

CITY OF ELK GROVE LANDLORD INCENTIVE PROGRAM GUIDELINES

January 12, 2021

1 General

1.1 Program Overview and Objectives

The Landlord Incentive Program (Program) is designed to increase the number of housing units in Elk Grove available to households experiencing homelessness and/or households participating in the Housing Choice Voucher (HCV or Section 8) program. This advances the goals of the City by providing housing opportunities for all economic segments of the community. It aims to achieve this through various cash bonuses and security deposit incentives to safeguard landlords' properties.

The Program is funded through the American Rescue Plan Act of 2021 and shall be administered by the City of Elk Grove (City) Housing and Public Services Manager. The program serves a valid public purpose by providing a benefit to low-income households experiencing or at risk of experiencing homelessness and who otherwise would experience severe difficulty locating suitable housing. Under the Interim Final Rule¹, low-income households are presumed to have experienced negative economic impacts resulting from the pandemic.

1.2 Program Outreach and Marketing

The Program will be marketed primarily to rental property owners, property managers, and real estate agents owning or managing properties located within the City of Elk Grove. The City will share Program information via direct contacts to rental housing property owners/managers, social media postings, outreach to real estate and property management groups, outreach to nonprofit organizations, and coordinated outreach with the Sacramento Housing and Redevelopment Agency (SHRA). Information about the Program will be posted to the City's website.

1.3 Conflict of Interest

Except as set forth herein, no employee, agent, consultant, officer, or elected official or appointed official of the City of Elk Grove may claim any incentives or participate in the Program. This ineligibility extends to those with business or immediate family ties to any individual previously described, and shall continue for one year after an individual's relationship with the City ends. Exceptions to this policy may be approved by both the City Manager and the City Attorney subject to any restrictions or provisions of applicable law.

2 Eligibility

2.1 Qualified Tenants

Qualified Tenants are those households who have an income not exceeding 80 percent of the area median income for the Metropolitan Statistical Area which includes the City, with adjustments for household size, as determined from time to time by the U.S. Department of Housing and Urban Development (HUD), **and** who also meet either of the criteria below:

¹ Interim Final Rule, Coronavirus State and Local Fiscal Recovery Funds. Department of the Treasury. May 17, 2021. Docket number: TREAS-DO-2021-0008.

- A. Have an active Section 8 voucher issued by the Sacramento Housing and Redevelopment Agency (SHRA); **or**
- B. Are experiencing homelessness within the jurisdictional boundaries of the City, as verified by the City's homeless services navigator and/or one or more of the City's approved nonprofit partners.

The City will accept issuance of a Section 8 voucher as proof the household meets income requirements. For households that do not have a Section 8 voucher and who are experiencing homelessness, a signed certification under penalty of perjury by the head(s) of household shall be used to document income.

2.2 Eligibility for Property Owners

In order to be eligible, a property owner must meet the following conditions:

- A. The property owner shall have legal title to the property being rented.
- B. The property owner or their authorized agent must sign at least a 12-month lease with a Qualified Tenant at an approved rent level (as described in Section 2.3 below).
- C. The property owner must be renting a unit that is not otherwise subject to rent restrictions. Subsidized housing units, such as tax credit-financed affordable housing, are ineligible for participation in the Program.
- D. The property owner must abide by the rules and regulations that accompany the federal HCV Program administered by SHRA, if the unit is rented to an HCV participant.
- E. For property managers and real estate agents claiming the Referral Bonus, refer to Section 3.4 below.

2.3 Unit Eligibility

In order to be eligible, a rental housing unit must meet the following conditions:

- A. Be located within the jurisdictional boundaries of the City of Elk Grove. For Qualified Tenants who are experiencing homelessness within the City, the Housing and Public Services Manager may approve the Program incentives to be used outside the City but within Sacramento County.
- B. Be offered for rent at or below the applicable SHRA payment standard based on the unit's size, location, and amenities. Exceptions to this standard may be made on a case-by-case basis by the City's Housing and Public Services Manager.
- C. Pass a preliminary inspection by a City of Elk Grove representative in advance of a potential inspection by SHRA to ensure the property is in adequate condition.

3 Incentives

The following incentives will be available through the Landlord Incentive Program.

3.1 Cash Bonuses

Property owners may receive both cash bonuses listed below if qualified. The City will verify eligibility, including each property owner's previous participation in the Program. Properties held in ownership by an entity (trust, limited partnership, limited liability company, corporation, etc.) may be eligible for the new landlord bonus only if neither the property owning entity nor any of its owners, shareholders, members, or partners have previously received the new landlord bonus. When a property has multiple owners (including an entity with multiple ownership interests, such as shareholders, members, or partners), the bonus may only be issued to the first owner filing a completed application with the City. The City shall bear no responsibility for splitting the Program incentives among property owners.

- A. **New Landlord Bonus:** \$3,000 for a property owner's first housing unit rented to a Qualified Tenant under this Program.
- B. **New Unit Bonus:** \$1,500 for each new unit rented to a Qualified Tenant under this Program. A new unit is a unit that has not been rented to a Qualified Tenant under this Program in the previous 24 months.

3.2 Assurance Incentives

Property owners may qualify for only one of the below incentives. Prior to the approval of either incentive, the City may conduct a preliminary inspection of the unit. For the purposes of this section, "Prorated Rent" means the proposed monthly contract rent for the applicable unit, not to exceed fair market value as determined by the Housing and Public Services Manager in their sole discretion, divided by 30.

- A. **No-loss Bonus:** Payment of Prorated Rent from the day a Request for Tenancy Approval (RFTA) is submitted to SHRA to the day the Qualified Tenant moves in, up to a maximum of 60 days. This incentive may only be used for HCV participating tenants, and is meant to compensate the property owner for rent they may have otherwise collected during the timeframe it takes SHRA to complete an inspection.
- B. **Unit Holding Agreement:** Payment of Prorated Rent from the day a Unit Holding Agreement is signed by the City and all owners of the property to the day a tenant moves into the unit, up to a maximum of 60 days. During the period a Unit Holding Agreement is in place, the property owner(s) must only consider applications from Qualified Tenants. If a non-qualified tenant moves into the applicable unit during the period a Unit Holding Agreement is in place, the property owner(s) shall not be eligible for any payment pursuant to the applicable Unit Holding Agreement.

3.3 Security Deposit Incentives

Property owners may qualify for the below double security deposit incentive for each unit rented to a Qualified Tenant. Only one security deposit incentive may be issued for each unit rented to a Qualified Tenant hereunder. The security deposit incentive may be used by the property owner(s) to pay for the cost of fixing any damages to the property caused by the Qualified Tenant or Qualified Tenant's guests (excluding ordinary wear and tear), the cost of cleaning the unit when the Qualified Tenant moves out, and unpaid rent. In the event there are remaining funds in the security deposit following the Qualified Tenant's vacation of the unit, the property owner(s) shall transfer any remaining amounts of such security deposit to the Qualified Tenant within twenty-one (21) days or as otherwise required by law.

- A. **Double Security Deposit:** A security deposit of twice the value the property owner(s) would normally collect from a non-Qualified Tenant, at a maximum of two times the contract monthly rent for the Qualified Tenant. In the event the property owner(s) receives this benefit from the City, property owner(s) may not require the Qualified Tenant to pay any additional security deposit.
- B. **Compliance with Prevailing Wage Laws.** Any property owner receiving the security deposit incentive, as described herein, agrees that such property owner is fully aware of the provisions of Labor Code sections 1720, et seq. regarding payment of prevailing wages in connection with public works projects and has consulted with its own legal counsel regarding such wage issue. Property owner's acceptance of a security deposit incentive hereunder is an acknowledgment that such independent advice and counsel has been obtained and relied on in accepting such incentive. Any property owner receiving the security deposit hereunder agrees to comply with all applicable laws concerning use of the security deposit funds. Neither the City nor any of its employees, agents, or representatives have rendered opinions to such property owner respecting the applicability of Labor Code sections 1720, et seq. to property owner's use of the security deposit funds for any construction or repair work, and property owner has not relied on any such representation in accepting the security deposit incentive hereunder. In the event any claim of any kind or nature based on Labor Code sections 1720, et seq. (including Section 1781) is brought or made against the City in connection with the security deposit incentive or any related construction or repair project, property owner shall be obligated to defend, indemnify, and hold harmless the City with respect to such claim.

3.4 Property Management/Real Estate Agent Referral Bonus

Property managers or real estate agents providing services related to the rental of units to Qualified Tenants may claim a \$500 cash bonus for each unit rented by a participating property owner whom they referred to the Landlord Incentive Program. The stipulations for claiming the Referral Cash Bonus are as follows:

- A. Only one claim may be made per housing unit.
- B. Only one referral claim per property may be claimed, regardless of how many units are ultimately rented by the property owner to Qualified Tenants.
- C. Real estate agents claiming this bonus must be licensed by the California Department of Real Estate.
- D. Property managers claiming this bonus must work for a bona fide property management company, as determined by the Housing and Public Services Manager in their sole discretion.
- E. The participating property owner must execute a verification form confirming the details of the referral.

4 Procedure

The Landlord Incentive Program is offered at the sole discretion of the City. The City reserves the right to deny the incentive(s) herein for any reason including, but not limited to, material discrepancies or misrepresentations, and ownership or financial issues that cannot be resolved to the satisfaction of the Housing and Public Services Manager.

4.1 Funding Availability

The Program will be offered when funding is available. Initial funding is anticipated to be provided by the federal American Rescue Plan Act. Future funding may be available through other federal, state, or

local resources. Interested participants should check with the City regarding funding availability prior to signing a lease with a Qualified Tenant.

4.2 Application for Unit Holding Agreements

Property owners interested in executing a Unit Holding Agreement with the City will complete an online interest form, including the following information:

- Contact information for property owner(s) and property manager, if any
- Rental unit information: address, unit characteristics (number of bedrooms and bathrooms, etc.), monthly rent desired
- Minimum tenant requirements, if any
- A conflict of interest statement
- A signed W-9 form

City staff will review the information and verify eligibility. If the property appears to be eligible, staff will prepare the Unit Holding Agreement in a form acceptable to the City Attorney and contact the property owner or manager to set up a property inspection.

During the timeframe of the Unit Holding Agreement (typically 60 days), the property owner or manager shall agree to consider applications from Qualified Tenants, which may be referred by the City. Once the time period specified in the Unit Holding Agreement has elapsed or the unit is rented, whichever comes first, the property owner may submit a claim form as described below.

4.3 Property Owner Claims and Payment Process

Individuals making claims will complete a Landlord Incentive Claim Form to initiate the process. The Claim Form will include the following information:

- Contact information for the property owner(s) and property manager, if any
- Rental unit information: address, unit characteristics (number of bedrooms and bathrooms, etc.), monthly contract rent
- Tenant name and contact information
- Copy of tenant lease
- Indication of incentives requested
- A conflict of interest statement
- A signed W-9 form

Claims may only be approved if:

- A. All information is complete and submitted in the format requested.
- B. The Landlord Incentive Claim Form is signed and dated.
- C. The unit was rented to a Qualified Tenant, except for those claims under a Unit Holding Agreement.

Staff will review the information submitted within five business days and let the property owner or manager know if any additional information is needed.

The City will provide payment of all eligible incentives under this Program within 10 business days of application approval. All payments will be made in the form of a check sent to the property owner.

4.4 Property Management/Real Estate Agent Claims and Payment Process

Eligible property managers and real estate agents making claims will complete a Referral Bonus Claim Form. City staff will review and verify the claim within five business days and let the property manager or real estate agent know if any additional information is needed.

Payment of approved incentives will be made by the City within 10 business days of approval of the incentive. All payments will be made in the form of a check sent to the property manager or real estate agent. Checks will be made payable to the applicable property management and/or real estate firms, unless an individual is self-employed.