Allocating resources between tenant-based and project-based rental assistance

Many cities, towns, and counties focus their efforts primarily on preserving and creating dedicated affordable housing units. Far fewer resources are allocated to expanding the availability of tenant-based rental assistance, which enables households to affordably rent units of their choosing on the private market.

In part, this tendency reflects the high cost of providing this type of ongoing rental assistance, particularly if it’s offered to eligible households on a non-time-limited basis. In addition, the federal government already has a large tenant-based rental assistance program – the Housing Choice Voucher program – which is administered by public housing agencies (PHAs) that are often distinct entities from city government. However, the Housing Choice Voucher program serves only a small share of those who need assistance. Two HUD programs — the HOME Investment Partnerships Program and the Housing Opportunities for Persons with AIDS program — provide municipalities with the option of using funds for tenant-based rental assistance. Local jurisdictions that choose to use these federal resources (or allocate locally-generated resources) to create or expand a tenant-based rental assistance program can supplement the Housing Choice Voucher program and serve more households. This brief outlines several points that may be helpful for cities or counties to consider as they decide...
whether to create or expand a local tenant-based assistance program.

1. **Tenant-based assistance offers renters greater flexibility than project-based assistance in the choice of units and neighborhoods, and program administrators greater flexibility in structuring assistance, but does not guarantee the availability of affordable units in a specific location.**

Many low-income families prefer tenant-based rental assistance, which provides recipients with a greater degree of choice in where to live than project-based rental assistance. Families can exercise this choice to rent units in areas with poverty rates that are lower than the neighborhoods where some forms of project-based rental assistance are located (notably public housing and project-based Section 8). Tenant-based rental assistance is also often less expensive on a per-unit basis than project-based rental assistance, as subsidy dollars are required only to provide rent assistance, and not to develop and/or maintain assisted properties.\(^1\) Cities, towns, and counties also have more options when structuring tenant-based assistance programs, compared to project-based assistance. For example, some cities, towns, and counties use local funds to provide time-limited assistance (e.g., for a period up to 24 months) or shallow assistance that covers only a portion of the rent each month. These approaches require a lower commitment of resources per household than a permanent subsidy, allowing more people to receive assistance with the same amount of resources. However, at least for homeless families, the evidence is strong that long-term tenant-based rental assistance is more effective than time-limited assistance.\(^2\) An important limitation of tenant-based rental assistance is that it is only as good as the recipient’s ability to use it. While the promise of tenant-based rental assistance is that it can be used anywhere, in many states it is legal for landlords to refuse to rent to families with housing choice vouchers or other forms of tenant-based rental assistance. In some markets – particularly high-cost markets with low vacancy rates – families with tenant-based rental assistance may struggle to find landlords willing to participate across a wide range of neighborhoods. Tenant-based rental assistance may also be difficult to use in high-cost neighborhoods because the subsidy levels are capped and do not provide sufficient assistance to bring the cost of renting down to affordable levels. Some public housing agencies (PHAs) have taken a more active role to improve voucher holders’ odds of successfully leasing up. For example, some PHAs run landlord outreach programs through which they proactively contact potential landlords and property managers in target neighborhoods and invite them to participate in their affordability programs. This contact provides an opportunity to answer questions and address concerns about the programs that may have prevented
the landlord or manager from participating. Local nonprofit organizations and departments of housing and community development can also conduct outreach to landlords – in partnership with, or to supplement the efforts of the PHA. A number of PHAs also offer mobility counseling services that help tenants overcome some of the challenges of identifying units in unfamiliar or high-opportunity areas. Specific activities may include hosting neighborhood tours, coaching families on submitting rental applications, giving referrals to landlords who have agreed to rent to voucher holders, and providing transportation to view available units. Local jurisdictions administering tenant-based rental assistance can partner with PHAs to offer this type of programming or provide these services on their own.

2. **Project-based assistance offers less flexibility than tenant-based assistance, but it creates affordable homes that may remain affordable over multiple generations of households. As a result, it can help to secure affordable housing in resource-rich neighborhoods and stabilize neighborhoods that have experienced disinvestment.**

Project-based rental assistance limits residents to a specific location, rather than providing the choice that tenant-based rental assistance allows. Where existing project-based affordable housing developments are located in high-poverty neighborhoods or in poor condition, converting some, or all, of the subsidy to tenant-based rental assistance can sometimes be advantageous. This conversion can give residents the option to live in higher-quality developments and areas that offer more opportunities. In resource-rich areas or neighborhoods where housing prices are likely to increase, however, the permanence of project-based rental assistance can be a benefit. Because tenant-based assistance is tied to an individual household and not to the unit, tenant-based assistance does not create housing units that will remain affordable over the long term. Once the tenants have moved on, the subsidy goes with them. This makes tenant-based rental assistance ineffective for preserving the affordability of specific units in specific locations such as housing located in gentrifying areas. Before deciding how to balance resources between project-based and tenant-based assistance, cities, towns, and counties may wish to talk with local nonprofit developers and other stakeholders about whether there are meaningful opportunities in resource-rich neighborhoods to identify land or buildings that could be used for affordable housing. Desirable neighborhood characteristics will vary somewhat depending on the population targeted by new affordable housing. For example, proximity to a high-quality school will be of primary importance when developing housing for families with children, whereas access to shopping centers or
medical care may be of greater concern in developing senior housing. If there are opportunities to build or acquire existing buildings in gentrifying or resource-rich neighborhoods, it may make sense to use project-based assistance in these areas. When identifying potential development sites, local jurisdictions should also seek out neighborhoods that may not currently be classified as resource-rich or gentrifying but are likely to become so in the future, based on market research and previous experience. Early action to acquire sites in these areas may result in substantial savings and lock in future affordable opportunities. High-poverty areas targeted to undergo comprehensive community revitalization are another setting in which to consider project-based rental assistance, where it can play an important role as a stabilizing force and launching pad for other investments in community development. When executed as part of a broad based and large-scale community improvement plan, well-managed and well-maintained affordable housing can actually increase surrounding property values and have an overall impact on neighborhood quality. In addition, families at the high end of eligibility for Low Income Housing Tax Credit developments may have higher incomes than the average income of residents of certain low-income neighborhoods, in which case such housing could help to promote a more diverse mix of incomes in the neighborhood.

3. Both project-based and tenant-based assistance programs provide opportunities to serve special populations. Determining which approach is more appropriate will depend on the target population.

Local rental assistance programs are often funded using HOME funds, a federal resource that allows cities, towns, and counties substantial discretion in determining how to address local needs and can be used for either tenant-based or project-based assistance. Local jurisdictions can use HOME dollars and other flexible funding sources (e.g., state or local funds) to design targeted assistance programs that prioritize certain populations such as individuals who are being released from correctional institutions or families who are victims of domestic violence. The appropriate program design, including whether assistance is provided to projects or tenants, will depend on the population to be served. Some special needs populations may be able to benefit from supportive services that can be delivered more efficiently in properties with many assisted tenants. Frail elderly seniors, for example, may benefit from project-based affordable housing that includes a service coordinator or even a part-time nurse on site and where other supports such as transportation to shopping centers or social programming can be easily arranged. In contrast, tenant-based assistance may be more consistent with the desires of people with disabilities to live in housing that is integrated into the community. Indeed, the Olmstead Supreme Court decision compels
jurisdictions to provide services in the most integrated community setting that is appropriate to the needs of individuals with disabilities. Local jurisdictions that wish to create a housing assistance program to address the needs of special populations should consult with service providers and other specialists when determining how to structure the program.

Other factors for cities, towns, and counties to consider when deciding how to balance tenant-based and project-based rental assistance include:

1. Cities and towns have a choice of many competing uses when allocating their HOME program funds and other local funds. For example, HOME funds can be used to fill in the gap between the costs of developing a new LIHTC development and the funds available from LIHTC equity and supportable debt. Local jurisdictions that choose to spend HOME funds on tenant-based rental assistance may thus end up leveraging less LIHTC equity. This is not necessarily a reason not to engage in tenant-based rental assistance but simply an acknowledgement of the importance of weighing the trade-offs.

2. When an affordable housing development that has fallen into disrepair is located in a resource-poor neighborhood with a high crime rate, it may be possible to convert the existing subsidy to some combination of tenant-based rental assistance and scattered-site project-based assistance in which project-based rental subsidies are transferred to another location.

3. In addition to considering whether and to what extent to invest local funds in tenant-based rental assistance, it is important for cities, towns, and counties to consider whether existing federal tenant-based resources can be used more effectively. PHAs have flexibility in how they administer the federal Housing Choice Voucher program, including provisions that expand the reach of the program in higher-cost areas. For example, PHAs can increase the Voucher Payment Standard, which determines the maximum amount of assistance the PHA will provide towards a household’s monthly rent, to up to 110 percent of the fair market rent (FMR), or 120 percent with HUD approval. A higher payment standard means more voucher holders will be able to afford to rent units in higher-cost neighborhoods. PHAs can also opt to use “small area” FMRs, in which higher payment standards are adopted for targeted high-cost neighborhoods while lower payment standards are applied to low-cost neighborhoods. This flexibility could be helpful in expanding housing opportunities in resource-rich areas.

PHAs enrolled in the Moving to Work program have additional flexibility to adjust payment standards beyond the 120 percent threshold. These PHAs can also waive limitations on the share of income that voucher holders spend on rent at lease-up
(ordinarily up to 40 percent of adjusted income). Lifting the income cap for initial rent may result in higher initial rent burdens, but this practice also enables voucher holders to rent units in higher-cost areas that may provide greater opportunity.

1. The substantial expense of providing both tenant-based and project-based rental assistance on a long-term indefinite basis, however, often deters cities from offering either type.


**See also:**
- State- or local-funded tenant-based rental assistance
- Project-basing of housing choice vouchers
- HOME tenant-based rental assistance