



OFFICE OF INSPECTOR GENERAL
U.S. Department of Housing and Urban Development

January 25, 2021

MEMORANDUM NO:
2021-LA-0803

Memorandum

TO: Robert Mulderig
Deputy Assistant Secretary, Office of Public Housing Investments, PI

Tanya E Schulze

FROM: Tanya E. Schulze
Regional Inspector General for Audit, 9DGA

SUBJECT: Use of Landlord Incentives in the Housing Choice Voucher Program

INTRODUCTION

We conducted this limited review to determine the use of landlord incentives to increase landlord participation and retention and expand housing options for program participants outside areas of low-income or minority concentration.

SCOPE AND METHODOLOGY

Our review covered the period January 1, 2016, to December 31, 2019. We conducted the review from July through October 2020. To accomplish our review, we developed and sent a questionnaire to all Moving To Work (MTW) public housing agencies (PHA) regarding the use of landlord incentives. MTW PHAs were selected due to program flexibilities that allow these PHAs to design and test innovative, locally designed strategies that use Federal dollars more efficiently and help increase housing choices for low-income families. These flexibilities include the option of offering landlord incentives.

We obtained contact information for each MTW PHA from the U.S. Department of Housing and Urban Development (HUD) and then sent a hyperlink to our questionnaire via email. We structured the questionnaire with branching questions to obtain the respondents' opinion. A branching question is one that causes the questionnaire to differentiate what item follows. One such branching question asked whether the subject agency had any form of landlord incentive. A "No" response brought the "Submit" button and ended the questionnaire; "Yes" opened another section and more questions. We received responses from 34 of the 39¹ PHAs contacted, a response rate of 89 percent.

¹ Considered as separate PHAs by HUD, we counted one City PHA and one County PHA as a single respondent because they responded as a single entity.

Based on the questionnaire responses, we separated the PHAs into four categories: (1) no incentives, (2) no monetary incentives, (3) popular incentives with mixed effectiveness, and (4) popular incentives effective. We then nonstatistically selected 24 PHAs for follow up phone interviews and completed 22 interviews.² Of the 24 selected, we selected all PHAs in the first three categories. For the fourth category, popular incentives effective, we selected all PHAs that reported using at least 4 of the 10 most popular incentives.

This sampling method did not allow us to project our results but was sufficient to meet the objective of our review. We relied on computer-processed data in Microsoft Forms. We performed adequate testing to find the data sufficiently reliable to meet our objective.

We conducted the review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We believe the evidence obtained provides a reasonable basis for our conclusions based on our objective.

We determined that internal controls were not relevant to our objective. Our objective was not to evaluate or provide assurance of HUD's internal controls. Therefore, we did not assess HUD's controls or express an opinion on them.

BACKGROUND

HUD's Housing Choice Voucher Program provides funding to assist very low-income families, the elderly, and the disabled in affording decent, safe, and sanitary housing in the private market. PHAs administer the program locally. A family issued a voucher for housing is responsible for finding a unit with a landlord that agrees to rent under the terms of the program, which includes meeting minimum health and safety standards. The PHA pays a housing subsidy directly to the landlord on behalf of the family, and the family pays the difference between the subsidized amount and the actual rent charged by the landlord.

MTW is a demonstration program for PHAs, which provides the opportunity to design and test innovative, locally designed strategies that use Federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families. MTW allows PHAs exemptions from many existing public housing and voucher rules and provides funding flexibility with how they use their Federal funds. PHAs in the MTW demonstration have pioneered a number of innovative policy interventions that have been proven to be successful at the local level and then rolled out to the rest of the country's PHAs. As of July 21, 2020, there were 39 MTW PHAs nationwide. Through these flexibilities, some MTW PHAs have offered landlord incentives to encourage landlord participation and increase housing choices for program participants.

The challenge facing families is to find both a suitable unit and a willing landlord. In 2018, several studies by HUD's Office of Policy Development and Research identified reasons why some landlords choose to participate in the Housing Choice Voucher Program while others do not. These included bureaucratic factors, financial considerations, and preconceptions about the

² Two PHAs did not respond.

tenants. The studies recommended ways in which HUD and PHAs could make the Housing Choice Voucher Program more appealing to landlords. Recommendations included

- offering one-time signing bonuses or financial incentives for new landlords or for landlords in low-poverty neighborhoods,
- providing security deposits or insurance against damages,
- paying a vacancy loss fee if an existing program landlord rerents a unit to a new program tenant,
- adopting fair market rents or payment standards that are better aligned with market rents, and
- streamlining the inspection process.

HUD has a Landlord Task Force, which is looking into strategies to attract new landlords at non-MTW PHAs. Created in 2018 in response to Secretary Carson's concern over the decline in landlord participation in the Housing Choice Voucher Program, the Task Force gathers data and holds forums for landlords and PHAs to identify causes and make recommendations for declining landlord participation.

HUD has developed a Housing Choice Voucher Landlord Strategy Guidebook for Public Housing Agencies³ as part of the work being done by the Landlord Task Force. As of October 19, 2020, HUD had issued the first three chapters of the Guidebook. The chapters included Administrative Flexibilities To Enhance Landlord Satisfaction, Education and Outreach, and Technology. The purpose of the Guidebook is to share strategies that PHAs can implement to improve landlord participation in the program.

HUD also has a Housing Choice Voucher Mobility Demonstration with PHA applications due by February 1, 2021. The Demonstration will implement, test, and evaluate whether housing mobility programs expand access to opportunity neighborhoods. This demonstration will allow participating PHAs throughout the country to implement housing mobility programs by offering mobility-related services to increase the number of voucher families with children living in opportunity areas. In addition to offering mobility-related services, participating PHAs will work together in their regions to adopt administrative policies that further enable housing mobility, increase landlord participation, and reduce barriers to families moving across PHA jurisdictions through portability.

There are also a limited number of non-MTW agencies that provide incentives. Generally, these PHAs finance incentives through nonrestricted funds or partnerships with local governments and nonprofits. Recently, non-MTW agencies in Boston, MA, and Covington, KY, used Coronavirus Aid, Relief, and Economic Security Act funding to pay for landlord incentives. However, it is worth noting that the use of nonmonetary incentives, such as those listed below, are not unique or limited to MTW PHAs.

³ https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/landlord/guidebook

RESULTS OF REVIEW

The majority of responsive PHAs used the program and funding flexibilities of MTW to offer landlord incentives as a tool to increase landlord participation and retention and expand housing options outside areas of low-income or minority concentration. PHAs offered varying types of incentives, but because each PHA operates in a unique environment, there was no one best approach. Details of the questionnaires and telephone interviews are described below.

Extent of Landlord Incentive Use

Of the 34 PHAs that responded to our questionnaire, 28 (82 percent) indicated that they used some form of incentive to recruit or retain landlords in the Housing Choice Voucher Program during the period January 1, 2016, through December 31, 2019.

Use of landlord incentive			
Category	Description	Count	Percentage (of 34 PHAs)
Incentive	Used any form of incentive	28	82%
No incentive	Did not use any form of incentive	6	18%

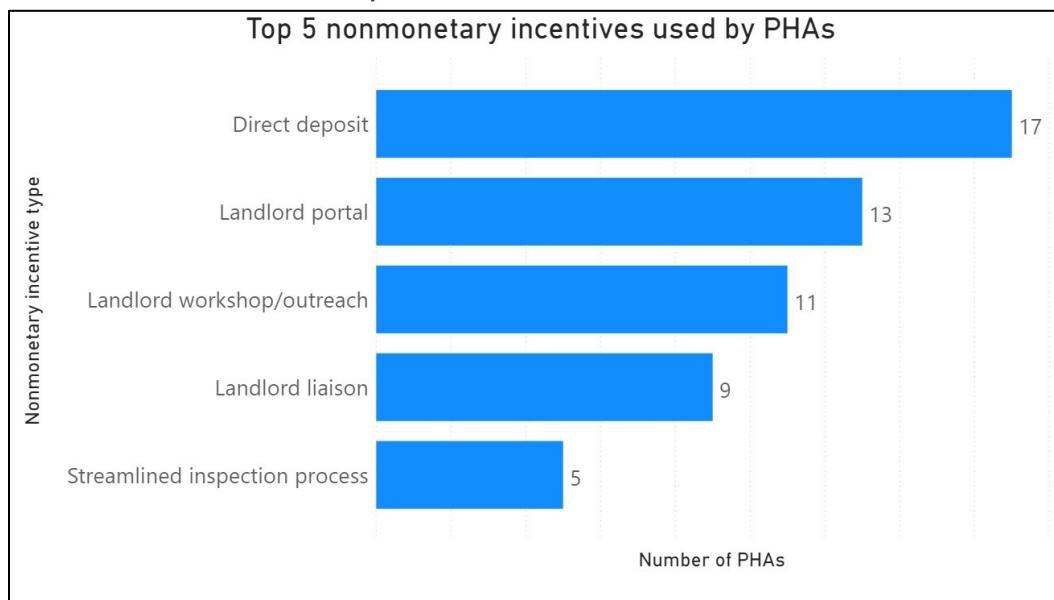
Types of Landlord Incentives

Many of the 28 PHAs with some form of incentive used either nonmonetary or monetary incentives, as classified by the responding PHAs: 27 (96 percent) nonmonetary and 20 (71 percent) monetary. A total of 19 (68 percent) PHAs used a combination of monetary and nonmonetary incentives.

Type of landlord incentive, as classified by PHA		
Category	Count	Percentage (of 28 PHAs)
Nonmonetary incentives	27	96%
Monetary incentives	20	71%
Both monetary and nonmonetary incentives	19	68%

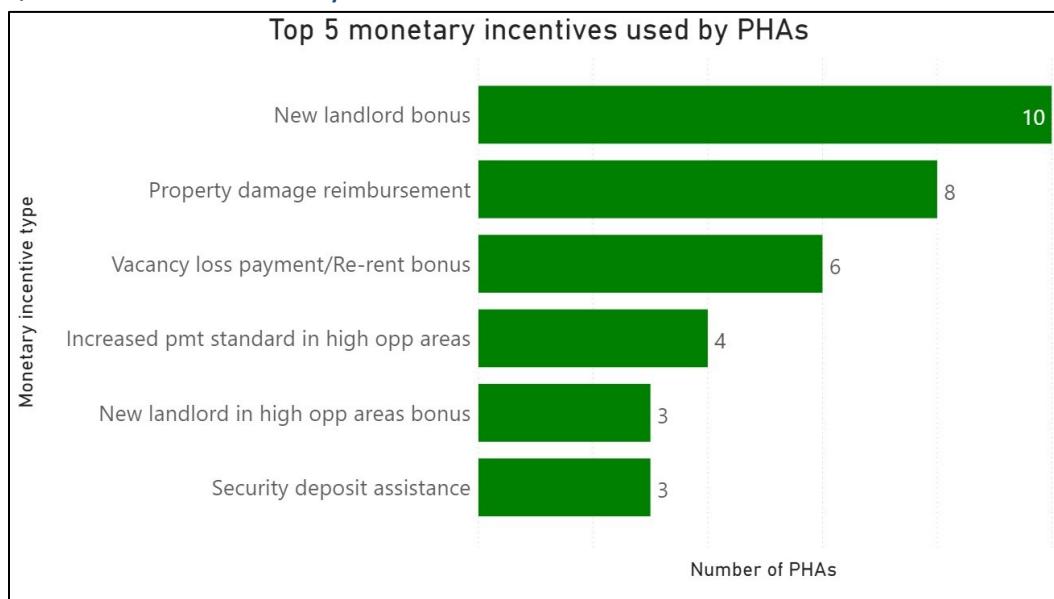
Based on the responses received, we identified the five nonmonetary incentives that were most popular among the PHAs. These included direct housing assistance payment deposit, online access specifically for landlords' use (a portal), workshops and outreach activities, landlord liaison, and streamlining the inspection process.

Questionnaire results – nonmonetary incentives



We also identified the five monetary incentives that were most popular among the PHAs. These included a bonus to landlords new to the Housing Choice Voucher Program, property damage reimbursement, vacancy loss or bonus for renting to another program participant (rerent), higher payment standard for high-opportunity areas,⁴ new landlord in high-opportunity areas bonus, and security deposit assistance.

Questionnaire results – monetary incentives



⁴ High-opportunity areas, as defined and identified by the responding PHAs, often provide access to certain amenities or community attributes that are believed to increase economic mobility for their residents.
https://mf.freddiemac.com/docs/Affordable_Housing_in_High_Opportunity_Areas.pdf, page 2

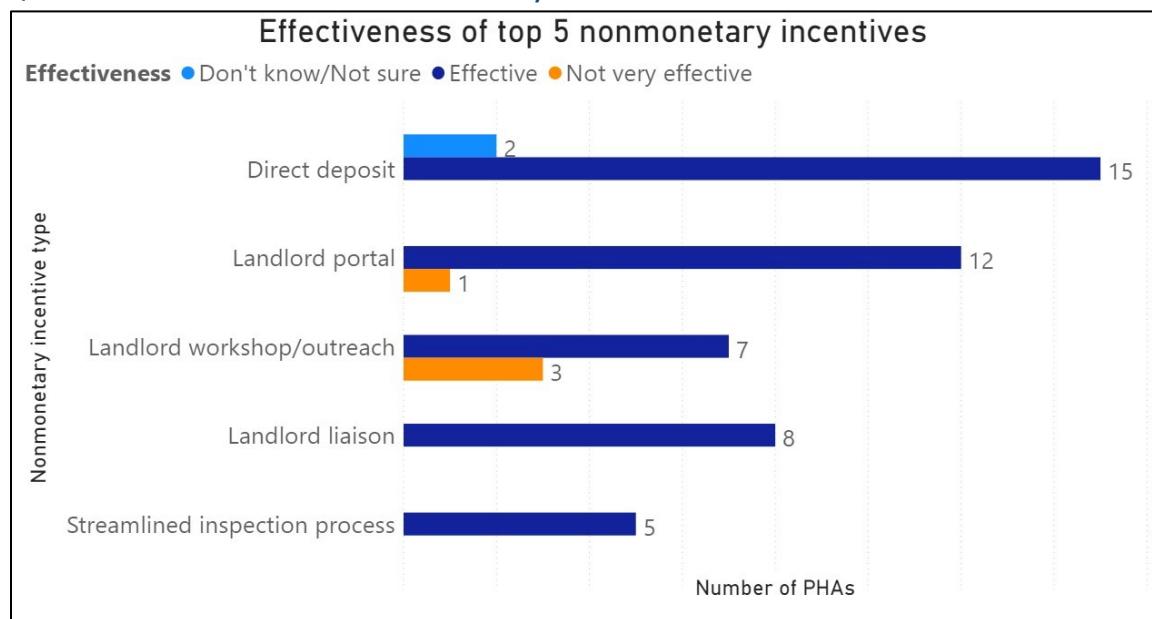
We ended the questionnaire with four questions, which asked about the general effectiveness of the PHAs' incentives. The responses indicated that the incentives were effective in keeping landlords in the program (82 percent) but not as effective at getting existing landlords to add more units to the program (61 percent).

Incentive effectiveness		
In your opinion, did the incentives help ...	Count	Percentage (of 28 PHAs)
Increase the number of new landlords?	20	71%
Increase the units provided by existing landlords?	17	61%
Retain units in the Housing Choice Voucher Program?	23	82%
Expand housing options outside areas of low-income or minority concentration?	19	68%

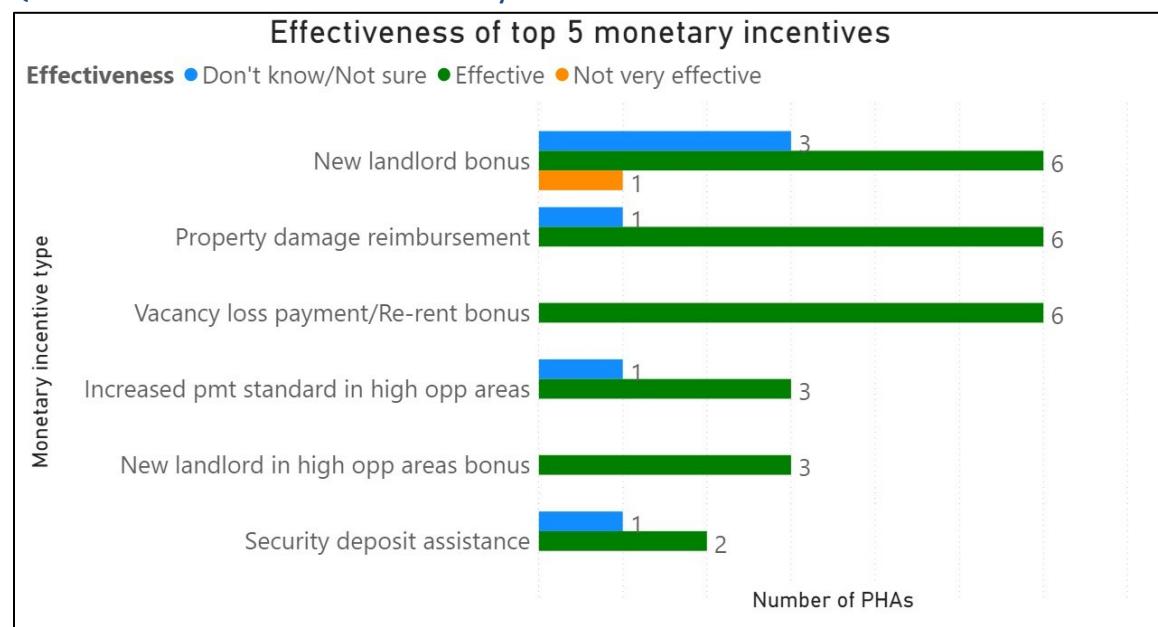
Questionnaire Followup

Based on the PHAs' responses, we identified the five most popular nonmonetary incentives and the five most popular monetary incentives. For each of these popular incentives, we reviewed the PHAs' responses about its effectiveness. While the majority of PHAs thought that the popular incentives were effective, a handful of PHAs thought the landlord portal, workshops and outreach, and new landlord bonus were not very effective.

Questionnaire results – effectiveness of nonmonetary incentives



Questionnaire results – effectiveness of monetary incentives



We conducted phone interviews to gain insight into why some PHAs used no incentives at all, why a PHA did or did not use monetary incentives, and why the incentives were or were not effective.

Questionnaire response		
Category	Description	Count
No incentives	PHA did not use any landlord incentives.	6
No monetary incentives	PHA did not use monetary incentives but used nonmonetary incentives.	8 ⁵
Popular incentives with mixed effectiveness	PHA used popular incentive types that were effective at some PHAs but not effective at other PHAs.	4 ⁶
Popular incentives effective	PHA used popular incentive types and thought they were effective.	7

Followup Phone Interview Results

- Category: No Incentives

We spoke with all six PHAs that reported they did not use any form of incentive⁷. Some PHAs stated that they did not use any form of incentive due to administrative burden or focus on other programs and strategies (such as self-sufficiency and special vouchers programs). Others said the PHA rental market did not require an incentive because the

⁵ One is also in “popular incentives with mixed effectiveness.”

⁶ Includes the PHA also listed in “no monetary incentives.”

⁷ These six PHAs selected “No” when asked whether they used any form of landlord incentive.

program participants did not have difficulty in finding a unit. Two PHAs stated that although they did not currently offer incentives, they were considering using them.

- Category: No Monetary Incentives

We interviewed seven of the eight PHAs that used at least one nonmonetary incentive but did not use a monetary incentive. Four indicated that they did not offer monetary incentives because this type of incentive was not needed to find a suitable unit in the rental market. PHAs stated that this condition was due to the PHA's having enough landlords in its program, great relationships with its participating landlords, or no housing inventory shortage. One of the PHAs added that better renters and processes attract landlords. One PHA was located in an area that passed a source-of-income discrimination law, and the PHA stated that this law helped expand housing choices to program participants. Two of the PHAs indicated that because their nonmonetary incentives were working well, they were not considering monetary ones.

- Category: Popular Incentives With Mixed Effectiveness

This category consists of incentives that many PHAs reported they used. Some PHAs believed these incentives were effective, while others that used the same incentive felt they were not effective. One example was the new landlord bonus. Of the 10 PHAs with this incentive, 6 believed it was effective. One PHA that dealt with a lot of corporate landlords reported that its \$100 new landlord bonus was not effective because it created an accounting problem. Another PHA stated that it was uncertain about the new landlord bonus' effectiveness.

The landlord workshop and outreach were also popular and used by 11 PHAs. However, two PHAs found that this was not an effective incentive for them due to low attendance. Additionally, one stated that the workshop attracted only a few new landlords, which were probably already interested in the program.

Finally, the landlord portal was very popular and was used by 13 PHAs. Only one considered this portal not to be effective due to its lack of use.

- Category: Popular Incentives Effective

We noted that incentives cited as effective addressed common landlord concerns; for example, streamlining the inspection process and having a single point of contact, such as a liaison or move-in desk. The PHAs said that landlords took notice of bonuses for new landlords and rerenting as well as vacancy loss payments. Some of the most popular incentives used by the PHAs included

- new landlord bonus,
- vacancy loss rerent (continuity) bonus, and
- landlord liaison.

The new landlord bonus was the most popular monetary incentive and was used by 10 PHAs. We spoke with six, which stated that it was effective for a variety of reasons. For example, one PHA stated that the bonus compensated for the additional paperwork.

Another PHA stated that splitting the \$1,000 bonus into two payments helped retain the landlord or was the deciding factor in a landlord’s decision to participate in the program.

Another popular monetary incentive was the vacancy loss renter (continuity) bonus, which was used by six PHAs. We spoke with one PHA, which stated that this was particularly effective because the landlord did not lose rent while waiting for a new tenant to be processed.

One of the more popular nonmonetary incentives was the landlord liaison. Used by nine PHAs, this person was either a dedicated PHA employee or one whose duties included other PHA activities. We spoke with one PHA that had a liaison who streamlined the landlord on-boarding process and served as its single point of contact. The move-in desk was a separate position, which kept the inspection process on track and used reminder software specific to that purpose.

High-Opportunity Areas⁸

Two PHAs we spoke with had success in using incentives to move program participants into high-opportunity areas. High-opportunity areas often provide access to certain amenities or community attributes that are believed to increase economic mobility for their residents. To do so, one said that it used small-area fair market rents while also streamlining its inspection and lease-up procedures. As a result, it thought its program participants were more competitive with market-rate tenants. Another PHA found that there may be other reasons why program participants do not move to high-opportunity areas, such as the desire to remain near family and other support groups.

CONCLUSION

The majority (28 of 34) of responsive MTW PHAs used the program and funding flexibilities of the MTW program to offer landlord incentives. These PHAs offered many types of landlord incentives as a tool to increase landlord participation and retention and expand housing options outside areas of low-income or minority concentration. PHAs offered nonmonetary or monetary incentives or a combination of both. Because each PHA operates in a unique rental housing market, there was no consensus on the best or most effective type of incentives. However, PHAs generally stated that the incentives they offered were at least somewhat effective. PHAs that did not use any form of incentive stated that their voucher holders had no difficulty in finding a suitable unit or that they were considering an incentive in the future.

These insights from PHAs can help HUD better serve and connect with its crucial partners, the landlords. At the same time, it should be acknowledged that the effectiveness of an incentive varies widely, depending the environment in which the PHA operates. HUD should consider

- conducting further studies to determine the effectiveness of incentives,
- assessing whether expanding implementation of incentives beyond MTW PHAs is appropriate, and
- using the results of this review to assist with its Landlord Task Force and Housing Choice Voucher Mobility Demonstration.

⁸ Defined and identified by the responding PHAs.

AUDITEE COMMENTS

We held an exit conference with HUD and discussed the results of our review. HUD chose not to provide a written response.