Arlington Community Foundation Shared Prosperity Initiative:
Final Report on 2020-23 Pilot Test of Private Rent Subsidies to Achieve Affordability at 30% AMI

June 2023

This paper describes an Arlington Community Foundation (ACF) pilot rent subsidy program focused on several gaps in household eligibility in Arlington County's Housing Grant program. This pilot deployed private funding to nonprofit housing owners to temporarily lower rents from the standard "committed affordable" rent, which is targeted to a 50% AMI or 60% AMI household, to a rent level affordable for a 30% AMI household.

We are grateful to APAH (Arlington Partnership for Affordable Housing) and AHC, Inc. who collaborated with us to create and implement the pilot. Working together, we were careful to design a straightforward set of program parameters without the complexities that are often part of government rent assistance programs to reduce the administrative burden on the nonprofit partners and the participating residents.

Program Design

Beginning in 2020, ACF deployed $0.55M in private funding to provide a guaranteed two-year rent subsidy to 36 households living at APAH and AHC committed affordable (CAF) properties who: 1) had incomes at or below 30% AMI at the inception of the pilot, and 2) were paying rent for 50-60% AMI units. Eligible households had to be experiencing a rent burden that was not covered by another program (such as a Housing Choice Voucher or an Arlington Housing Grant).

The program was designed to fill several gaps in household eligibility in Arlington County's Housing Grant program, which is limited to the elderly, disabled, and working adults with minor children. Our goal was to test ideas and broader eligibility that could be adopted by governmental or other funding entities to assist more households who struggle on very low incomes. Specifically, the pilot did not limit participation based on the resident's immigration status and it was available for single adults with no children. Households were expected to have at least one working adult – defined as typically working at least part time (full time or consistent work was not required for eligibility and there were no minimum work hours required).

The ACF funds were provided as a grant to the housing provider rather than to the resident to ensure that households did not receive the funds as income and thus lose eligibility for existing forms of public assistance. The housing providers agreed to lower the rent for the selected households to the equivalent of the 30% AMI rent for their household size, as published by HUD. The steps in this calculation are shown in Appendix A.

1. Households would be eligible for this reduced rent for 24 months, but were given the option to extend participation to 30 months by spreading out the total 24-month subsidy amount and gradually stepping rents back up to the previous levels to prevent a sudden rent increase. Households would not experience any other rent increases during the pilot, even if the base unit rent rose or their income increased above 30% AMI. This stability is key to providing residents with a predictable "runway" to manage their household budgets over time.

2. Both AHC and APAH received a one-time payment of $10,000 to help defray administration costs.

Selection of Households and Implementation Details

The program launched in early 2020 just as the pandemic was beginning. During the pandemic, the nonprofits assisted their residents' enrollment in Virginia's temporary Rent Relief Program (RRP), which brought federal rent assistance dollars to defray rent costs for households impacted by the pandemic. APAH's initiation of the ACF pilot program was delayed as they focused on enrolling their residents in RRP. For both nonprofits, the addition of the RRP funds gave some residents other options to help fill rent gaps. As a result, filtering which households to target for the ACF pilot required extra steps. In the normal course of events, this extra funding would not be available.

Ultimately 36 households were enrolled – the first in August 2020 – the last in April 2022 (this last household was only offered 12 months of subsidy with the option to step down for another 6 months). Two of the original households moved out before the end of the program, but the data for these households are included in this report. Details can be found in Table A-1 below.

Twenty four of the 36 households had at least one child under the age of 19, and 18 of the households had 3 or more members. The average income across both AHC and APAH's households was similar, around $24,000 per year, which equates to 22-23% of Arlington's AMI.

Both APAH and AHC indicated that involvement of their on-site property managers was a critical piece of enrolling households in the program because of their familiarity with their residents' circumstances and their role managing tenant income certifications.

Our nonprofit housing partners relied on previous income certifications to screen for households known to earn 30% AMI or less in income along with our other eligibility criteria to identify households for participation.

Both nonprofits decided to simply send the selected tenants a letter notifying them that their rent was being reduced for 24 months - to a specific level which corresponded to the rent amount allowed for that size household by the agreement with ACF.

ACF gave the nonprofits the flexibility to choose residents living in units between 50-60% AMI levels. AHC selected 11 households in 60% AMI units and 4 in 50% AMI units. APAH selected 11 residents with 60% AMI rents, 9 residents with 50% AMI rents, and 1 with a 40% AMI rent. This lower rent starting point resulted in a lower average subsidy amount for APAH households.

Table A-1
Enrolled Households, Incomes, and Subsidy Averages

	AHC	APAH	Notes
1 person household	2	5	
2 person	3	7	
3 person	7	4	
4+ person	3	5	
Average annual household income at enrollment	$24,395	$24,738	
Min income	$12,000.00	$0	
Max income	$34,253	$41,422	6 person APAH household
Percent of AMI	22%	23%	
Average annual income at 12 months	$23,618	$25,377	Data for all AHC households and 15 of 19 APAH households
Min income	$8,216	$4,176	
Max income	$44,000	$52,000	
Average monthly rent subsidy	$685	$549	
Min subsidy	$573	$164	
Max subsidy	$1,021	$871	6 person APAH household
Average annual rent subsidy	$8,220	$6,588	

Household level impacts

At both housing nonprofits, the households who enrolled in the program were very appreciative and anecdotally reported improved well-being. Because of the pandemic, a significant number of them lost their jobs and were unemployed for months. Children who were learning at home needed supervision, making returning to work difficult. Reducing the rent burden for these households was clearly a lifeline in keeping them stably housed.

In a number of cases, some residents were able to go further to pay off other bills, create an emergency savings cushion, go to school themselves or enroll children in afterschool activities, none of which were possible prior to the pilot. In some cases, participants reported they would have had to find more affordable apartments elsewhere without the assistance (for example, by moving out of Arlington or doubling up households in older market rate units).

It is likely that in a more typical economic environment, these types of benefits from reducing rent burden to the households would have gone even further.

Key Implementation Lessons

- Even with the program's simplified administrative requirements, there are administrative obligations for landlords who are participating in multiple rent subsidy programs that need to be better understood in order to right-size administrative support from any new rent subsidy program.

- Care must be taken to assure that those assisted do not lose eligibility for other forms of public assistance by intentionally structuring the subsidy as a grant to the housing provider rather than directly to the tenant.

- Both nonprofits went through a learning curve to deploy the ACF pilot funds. Both said that, having done it once, it would be easier to do again. As mission-driven housing providers, they felt that participating in this arrangement, even for a small number of households, was worth it for the benefits to those households.

- Quantity and consistency of data collected from the participants should be carefully balanced with the additional burden on nonprofits, and these reporting requirements should be clearly laid out in the beginning of the program. ACF attempted to keep data collection burdens low in the beginning but then ended up requesting additional information over time to better understand the process and outcomes. Creating a robust data collection system (preferably online) to track subsidies and rents should be part of program design and reporting expectations clearly described in the grant agreements.

- The two nonprofits benefited from hearing each other's data and experiences as the pilot was implemented. Opportunities to share techniques, challenges and data across sites will be a helpful component of future pilots.

- This program required on-site resident services and/or property management employees handling the actual leases and rent payments to assure program integrity as well as to collect anecdotal stories about the impact of the program.

- In months 14-16, the housing providers began the conversation with tenants about the option to step down the rent subsidy over months 18-30 versus a set amount of rent subsidy for 24 months. Most recipients opted for 24 months of full assistance as opposed to an extended off-ramp with reduced monthly payments. Some of these recipients later expressed concerns about their ability to pay the rent after the assistance expired.

- During the pilot, some tenants sought extra support from the housing providers (e.g. financial education and other resident services programs), given this was their first time having extra income to work with. Others worked with staff to adjust to the resumption of pre-pilot rent levels.

- Notably, some participants said they would not have reached out for help before even though they were facing financial challenges. This may reflect a general hesitance to expose personal struggles, a fear of losing their home due to raising concerns about their ability to pay rent or other reasons, or a lack of knowledge that additional assistance may be available.

- Achieving positive outcomes within a short-term program seems to hinge on the severity of the barriers a family has to manage. For example, families with significant legal or mental health barriers were not able to turn their situation around in two years even with extra cash in hand. But for others with fewer significant barriers, the extra financial cushion was enough to make a real difference.

Appendix A

Household Subsidy calculation

Use this calculation for each household: A – B = C. Begin with the HUD published existing affordable rent for the unit and household size.

A=Lease Rent

B=Net 30% AMI Rent (derived by subtracting appropriate utility allowance from lease rent)

C=Subsidy amount

Here is a scenario to illustrate this:

> The rent listed on the lease is $1000.
>
> Gross 30% AMI rent is $500.
>
> The monthly utility allowance for the unit is $50.

First, to calculate the net 30% AMI rent: $500 - $50 = **$450**. This is the amount the Shared Prosperity household will pay for the 2-year grant period.

To calculate the subsidy: $1000 - $450 = **$550**.

A - B = C

Each nonprofit calculated a total amount of subsidy to be used to lower the household's rent (monthly subsidy times 24 months) and the household could elect to have the full amount spread over 24 months OR over 30 months total with a planned step-down during months 18-30.