental Assistance Programs of Note

Program	PBV/ TBRA	Income Targeting	Relevant Program Guidelines
Connecticut Rental Assistance Program	TBRA	Under 50% AMI	• Households pay 40% of their income on rent, unless they are elderly or disabled, who pay 30%. • Initially received 75,000 applications for 2,000 slots
DC Local Rent Supplement	TBRA/ PBV	Under 30% AMI	• Applicants must be on federal voucher waiting list • Based on Section 8 and sponsor-based agreements that subsidize developers and providers • Additional funding targets homeless families in shelters
DC Flex Voucher	TBRA	Under 30% AMI	• Program administrator deposits $7,200 into an escrow account at the beginning of the program year • Participants decide how much to withdraw each month up to the amount of their rent • Can stay in the program up to four years • Eligible applicants must have dependent children, at least one working adult, a legal lease, and have recently applied for homeless assistance
Hawaii State Rent Supplement Program	TBRA	Under 80% AMI	• Modeled on Section 8 • State pays between 30% of tenant income and a maximum of $230/month
Illinois Rental	PBV	All vouchers	• The Illinois Housing Development Authority (IHDA) uses Local Administering Agencies to

Housing Support		must be for 30% AMI or less, 50% for 15% AMI or less	identify eligible housing units and match them with potential tenants • Funding is derived from a $10 surcharge on real estate document recordings, and amounts to about $18 million annually
Maryland Rental Allowance Program	TBRA	The higher of 30% AMI or 30% of the state median income	• Primarily targeted towards homeless and at risk of homelessness • Monthly payments are fixed amounts depending on family size and location of rental housing • 12-18 month program
Massachusetts Rental Voucher Program	TBRA/ PBV	Under 80% AMI	• Tenants pay between 30% and 40% of their income dependent on household income, household size, whether utilities are included, and location of unit • Includes 2,100 TBRA and 3,000 PBV units
New Hampshire Housing Security Guarantee Program	TBRA	Under 30% AMI	• Provides funds to a network of nonprofits that administer security deposit guarantees to tenants • Revolving loan fund
New Jersey State Rental Assistance Program	TBRA/ PBV	Under 30% AMI	• Eligible applicants cannot already be holders of Section 8 • 22% of funding is set aside for homeless families with children and graduates of transitional housing programs • 10% set aside for people with disabilities • 18% set aside for seniors
New York Rural Rental Assistance Program	PBV	Under 80% AMI	• Provides up to 25 years of rental subsidies to projects that are financed using the USDA Rural Housing 515 program • Projects that have met the 25 year program obligation are provided one additional year of RRAP rental subsidy each budget year if

			included in the enacted NYS budget • Eligible tenants include any low income elderly and family tenants in rural areas of New York
Rhode Island Neighborhood Opportunities Program	PBV	Under 40% AMI	• Operating subsidies to developers of rental housing • Supports the development of rental units for very low income families and supportive housing for very low income individuals with disabilities

Appendix D: Item 114N of Chapter 2 of the 2022 Acts of Assembly, Special Session I

N. The Department of Housing and Community Development shall convene a stakeholder workgroup to develop model guidelines for the creation of a program to provide long-term rental assistance to low-income, very low-income, and extremely low-income renters to enable them to afford housing costing 30 percent of their income. In developing guidelines for the program, the department shall ensure, at a minimum, that the program pays the difference between full rent and 30 percent of household income. The stakeholder workgroup shall consist of housing developers, homeless services providers, housing providers, landlords, tenants, tenant advocates, and others to develop recommendations for the program. The stakeholder group shall complete its work and issue a report with recommendations to the House Appropriations and Senate Finance and Appropriations Committees no later than November 30, 2022.

Appendix E: Chapter 482 of the 2020 Acts of Assembly (HB854)

Be it enacted by the General Assembly of Virginia:

That the Department of Housing and Community Development and the Virginia Housing and Development Authority be requested to study ways to incentivize the development of affordable housing in the Commonwealth of Virginia.

In conducting its study, the Department of Housing and Community Development and the Virginia Housing and Development Authority shall convene a stakeholder advisory group consisting of individuals with expertise in land development, construction, affordable housing, real estate finance, tax credit syndication, and other areas of expertise as determined by the Department of Housing and Community Development and the Virginia Housing and Development Authority, and at least one resident of an affordable housing property. Such advisory group shall (i) determine the quantity and quality of affordable housing and workforce housing across the Commonwealth, (ii) conduct a review of current programs and policies to determine the effectiveness of current housing policy efforts, (iii) develop an informed projection of future housing needs in the Commonwealth and determine the order of priority of those needs, and (iv) make recommendations for the improvement of housing policy in the Commonwealth.

The advisory group shall consider the following proposals as well as other proposals it considers advisable during the course of its analysis and deliberations: (a) a Virginia rent subsidy program to work in conjunction with the federal Housing Choice Voucher Program, (b) utility rate reduction for qualified affordable housing, (c) real property tax reduction for qualified affordable housing for localities that desire to provide such an incentive, (d) bond financing options for qualified affordable housing, and (e) existing programs to increase the supply of qualified affordable housing.

All agencies of the Commonwealth shall provide assistance to the Department of Housing and Community Development and the Virginia Housing and Development Authority for this study, upon request.

The Department of Housing and Community Development and the Virginia Housing and Development Authority shall complete its meetings by November 30, 2020, and shall submit to the Governor and the General Assembly an executive summary and a report of the findings and recommendations of the stakeholder advisory group for publication as a House or Senate document. The executive summary and report shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports no later than the first day of the 2021 Regular Session of the General Assembly and shall be posted on the General Assembly's website.