

NCSHA 2009 Annual Awards for Program Excellence

Category: Special Achievement
Name of Entry: Rental Housing Support Program
HFA: Illinois Housing Development Authority

Many hard working low-income families throughout the state of Illinois are forced to spend a disproportionate share of their income on rent due to the limited availability of affordable rental housing. Often this leaves little leftover to pay for the other necessities in life such as utilities, healthcare, education, and sometimes even food. According to the U.S. Department of Housing and Urban Development (HUD), households spending more than 30 percent of their income on rent are paying too much. Currently in Illinois, 58 percent of renters (or 459,000 households) earning at or below 50 percent of the area median income are rent burdened and contributing more than 30 percent of their income to rent, according to the Illinois Housing Development Authority's (IHDA) analysis of 2000 census data.

IHDA recognizes the need to help ease the burden for low-income renters, as well as the need to bring long-term affordability to communities. As a result, IHDA created the Rental Housing Support Program (RHSP) and identified a dedicated funding source to address this important state need.

Program Description

The RHSP helps low-income families achieve housing stability by lowering rents for tenants and helps communities address the need for decent, affordable, and permanent rental housing. Under the program, IHDA awards funds to organizations around the state that then become local administering agencies (LAA). The LAAs in turn provide subsidies to landlords. These subsidies allow extremely low-income households to afford their rents. The three primary goals of the program are to:

- reduce the risk of homelessness for extremely low-income families, seniors and persons with special needs by providing resources to secure permanent rental housing. The RHSP also aims to help seniors afford to remain in their communities and avoid unnecessary institutionalization;
- assist communities to create and preserve long-term affordability in their areas by developing a "unit-based" subsidy program that is locally administered and with a dedicated funding source;
- provide rental assistance to residents in areas of the state that are currently underserved or not served at all due to a lack of affordable housing in the area.

Program Development

The Governor's Housing Task Force, chaired by the Executive Director of IHDA and composed of housing experts, developers and heads of state agencies are responsible for developing a comprehensive housing plan for Illinois every year. The plan coordinates the effective creation of affordable housing across the state. In 2005, the Task Force identified funding for rental assistance as a significant need in the state's first comprehensive housing plan "Building for Success" and stressed the need for a permanent funding source. In a united effort, the Task Force, housing advocates, and legislators lobbied intensely for a portion of the real estate document recordings to be allocated to the new program. Their crucial win paved the way for the creation of the Rental Housing Support Program.

Program Need

There are four primary reasons why the Rental Housing Support Program is needed in Illinois:

1. 58 percent of renters earning at or below 50 percent of the area median income in Illinois are paying more than 30 percent of their income to rent. Also, as of 2006, 52,969 households are on voucher waiting lists in Illinois according to a statewide housing choice voucher survey called "Not Even a Place in Line" conducted by the Chicago-based non-profit organization Heartland Alliance for Human Needs & Human Rights. Furthermore, 65,184 households in Illinois remain on waiting lists for public housing despite a 5,000 unit drop in public housing unit stock since 2003. In other words, for every unit of existing public housing, at least two households are in need of such assistance.

2. Before the RHSP, no other state-funded program existed in Illinois that exclusively helped extremely low-income residents (persons earning less than 30 percent of the area median income (AMI)) with rent. The RHSP is the first statewide program to really serve the affordable rental housing needs of this population. Most other programs, including the federal government's Section Eight program, targets persons earning 50 percent AMI and above.
3. There was a need for a statewide program that had a permanent funding source and was managed locally to ensure the effective use of program funds.
4. There was an apparent need to create a "unit-based" program in Illinois to ensure that the subsidies stayed within the community even after a property has a change of occupancy, thus helping communities to create affordable rental options as well as retain them. This provision is particularly relevant during current economic times when a number of rental property owners are forced into foreclosure. The RHSP guarantees that the subsidy attached to the foreclosed unit is used elsewhere in the community.

Program Process

The RHSP is funded through a \$10 fee collected from real estate document recordings. Resources are allocated by the state legislature and then distributed by IHDA to four geographic areas: Chicago, suburban Chicago, small cities, and rural communities. Funding is prorated geographically, based on analysis of the U.S. Census data for the number of low-income households in an area. IHDA is responsible for administering the program for the latter three geographic areas. The allocation for Chicago is directly administered by the Chicago Low Income Housing Trust Fund, a non-profit subsidiary of the Chicago Department of Community Development.

The program is publicized through a Request for Proposals (RFP) process and is open to local housing authorities, municipalities, and non-profit community groups with the organizational capacity and experience to operate housing programs. Once selected as a local administering agency (LAA), the LAA helps to identify local property owners to participate in the program, help determine tenant eligibility, and inspect all units included in the program.

During the application period, IHDA conducts a series of trainings across the state for groups interested in applying to become administrative agencies (seven trainings were held in 2007 in preparation for Round One of the program, which started in July 2008). Another series of trainings covering program management requirements is held once the LAAs have been selected.

Applications are reviewed by IHDA staff and score according to set criteria, including readiness to proceed. The groups that score the highest are selected to participate in the program. Following approval from IHDA's Board of Directors, each LAA enters into a three year contract with IHDA to help manage the program in their area. Funds are distributed in the form of a grant, on a quarterly basis, one quarter in advance. LAAs have the opportunity to renew their contract at the end of the three years if they so wish.

It is important to recognize that the RHSP requires "maintenance of effort" funding, meaning that the program requires significant incremental increases in funding from year to year to ensure that new tenants are assisted annually. IHDA has also endeavored to avert the loss of affordable units due to the loss of funds, as other federal programs have experienced.

To qualify for the program, tenants:

- must not have a household income that exceeds 30 percent of the area median income (approximately \$22,000 per year for a family of four in Chicago)
- can not be receiving rental assistance from another source
- meet the landlord's approval

IHDA also administers the **Long Term Operating Support (LTOS) program** in parallel to the RHSP as a two-pronged approach to ensuring affordability stays within a community. Ten percent of annual

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appropriations to the RSHP must be reserved for the LTOS program. LTOS is administered very similarly to the RHSP with a few distinct differences:

- IHDA contracts directly with the landlord for a 15 year period, therefore eliminating the relationship with the LAA. Consequently, the landlord is responsible for maintaining his/her own waiting lists etc.
- Preference is put on landlords that offer accessible units for persons with special needs.

Marketing and Program Launch

IHDA planned and executed a media blitz to publicize the RHSP, utilizing the agency's Web site for outreach efforts and distributing press releases across the state to draw qualified applicants in March 2007. Press conferences to promote the program and announce the first group of LAAs were held in two major Illinois media markets (cities of Rockford and Belleville) in spring 2008 that involved press release distribution to more than 100 media outlets (press release and selected news clips attached).

As part of our outreach plan, IHDA staff also presented at a number of key Illinois housing conferences such as the Illinois Association of Public Housing Agencies and the Illinois Association of Community Action Agencies. In addition to the mainstream media attention, the RHSP won placement in various association publications including the Illinois Municipal League's magazine.

Results

Since inception, IHDA has allocated \$77 million in resources collected from the \$10 surcharge on real estate document recordings to the RHSP, including to the City of Chicago. Following the successful implementation of Round One, 1,780 units in Chicago and across the state of Illinois now offer subsidies to help families and seniors with some of the lowest household incomes in the state afford their rents, avoid becoming homeless and, more importantly, remain in their community. Of this number, approximately 1,000 units were rented by persons with special needs including physical and developmental disabilities.

IHDA allocated \$28.3 million to LAAs in Chicago and around the state (and \$30.9 million under Round Two). IHDA expects collections from the real estate transfer tax to increase in the coming years as the country's economy rebounds and property sales pick up.

On July 29, 2009, IHDA launched Round 3 of the RHSP. The focus of this funding round is to reach the areas of the state that have not already been served under the first two rounds.

IHDA received 17 applications from local groups wishing to help administer the RHSP in their community under Round One, of which 14 agencies were selected and signed contracts with IHDA starting in July 2008 (map of service area is attached).

Under Round One of the LTOS program, nine properties applied to IHDA for funding, of which five entered into 15-year contracts with IHDA. This created 60 RHSP units, including 32 accessible units for persons with special needs.

Conclusion

IHDA's mission is to create and preserve affordable housing for Illinois residents. For tenants, this means paying no more than 30 percent of their income towards rent. The subsidies provided under the Rental Housing Support Program enable us to do just that. As some of the enclosed testimonials illustrate, the impact of the program achieves far-reaching consequences: residents avoid becoming homeless, seniors are able to remain in the communities that they grew up in, and families achieve the housing stability that allows their children to remain in the same schools. The program has also provided a safety net for many Illinois residents who have lost their jobs or experienced a pay cut due to the current economic downturn. Without the RHSP, thousands of extremely low income residents in Illinois would not be able to afford their rents and get on with their lives.

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