

HB20-1332 -- Source of Income Discrimination

Housing Colorado is the statewide advocacy organization for the affordable housing community.

Housing Colorado supports HB20-1332, requiring landlords to accept a variety of sources of income from prospective tenants for qualification purposes, including rental assistance vouchers. **These critical social safety net programs provide much needed assistance to our most vulnerable populations, while also providing *reliable* payments to landlords.** In times of economic hardship, housing assistance programs also provide a floor for the rental housing market, allowing property owners to stay solvent and continue to provide naturally affordable housing.

Housing assistance programs will be a necessary tool for Colorado's recovery from the COVID economic crisis. By using existing programs and relationships, this funding efficiently supports Colorado's most vulnerable populations. We will be unable to deploy these previously allocated funds if landlords refuse to accept these reliable, sustainable sources of rent.

How does the program work? Households that earn less than the 50% of the area median incomes (AMI) apply for housing assistance programs, such as the federal Housing Choice Voucher (HCV) to a local housing authority/agency/non-profit organization. Once approved, the household can then rent from any property that accepts a Voucher as income. Funding for these programs comes from both federal (through HUD) and state (through the Colorado Division of Housing such as TBRA) programs. The household then pays a percentage of their income to the landlord as rent the HCV-administering organization pays the remainder of the contract rent due directly to the landlord. **The lease is between the renter and the landlord, not the housing authority.**

The program does not force landlords to accept below-market rent. If the renter seeks to rent a unit that is priced above the program limit, they are notified accordingly and the landlord may choose to negotiate the rent down to a program limit or seek a different prospective tenant. Area Median Incomes rent limits are updated annually by HUD and the local housing authority. Property owners retain the ability, subject to the terms of their lease, to request a rent increase with a 60-day notice. Tenants who experience changes to their income during the year can request for an interim recertification to reevaluate the amount of rent they pay. As the HCV covers the difference, the landlord still receives the rent amount committed to in the lease. It is this opportunity for income based reevaluation of the tenant vs HCV rent portion that provides landlords with additional confidence in their rental revenue cash flow during times of income disruption.

The only additional paperwork required for landlords is the Request for Tenancy Approval and the Housing Assistance Payment (HAP) contract between the housing authority/agency/non-profit organization. The tenant screening and leasing process between landlord and tenant should be very similar to the process used for tenants not taking advantage of a rental assistance program.

Units that are being considered for rental assistance funding do have to undergo an initial and periodic inspection to ensure that basic housing quality/safety standards are being met. **These standards are no more rigorous than current state habitability laws.** HCV administering organizations have every incentive to promptly schedule inspections, as our administrative fees are not earned until a tenant has leased.

HUD and the State of Colorado provide administrative funding to administering organizations and monitor the program administration. The grading/performance standards required to be designated a “High Performing Agency” require a high percentage of leased vouchers or expenditure of rental assistance funding. Entities that are not conducting business efficiently and in strict compliance can be downgraded – and they don’t get paid the administrative fees for units that aren’t leased, further incentivizing the organizations to work constructively with property owners on rental, inspection, compliance, and tenant issues.

Payments are frequently made to landlords through electronic payment processing. Many of these systems offer landlord portal access/viewing and should appear in the landlord’s bank balances quicker than if a paper check were mailed to the landlord. Utilization of this technology allows increased efficiency and reliability throughout the system and benefits all stakeholders.

Local voucher administering agencies are required to follow basic regulatory guidelines in administering the program. They do, however, have discretion in adopting some program features and preferences to better serve their own communities.