



Photo by Chuck Cherney, Chicago Tribune

Making Rents More Affordable: The Rental Housing Support Program

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THE CRISIS

Rents are not affordable for many people in Illinois, and the problem is getting worse. According to the 2000 census, over one-third of the state's households (35.3 percent) pay more than 30 percent of their income for rental housing.ⁱ Nearly one-quarter of the state's households (23.9 percent) earn less than \$25,000 a year. These households can afford a monthly rent of only around \$625, while the statewide fair market rent for a two-bedroom unit is \$823.ⁱⁱ There are currently 77,041 households on public housing waiting lists and 56,417 households on Housing Choice Voucher (formerly Section 8) waiting lists across the stateⁱⁱⁱ (see chart). This stark reality threatens the health and welfare of families, the economy, and quality of life in our state. It affects the suburban communities of DuPage, the urban neighborhoods of Chicago, downstate communities, and rural areas alike.

THE PROPOSAL

The Chicago Coalition for the Homeless (CCH) and the Statewide Housing Action Coalition (SHAC), through the "It Takes a Home to Raise a Child" campaign, have proposed state legislation that creates a revenue stream to fund local rental subsidy programs throughout the

Need for Rental Subsidies in Illinois

Selected urban, suburban, and rural housing authorities
(P.H.=public housing, HCV=Housing Choice Vouchers)

County/city	Number of Households on P. H. Waiting List	Number of Households on HCV waiting list
Chicago	55,909	23,294
Cook	7280	(combined) 7280
Lake	3794	3824
Elgin	456	470
DuPage	N/A	3895
Joliet	789	683
McHenry	40	1446
St. Clair	1999	3207
Bloomington	44	276
Rock Island	169	131
Rockford	481	1259
Jackson County	685	1200

state. Under this legislation, known as the Rental Housing Support Program, the Illinois Housing Development Authority (IHDA) would offer grants either to local administering agencies (local governmental bodies, local housing authorities, not-for-profit organizations) or to developers of affordable housing.

Recipients of the grants would provide subsidies directly to landlords, who in turn would charge affordable rents to low-income tenants. The proposed legislation would require the following minimum standards for any

state-funded rental support program:

Eligibility: Eligibility for tenancy in the grant-supported units must be limited to households at or below 30 percent of the area median income (AMI).

Targeted eligibility: Fifty percent of the units must be set aside for households at or below 15 percent of the AMI.

Unit sizes: Local agencies must provide two-, three-, and four-bedroom units in the program, but the precise number of each type of unit will be based either on a need in the community for

larger units or on any other factor IHDA provides for in the rules.

Inspections: The local administering agency must inspect each unit before awarding a subsidy to a landlord and must ensure that the procedures set will maintain the safety and habitability of each grant-supported unit.

Negotiating the rent: The total rent must be negotiated between the local agency and the landlord or between IHDA and the developer. In instances where the fund provides a development subsidy, the developer and IHDA work together to set affordable rent levels.

Payment to the landlord: Local administering agencies will pay landlords in advance on a quarterly basis.

Tenant's obligation: The tenant's share of the rent is a flat amount based on the size of the unit and the household's income category, using as a guide 30 percent of the household's gross income.

Tenant's bill of rights: Local administering agencies must provide each tenant with a "bill of rights" that outlines local landlord-tenant laws, procedures, and contact information for the local agency.

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Continued from reverse

The Successful Model: Chicago's Rental Subsidy Program

The Rental Housing Support Program legislation draws its inspiration from the City of Chicago's highly successful rental subsidy program, which is funded by Chicago's Low-Income Housing Trust Fund (CLIHTF). The city provides subsidies (approximately \$6.5 million total in 2003) to qualifying landlords, who in turn charge affordable rents to eligible tenants (households at or below 30 percent of the area median income). Landlords who volunteer to participate in the program are admitted if both their application and building meet certain standards.

The Chicago Department of Housing (DOH) sets rent and subsidy levels for each unit. DOH looks at fair market rent levels for each unit and the tenant's ability to pay, then negotiates the final rent with the landlords. Landlords then receive the negotiated subsidy four times a year and are required to submit annual income verification forms for each tenant. If a tenant vacates an apartment, the landlord is responsible for filling the unit with any qualified tenant he or she may have in mind or a tenant recommended by the DOH. The DOH has not received many complaints from tenants. However, if a complaint is filed against a landlord, the DOH will work with the landlord and the tenant on an ad hoc basis to resolve the problem. Both tenants and landlords must abide by all existing landlord-tenant laws.

Program Strengths of the Chicago Rental Subsidy Program

The existing program is highly successful for three reasons:

- **Landlord-friendly approach.** The DOH pays subsidies on time, gives landlords time to find a new tenant if another tenant vacates a unit, allows landlords a grace period to fix any reporting flaws, and works with the landlord to ensure that all units are habitable. A waiting list of landlords wanting to participate in the program exists, providing clear proof of the program's success.
- **Program management.** The DOH rental subsidy program is well managed. DOH staff work closely and intensively with both landlords and tenants. They build strong relationships with landlords to ensure that the landlords are both satisfied with the program and held accountable for their responsibilities in the program.
- **Cost-effectiveness.** By subsidizing over 2,000 units with approximately \$6.5 million in 2003, the city was able to provide assistance to many low-income people without a major impact on the city budget.

Chicago's Rental Subsidy Program: A Model for the State of Illinois

Chicago's rental subsidy program should be used as a statewide model, with a few considerations:

Sufficient Funding

The state must provide sufficient funding to adequately serve the wide variety of rental housing needs.

Chicago can efficiently serve over 2,000 units with only \$6.5 million dollars because over half of those units are one-bedroom or smaller and many of the units that are subsidized are already relatively low-cost units that need deeper subsidy to reach a very low-income population. Because the state program will likely have more fair market rent units and because it requires larger units, the cost per unit at the state level will likely be higher. The Chicago Coalition for the Homeless has conservatively estimated that subsidizing 1,000 units (assuming that all units start at fair market rent) in the Chicago metro area would cost \$8.7 million, in small metro areas would cost \$5 million, and in rural areas would cost \$3 million.

Sufficient Staffing

These programs must be sufficiently staffed. The Chicago program has succeeded because it has staff dedicated solely to the program to ensure that landlords and tenants can receive individualized service. However, the number of staff need not be excessively large. The Chicago program is successfully staffed with two full-time individuals who work primarily on the rental subsidy program. In addition to these full-time staff, DOH housing inspectors, communications staff, attorneys, and finance staff spend a portion of their time dedicated to the program.^{iv}

Blending State Oversight with Local Control

Although effective monitoring from IHDA at the state level is necessary to ensure key regulations are followed, there must also be sufficient flexibility to allow

programs to be administered locally. The Chicago program succeeds in large part because of the trust and comfort between the city staff and the participating landlords. This kind of relationship needs to be developed in every local program.

The proposed state legislation specifically addresses these issues. The legislation includes provisions for sufficient staffing and adequate funds from IHDA for administrative costs. It further calls for flexibility for local program administration. Lastly, the legislation includes a dedicated funding stream estimated to generate \$30 million annually. The funding stream is a \$10 surcharge on real estate-related document filings.

It is time for the State of Illinois to take bold action to address the crisis in affordable rental housing. The Chicago rental subsidy program stands as a proven method for success that serves the needs of landlords, tenants, and the public in the crucial endeavor of ensuring access to safe and decent rental housing.

ⁱ U.S. Census Data 2000. Housing affordability is defined as an individual's spending no more than 30 percent of income on housing.

ⁱⁱ National Low Income Housing Coalition, *America's Housing Wage Climbs*, 2003.

ⁱⁱⁱ Mid-America Institute on Poverty of Heartland Alliance, *Not Even a Place in Line: Public Housing and Housing Choice Voucher Waiting Lists in Illinois*, 2003.

^{iv} Interviews with DOH staff, as well as information from the Chicago Low-Income Housing Trust Fund's annual report from 2001.