

Estimating the cost of a state-funded rental assistance program

The following provides a general estimation of four possible scale options for a state-funded rental assistance program in Virginia. The scenarios presented to you are based on general assumptions about assistance amounts and administrative costs.

NOTE: It is important to note that there are multiple variables to take into consideration when determining the most appropriate scale for a rental assistance program. Rental assistance amounts are wholly dependent on geographic location, household size, household type, and household income.

In order to try and account for some of this variation, assumptions were made based on three target groups: 1) special needs populations, 2) extremely low income households, and 3) very low income households. In addition, we tried to take into account the differences in cost of living based on geographic location by varying rental assistance amounts by location in a metropolitan area or rural area.

The scale scenarios are not a precise calculation, but rather an approximation. What is provided to you here provides a high-level view of who can be helped and the costs associated with helping those households at different levels of assistance and targets.

Assumptions and data

The scenarios presented are based on the following assumptions:

- The estimated need for the general population is based on Comprehensive Housing Affordability Strategy estimates for cost-burdened households making less than 50% AMI in 2017 (the most recent year for which data was available at time of analysis).
- The estimated need for special needs households in need is based on January 2020 Point-in-Time counts for all of Virginia. This number should be treated as a minimum amount of special needs households in need as the Corporation for Supportive Housing estimates that Virginia has a total supportive housing need in the amount of 21,750 units.
- Rental assistance amounts are based on Fair Market Rents (FMR) for a 2 bedroom unit and are the average value for the geographic area, either metropolitan locality or a non-metropolitan (rural) locality. The base general rental assistance amount is set as 100% of average FMR for metropolitan and rural areas for Extremely Low Income households, 90% of average FMR for Very Low Income households, and 120% of average FMR for special needs rental assistance. FMR amounts are based on HUD FMR amounts effective April 1, 2021 by locality. The separate rental assistance amount for special needs populations

attempts to cover a portion of additional services for said populations. The percentage of average FMR attempts to adjust for the varying tenant contribution towards rent that will change based on income.

- At the suggestion of PHA administrators, the use of 2-bedroom FMR accounts for the lack of 2-bedroom rentals throughout the Commonwealth.
- From the base estimation, an upper limit increases the assistance level for each grouping by 10%, while a lower limit decreases the assistance level for each by 10%.
- An \$87.50 per voucher administrative fee is applied to each voucher in order to account for the administrative costs associated with vouchers. This voucher administrative fee attempts to account for the range of administrative fees for PHAs across Virginia in CY 2021 - anywhere from \$55 to \$120.

Scale scenarios

The four scenarios presented below look at different levels of households assisted.

Scenario	Description	Households served	Cost range
1 Targeted: Homeless	This scenario looks to address the needs of all special needs households identified by Point-in-Time counts. This focuses on households most-in-need who are experiencing homelessness. No rental assistance is provided for households that are not experiencing homelessness or at-risk of homelessness.	4,551	\$73M to \$85M
2 Targeted: ELI	This scenario seeks to cover a fair amount of special needs households (50%) in both metropolitan and rural areas, while also beginning to address some of the needs of extremely low income households (< 30% AMI).	9,844	\$112M to \$134M
3 Targeted: ELI-VLI	This scenario widens the assistance from the previous scenario to very low income households (< 50% AMI) who are experiencing severe cost burden (spending more than 50% of their income on housing costs).	13,080	\$154M to \$185M
4 Targeted: Homeless and ELI-VLI	This scenario seeks to maximize assistance across Virginia by addressing the needs of all special needs households, as well as a portion of ELI and VLI households experiencing rent burden.	16,700	\$216M to \$258M

Technical data

Estimation of households in need:

	Metropolitan	Rural
Number of special needs households in need	3,975	576
Number of ELI households in need (cost burdened)	171,824	17,386
Number of VLI households in need (cost burdened)	122,096	12,342

Rental assistance amounts by percentage of FMR for a 2-bedroom unit:

AVERAGE FMR 2 BEDROOM		
% of FMR	Metropolitan	Rural
80%	\$947.24	\$615.10
90%	\$1,065.64	\$691.98
100%	\$1,184.05	\$768.87
110%	\$1,302.46	\$845.76
120%	\$1,420.85	\$922.64
130%	\$1,539.27	\$999.53

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Appendix B: Data methodology

Rental assistance amounts range:

	Target group	Metropolitan	Rural
Lower limit (L)	Special needs	\$1,302.46	\$845.76
	ELI	\$1,065.64	\$691.98
	VLI	\$947.24	\$615.10
Base (B)	Special needs	\$1,065.64	\$691.98
	ELI	\$1,184.05	\$768.87
	VLI	\$1,065.64	\$691.98
Upper (U)	Special needs	\$1,539.27	\$999.53
	ELI	\$1,302.46	\$845.76
	VLI	\$1,184.05	\$768.87

Number of households assisted by scenario:

	Metropolitan			Rural			Total
	Special needs	ELI	VLI	Special needs	ELI	VLI	
1	3,975	0	0	576	0	0	4,551
2	1,987	5,155	0	288	521	0	7,952
3	1987	8,591	1,221	288	869	123	13,080
4	3,975	8,591	2,442	576	869	247	16,700

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Costs by scenario and range:

		Cost to assist per month	Administrative cost per month	Percent of total budget allocated towards admin	Total annual cost of program
1	L	\$5,664,436.26	\$398,212.50	6.57%	\$72,751,785.12
	B	\$6,179,319.39	\$398,212.50	6.05%	\$55,256,177.16
	U	\$6,694,327.53	\$398,212.50	5.61%	\$85,110,480.36
2	L	\$8,686,216.88	\$695,782.50	7.42%	\$112,583,992.55
	B	\$9,594,133.13	\$695,782.50	6.76%	\$123,478,987.51
	U	\$10,502,111.88	\$695,782.50	6.21%	\$134,374,732.52
3	L	\$11,870,007.59	\$978,974.50	7.62%	\$154,187,785.06
	B	\$13,148,798.92	\$978,974.50	6.93%	\$169,533,281.06
	U	\$14,427,666.20	\$978,974.50	6.35%	\$184,879,688.45
4	L	\$16,653,558.63	\$1,343,639.50	7.47%	\$215,966,377.61
	B	\$18,406,616.43	\$1,343,639.50	6.80%	\$133,738,737.60
	U	\$20,159,812.67	\$1,343,639.50	6.25%	\$258,041,426.08