Ohio Housing Finance Agency
Housing Reduces Recidivism: A Landlord Mitigation Claims Fund
Category: Special Needs Housing: Housing for Persons with Special Needs

Housing Reduces Recidivism: A Landlord Mitigation Claims Fund

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 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 have participated in the initiative by forming local Stepping Up Initiative committees to address the number of Ohioans with mental illnesses who are cycling in and out of jails. 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.

The goal of the Landlord Mitigation Claims Fund is to reduce barriers to housing for individuals with mental health and substance use disorders and demonstrate that these individuals do not pose a significant financial risk to landlords.

Program Description:

To support individuals in the Stepping Up Initiative, the Ohio Housing Finance Agency (OHFA), Ohio Department of Behavioral Health (OBH), 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 and are enrolled in the Stepping Up Initiative with insurance on rental units. Landlords may submit damage claims up to $5,000 for up to two months' rent if a tenant abandons an apartment prior to the end of the lease. The maximum aligns with the potential deductible landlords may have for their own property insurance and may assist landlords with small claims that are not appropriate to submit to their own insurance companies.

OBH, the lead contact with the counties and landlords participating in the Stepping Up Initiative, reviews and processes the claims made by landlords. OHFA then processes and pays landlord claims that are approved by OBH. Together, the three state agencies provided $115,000 for the program, which is roughly 45% of the cost to develop one Low-Income Housing Tax Credit (LIHTC) rental property. In February 2022, OBH distributed an application and guidelines to counties participating in the Stepping Up Initiative. Applications were due in March 2022. 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 a housing finance agency (HFA), which typically funds the construction of new units though LIHTC or other financing programs.

Is It Replicable?

HFAs with existing partnerships with other state agencies and departments, local governments, and housing organizations can use those relationships to implement a similar program. The amount of the fund and the target population(s) 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 withdrawals 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, OBH received 29 claims from 19 landlords enrolled in the program, which utilized the entirety of the $115,000 in pilot program funds. The average claim amount was just under $4,000 per claim.

Proven Track Record of Success:

The pilot phase is complete and has shown that landlords will rent to individuals in the target population. OBH reallocated approximately $379,000 in unused funds from an unrelated grant to open the Landlord Mitigation Claims Fund to more counties and landlords. This second year of the program began on June 30,2024, and will run through July 1, 2026. With this new infusion of funding, the OBH/OHFA partnership has assisted another 36 landlords and approved 20 claims.

Benefits Outweigh the Costs:

There are two benefits of this program. The first is the benefit to the residents. Studies have shown that stable housing can increase recovery rates for those struggling with mental illnesses and substance use disorders. The second benefit is the potential increase in rental units without investing in the 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 program resources.

Effective Partnerships:
This initiative involves strong partnerships among state agencies and between state and local entities. It has strengthened OHFA's relationship with OBH and created a new partnership with ODRC. The program also established partnerships with the local Stepping Up committees, which OHFA hopes to serve in the future.

Achievement of Strategic Objectives:
Working with OBH 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 and special housing needs.

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