



Memorandum

TO: THE HONORABLE MAYOR &
CITY COUNCIL

FROM: Councilmember Lan Diep

SUBJECT: SOURCE OF INCOME ORDINANCE
& RENTAL SUBSIDY PROGRAM
IMPROVEMENTS

DATE: 12/07/2018

Approved

Lan Diep

Date

12/7/2018

RECOMMENDATION

Accept Staff recommendation with the additional direction to explore the following specific areas of possible administrative improvements and landlord incentives to increase the acceptance of housing vouchers:

1. Speeding up the process of unit inspection required for landlords to be eligible to accept Housing Choice Vouchers (HCV);
2. Speeding up the time a landlord will get the first rent check from the voucher program;
3. Simplifying paperwork, processes, or regulations that burden landlords who want to accept HCVs;
4. Studying whether it is feasible and/or effective for the City to incentivize landlords by paying the first month's rent for some portion of HCV holders, who might otherwise be turned away because of systematic and lengthy wait times between date-of-move-in and the issuance of the first voucher payment, which may not arrive until the second month of occupancy.

BACKGROUND

The need for affordable housing is great in San José. There are not enough affordable housing units to meet the need, but even when there are openings available, families and individuals who rely on Housing Choice Vouchers to pay for rent are left at a disadvantage in their search for housing.

During a sampling of housing-for-rent posts on Craigslist and Apartments.com between July and August 2017, staff determined that of 559 listings posted with an affordable rent, 26.7% of postings specifically declined to accept Section 8 vouchers. An additional 39.4% verbally declined to accept Section 8 vouchers over the phone. Overall, about 66% of

housing-providers at an affordable price point refused to even consider renting to individuals who might pay with a Housing Choice Voucher (HCV).

Approximately 11,796 HCVs are being used in San José presently, yet as of November 2018, over 2,000 HCVs went unused across Santa Clara County. Vouchers provide a guaranteed source of payment to landlords who are eligible. But landlords have complained that voucher programs are onerous in regulations, slow to pay the first month's rent, and put small landlords at undue fiscal risk.

ARGUMENT

It is difficult enough to afford to live in San José as it is. The problem should not be compounded by concerns of where the rent money is coming from. People who would pay their rent with Housing Choice Vouchers (HCV) such as Section 8 vouchers should not be denied the opportunity to apply for an available unit. How they pay for their rent should not be an obstacle for being considered by a landlord.

The proposed ordinance would not mandate that landlords accept Section 8 vouchers; only that they do not discriminate against Section 8 voucher holders. Landlords can still decide who they rent to based on an objective review of the applicant's employment history, rental history, credit history, etc... But Section 8 voucher-holders should not be denied the opportunity to have their application reviewed.

However, while a Source of Income ordinance may increase the chances of finding housing for some HCV-holders, it does not help expand the number of landlords who find HCVs to be problematic. Objectively, landlords who accept HCVs receive a steady stream of reliable rental income. But landlords have complained that due to the slowness of voucher program administration, the first payment-of-rent-by-voucher may not come until after the tenant has occupied the unit for a month.

Some landlords have reported that voucher programs do not provide back-rent, meaning that landlords who receive a delayed first-payment are forced to provide a free month's rent at the beginning. This is inherently unfair to landlords who accept HCVs, but especially harmful to smaller mom-and-pop landlords whose units would more likely rent within a range that vouchers can cover. These landlords also have monthly financial obligations to meet and missing a month's rent can put them at financial risk.

CONCLUSION

The City should create a Source of Income ordinance to prevent discrimination against individuals who rely on Housing Choice Voucher programs to pay their rent. Staff should also work to seek out programmatic improvements to incentivize more landlords to accept vouchers as payment of rent. Specifically, staff should find ways of addressing the problem of the slowness of the first voucher payment so that landlords do not find themselves in a position where accepting a voucher means that they may have to waive a month's rent.