

**COUNTY OF MILWAUKEE**  
Inter-Office Communication

Date: December 28, 2023

To: Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors

From: Shakita LaGrant McClain, Director, Department of Health and Human Services

Subject: An informational report from the Director, Department of Health and Human Services (DHHS), regarding potential landlord engagement strategies in Housing Services

File Type: Information

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**BACKGROUND**

County Board File 23-698 requests an informational report regarding best practices to engage landlords to work with the Housing Voucher Program (Section 8) and other rental assistance programs administered by Housing Services. The following report discusses these potential strategies.

***Overview***

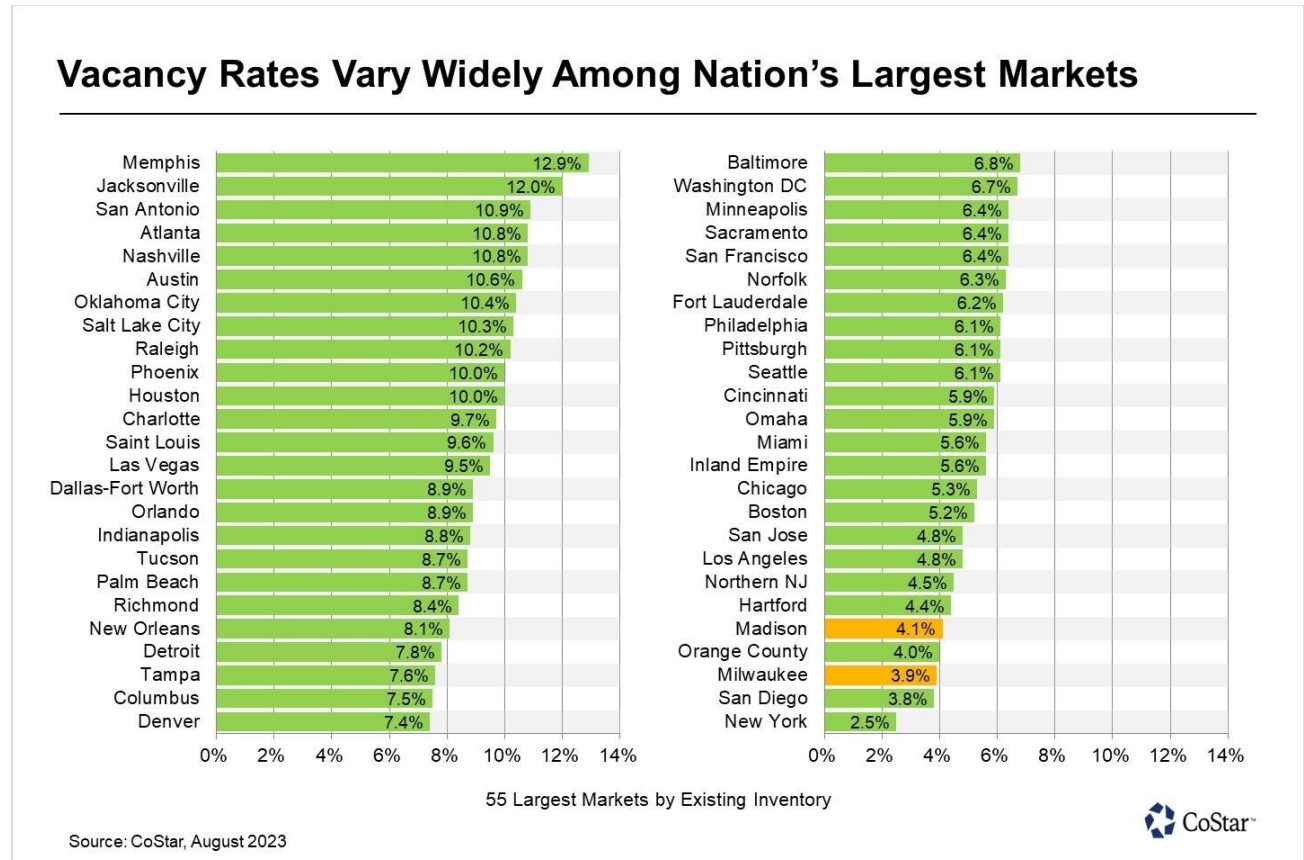
Despite inherent benefits offered to rental housing owners and property managers (“landlords”) with Milwaukee County Housing Services’ rental assistance program products and attached supports, the Milwaukee rental market requires additional modifications to be more competitive with households without rent assistance that are seeking the same housing units.

With additional financial supports (“landlord incentives”) provided as needed to targeted rent assistance households, the rent assistance products offered by Housing Services can further reduce landlord’s concerns about risk of unanticipated financial burden and loss of rental revenue. This will allow for a more sought-after and efficient product in the private rental housing market. In turn, a better rent assistance product and intentional landlord engagement services strategy offered by Milwaukee County Housing Services will result in more housing opportunities from more landlords to the benefit of targeted rent assistance households, landlords, and rent assistance programs themselves.

***Market conditions***

The core issue at the heart of the need to further bolster Housing Services’ rent assistance products is the local rental market itself. The Milwaukee rental housing market, as of

August 2023 and per CoStar Analytics, is the 3<sup>rd</sup> tightest in the nation, posing a 3.9% vacancy rate:



The key reason why the Milwaukee area’s rental market has the 3<sup>rd</sup> lowest vacancy rate in the nation is due to the lack of available housing units. A Forward Analytics study published at the end of 2022 provided that 227,000 new housing units would need to be built and made available within the State of Wisconsin by the end of 2030 to meet current demand and accommodate a severe workforce housing shortage. Further, the National Low Income Housing Coalition estimates that Wisconsin has a shortage of 126,726 affordable and available housing units to sufficiently meet the demand of extremely low-income households, or those households whose income is at or below the poverty line (total gross household income is equivalent to or less than 30% of the area median household income) on its own.

As a result of the low availability of rental housing, and especially among lower income households, those that do not need rent assistance (due to sufficient income) are competing for rental housing at a higher advantage than those with it; even less available rental housing is available to those with rent assistance as a result of the affordable housing shortage. Milwaukee-based Community Development Alliance, comprehensive Affordable Housing Plan states that, “Milwaukee also needs to create or convert 32,000

additional rental homes in the \$400 - \$650 per month range, which is affordable to families making \$7.25 to \$15 per hour (\$15,080 to \$31,200 per year) in order to provide an affordable housing option for all Milwaukeeans.” That’s 32,000 additional rental homes in the \$400 - \$650 per month range just for the City of Milwaukee and excludes all other Milwaukee County municipalities.

The severe lack of housing unit stock in Wisconsin, and the greater Milwaukee area, has also created rental housing market conditions that create steep and oftentimes unaffordable rent increases, especially considering that over half of households who rent homes in the City of Milwaukee are rent burdened. Rent burdened households are spending 30% or more of their income on rent and a significant majority of cost burdened renters are families making \$7.25 - \$15 per hour.

Because of such high demand for rental housing in the greater Milwaukee area more generally and as stated above, Apartment List provides that Milwaukee now ranks number two on a list of metro areas (with a population greater than one million) for the fastest-rising rents in the United States over the past 12 months (as of November 2023), despite a declining population. The steep increase in rents and large majority of renters being rent burdened is not only a result of more competition for rental housing, but also means that there will be less availability of rental housing units within payment standards (in other words, within maximum rents a landlord can charge for any given bedroom size, according to HUD’s Fair Market Rent schedule released and updated annually) of rent assistance programs. The loss of units within payment standards means there is even more competition for those with rent assistance in the Milwaukee area among renters, for less units.

### ***Landlord concerns and perceptions***

Then, there is the issue of the rent assistance product design itself, as perceived and experienced by landlords. Thankfully, insights have already been gained from rental housing owners in the area. A community partner and key asset to landlord engagement strategy insights, Rental Property Association (“RPA;” formerly known as, “Apartment Association of Southeastern Wisconsin”), facilitated an essay-based survey to rental housing owners and property managers in late 2021 that asked about their negative experiences with federally subsidized rent assistance products within the greater Milwaukee area more generally (not limited or specific to Milwaukee County Housing Services rent assistance products). Below is a summary of the two most repeated responses and key findings.

- A quarter of responses, the most mentioned complaint, was that rent assistance does not pay market rent. Some responses related to rent reasonableness (finding comparable rentals within a three-mile radius), and others, payment standards (maximum rents). Overall, landlords reported that they could obtain higher rents from those without rent assistance.

- The 2<sup>nd</sup> highest complaint was that there are more physical damages caused by rent assistance households and undue financial strain when rent assistance payments are withheld by rent assistance programs due to a failed inspection as a result of tenant damage. While there was a great deal of variance in sentiment regarding this matter, there is no data that suggests rent assistance households, on average, cause more physical damages. Yet, damage mitigation funds are highly sought-after by landlords to ensure reduced risk of loss of rental revenue, and especially for households with criminal backgrounds, eviction history, and other proof of prior, unsuccessful tenancies.

Limited gross household income flexibility to accommodate all other costs of living not associated with housing also remains a risk in the eyes of landlords screening rental housing applications for suitability and determining risk of unanticipated financial burden caused by the tenant. While rent assistance product design intends to ensure that participant households are never rent burdened with housing costs, and therefore, rent assistance households should always be able to theoretically pay their portion of tenant rent, landlords are still concerned about the household's total income in their ability to cover unexpected and even regularly reoccurring expenses. One notable gap in rent assistance program design is that it *is not adjustable* for unanticipated increases in most living expenses, and rather is limited to decreases of average and actual earned income. To highlight this issue further, below are a few statistics related to extreme lack of financial flexibility among Americans, *generally*.

Past criminal convictions, evictions, and poor rental histories, among other tenant suitability risk assessment considerations, also continue to pose barriers to rent assistance households being accepted for suitable rental housing opportunities. While Rental Property Association's (local rental property owner and property management association) eviction study of all Milwaukee County evictions in December of 2019 provided that 92% or more of eviction filings in Milwaukee County were for nonpayment of rent (consistent with other studies, they cited, that suggested the national average is 90%) as well as civil judgments related to money owed for past tenancies being related to unpaid rent.

Therefore, having rent assistance will mean that unaffordability of the tenant portion of rent is largely abated and reduces concern with eviction and civil judgment history overall. Past criminal convictions and poor rental history references are still often perceived as significant indicators of risk of loss of rental revenue, risk of loss in general, and sometimes, potential risk of administrative burdens and time investment required to address tenant issues.

### ***Baseline incentives of general rent assistance***

One of the key attractive elements of federally subsidized rent assistance made available by the U.S. Department of Housing and Urban Development ("HUD") to Public Housing

Authority's ("PHA") is the aspect of guaranteed rent. Rent assistance participant households are limited to paying 30%-40% of their gross income towards rent and utility costs, of which is adjustable during the term of their lease and rent assistance contract (3-12 month depending on type of rent assistance). That means what is often referred to as the "tenant portion of rent" ensures affordability, while the rent assistance program pays the rest of the contract rent not covered by the tenant portion via what is known as a "housing assistance payment." Therefore, the landlord is not only guaranteed the housing assistance payment, but also has a high chance of success with seeing the tenant portion paid by the tenant since it is affordable and adjustable if the tenant household's income changes.

Further, administrative staff (and supportive service staff for some types of rent assistance) being made available, when needed, is another unique factor of rent assistance that can better ensure a smoother tenancy. Rent assistance administrative staff also perform initial and regular inspections/physical assessments, market unit availability to program participants, and brief households on their responsibilities as a rent assistance household and inform with best practices, all to the benefit of the tenant household, landlord, and rent assistance program staff themselves.

#### ***Specific benefits of Continuum of Care rent assistance products***

There are additional benefits associated with formerly homeless households with Continuum of Care ("CoC") rent assistance, also distributed to local Continuum of Care bodies governing and overseeing the disbursement of HUD funds. In addition to the benefits cited above for general rent assistance, CoC rent assistance also commonly provides additional payments to landlords, as needed: security deposits up to two times the contract rent, limited vacancy loss if the household abandons their unit during the term of tenancy (Milwaukee County CoC rent assistance is currently limited to one month of contract rent for vacancy loss), and limited damages beyond normal wear and tear after the household vacates (Milwaukee County CoC rent assistance is currently limited to one month of contract rent for physical damages). The additional financial benefits are helpful in bolstering the typical rent assistance product for those with criminal, eviction, and poor rental history, which landlords see as posing a higher risk of loss of rental revenue.

#### ***Specific benefits of Milwaukee County rent assistance products***

The largest and most robust landlord incentive is financial assistance for renter households experiencing a hardship that impacts their ability to pay the full contract rent. While Emergency Rent Assistance is no longer available to general renter households in Milwaukee County, financial assistance has been regularly available to households with ongoing, federally subsidized rent assistance since 2019 via Milwaukee County Housing Services' Eviction Prevention Program.

The Eviction Prevention Program can pay rental arrears and late fees for rent assistance households in Milwaukee County that experience a hardship, and accrue a balance owed

to their landlords that they are not able to easily pay back. Given that the Rental Property Association's 2022 comprehensive study of one month of evictions filed in Milwaukee County provides that 92% of filings were primarily for non-payment of rent, long-term funding for Milwaukee County Housing Services' Eviction Prevention Program servicing rent assistance households is likely to remain as the most important landlord incentive.

In addition to the availability of financial assistance to rent assistance households with unpaid rent, Housing Services also provides other tools and services to landlords to better ensure the success of Milwaukee County Housing Services' rent assistance households, and their own reduced risk of loss of rental revenue:

- **Housing Mobility Services Grant**: awarded by HUD to Milwaukee County in late November 2023, eligible families with children served will benefit from increased payment standards in Opportunity Areas (according to Small Area Fair Market Rents; Opportunity Areas are census tracts with a low family poverty rate), making their rent assistance product more competitive with the private market. Milwaukee County Housing Services desires to target those that qualify for Housing Mobility Services assistance with landlord incentives to ensure better success and retention of the federal grant in the long-term.
- **Mutual Lease terminations**: if a tenancy is headed towards eviction, or is otherwise not a "good fit," Milwaukee County Housing Services staff will facilitate a mutual lease termination to end a lease early, assist with the household vacating as timely as possible, and avoid eviction.
- **Staffings**: if a CoC rent assistance household's tenancy becomes unstable, CoC rent assistance staff and case management can meet to troubleshoot the issues at-hand and work towards a solution(s) to regain housing stability.
- **Flexible Funding**: due to limited tax levy and philanthropic funding, formerly homeless tenant households are often the targeted recipient of flexible funds that can cover minor housing costs and barriers associated with furniture, pet fees, applications fees, earnest money deposit, background check fees, credit check fees, and other up-front housing expenses in the way of exiting homelessness or housing instability. The gaps filled with this funding not only allow households to circumvent barriers that often get in the way of successfully moving into housing, as well as further stabilizes them once moved in.
- **Landlord Engagement Coordinator**: This position is tasked with locating available rental housing, creating, and maintaining landlord relationships, as well as creating, facilitating, and maintaining landlord engagement programming and incentives, and identifying opportunities and enacting changes to systems that

impediment successful and rapid housing for those with rental assistance in Milwaukee County.

***Landlord engagement financial incentives recommendations by HUD***

HUD's, "[Housing Choice Voucher \("HCV"\) Landlord Strategies Guidebook for PHAs](#)" defines, "Monetary Incentives and Reimbursements" as the following: "Offering payments, usually one-time, that may encourage participation in the Housing Choice Voucher (HCV) Program, or may mitigate perceived risk of being an HCV landlord." HUD states this strategy is for, "All PHAs regardless of size and/or location. This strategy tends to be particularly effective in competitive rental markets."

Notably, HUD states: "In addition to any financial benefit these incentives and reimbursements offer, landlords recognize them as a symbol of support for some of the financial burdens posed by renting housing. Damage claim or damage mitigation funds may be administered by a PHA but are more likely to be funded and operated through other entities." Additionally, the HUD guidance states, "The availability of these funds alleviates concern for actual or perceived financial risks regardless of whether the funds are paid out." HUD also suggests: "If the PHA wants to increase the number of landlords it is working with, expand into new neighborhoods, or address specific landlord issues, it may wish to explore whether financial incentives and reimbursements will motivate landlords to overcome their possible reluctance to rent to voucher families or satisfy concerns expressed by landlords."

***Current needs for landlord engagement financial incentives***

Currently, Milwaukee County Housing Services' Eviction Prevention Program does not have adequate funding. Given that the Eviction Prevention Program is Milwaukee County's most important landlord incentive for ensuring landlord satisfaction with rent assistance products, long-term funding for the Eviction Prevention Program is a primary priority for landlord financial incentives. As an example of what monetary incentives can offer landlords beyond the money itself, the Eviction Prevention Program is not accessed by a large majority of Milwaukee County rent assisted households, but the mere knowledge of the Program *existing*, acknowledges the importance of landlords and their understanding of their business.

Additionally, and as highlighted throughout this informational report, calculated risk of financial burden posed by rent assistance households beyond their income restraints and extremely limited expense flexibility is another primary concern in the screening process. Currently, there is very limited funding for a monetary incentive to address the specific concerns among landlords associated with financial loss not associated with nonpayment of rental arrearage, most notably related to those with criminal history and poor rental housing history. It is important to note that the Milwaukee County Housing Authority is more of a "mission driven" Housing Authority due to its focus on prioritizing homeless individuals who often have not had the opportunity of building a rental history. This makes

the use of landlord incentives much more important to Milwaukee County compared to other Housing Authorities across the country.

Another popular landlord engagement strategy, facilitated by a monetary incentive known as, “unit holding agreements,” pose well in competitive rental markets with the use of damage mitigation funds. Brilliant Corners, a non-governmental, contracted housing agency servicing various areas of the State of California, is well known as the creator of this tool and has found tremendous success with utilizing a unit holding agreement monetary incentive to create a pool of retained, private market housing that if successful can be passed from one rent assistance household to another.

Through rent assistance program agreements with landlords promising to pay gaps between one rent assistance household occupancy to another via unit holding fees, eliminating vacancy loss altogether for the landlord, rent assistance programs, “retain” the unit for future rent assistance households. The rent assistance program also agrees to refer rent assistance households to the unit once it is made available for occupancy that is suitable for the landlord’s screening criteria. Further, inspections are completed upon a rent assistance household moving out to assess both damages beyond normal wear and tear, and suitability of the conditions for the next rent assistance household. The dual-purpose and streamlined inspection process serves two benefits to the landlord: one, it quickly assesses physical damage ahead of reimbursement for said damages beyond normal wear and tear, and two, is the initial inspection for the next rent assistance household, eliminating the need for waiting for, or scheduling another inspection, which saves all parties time and avoids further, unnecessary vacancy loss.

Some of the most common barriers to housing today can be addressed with the promise of access to a robust damage mitigation fund that not only offers one month of contract rent for physical damages beyond normal wear and tear, all only available post-occupancy for only CoC rent assistance households, but multiple months of contract rent before, during, or after the tenancy for the following:

- Damages beyond normal wear & tear (during tenancy and post-occupancy)
- Vacancy loss associated with abandonment of unit
- Vacancy funds for missed days of rental income associated with rent assistance process delays (inspections) or unit turnover associated with tenant damage

Other communities, and most notably, Chicago, IL, has shown great success with regular Accelerated Moving Events. In Chicago, landlord engagement teams and rent assistance program staff, alongside participating and willing landlord partners, target homeless shelters, unsheltered encampments, or large swaths of homeless populations by bringing rent assistance, housing supports, housing opportunities, and many other resources needed to move into housing.



Funds for damage mitigation, signing bonuses, and unit holding agreement fees could be helpful in imagining serving up to 100 households per year, to start. In January 2022, just under 70% of homeless rent assistance households in Milwaukee County qualified for a one-bedroom. Therefore, if 100 homeless rent assistance households are to be prioritized for initial, additional monetary incentives, then the current one-bedroom payment standard (max rent) of \$1,077, covering up to three months of contract rent x 70, one-bedroom households, or \$226,170, would be necessary.

Comparing Milwaukee's situation to the national level, the average homeless household size for households with at least one adult and one child was 3.2 members, and a three-bedroom household would be eligible for a two-bedroom at a minimum and three-bedroom at a maximum, the average of the current two-bedroom and three-bedroom payment standards (max rents) of \$1,446.50 covering up to x three months of contract rent x the remaining 30, two to three-bedroom households, or \$130,185, would be necessary. Therefore, to cover 100 homeless households with up to three months of contract rent per year, \$356,355 would be required annually for monetary incentives associated with damage mitigation, signing bonuses, and unit holding agreement fees.

### **VIRTUAL MEETING INVITES**

James Mathy, Housing Administrator  
Connor Goggans, Real Estate Project Manager

### **PREPARED BY:**

James Mathy, Housing Administrator, Department of Health and Human Services

### **APPROVED BY:**

*Shakita LaGrant-McClain*

Shakita LaGrant-McClain, Director, Department of Health and Human Services

### **ATTACHMENTS:**

N/A

Cc: County Executive David Crowley  
Sup. Shawn Rolland, Chair, Committee on Health Equity, Human Needs, and Strategic Planning  
Mary Jo Meyers, Chief of Staff, County Executive's Office  
Kelly Bablitch, Chief of Staff, Milwaukee County Board of Supervisors  
Janelle M. Jensen, Legislative Services Division Manager, Office of the County  
Steve Cady, Research Director, Comptroller's Office  
Lottie Maxwell-Mitchell, Sr Budget Management Analyst, Office of Strategy, Budget & Performance