

Housing Reduces Recidivism: A Landlord Mitigation Fund

Ohio Housing Finance Agency

Special Needs Housing: Housing for Persons with Special Needs

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Access to safe and affordable housing continues to be a cornerstone of recovery for individuals battling mental illnesses and substance use disorders. However criminal backgrounds, past evictions, and poor rental histories due to their illnesses can create a significant barrier to accessing housing. Landlords also see individuals with these backgrounds as a higher financial risk.

To address these challenges, Ohio joined the national Stepping Up Initiative in 2015 to help communities reduce the number of people with mental illness in jails throughout the state. As of May 2021, 51 Ohio counties are participating in the Stepping Up Initiative and have formed local Stepping Up Initiative committees to address the number of Ohioans with mental illnesses who are cycling in and out of jail. Through the initiative, communities are creating new jail-based medical teams, providing psychotropic medications during incarceration, offering specialized docket systems to offer alternatives to incarceration, and establishing enhanced re-entry strategies. In addition, the state of Ohio identified housing and the reluctance of landlords to rent to individuals in populations who are served through the Stepping Up Initiative as an additional barrier to their success.

Program Description:

To support individuals in the Stepping Up Initiative, the Ohio Housing Finance Agency (OHFA), Ohio Department of Mental Health and Addiction Services (OMHAS), and the Ohio Department of Rehabilitation and Correction (ODRC) developed the pilot Landlord Mitigation Claim Fund. The pilot program provides landlords renting to persons with severe and persistent mental illnesses in eight counties who are enrolled in the Stepping Up Initiative with insurance on rental units. Landlords may submit damage claims up to \$5,000 or for up to two months' rent if a tenant abandons the apartment prior to the end of the lease. The cap aligns with the potential deductible a landlord may have for his/her own property insurance and may assist a landlord with small claims that are not appropriate to submit to his/her own insurance companies.

OMHAS is the lead contact with the Stepping Up counties and landlords. It reviews and processes the claims made by landlords. OHFA then processes and pays landlord claims that are approved by OMHAS. Together the three agencies provided \$115,000 for the program, which is roughly 45% of the cost to develop one LIHTC rental property. In February 2022, OMHAS distributed an application and guidelines to counties participating in the Stepping Up Initiative. Applications were due in March 2022.

The goals of the program are to reduce barriers to housing for individuals with mental health and substance abuse disorders and demonstrate that these individuals do not pose a significant financial risk to landlords. A long-term goal is to encourage greater participation by landlords in the Stepping Up Initiative.

Is It Innovative?

While the concept of a risk mitigation program for landlords is not new, OHFA is not aware of a program that is dedicated to reducing the number of individuals battling mental illnesses and substance use disorders in prisons. This is a unique model that aims to preserve and expand the number of rental units for this community. Investing in current units is a different approach for an HFA, which typically finances the construction of new units through LIHTC or other financing programs.

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Is It Replicable?

HFA's with existing partnerships with other state agencies and departments, local governments, and housing organizations that are willing to develop new partnerships would be able to implement a similar program. The amount of the fund and the target population can be adjusted to align with the needs of the state. Many HFAs have experience managing funds and have existing staff who can process funding draws and/or grants, so the overall administrative costs should be minimal.

Response to an Important State Housing Need:

OHFA has identified that the lack of affordable rental housing for Ohio's very low-income households is significant. There are 447,717 extremely low-income (ELI) renters in Ohio, but only 177,318 rental units are affordable and available to them — leaving a shortage of 270,399 units. The affordability gap between supply and demand for the lowest income renters is now widening with a net loss of more than 15,000 affordable units between 2020 and 2021. This housing challenge increases for those with severe and persistent mental illnesses and a history of incarceration.

Demonstration of Measurable Benefits:

From June 2022 to November 2023, OMHAS received 29 claims from 19 landlords enrolled in the program, which utilized the entirety of pilot program funds, which was \$115,000. Additional research is planned to determine if the program resulted in an increase in affordable units in the eight participating counties and to collect and evaluate feedback from the participating landlords.

Proven Track Record of Success:

The pilot phase is complete and has shown that landlords will rent to individuals they believe to be a financial risk if there is assistance available should a negative outcome occur. OHFA, OMHAS, and ODRC are now seeking additional counties to participate in the program.

Benefits Outweigh the Costs:

There are two benefits to instituting a program like this. The first is the benefit to the residents. Studies have shown that stable housing can increase the recovery rates for those struggling with mental illnesses and substance abuse disorders. The second benefit is the potential increase in rental units without investing in construction of new units, which reduces the impact on an HFA's budget. The overall program investment is a fraction of the cost to construct new rental developments in Ohio.

Effective Use of Resources:

The cost to implement this program was significantly less than the cost to construct new rental housing developments. The program partners also utilized current staff, policies, and procedures to implement the program and make effective use of the program resources.

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Effective Partnerships:

This initiative involves strong partnerships among state agencies and between state and local agencies. It has strengthened OHFA's relationship with OMHAS and created a new partnership with ODRC. It also established partnerships with the local Stepping Up committees, which OHFA hopes to leverage in the future as it shares common goals with these organizations.

Achievement of Strategic Objectives:

Working with OMHAS and ORDC on the Landlord Mitigation Fund, OHFA achieved two goals outlined in its Annual Plan: increase the supply of affordable rental units in Ohio and assist persons with extremely low incomes with special housing needs.