

To: Moving to Work Research Advisory Committee

From: Todd Richardson, General Deputy Assistant Secretary, Office of Policy Development and Research

Subject: Key Considerations Related to Cohort #4 (Landlord Incentives) of the Moving to Work Expansion

This memo provides background in preparation for the April 30, 2019 meeting of the Moving to Work (MTW) Research Advisory Committee. This meeting will focus on the fourth cohort of the MTW expansion, which is intended to test landlord incentives.

Summary of Research Advisory Committee Guidance

In previous meetings, the MTW Research Advisory Committee (RAC) has recommended that one of the MTW expansion cohorts focus on landlord incentives in the Housing Choice Voucher (HCV) program. In the December 13, 2016 RAC meeting, landlord incentives were listed, along with MTW flexibility and rent reform, as one of the three potential policies with widespread support and solid recommendations for research.

Although there was broad agreement about the importance of studying landlord incentives, there was not a consensus on what exactly a landlord incentive strategy should consist of. The RAC discussed a wide variety of strategies, including: vacancy loss payments, recruitment incentives, increased payment standards, simplified inspections, landlord outreach efforts, housing navigators (for tenants), other “regulatory relief”, and improved customer service. Throughout this memo, we use the term “landlord strategies” broadly to refer to any PHA activity that might help to attract landlords to the voucher program. We use “landlord incentives” more narrowly to refer to activities that are highly targeted and may not be possible without MTW.

Regarding the research methodology for this cohort, the RAC suggested that HUD use random selection at the PHA level to identify 20 PHAs to receive MTW authority.

Background on Landlords and the Housing Choice Voucher Program

Housing practitioners have long understood that it can be difficult for voucher recipients to successfully use their voucher—that is, to find an eligible unit with a landlord willing to accept the voucher, and to sign a lease. In most of the country, landlords can choose not to rent to a household with a voucher. Some state and local governments have passed laws that ban discrimination on the basis of source of income, but the Fair Housing Act does not include source of income as a protected class. Several recent projects funded by HUD’s Office of Policy Development and Research (PD&R) have sought to better understand the role of landlords in the HCV program.

Cunningham et al (2018) carried out rigorous housing discrimination testing to determine the extent to which landlords accept or reject voucher-holders.¹ In three of the five sites examined, fewer than 24% of

¹ Cunningham, Mary, Martha Galvez, Claudia Aranda, Robert Santos, Doug Wissoker, Alyse Oneto, Rob Pitingolo, and James Crawford. 2018. *A Pilot Study of Landlord Acceptance of Housing Choice Vouchers*. U.S. Department of Housing and Urban Development, Washington, DC. Available at: <https://www.huduser.gov/portal/pilot-study-landlord-acceptance-hcv.html>

landlords would accept a voucher tenant. However, rates varied widely—the other two sites, both of which had local source of income anti-discrimination laws, had voucher acceptance rates of 44% and 71%. The site with the highest voucher acceptance rate (Washington, DC at 71%) also had neighborhood-based payment standards, intended to make voucher rents better align with market rents. This study suggests that a punitive approach alone is unlikely to result in widespread voucher acceptance; source of income anti-discrimination laws can increase landlord acceptance of vouchers, but even when the law requires landlords to accept vouchers, many do not.

Garboden et al (2018) relied on in-depth interviews with landlords to better understand *why* they do, or do not, accept vouchers.² Typically, landlords weigh the costs and benefits of renting to a tenant with a voucher or an unsubsidized market rate tenant. They consider whether voucher rents are comparable to market rents; whether a voucher tenant will be a “good tenant”; and whether the benefits of renting to a voucher tenant outweigh the costs of complying with program rules such as housing quality standards (HQS) inspections. They find that some landlords like the voucher program due to the reliable rents and lower turnover. Some also cite altruistic motives such as wanting to help people. Complaints about the voucher program typically fell into three categories: 1) financial considerations, 2) tenant problems, and 3) PHA bureaucracy. Specific concerns identified by landlords include: voucher rents are lower than market rents; the inspection process is inconsistent and takes too long; HCV participation sometimes causes longer periods of vacancy; lack of reimbursement for tenant-caused damages; and unsupportive/uncooperative PHA staff. This study suggests that there are opportunities to recruit and retain landlords by improving the HCV program and implementing activities targeted to specific landlord complaints.

Finally, a report by Nisar et al (2019) examines specific strategies that selected Public Housing Authorities (PHAs) have pursued to attract and retain landlords.³ The PHA staff interviewed for this study discussed a variety of promising landlord strategies, often designed to counteract specific landlord concerns such as those identified above. These strategies include: increased payment standards, neighborhood-based payment standards, security deposit assistance, damage funds, landlord signing bonuses, vacancy loss payments, streamlined inspections, landlord liaisons, online landlord portals, landlord outreach, tenant and landlord training, and more.

Motivated by this growing body of research, HUD Secretary Ben Carson established a Landlord Task Force in August 2018 with the goal of improving the HCV program so that more landlords would willingly accept voucher tenants. The Landlord Task Force has since conducted six listening sessions to hear directly from landlords, property managers, and other stakeholders about their experience with the HCV program. The Task Force has also consulted with PHAs. This effort has confirmed findings from the aforementioned studies and provided HUD with a richer understanding of what matters most to landlords.

² Garboden, Philip, Eva Rosen, Meredith Greif, Stefanie DeLuca, and Kathryn Edin. 2018. *Urban Landlords and the Housing Choice Voucher Program: A Research Report*. U.S. Department of Housing and Urban Development, Washington, DC. Available at: <https://www.huduser.gov/portal/publications/UrbanLandlords.html>

³ Nisar, Hiren, Jim Murdoch, Dallas Elgin, Mallory Vachon, Charles Horseman. 2019. *Landlord Participation Study*. U.S. Department of Housing and Urban Development, Washington, DC. Available at: <https://www.huduser.gov/portal/publications/Landlord-Participation-Study-Final-Report.html>

Many of the things landlords care about are just basic PHA functions being performed well: paying the rent on time each month, ensuring that tenants comply with program rules, completing inspections quickly (and consistently), and ensuring that PHA staff are competent and responsive to landlord concerns.

Other landlord concerns require more creative solutions, additional funding, or waivers of HUD regulations. Not all of these strategies require MTW status, but MTW waivers and funding fungibility make a variety of landlord strategies more feasible.⁴

Key Design Considerations for Cohort 4

Although PHAs are already implementing strategies to attract more landlords to the HCV program, there is scarce rigorous research focused on the effectiveness of those efforts. As a result, we have very little guidance about the research design and methodology that should be employed for cohort 4. This section identifies some key considerations related to the design of this demonstration and evaluation.

We are aware of three major challenges: 1) defining the objective of landlord incentives, 2) the wide variety of incentives and the likelihood of substantial variation across PHAs, and 3) the ability of non-MTW PHAs to implement landlord incentives. As we consider these issues, our assumed research design is that which the RAC has previously recommended: random selection of 20 PHAs to receive MTW status, with a corresponding control group of 20 PHAs which do not receive MTW.

There are two different landlord-related challenges, which could suggest different goals and strategies. First, not enough landlords accept vouchers. The number of landlords per 100 vouchers has declined steadily in recent years—from 38.9 per 100 in 2010 to 33.8 per 100 in 2018. As discussed above, recent HUD paired testing shows many landlords do not accept vouchers. Data on voucher success rates are limited, but it's clear that many voucher recipients are not able to find a landlord and lease a unit in the prescribed amount of time. Simply attracting more landlords may be the primary goal of landlord incentives. But another challenge in the voucher program has to do with *which* landlords accept vouchers. Some landlord strategies and incentives might increase the number of landlords accepting vouchers in high-poverty neighborhoods, but have no effect on landlords in moderate- or low-poverty neighborhoods. HUD could either focus on proximal outcomes (landlord participation rate, voucher acceptance, voucher success rates, landlord satisfaction) or downstream outcomes (more voucher families in low-poverty neighborhoods).

The second challenge is the variety of strategies that PHAs can use to encourage landlords to accept vouchers. There are two dimensions to this challenge:

1. Breadth of activities *within* each PHA. Should each PHA implement a single activity or a package of coordinated activities? A package of activities seems more likely to succeed, but also more difficult to define and evaluate.

⁴ For example, the Marin County (California) Housing Authority recently announced a package of landlord incentives, including security deposit assistance, loss mitigation funding to compensate for tenant damages, vacancy payments, building permit fee waivers, and a 24-hour landlord hotline. Marin Housing is a non-MTW PHA administering approximately 2,100 vouchers; they fund their landlord incentives with local funding (including some from the Community Development Block Grant program).

2. Variation of activities *across* PHAs. Should HUD specify the activity (or activities) that all cohort 4 PHAs must implement, or permit PHAs to choose? Allowing PHAs to choose their activity (or activities) seems more likely to succeed, but also more difficult to evaluate.

Allowing PHAs to self-select and implement a bundle of landlord-related strategies would be, by far, the most difficult approach to evaluate. In theory, this problem would be overcome by random assignment within each PHA, but we do not believe that will be feasible. Landlord activities have very different implementation mechanisms. A landlord signing bonus, for example, would be offered directly to a landlord at the time of tenant lease-up; one could imagine incorporating random assignment directly into that process. It may also be possible to randomize a vacancy loss payment, but that would be triggered when a tenant moves out of a unit. Meanwhile, other landlord strategies (such as landlord outreach, customer service improvements, alternate inspection procedures, and modified payment standards) should be implemented throughout a PHA's voucher program. As a result, we do not expect to conduct random assignment within each PHA, but rather we expect to rely on an evaluation strategy that examines differences in outcomes across PHAs. However, cross-PHA analysis would be limited with each PHA implementing a unique intervention.

The third, and perhaps most significant, challenge for cohort 4 is that there are many things *non-MTW PHAs* can do to make their HCV program more attractive to landlords. If HUD uses cross-PHA analysis with a randomly selected PHA control group, it is very likely that PHAs who *do not* receive MTW status will implement some activities that affect landlord participation in the HCV program. This is a threat to the internal validity of the experiment, and it might even be possible for "control group" PHAs to achieve greater success than the MTW PHAs.⁵

HUD's Proposed Approach

In light of the challenges presented above, HUD's proposed approach for cohort 4 is as follows.

HUD will create *two* MTW PHA groups. One group—the "universal incentives" group—would implement activities designed to appeal broadly to all landlords. The second group—the "opportunity incentives" group—would implement activities designed to be more targeted—to appeal to landlords (and units) in lower-poverty areas. This dual treatment group design would address the challenge related to defining the goal of landlord incentives. The universal incentives group would focus on one goal (increasing overall landlord participation), and the opportunity incentives group would focus on the other goal (attracting landlords with better units in better neighborhoods).

In the cohort 4 Selection Notice, HUD will present a list of landlord strategies and incentives. The purpose of this list would be to limit the extent of variation across PHAs while still allowing PHAs some choice of activities. By creating two groups—universal incentives and opportunity incentives—and

⁵ For example: Imagine that the MTW PHAs focus on activities that require MTW waivers—but do not aggressively pursue other activities. Meanwhile, control group PHAs—who cannot implement MTW activities—focus exclusively on more basic operational improvements. If the non-MTW activities turn out to be more impactful than the MTW activities, the control group might produce better outcomes than the MTW group. In other words: if the treatment is broadly defined as *activities to improve landlord experience in the HCV program*, this "control group" would not be a true control group, but rather an alternate treatment group.

constraining the set of potential activities, we may be able to conduct pooled analysis within each of the two PHA treatment groups.

The list of landlord strategies and incentives would be divided into two categories. The first category of activities would focus on relatively basic improvements to the voucher program’s operation. These would be the sort of activities that all PHAs can, and should, be doing even without MTW status. For example, this would include: paying the HAP promptly at the start of the month, offering direct deposit of HAP, conducting inspections promptly, and having a process to ensure inspections are consistent and fair across individual inspectors. See Appendix 1 for a more extensive (but still preliminary) list of proposed activities.

The second category of activities would be those that require MTW authority—or would be significantly more feasible for a PHA with MTW authority and funding fungibility. These activities would differ for the universal incentives group and the opportunity incentives group. For example, the universal incentives group might implement a landlord signing bonus available for any unit not already in the voucher program, while the opportunity incentives group might limit the landlord signing bonus to new units in low-poverty neighborhoods.

In their application for cohort 4, PHAs would be required to identify activities from both categories (“MTW activities” and “non-MTW activities”) that they would be willing to implement.

Applicant PHAs would be divided into two groups based on their choice of universal incentives or opportunity incentives. HUD would randomly select within those two groups (see Figure 1). The evaluation would focus primarily on the treatment-control effect within each group (that is, the difference between T_1 and C_1 and the difference between T_2 and C_2). The evaluation would also examine the treatment-control differential between the two groups ($T_1 - C_1$ compared to $T_2 - C_2$), though this would be a non-experimental comparison. We would hope for a total of 60 applicants, resulting in 15 PHAs in each treatment group and control group.

Figure 1: Random Selection – Two Treatment Groups

	Treatment Group	Control Group
PHA chooses Universal Incentives	T_1 : Implements MTW activities to broadly increase landlord participation. Also implements non-MTW landlord strategies.	C_1 : Does not receive MTW. Might implement non-MTW landlord strategies.
PHA chooses Opportunity Incentives	T_2 : Implements MTW activities targeted to a specific type of landlord/unit. Also implements non-MTW landlord strategies.	C_2 : Does not receive MTW. Might implement non-MTW landlord strategies.

All PHAs—in both treatment groups and the control groups—would have identified activities they want to implement. Some of those activities—particularly those that do not require MTW authority—would likely be implemented by the control group PHAs. HUD cannot prevent them from doing so, nor can we require them to do so. In this framework, at least each PHA will have revealed its interests and priorities. HUD’s evaluation would monitor the extent to which the MTW PHAs (in both treatment groups) and non-MTW PHAs pursue the proposed non-MTW activities. If both groups pursue non-MTW activities

with a similar level of vigor, the difference between the treatment and control groups would reflect the marginal effect of the MTW activities. This would reduce the contrast between the treatment and control groups, but might ensure that the treatment-control difference represents the effect of MTW authority. If the control group PHAs do not follow through on their proposed activities, the contrast between the treatment and control groups would more broadly reflect the effect of landlord strategies.

Finally, we think the cohort 4 study would benefit from including yet another PHA group: a non-experimental comparison group of non-MTW PHAs that *did not apply* for cohort 4. This comparison group would be more likely to continue operating their HCV program under the status quo.⁶

Questions for the Committee

We welcome feedback from the Research Advisory Committee on the challenges identified above, as well as HUD's proposed approach. The following specific questions may help to guide our discussion:

1. What outcome(s) should cohort 4 focus on? Does the Committee agree with HUD's proposed approach of creating two treatment groups?
2. What intervention should be tested? Should HUD set the policy or allow PHAs to choose? Should we focus on a specific landlord incentive or a comprehensive bundle of activities? Does the Committee agree with HUD's proposed approach of allowing PHAs to choose from a limited set of activities?
3. Does the Committee agree with HUD's proposed approach of dividing potential activities into two categories (non-MTW and MTW)? Are there other activities and waivers that HUD should consider for the MTW category? Does the Committee believe this approach will produce rigorous and policy-relevant evidence?
4. How should HUD handle the possibility of control group PHAs pursuing landlord incentives (or strategies) without MTW authority? Does the Committee believe that HUD's proposed approach will produce an identifiable contrast between the treatment groups and the control group?

⁶ These PHAs would be passive participants in the study. They would not be asked to implement any policy changes (or avoid implementing any policy changes). They might be asked to participate in a limited interview, but would otherwise not face any burden associated with their selection to the comparison group. They would probably not be publicly identified until the completion of the evaluation's final report.

Appendix A: Preliminary List of Landlord Strategies/Incentives for MTW Expansion Cohort 4

HUD proposes to develop a list of landlord incentives and related strategies, to limit uncontrolled variation across PHAs. These activities would be divided into two categories:

- A. Strategies that can be done by all PHAs (MTW and non-MTW) and *should* be done in any high-performing HCV program. These are not “incentives”, but they are important to landlords.
- B. Strategies that are enabled by MTW authority. Some of these activities may be ineligible uses of HUD funding in the absence of an MTW waiver. Others are possible for non-MTW agencies, but are complicated, unfamiliar, or costly; PHAs that have MTW flexibility and funding fungibility may be better equipped to pursue such strategies. Activities in this category would be further tailored to the universal incentives and opportunity incentives groups.

Each activity is assigned a number of points; a PHA will receive the corresponding number of points for each activity it agrees to implement. A PHA may also receive points for any activities it is already implementing (these activities must be identified as such in the application). To be eligible for cohort 4, a PHA must exceed a threshold number of points. Beyond that eligibility threshold, however, the number of points would not influence a PHA’s likelihood of being selected to cohort 4. To be eligible, a PHA must have ten points from activities in category A and twelve points from activities in category B.

Category A: “Non-MTW” activities

1. Reliable and convenient HAP payment (2 points). The PHA pays the HAP consistently within two business days of the first of the month. The PHA offers direct deposit of HAP.
2. Tenant compliance (2 points). The PHA has a process for hearing landlord complaints about voucher tenants, determining whether the tenant is abiding by the program’s family obligations, and enforcing penalties for non-compliant tenants. Landlords are made aware of this process and the PHA seeks to fairly adjudicate landlord-tenant conflicts.
3. Tenant and landlord training (3 points). The PHA offers training for tenants and for landlords to ensure that they understand the voucher program and understand the roles and responsibilities of each party (the PHA, the landlord, and the tenant).
4. Electronic “landlord portal” (3 points). The PHA has a web-based landlord portal to facilitate enhanced communication and information sharing between the landlord and the PHA. Ideally, the landlord portal would: store documents such as the lease and HAP agreement; and track the status of landlord-PHA interactions such as inspections and tenant complaints.
5. “Landlord hotline” and/or landlord email inbox (2 points). The PHA has a telephone number that landlords can call for assistance, and an email address for landlord communication. The PHA monitors the phone/email box closely and responds promptly.
6. Landlord liaison (3 points). The PHA has at least one staff member assigned to serve as a landlord liaison. This individual would be accessible and responsive to landlords; would strive to build a positive working relationship with landlords; would advocate for landlords (within reason); and would conduct outreach to landlords not already accepting vouchers.
7. HQS inspection improvements (3 points). The PHA completes all initial move-in inspections within three business days of the inspection request. The PHA has a robust quality control process to ensure that inspections are consistent and fair across inspectors.

Category B: "MTW" Activities

For the Universal Incentives group:

1. Landlord signing bonus (4 points). The PHA offers a one-time bonus (up to half of one month's HAP) for any new HAP contract. A landlord may receive this bonus multiple times, but may not receive the bonus more than once for the same unit.
2. Vacancy loss payment (4 points). The PHA offers a one-time payment (up to half of one month's HAP) for a unit that is vacant in between voucher tenants.
3. Security deposit assistance or damage claim fund (4 points). The PHA creates *either* a security deposit assistance program or a damage claim fund.
 - a. A security deposit assistance program would use PHA funds (and perhaps other funds) to pay security deposits on behalf of voucher tenants. If there are tenant-caused damages beyond normal wear and tear, the landlord may draw on the security deposit. Any portion of the security deposit unused at the end of the lease would be returned to the PHA. The PHA should not specifically target the security deposit to specific landlords, units, or neighborhoods.
 - b. A damage claim fund would serve a similar purpose: compensating a landlord for tenant-caused damages beyond normal wear and tear. But rather than provide an up-front security deposit, the PHA would hold funds in reserve and make payments as needed. Landlords would submit claims, with documentation, to the PHA. The PHA would evaluate the claims and pay (up to a per-unit cap set by the PHA) if the claims are justified.
4. Alternate payment standards (4 points). The PHA will set alternate payment standards that focus on increasing payment standards in moderate and high cost areas. PHAs in the Universal Incentives group should *not reduce payment standards*, even in lower-rent, higher-poverty neighborhoods, because the intention of this group is to make the voucher program more appealing for all landlords.
5. Alternate inspection process (4 points). The PHA will allow voucher-holders to move into a unit that failed the move-in inspection, as long as there are no life-threatening deficiencies. The landlord must still address any deficiencies within the first month of the lease.

For the Opportunity Incentives group:

1. Landlord signing bonus (4 points). The PHA offers a one-time bonus (up to one month's HAP) for any new HAP contract in a census tract with a poverty rate below 20 percent. A landlord may receive this bonus multiple times, but may not receive the bonus more than once for the same unit.
2. Vacancy loss payment (4 points). The PHA offers a one-time payment (up to one month's HAP) for a unit that is vacant in between voucher tenants and is located in a census tract with a poverty rate below 20 percent.
3. Security deposit assistance or damage claim fund (4 points). The PHA creates *either* a security deposit assistance program or a damage claim fund. Either activity would be available only for units located in a census tract with a poverty rate below 20 percent.
 - a. A security deposit assistance program would use PHA funds (and perhaps other funds) to pay security deposits on behalf of voucher tenants. If there are tenant-caused

damages beyond normal wear and tear, the landlord may draw on the security deposit. Any portion of the security deposit unused at the end of the lease would be returned to the PHA.

- b. A damage claim fund would serve a similar purpose: compensating a landlord for tenant-caused damages beyond normal wear and tear. But rather than provide an up-front security deposit, the PHA would hold funds in reserve and make payments as needed. Landlords would submit claims, with documentation, to the PHA. The PHA would evaluate the claims and pay (up to a per-unit cap set by the PHA) if the claims are justified.
- 4. Alternate payment standards (6 points). The PHA will implement (or has already implemented) Small Area FMRs or a comparable alternate payment standard framework. The alternate framework must increase payment standards in higher-rent areas and decrease payment standards in lower-rent areas (with a phase-in).
- 5. Eliminate some mandatory inspections (6 points). For any unit that is a) located in a census tract with a poverty rate below 20 percent, *and* b) constructed or rehabilitated within the past 20 years; the PHA will not require a mandatory inspection at move-in or each year thereafter. The PHA will inspect units only when requested by the voucher recipient or owner.

Table: Summary of MTW Activities for Universal Incentives and Opportunity Incentives Groups

	Universal Incentives	Opportunity Incentives
Signing bonus	4 points. Up to 1/2 month HAP. Available for all landlords.	4 points. Up to 1 month HAP. Available only in neighborhoods below 20% poverty.
Vacancy payment	4 points. Up to 1/2 month HAP. Available for all landlords.	4 points. Up to 1 month HAP. Available only in neighborhoods below 20% poverty.
Security deposit/Damage fund	4 points. Available for all landlords.	4 points. Available only in neighborhoods below 20% poverty.
Payment standards	4 points. Allows payment standards to be increased, but not decreased.	6 points. Payment standards should increase or decrease based on market conditions (like Small Area FMRs).
Inspections	4 points. Inspections still required, but tenant may move in before repairs (excluding life and safety deficiencies).	6 points. Mandatory inspections waived for units less than 20 years old in a neighborhood below 20% poverty.