HCV Landlord Webinar 4: Inspections and Matching Local Rental Markets Strategies
April 20, 2021
Welcome

Todd Richardson, General Deputy Assistant Secretary
Office of Policy Development and Research
HCV Landlord Participation Webinar Series

- Webinar 1: Background and Introduction: Challenges Landlords Experience
- Webinar 2: Education and Outreach Strategies
- Webinar 3: Technology Strategies
- **Webinar 4: Inspections and Matching Local Rental Markets**
Today’s Webinar

WHAT TO EXPECT

• Overview of Landlord Strategies Guidebook for PHAs
• Inspections Strategies
• Matching Local Rental Markets Strategies
• PHA Profiles
• Additional HUD Efforts
• Conclusion/Q&A

Questions: Submit through the webinar chat function throughout the presentation.
OVERVIEW

Housing Choice Voucher Landlord Strategies Guidebook for Public Housing Agencies
Guidebook: Purpose

To support public housing agencies (PHAs) in improving landlord participation in the Housing Choice Voucher (HCV) Program by:

– Increasing Recruitment
– Increasing Retention
– Improving Responsiveness
– Improving Tenant-Landlord Relationship
– Improving Inspections Process
– Minimizing Bureaucracy
Guidebook: How To Use

- Publishing Guidebook chapters on HUD’s website as they are completed
- Guidebook will be updated in its entirety once all chapters are published
- Encouraged to read the entire chapter as many strategies in a chapter are related and have information that is transferrable
Guidebook: Where to Find

• HUD HCV Landlord Resources

• Housing Choice Voucher (HCV) Landlord Strategies Guidebook for Public Housing Agencies
Inspections Strategies
Inspections: Introduction

• Required
• Maintain health of residents and safety of unit
• Provide an opportunity for landlords to evaluate the condition of their property
• Impact move-in and HAP
Types of Inspections

- **Initial** – All units entering the HCV program must have an inspection. In many circumstances, but not all, the initial inspection must take place before the HAP contract is executed.

- **Periodic Inspection** – PHAs are required to conduct regular additional inspections. They may conduct these annually or biennially, which needs to be clearly stated in the PHAs’ policy documents for consistency and transparency. Additionally, PHAs designated by HUD as “small rural” may decide to carry out inspections on a triennial basis. See the final strategy in this chapter on incorporating administrative flexibilities for additional information.

- **Special/complaint** – When the PHA receives a complaint regarding a unit from a tenant or a government official, the PHA must conduct an inspection to investigate the complaint. The timing of the inspection is determined by whether the complaint is for non-life threatening or life-threatening concerns. If the concerns raised are life-threatening, PHAs must call this an emergency inspection and the deficiency must be addressed within 24 hours.

See 24 CFR 982.405 and 85 FR 11381.
Inspections

Strategies are divided into two sections:

- Strategies to ensure consistent inspections
  - Inspections Guidance for Landlords
  - Consistent Inspections
- Strategies to facilitate efficiency in the scheduling and completion of inspections
  - Inspections scheduling
  - Administrative Inspections Flexibilities

Strategies in this webinar may combine well with some of the *Administrative Flexibilities to Enhance Landlord Satisfaction* available as part of the HUD HCV Landlord Strategies Guidebook.
Strategies to Ensure Consistent Inspections

• Strategies:
  – Inspections guidance for landlords
  – Consistent inspections

• Goals
  – Increase transparency
  – Align expectations
  – Ensure inspections are conducted fairly, accurately, and consistently
Provides landlords with information on inspection standards, the inspection process, and common Housing Quality Standards or any subsequent HUD-established physical inspection standard deficiencies

- Creates more informed landlords
- Can reduce overall dissatisfaction with the inspection process
- Can minimize the perception that inspectors are enforcing inspections inconsistently, when they are, in fact, correct in the application of policy
Inspections Guidance for Landlords

- Written guidance
  - Inspection form (HUD-52580)
  - Inspection flowcharts ([HUD Landlord Resource page](#))
  - Checklists
- Inspection training and other education
  - Inspection 101
  - Inspection Modules
- Customer Service
  - Add Q&A into training and education
  - Provide email or phone contact information
  - Ensure inspectors are well training in inspections and at representing the PHA
  - Be comfortable with saying you need to research an answer, but always respond later!
A Deeper Dive: Roles and Responsibilities and Abatement

A DEEPER DIVE:
ROLES AND RESPONSIBILITIES AND ABATEMENT

While designing educational materials for landlords, there are two areas where PHAs may want to take a deeper dive: roles and responsibilities and the abatement process. These two areas are commonly a source of confusion for landlords and can also play a huge part in how satisfied a landlord might be with the inspection process, the PHA, and the HCV Program as a whole. The below offers some additional information for PHAs to consider including in their outreach efforts.

Roles and Responsibilities

Some landlords experience frustration and confusion regarding who is responsible for inspections, especially annual (or biennial) inspections and certain repairs they identify as fixes to tenant-caused damages.

The landlord’s responsibility in streamlining the inspection process includes:

- Taking preventative action to keep units safe, clean, and habitable.
- Responding in a timely manner to tenant requests for repairs.
- Repairing deficiencies identified in the inspection within required timeframes.
- Informing the PHA when deficiencies are completed in accordance with the PHA policy for submission of certification or scheduling a re-inspection.
- Enforce any lease requirements for tenant maintenance and payments.

The tenant’s responsibilities in the inspection process includes:

- Allowing an inspector into their unit for an annual inspection.
- Rescheduling an inspection or informing the landlord if they cannot be available for an inspection.
- Notifying their landlord about a major repair which could otherwise lead to more damage.
- Following the lease requirements for keeping units clean and maintained to avoid failed inspections due to tenant action or inaction, such as mold or rodent infestations due to poor house-keeping, overgrown yards, large holes in walls, or broken appliances.
- Paying for tenant-caused issues that go beyond regular wear and tear.
- Repairing tenant-caused deficiencies identified in the HHS or any subsequent HUD-established physical inspection standards inspection within required timeframes.

The PHA’s responsibilities may include:

- Ensuring that inspections are conducted as required including conducting an inspection when alerted to a potential deficiency.
- Ensuring that the landlord and tenant are informed of an upcoming inspection.
- Educating tenants on family responsibilities including tenant-caused damages to units and consequences as a part of family briefings.
- Verifying that inspection deficiencies have been remedied.
- Enforcing the HAP contract and family obligations including through abatement and termination, respectively.

In addition, there are a variety of good practices that PHAs can employ to improve landlords’ satisfaction with inspections.

1. Send out reminder notices to landlords and tenants about annual or biennial inspections 1 or 2 days ahead of the scheduled appointment. The landlord or adult tenant must allow the inspector in the unit for an inspection to take place. PHA policy determines who must be present for an inspection. Missed inspections may lead eventually to abatement or program termination.
• Focuses on internal changes that PHAs can make to change landlords’ perceptions that inspectors are not conducting inspections consistently.
  – Results in more accurate and consistent inspections across the board
  – Can change in landlords’ perception that inspections are more consistent
Consistent Inspections: Activities

1. Schedule and conduct inspections in a timely manner
2. Train and share information
3. Perform quality control
4. Simplify inspections across PHAs
5. Review policies and procedures
Strategies to Facilitate Efficiency in the Scheduling and Completion of Inspections

• Strategies:
  – Inspections scheduling
  – Administrative inspections flexibilities
• Goal: Optimize internal procedures resulting in quicker inspections
• Consider limiting changes to one area at a time
• Landlords may not see the changes, but they should see the benefits
• Examines how changes in how inspections are scheduled may be able to mitigate long delays between when an inspection is requested and when it is scheduled to take place.
Inspection Scheduling: Implementation

- Collect data

Possible Changes:
- Group inspections by location
- Use software to optimize inspection routes
- Group inspections by type
- Inspector assignments
- Review assignments periodically to ensure that they are in line with the current inspection trends
Outlines existing administrative flexibilities available to PHAs to simplify and expedite the inspection process.

See “Administrative Flexibilities Reference Guide”
Administrative Inspections Flexibilities

- Alternative Inspections: PIH Notice 2017-20
- Non-life Threatening (NLT) Deficiencies: PIH Notice 2017-20
- Biennial Inspections: PIH Notice 2016-05, Attachment K
  - Triennial inspections, see 85 Fed. Reg. 11381 (Feb. 27, 2020)
- Remote, Video-Assisted, or Virtual Inspections: PIH Notice 2020-13 (HA), REV-1
- Verifying Deficiencies are Remedied: PIH Notice 2011-29 and PIH Notice 2013-17 for additional information
Profile:
• Everett and Snohomish County, WA
• 3,160 vouchers; 153 Mainstream
The Everett Housing Authority creates affordable housing, fosters healthy communities where households thrive, and replaces systemic racism with equity for all.
EHA’S APPROACH

• Culture of experimentation
• Focus on improving processes
• Listen: to staff, participants, and landlords
CULTURE OF EXPERIMENTATION

• Agile + flexible is the only way we know
• “Let’s try that” attitude
• The only constant is change (software included!)
• Listen to staff
  • Supervisor/staff meetings
  • Weekly all-staff/roundtable meetings
IMPROVING PROCESSES

• Prioritize initial inspections
• Reduce points of contact for owners
• Reduce barriers in PHA processes
• Responsive to landlord perspective
• Landlord engagement and outreach
• Maintain landlord contact list
  • Survey landlords twice per year
LANDLORD SURVEY RESPONSES

Spring 2021 survey of landlords in Snohomish County

271 total responses; 207 have current voucher tenants and 64 do not

55% manage 5 or fewer units

- 21+ Units: 60 Has Current Voucher Tenants, 9 No Current Voucher Tenants
- 11-20 Units: 17 Has Current Voucher Tenants, 3 No Current Voucher Tenants
- 6-10 Units: 18 Has Current Voucher Tenants, 14 No Current Voucher Tenants
- 2-5 Units: 66 Has Current Voucher Tenants, 22 No Current Voucher Tenants
- 1 Unit: 46 Has Current Voucher Tenants, 15 No Current Voucher Tenants

Spring 2021 survey of landlords in Snohomish County
VOUCHERS PROVIDE STABILITY

Share of landlords reporting tenants up-to-date on rent

- Tenants with Vouchers: 83% up-to-date, 17% rent owed
- Tenants without Vouchers: 53% up-to-date, 47% rent owed

Nearly 70% of voucher landlords agreed that the voucher program gives them financial stability during this time.

Spring 2021 survey of landlords in Snohomish County
45% of landlords who rent to voucher holders **agreed** that voucher staff have been responsive and helpful during the pandemic, compared with only 10% who **disagreed**.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Strongly Agree</td>
<td>13%</td>
</tr>
<tr>
<td>Agree</td>
<td>32%</td>
</tr>
<tr>
<td>No Opinion</td>
<td>44%</td>
</tr>
<tr>
<td>Disagree</td>
<td>5%</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Spring 2021 survey of landlords in Snohomish County*
Matching Local Rental Markets

- Matching local rental markets using carefully tailored payment standards helps PHAs increase the availability of units affordable to voucher families in all of the neighborhoods within their jurisdiction.

- It helps landlords receive the same or a similar amount of rent through the HCV Program as they would from a private market tenant.
Back to Basics: Why Payment Standards are Important

• Payment standards are the maximum subsidy that a PHA can contribute towards an HCV family’s rent and utility costs.
• There are negative impacts both when payment standards are too high and especially when they are too low:
  – Lower negotiated rents than what a landlord could receive on the private market.
  • Discourages landlord participation
  • Reduced options for voucher families
  • Creates administrative inefficiencies
Implementation Considerations

• There are a variety of ways that HUD provides for PHAs to set their payment standards to match their local markets.
  – Single-tiered payment standards
  – Multi-tiered payment standards
Single-Tiered Payment Standards

- Sets a single payment standard across the jurisdiction by unit bedroom size.
- Payment standard set within the “basic range” 90-110% of the Fair Market Rent (FMR).
  - Set closer to 90% for lower-cost jurisdiction.
  - Set closer to 110% for higher-cost jurisdiction.
- Works best in a homogenous housing market.

<table>
<thead>
<tr>
<th>Voucher bedroom size</th>
<th>1</th>
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<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td>110% FMR</td>
<td>$804</td>
<td>$1,032</td>
<td>$1,346</td>
<td>$1,584</td>
<td>$1,822</td>
</tr>
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</table>
Multi-Tiered Payment Standards

- Sets differing payment standards when a jurisdiction has sub-markets with a range of costs throughout the service area.
- There are multiple regulatory options available to PHAs to develop multi-tiered payment standards.
  1. Small Area FMR (SAFMR) adoption.
     - Full adoption
     - SAFMRs as exception payment standards
  2. Group payment standards within the basic range of the FMR.
  3. Other exception rents methods.

<table>
<thead>
<tr>
<th>Tier</th>
<th>1</th>
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</tr>
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<tbody>
<tr>
<td>1</td>
<td>$658</td>
<td>$844</td>
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<td>$1,296</td>
<td>$1,490</td>
</tr>
<tr>
<td>2</td>
<td>$731</td>
<td>$938</td>
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Full Adoption of SAFMRs

- Payment standards based on a rental market analysis at the ZIP Code level rather than by the metropolitan statistical area (MSA).
  - May adopt it within the basic range, 90 - 110%, of the published SAFMR.
  - Available to PHAs in metropolitan areas.
  - PHAs may opt-in to using SAFMRs with HUD approval.

<table>
<thead>
<tr>
<th>Tier</th>
<th>Zip codes</th>
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<th>3</th>
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<th>5</th>
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<td>30001, 30011, 30014</td>
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<td>$748</td>
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<td>$1,397</td>
<td>$1,683</td>
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<td>2</td>
<td>30003, 30004, 30005, 30006, 30007, 30008, 30010</td>
<td>$891</td>
<td>$968</td>
<td>$1,243</td>
<td>$1,617</td>
<td>$1,903</td>
</tr>
<tr>
<td>3</td>
<td>30002, 30009, 30012, 30013</td>
<td>$1,001</td>
<td>$1,078</td>
<td>$1,353</td>
<td>$1,727</td>
<td>$2,013</td>
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Using SAFMRs as Exception Payment Standards

- Using SAFMRs to increase payment standards in higher rent neighborhoods.
- Only requires HUD notification.
- Set the payment standard within the basic range of the SAFMR.

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<tr>
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<td>110% SAFMR</td>
<td>$968</td>
<td>$1,243</td>
<td>$1,617</td>
<td>$1,903</td>
<td>$2,188</td>
</tr>
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Grouping Payment Standards within the Basic Range of the FMR

- Set payment standards tiers within the basic range of 90-110% of the FMR.
- May be useful for PHAs where the boundary lines between higher-priced and lower-priced neighborhoods do not fall along ZIP Code boundaries.
- Does not require HUD approval.

Voucher bedroom size

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<td>$1,584</td>
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</table>
Exception Rents Above 110% of the FMR

- This option is available for PHAs with higher income neighborhoods within their service area.
- There are several different options for developing exception rents, as described in 24 CFR § 982.503(c).
- HUD approval is required.

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<td>3</td>
<td>120% FMR</td>
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<td>$1,469</td>
<td>$1,728</td>
<td>$1,987</td>
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</table>
Steps in Reviewing Payment Standards

1. Review voucher lease-up times and lease-up success rates.
2. Review the affordability of incoming units and the number of RFTA packets with units that are too expensive for the payment standard.
3. See where voucher family currently live. Are they dispersed across the jurisdiction or clustered in higher poverty neighborhoods?
4. Review rent burdens for families currently under lease.
5. Estimate the costs as compared to the potential benefits.

See Case Study: “Small Area FMRs: A Tale of Two PHAs”
Additional Options

- There are several additional options for PHAs to use in matching their local rental markets
- For an exhaustive list of options for matching markets, see the Housing Choice Voucher Program Guidebook, Payment Standards chapter
- Resources listed in chapter

RESOURCES

Fair Market Rents:
https://www.huduser.gov/portal/datasets/fmr.html

Fair Market Rents for the Housing Choice Voucher Program, Moderate Rehabilitation Single Room Occupancy Program, and Other Programs Fiscal Year 2021:
https://www.govinfo.gov/content/pkg/FR-2020-08-14/pdf/2020-17717.pdf

Housing Choice Voucher Program Guidebook, Rent Reasonableness Chapter:

Housing Choice Voucher Program Guidebook, Payment Standards Chapter:

Implementing Small Area Fair Market Rents (SAFMRs) Implementation Guidebook:

Payment Standard Forecasting Tools:

PIH Notice 2018-01

SAFMR Final Rule:

Small Area Fair Market Rent Case Studies:
https://www.hudexchange.info/resource/5680/small-area-fair-market-rent-case-studies/

Small Area Fair Market Rents:
https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html
When payment standards are aligned, everyone benefits.
Union County

Robin Lospinoso, Development Directions LLC, Program Administrator

Profile:
• Union County, NJ
• 371 vouchers; 40 Mainstream
UNION COUNTY
NEW JERSEY

Robin Lospinoso
Development Directions LLC
A tale of two cities

There are 21 Cities in Union County NJ. Ranging from very poor to extremely wealthy. The County encompasses 105 sq. miles. With cities ranging from very urban to wealthy suburbs.

<table>
<thead>
<tr>
<th></th>
<th>Elizabeth New Jersey</th>
<th>Westfield NJ</th>
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<tbody>
<tr>
<td><strong>Median Income</strong></td>
<td>$46,975</td>
<td>$168,721</td>
</tr>
<tr>
<td><strong>FMR: 2 bedroom</strong></td>
<td>$1643</td>
<td>$1643</td>
</tr>
<tr>
<td><strong>Homeownership Rate</strong></td>
<td>24.4% (far below the national average)</td>
<td>83.2%</td>
</tr>
<tr>
<td></td>
<td><strong>SAFMR: 2 bedroom</strong></td>
<td>$2200</td>
</tr>
</tbody>
</table>
How does this affect leasing?

- Lease up times are very long, since our tenants are priced out of many of the towns in Union County.
- Tenants can only find units in the lowest income cities in Union County.
- Using only FMRs in has led to a concentration of tenants in the poorer cities.
- Landlords in the towns with a predominance of rental units affordable to our tenants are aware of the issue and use it to their advantage in the lease up process. It is a very competitive market for lower income tenants looking for affordable, safe housing.
Initially a landlord who recently purchased a building in Cranford NJ called to see what our rent structure was. He was shocked! He mentioned SAFMRs.

I looked at our terrible lease up rate, talked to staff and realized that besides the pandemic which has affected lease up, staff said that tenants find units in many of our towns and they are way over the FMRs and therefore not available to them.

So we begin the journey of SAFMRs as exception rents in 6 of our highest rent municipalities.
Questions?
Submit using the chat feature.

Additional Questions: hcv@firstpic.org
Other HUD Efforts for HCV Landlords

• Symposiums
• Newsletter
• HUD’s landlord mailing list
  – Sign up now, regular updates coming soon
  – landlordtaskforce@hud.gov
Conclusion

• Join us this summer for the next Guidebook chapter webinar
• HUD HCV Landlord Resources
• Housing Choice Voucher (HCV) Landlord Strategies Guidebook for Public Housing Agencies