

OWNERS/MANAGERS CREATING OPPORTUNITY:

Analysis of Owner/Manager Feedback

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Prepared by the Family Housing Fund

801 Nicollet Mall, Suite 1825, Minneapolis, MN 55402

www.fhfund.org | 612-375-9644 | info@fhfund.org

Owners/Managers Creating Opportunity

The Owners/Managers Creating Opportunity project is a strategic effort of the Family Housing Fund to increase landlord participation in the Housing Choice Voucher Program across the seven-county metropolitan area, especially in areas with low rates of poverty and high quality schools, in order to expand housing choice for low-income and working families. The Housing Choice Voucher program is one of the federal government's major initiatives to serve very low-income families and is one of the more flexible resources communities have to meet unique affordable housing needs in their jurisdictions. The Owners/Managers Creating Opportunity project addresses a critical bottleneck in the complex process of a family utilizing a voucher: finding an owner of a unit that fits their needs that will accept it.

As a housing intermediary, and not a regulator or competitor of rental property owners, the Family Housing Fund is well positioned to implement the Owners/Managers Creating Opportunity project, which aligns with the Family Housing Fund mission and Strategic Framework to support the affordable housing network to meet the needs of families in complex and changing conditions. While there is agreement that some private owners are not eager to accept rental vouchers, there has not been a region-wide systematic process to understand why or how owners/managers would like to engage with the program.

The initial phase of the Owners/Managers Creating Opportunity project, which took place from January to February 2016, consisted of a data collection process to understand the experience of larger owner/managers who operate properties in low poverty areas with the Housing Choice Voucher program. It also included conversations with public and private stakeholders to understand what is currently being done to educate owners, expand participation, and what gaps might be filled by the Owners/Managers Creating Opportunity project in Phase II. The project is not intended to replace or compete with current owner outreach and training efforts that agencies administering the Housing Choice Voucher programs may undertake. The Family Housing Fund's goal is to collaborate with partners to fill gaps that will optimize the affordable housing network's ability to meet the needs of families.

The report is structured as follows: First, it outlines the demographic, market, and policy context in which this work is taking place. Second, it summarizes the major themes Family Housing Fund staff heard in conversations with owner, managers, and stakeholders. Third, it outlines current outreach efforts. Finally, it reviews the key takeaways from the first phase of the project.

Section 1: The Affordable Housing Ecosystem

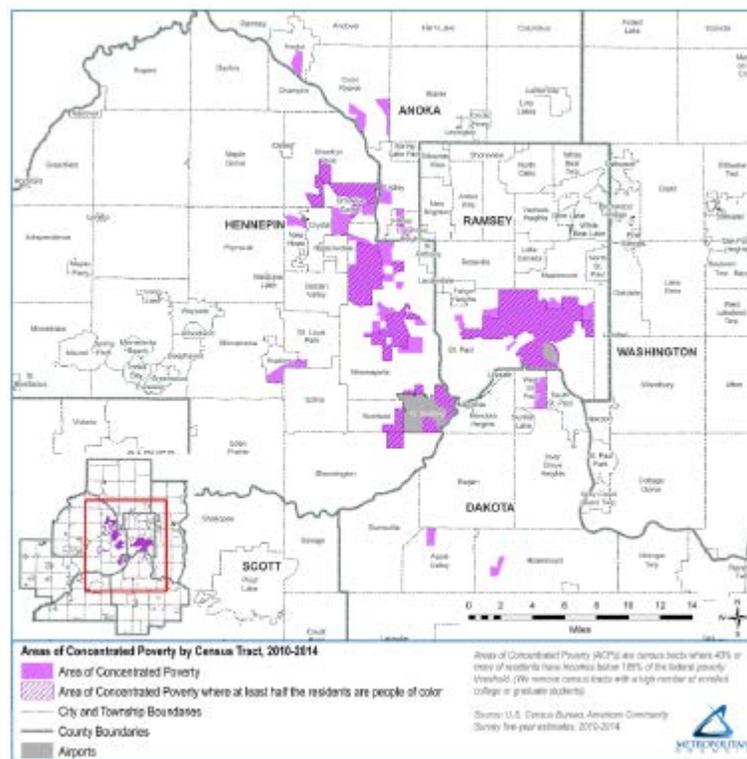
While the Twin Cities Region has enjoyed relative prosperity over the past decade, that prosperity has not been felt by everyone. In fact, recent studies have shown that concentrated poverty has been deepening. It is important to note that many conditions affect families; neighborhood poverty rates just one proxy used to construct concepts of relative advantage and disadvantage. Research indicates that social problem associated with neighborhood poverty tend to appear when poverty affects 15-20 percent of residents, and worsen until a plateau around a

neighborhood poverty rate of 40 percent.¹ This research supports the way in which the Twin Cities Region defines areas of concentrated poverty and the intent of mobility programs across the country to provide families with the choice to live in areas with low rates of poverty.

Concentration of Poverty

The number of Twin Cities residents that are living in concentrated areas of poverty (CAPs) is growing. CAPs are defined as census tracts in which over 40 percent of residents fall below 185 percent of the federal poverty level threshold--\$44,826 for a family of four in 2015. According to the Metropolitan Council, 13 percent of the Twin Cities Region's population lived in CAPs in 2014 (see Figure 1), compared to only seven percent in 2000. Moreover, in the Twin Cities, people of color are over-represented in CAPs.²

Figure 1: Areas of Concentrated Poverty in the Twin Cities Region, 2010-2014³



¹ Sard, B. & Rice, D. (October 2014). Creating Opportunity for Children: How Housing Location Can Make a Difference. Center on Budget and Policy Priorities. Available at: <http://www.cbpp.org/research/creating-opportunity-for-children>

² Metropolitan Council. (December 2015). Metro Stats: Concentrations of Poverty—Growing and Suburbanizing in the Twin Cities Region. Available at: <http://www.metrocouncil.org/Data-and-Maps/Publications-And-Resources/MetroStats/Census-and-Population/Concentrated-Poverty-Growing-and-Suburbanizing-in.aspx>

³ *Ibid.*

The value of mobility

Research demonstrates that children that live in low poverty communities, in which less than 10 percent of the residents live below the federal poverty threshold, improve their educational and economic outcomes in the long-term. In 2010, children in families receiving rental assistance were 18 percent more likely to live in areas of concentrated poverty than low-poverty neighborhoods.⁴ Longitudinal analysis by Harvard University and the National Bureau of Economic Research of the children that moved to low poverty communities as part of the Department of Housing and Urban Development's Moving to Opportunity (MTO) program, which ended in 1998, have consistently demonstrated higher educational and economic outcomes than their peers in moderate to high poverty communities. The research has found that while there were no indicators of improvement in economic outcomes among adults that moved as part of MTO, outcomes of children under the age of 13 who moved to high opportunity neighborhoods have improved significantly. Children who moved to high opportunity neighborhoods before age 13 are now, in their mid-twenties, achieving income levels that are 31 percent higher and they are two and a half percentage points more likely to attend college than the MTO control group. Analysis projects that children who moved to opportunity neighborhoods before age 13 will achieve lifetime earnings \$99,000 higher than those who received no assistance to move to low poverty communities.⁵

The research also analyzed the differences between children who moved with their families to low poverty areas with MTO Vouchers and those who received traditional Housing Choice vouchers. MTO voucher holders lived in neighborhoods that had, on average, a poverty rate that was 25 percentage points lower than the control group; those with regular housing choice vouchers lived in communities with a poverty rate that was, on average, 12 percentage points lower than the control group. Reflecting the difference in the level of poverty, young children whose families received standard Housing Choice vouchers achieved half as much improvement in economic and educational outcomes as those who received MTO vouchers.⁶

The MTO research is not the only case that demonstrates improved educational outcomes for children who live in areas of low poverty. A recent study by the RAND Corporation of students in Montgomery County, Maryland showed that students attending schools in opportunity neighborhoods, whose families had relocated with housing choice vouchers, achieved improved tests scores at the end of the seven year study period: a 9 percentile point increase in math scores and a 7 percentile point increase in reading scores. Conversely, no significant change in test

⁴ Sard, B. & Rice, D. (October 2014). Creating Opportunity for Children: How Housing Location Can Make a Difference. Center on Budget and Policy Priorities. Available at: <http://www.cbpp.org/research/creating-opportunity-for-children>

⁵ Chetty, R.; Hendren, N.; & Katz, L. (August 2015). The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment. Available at: http://www.equality-of-opportunity.org/images/mto_paper.pdf

⁶ *Ibid*

scores was observed among students who continued to attend schools in moderate to high poverty communities.⁷

Market context

The Twin Cities rental market is exceptionally tight, which creates additional challenges to families renting an apartment with the assistance of a Housing Choice Voucher. A five percent rental vacancy rate is considered healthy for a community; however, the Twin Cities closed 2015 with a just over a three percent rental vacancy rate. The northern suburbs were even tighter, with vacancies just above two percent.⁸ The low vacancy rate has created inflationary pressure on rent levels, leading to more than a five percent increase in rents across the Twin Cities in 2015.⁹ As a result, it has become increasingly difficult for families to find units that fit their need and fall within the payment standards for Housing Choice Vouchers.

The competition for units that is created by the strong rental market also decreases the business need for owners/managers to participate in the Housing Choice Voucher Program. When rental vacancies are high, the Housing Choice Voucher Program can be a source of guaranteed rent for owners/managers. However, with stiff competition among renters, it is easy for owners/managers to fill their properties with residents who are able to pay rent in a timely manner without any rental assistance; therefore, owners/manager can save the time and money they would otherwise spend administering the Housing Choice Voucher Program at their property.

The following section summarizes the findings of the Family Housing Fund's conversations with a variety of owner and managers, both participating and non-participating, regarding their experiences with and perception of the Housing Choice Voucher program.

Section 2: Owner/Manager Interviews

Methodology

The Family Housing Fund reached out to large owners/managers from across the Minneapolis Saint Paul Region who operate properties in areas of low-poverty and high quality schools. Family Housing Fund staff interviewed 15 owners/managers. In total, these owners/managers are responsible for roughly 40,000 units. The respondent sample includes owners/managers of varying sizes, ranging from as few as 26 units to over 7,000. With the support of the Minnesota Multi Housing Association, the Family Housing Fund also had the opportunity to speak with 7 owners/managers in a focus group setting. Owners/managers were asked to share their reservations about participating in the Housing Choice Voucher program and what they viewed

⁷ Sard, B. & Rice, D. (October 15, 2014). Creating Opportunity for Children: How Housing Location Can Make a Difference. Center on Budget and Policy Priorities. Available at: http://www.cbpp.org/research/creating-opportunity-for-children#_1_1

⁸ Star Tribune. (February 11, 2016). Twin Cities Property Outlook. Available at: <http://www.startribune.com/twin-cities-property-outlook/368536771/>

⁹ *Ibid.*

as the positive elements of the program with the Family Housing Fund (See Appendix for List of Questions).

After the initial request to participate in the interview or focus groups, each of the owners/manager that provided feedback volunteered their time and insight. This selection bias may have skewed the responses more towards owners that are already participating, than the population of Minnesota owners/managers, as a whole. While the insights summarized in the following section offer an excellent path forward for increasing participation in the Housing Choice Voucher program, continued engagement with more non-participating owners/managers could be beneficial.

Conversational themes

Below the major themes from the interviews and focus group are summarized. The thread that linked all of the interviews and the themes that emerged is that owners/managers are running businesses; they have chosen to make serving people their business, and the Housing Choice Voucher program must operate effectively within this world, if it is to be successful. When the Family Housing Fund initiated the data collection phase of the Owners/Managers Creating Opportunity project, the goal was to interview participating and non-participating owners/managers. Through the course of the interviews, complexity in the level of participation emerged--some owners do not participate in the Housing Choice Voucher program at all; some used to participate, but have since left the program; some participate with some jurisdictions, but not others; and some participate with nonprofit housing rental assistance programs, but not government rental assistance programs.

Theme: Desire for partnership

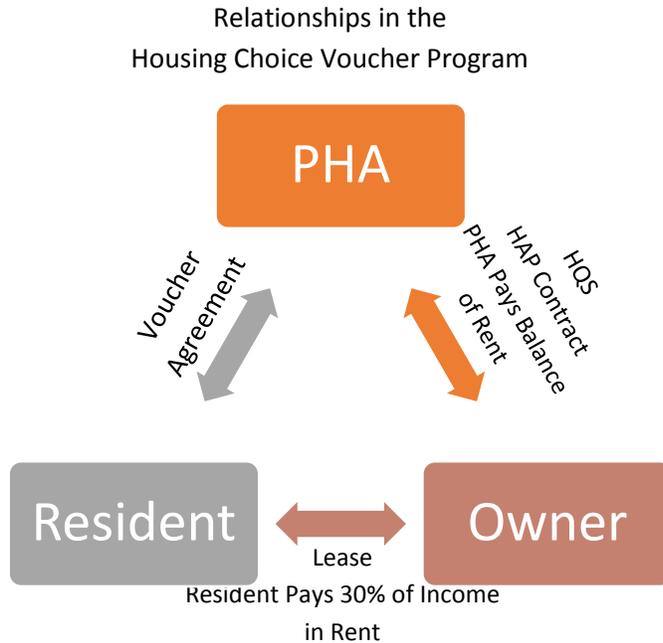
"[The Housing Choice Voucher Program] doesn't feel mutual. It doesn't feel like a relationship. It feels like 'You signed up for this, now follow the marching orders, and [the housing authority] can screw you over anytime we please.'" - Non-participating property manager

Owners/managers who participate or have participated in the Housing Choice Voucher program expressed a desire to create spirit of partnership between the owners and the PHAs. It should be simple economics: the owners/managers have something that the PHA needs (units) and the PHA has something that the owners/managers need (residents who will be pay their rent), linking these needs should result in a mutual business relationship.

Theme: Accountability

"In the other [housing assistance] programs we're working with, the resident is expected to toe the line and we don't have to go through these huge, expensive evictions. They know that if there was an incident at their property, they would get kicked off the program."- Participating property manager

The Housing Choice Voucher program is built on a triad between the PHA, owner, and tenant. Critical to building the spirit of partnership is ensuring that everyone is held accountable to their responsibilities. Without balanced accountability and trust to meet responsibilities across the three parties, the program will not work as intended.



The owners/managers expressed the specific challenge that residents were not always held accountable, specifically if a resident acts entitled, and is only concerned about the PHA, rather than Property Manager. Many owners described an inability to recoup losses, when the damages to a unit exceeded the value of the security deposit. Many property managers indicated cynicism about being able to recoup the additional funds, given that many residents simply lack the resources to cover the losses. Some PHAs have a policy of not disbursing funds to the next unit until the resident has either paid back funds for the

additional damage or, at the very least, have entered into a payment plan with the previous owner or manager. Unless a policy has been instituted otherwise, residents utilizing vouchers are allowed to keep their vouchers even when they are not lease compliant, and have outstanding debt to the owner.

The Family Housing Fund tested the idea of a risk pool to help cover these losses with owners during interviews, and many owners/managers still expressed frustration with the lack of accountability for residents. Many residents use emergency assistance to cover the security deposit and are therefore excused from having any personal liability. Owners/managers want to know that residents see a personal interest in helping to maintain the property. This highlights the importance of the first theme, instilling a sense of partnership in the program administration.

Theme: Inspections

While owners/managers recognize the necessity for inspections to ensure decent, safe, and sanitary housing, inspections were the most frequently mentioned stressors of participation in the Housing Choice Voucher program. These frustrations generally fell into the following categories:

WAIT TIMES

“Comcast does better.” –Participating property manager

Most PHAs strive to give a 4 hour window in which inspectors will arrive; however, in extreme cases, the window can be up to 8 hours due, at least in part, to inspectors covering large territories. The wait is a significant burden for smaller-scale owners, some of whom work full-time and must take time off to accommodate inspectors.

MINOR FIXES

“We can fix that in 5 minutes. We have the supplies on-site, and we can go fix that.”-

Participating property manager

Owners/managers also expressed a frustration with failing inspections for minor issues, such as a burnt out lightbulb that could be easily replaced. Many property managers address this by bringing supplies to make minor fixes at the time of the inspection. However, other respondents described inspectors failing the unit for minor issues, and then leaving before the owner was able to make the necessary repair. Owners, then, must wait one to three weeks for the inspector to return, during which time they receive no rent on the unit.

Theme: Rent levels

“If higher cost areas are not [subsidized], it leads to concentration. There’s just no way around it.”-Participating property owner

Another impediment to participation in the Housing Choice Voucher program for owners was rent levels allowed by the program. In a rental market as tight as the Twin Cities, owners/managers may be able to charge more for a unit than the program would allow, effectively causing them to leave money on the table if they chose to participate.

This challenge is already on the radar of many PHAs. For example, Metro HRA and Dakota County CDA have established “exception communities,” cities within their jurisdiction in which they allow for higher payment standards. In order to provide opportunities for voucher holders to live in these exception communities, the PHA will work with owners that have rents that are slightly higher than the traditional limit.

Theme: Is it the program or the people?

“None of us are saying ‘we don’t want people who need financial help in our buildings.’ We put those people in our buildings. We would put more of them if we had programs that worked better.”- Non-participating property manager

Many owners/managers were quick to assert that they do not have a problem renting to low-income households that benefit from the Housing Choice Voucher program. They shared that there are no major differences in managing the people who participate in the program and the

public at large. The challenge, owners stressed, came from dealing with the administrative burden of the program.

As evidence of this, many owners/managers highlighted their willingness to accept voucher residents participating in local rental assistance programs with non-profit partners. The testimony of one property manager, who participates with a local program but not the Housing Choice Voucher program, was revealing; when asked if they would be more inclined to accept someone with a voucher if they were an existing resident, they replied:

"I have a [Group Residential Housing (Minnesota Department of Human Services)] client. Their case worker called me to ask if I would accept a voucher and I said no, because [I] won't have the back-end support. They're going to be off of GRH and I won't have the back-up... Even though she's been with us for seven years, the [lack of] support that I would get from the Section 8 program, the inspections issues, the timeliness of payments...I'd be buying myself a headache."¹⁰

Section 3: Public Housing Authority Interviews

In the second part of the data collection phase of the Owners/Managers Creating Opportunity project, the Family Housing Fund interviewed local PHA staff about their experience administering the program. The PHAs were aware of many of the challenges expressed by the owners/managers and had been actively taking steps to address them. However, in most cases the solutions to the owners' challenges were not implemented region-wide by the individual housing authorities.

Our conversations with these officials did, however, help contextualize the complaints of owners/managers. While it is easy to understand frustrations with wait times, the reality is that the average inspector is responsible for vast swaths of territory. Many PHA inspectors give four hour windows in advance of inspection day and then, on the day of the inspection, call 30 minutes in advance of their arrival. Additionally, the decision not to inspect units until the 1st of the month is rooted in a legitimate desire to assess the quality of the unit at the precise moment of move-in. Some PHAs disburse funds on both the 1st and 15th of the month, thus diminishing the delay of payment, in the case of a failed inspection.

Section 4: Current Outreach Initiatives

A number of initiatives are already underway throughout the Twin Cities Region to help promote owner and manager participation in the Housing Choice Voucher program and increase lines of communication between owners and housing authorities. Working in tandem with these initiatives as a housing intermediary will be vital to helping the Family Housing Fund maximize its impact with Owners/Managers Creating Opportunity project.

¹⁰ It should be noted that this owner expressed frustration with the lack of partnership and his comments related specifically to one PHA.

Initiative 1: Metro HRA Community Choice Mobility Counseling¹¹

In April of 2015, Metro HRA hired two mobility counselors to assist voucher recipients with relocating to high opportunity communities, as part of the Community Choice program. The counselors began, at that point, engaging with owners/managers in targeted communities to increase participation in the Housing Choice program and began designing a program for eligible families, interested in moving to those communities.

Starting in January of 2016, Metro HRA began supporting families' moves to units in opportunity communities. The program aims to provide holistic support for residents, throughout the process. Mobility counselors will provide pre-move counseling, assistance with the housing search, and post-move counseling.

Initiative 2: Suburban Hennepin Housing Coalition

In 2015, Community Action Partnership of Suburban Hennepin convened a group of service providers in the western suburban metro area, known as the Suburban Hennepin Housing Coalition (SHHC), with the aim to create a Housing Access Resource Team (HART) that would both maintain relationships with existing voucher-friendly smaller-scale owner/managers and conduct outreach to smaller-scale non-participating owner/managers to increase participation. Additionally, HART would provide tenancy navigators, case workers charged with helping voucher recipients navigate the rental market. In conjunction with this effort, SHHC has begun to conduct outreach through churches and synagogues in the western suburbs. The outreach aims to build awareness of the present housing crisis in the Twin Cities and increase participation of owner/managers in congregations to accept voucher holders.

Initiative 3: Dakota County Owner/Manager Conversations

Over the past 3 years, Dakota County has commissioned a series of surveys and convened focus groups with owners, managers, and mental health service providers in the County aimed at increasing the number of housing options for voucher holders. With the assistance of housing case managers, the study compiled a list of owners who generally showed flexibility in accepting residents with barriers to housing, such as criminal backgrounds and a history of evictions. The surveys also confirm what the Family Housing Fund has learned through this process: that owners are interested in a partnership with the housing authorities and that access to external support—a case manager, for example—is helpful to the success of the resident and tenant-landlord relationship.

Conclusion: Key Takeaways

"All of us are here today because we want the program to be successful."-Non-participating property manager, referencing the Housing Choice voucher program.

¹¹ For more information visit: <http://www.metrocouncil.org/News-Events/Housing/Newsletters/Metro-HRA-to-launch-mobility-counseling-program.aspx>

The owners/managers who participated in the interviews and focus groups expressed a deep desire to see the Housing Choice Voucher Program succeed. Many of them conveyed heartfelt accounts of having seen the program serve as a bridge out of poverty for working families. To enable the Housing Choice Voucher program to best serve families, families must have access to a variety of housing choices; in order to provide choice, owners of properties across the region must participate in the program. This research highlights three areas in which the Family Housing Fund and its partners can influence the number of owners that participate in the program:

Partnership: Above all else, PHAs must authentically partner with property owners/managers. PHA programing cannot succeed without the participation of property owners/managers throughout the region.

Discretionary Policies: While HUD sets most of the Housing Choice Voucher program requirements, PHAs have some discretion on local administration of the program. The data collected through the Owners/Managers Creating Opportunity project indicates that there are two areas of discretion that are particularly important to cultivating positive relationships with the landlords and creating choice for families.

- ***Inspections:*** While inspections are an important necessary part of providing residents with clean, safe place to live, there are opportunities to work with owners/managers to improve the process. One solution is to provide the inspection criteria ahead of the actual inspection. Giving owners/managers a sense of what they will be judged on would allow them to be even more prepared and would likely decrease the rate of failure and re-inspection, thus saving owners and inspectors time and money.

Several owners/managers also proposed decreasing the frequency of inspections for managers with a proven track record of success. New HUD regulations give PHAs the discretion to inspect every year or every two years. Less frequent inspections could be a powerful incentive for improving property management, while making participation in the program less burdensome.

- ***Exception Rents:*** When each PHA sets its own rent payment standards they must balance the number of families they can reasonable serve with the funds available from HUD because the local program administration is bound both by a maximum caseload and a capped federal reimbursement. If rent payment standards are low to maximize the number of people served, voucher holders may not be able to rent in certain areas where there is a slightly higher fair market rent, even if the owner/manager were willing to accept the voucher.

This limits locational choice for families. In order to create more opportunity for choice for families, some PHAs have defined areas with exception rents within their jurisdiction—meaning if a voucher holder would like to rent a unit in that area, the PHA payment standard is slightly higher. In addition to providing choice for families, matching the payment standards to the fair market rent in the area acknowledges the value of owners/managers business.

Resident accountability: Owners/managers want to know that residents will be held accountable. Following best practices of agencies, like not paying out vouchers at a new unit until damages are paid to the previous owner/manager, will reassure those owners/managers that there are incentives for responsible resident behavior.

Acknowledgements

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Appendix: Interview Questions

Questions for participating owners

- 1) We understand that participating in the Housing Choice Voucher Program is a difficult decision for many owners. Why does your company participate? Do you have any hesitations about participating? Do you place any constraints on your participation? If yes, how do you decide those constraints?
- 2) Can you tell us what you've experienced with the program that is positive? Can you tell us what you've experienced that is challenging or negative?
 - 2a) (*if not addressed above*). Are there differences between dealing with a problem resident who is a voucher holder and one who is not?
- 3) How does participation in the program impact your company financially? Does that change depending on market conditions?
- 4) What can you tell us about your experience with HQS inspections and whether they're helpful in monitoring the conditions of the unit?
- 5) Is there anything about the program that, if changed, would result in your acceptance of more vouchers? Would any change result in dropping your participation?
- 6) If you were attempting to persuade an owner that does not participate to give it a try – what would you say or do? What is the business case?

Questions for non-participating owners

- 1) Your company does not participate. Have you participated in the program in the past? If so, when and why did you stop? What were the deciding factors for and against?
- 2) What stands out for your company as the top three reasons to not participate?
- 3) What is your perception of residents who are voucher holders? As a group, do you imagine there are any differences in managing residents who are voucher holders versus those who are not?
- 4) Could you describe any conditions under which you might be willing to accept vouchers? (i.e. Perhaps you'd be more willing to say yes to an existing resident)?
- 5) Where do you get your information about the program? Do you have all the information you'd like? Would more information encourage you to try the program? If so, what would you need to know?
- 6) What could the housing authority, city, or someone else do that would influence your decision about participating?
- 7) What would be a compelling case to convince you or other owners to accept vouchers?