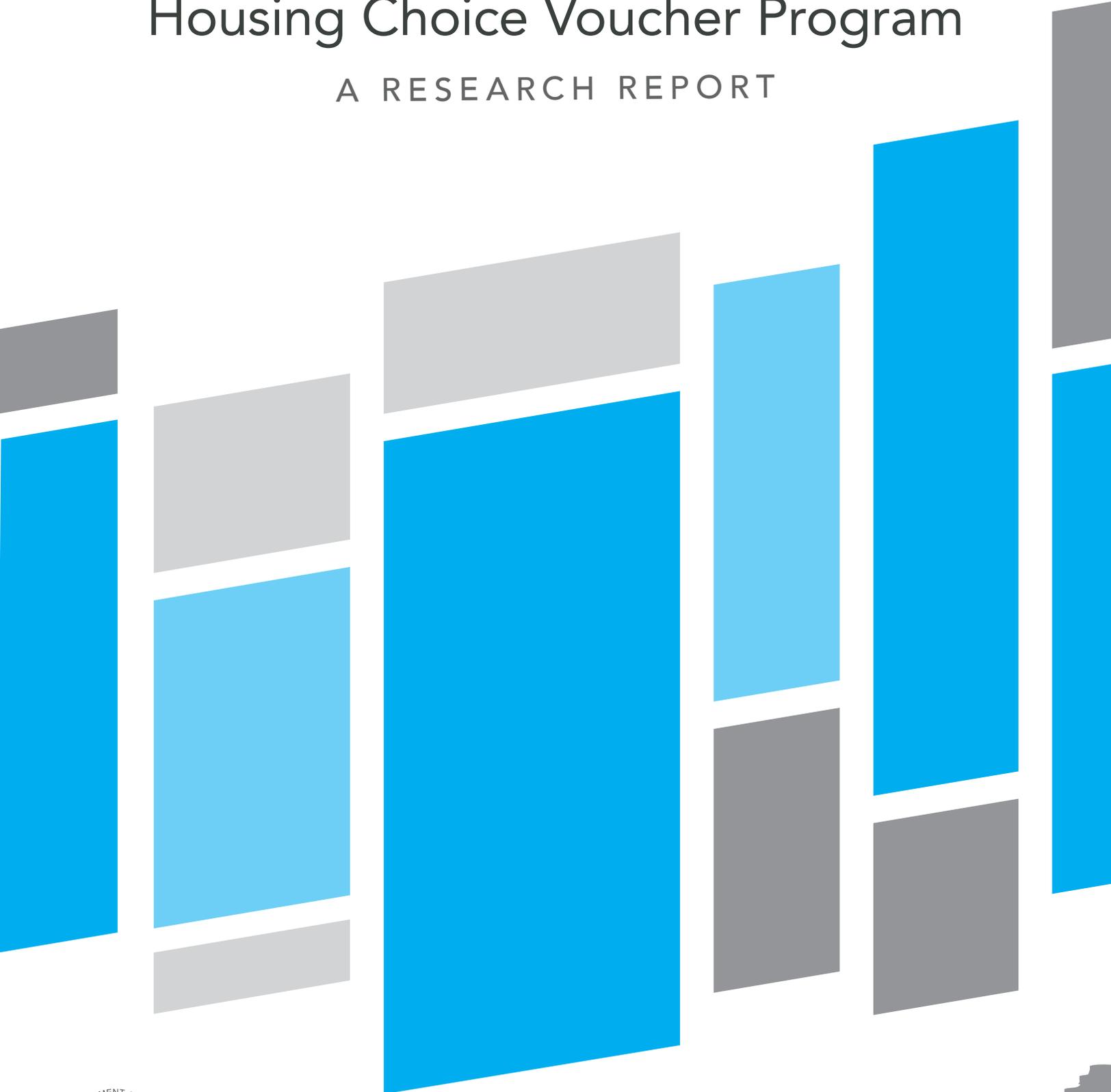


Urban Landlords and the Housing Choice Voucher Program

A RESEARCH REPORT



Urban Landlords and the Housing Choice Voucher Program: A Research Report

Prepared for

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Executive Summary

Although dozens of studies have examined the structural, economic, cultural, and institutional mechanisms that trap poor families in low-quality housing and high-poverty neighborhoods, they have largely overlooked the role that supply-side actors—namely landlords and property managers—play in shaping urban housing markets. Landlords have significant power in defining housing options for poor families; landlords in nearly every jurisdiction can decide whether to accept families with housing vouchers—a decision with profound implications for the success of the Housing Choice Voucher (HCV) program.

The HCV program, formerly known as Section 8, is the federal government’s major program assisting very low-income households in affording private-market housing. Although the program is intended to help families move to lower poverty neighborhoods, its success depends on the willingness of landlords in low-poverty neighborhoods to accept voucher tenants. The reasons landlords refuse to participate in the HCV program are complex. Profitability concerns and social biases have been proposed as key motivators, but evidence suggests that administrative and procedural factors deter landlords’ participation as well (DeLuca, Garboden, and Rosenblatt, 2013; Turner, 1998).

In the summers of 2014 and 2015, the research team collected 127 interviews with a sample of landlords and property managers in Baltimore, Maryland, Dallas, Texas, and Cleveland, Ohio supplemented by ethnographic observations of our respondents and key housing institutions in each city. We selected three research sites to represent a range of urban contexts and U.S. Department of Housing and Urban Development (HUD) regions. In addition, the sites provide heterogeneous market contexts and demographics. Dallas and Baltimore have similar poverty rates (24.1 and 24.2 percent respectively) in contrast to Cleveland, the poorest city in our study, which has a poverty rate of 35.9 percent. In each city, non-White areas largely drive the poverty rate. In terms of available housing, properties in Baltimore and Cleveland tend to be significantly older than those in Dallas.

In this report, we examine the role landlords play in shaping the residential experience of low- and moderate-income renters, especially those with housing choice vouchers. We use interview data from 127 landlords and property managers in Baltimore, Dallas, and Cleveland combined with ethnographic observations collected between 2013 and 2015 and 1.5 million administrative records on landlords and tenants in the HCV program from HUD’s 50058 database.

This report is divided into four parts. The first describes our data and methods, with a particular focus on the opportunities and challenges of developing a random sample of rental property owners in multiple metropolitan areas. The next section looks at the work of urban landlords more generally, examining the threats to profitability our respondents experienced and their strategies to address these threats. The third section focuses exclusively on landlord participation in the HCV program, considering who participates and why they do so. This section pays particular attention to cross-site differences, examining how market dynamics intersect with program implementation to shape the geography of opportunity.

We present three sets of findings related to landlords and the HCV program. First, we describe how context shapes the field of HCV landlords in each city. We find that landlord attitudes toward aspects of the program are largely influenced by market conditions. The second section breaks down the HCV program into its components, describing how landlords in each city feel the various aspects of the program either support or limit their business goals. Our findings

identify three key factors that influence a landlord's preference for or against voucher tenants: (1) financial motivation, (2) perception of tenants, and (3) bureaucratic factors. We argue that in all three cities, the costs and benefits to the program are weighed against a hypothetical tenant that a landlord might otherwise rent to in the open market. The final section looks directly at landlords who choose not to participate, explaining how past experiences with the HCV program led them to reject participation. We find that most nonparticipants rejected the program not because of a lack of market fit but because of negative experiences with the program. These experiences generally consist of the following dynamics: (1) inspections, (2) a general frustration with the bureaucratic aspects of participation, and (3) a tenant conflict.

In nearly every city, landlords can choose whether or not to rent to a tenant with a housing voucher (Tighe, Hatch, and Mead, 2017). Many refuse to do so, discouraging subsidized tenants in their marketing or directly rejecting them as part of their screening process. Even in the handful of jurisdictions that have made such discrimination illegal, some landlords find a way to avoid the program. However, most cities contain a subset of landlords who covet the reliable rents and decreased turnover rates of voucher tenants. Although financial factors such as reliable rental payments and the voucher premium play a key role in motivating participation, negative experiences related to tenant factors and bureaucratic public housing authority (PHA) hurdles are often a significant deterrent to landlord participation. Taken together, our results suggest the need for policymakers to consider how landlords think about their alternative options, as they decide whether or not to participate in the voucher program. Our results suggest that in all three cities, the costs and benefits to the program are weighed against the hypothetical tenant that a landlord might otherwise rent to in the open market.

Finally, we discuss how our data apply to a variety of policy proposals designed to improve outcomes for HCV families: source of income (SOI) protection, small area fair market rents (SAFMR), housing mobility programs, and institutional reform. We find that SOI protection laws and SAFMR may be more effective when implemented together. We also find that housing mobility programs offer a sort of "second chance" to nonparticipating landlords who may have had negative experiences in the past. These programs may help mitigate any negative feelings landlords have toward accepting voucher tenants. Finally, we focus on institutional reform, specifically on landlord frustration toward bureaucratic processes and PHAs. Improving the inspection process would benefit both landlords and tenants.

Introduction

After decades of debate, the research community has largely reached consensus on the fact that housing and neighborhood environments can impact life chances (Chetty and Hendren, 2016; Sharkey and Faber, 2014). Although dozens of studies have examined the structural, economic, cultural, and institutional mechanisms that trap poor families in low-quality housing and high-poverty neighborhoods, they have largely overlooked the role that supply-side actors—namely landlords and property managers—play in urban housing markets.

Rental property owners have incredible power to define the residential options of poor families. They choose where and when to invest, leaving some urban areas to decay while upgrading properties in other areas above and beyond what poor families can afford.¹ Through screening and other practices, landlords can summarily discriminate and deny access to housing to individuals with criminal records, past evictions, or credit issues, as well as to racial and ethnic minorities, individuals with disabilities, LGBTQ individuals, and families with children. When families are in a unit, landlords can choose whether to invest in maintenance, repairs, and lead-paint remediation, thereby impacting the home environment. Landlords can decide how to handle late and partial rental payments, leading to eviction and involuntary relocation. Finally, landlords in nearly every jurisdiction can decide whether to accept families with housing vouchers, a decision with profound implications for the success of the Housing Choice Voucher (HCV) program.

In theory, the HCV program has the potential to help families move to lower poverty neighborhoods and to access higher quality schools, but it has fallen short of this ideal in part because of a lack of landlords in low-poverty neighborhoods who will accept voucher tenants (DeLuca, Garboden, and Rosenblatt, 2013; Johnson-Spratt, 1998). Even beyond issues of neighborhood attainment, a lack of willing landlords can result in low lease up rates and an increased likelihood that poor families will not be able to use their voucher within their allotted time, resulting in a loss of subsidy (Finkel and Buron, 2001). The reasons landlords refuse to participate in the HCV program are complex. Profitability concerns and social biases have been proposed as key motivators, but evidence suggests that administrative and procedural factors deter landlords' participation as well (DeLuca, Garboden, and Rosenblatt, 2013; Turner, 1998).

In this report, we examine the role landlords play in shaping the residential experience of low- and moderate-income renters, especially those with housing choice vouchers. We used interview data from 127 landlords and property managers in Baltimore, Maryland, Dallas, Texas, and Cleveland, Ohio combined with ethnographic observations collected between 2013 and 2015 and 1.5 million administrative records on landlords and tenants in the HCV program from the HUD's 50058 database.

The report is divided into four parts. The first describes our data and methods, with a particular focus on the opportunities and challenges of developing a random sample of rental property

¹ Throughout this report we use “landlords” in two ways. Strictly speaking, “landlord” refers to the property owner of the property on which we sampled. However, in some cases, we spoke to the property manager rather than the owner, as we wanted to speak to the person in charge of setting and implementing policies related to screening, selecting, and managing tenants. Thus, we use the term “landlord” to refer to the group of property owners and managers who are in our sample. When we are specifically referring to property owners or managers, we will say so.

owners in multiple metropolitan areas. The next section looks at urban landlording generally, examining the threats to profitability experienced by our respondents and their strategies to address these threats. The third section focuses exclusively on landlord participation in the HCV program, considering who participates and why they do so. This section pays particular attention to cross-site differences, examining how market dynamics intersect with program implementation to shape the geography of opportunity. Finally, we conclude with a series of policy recommendations that can make the program more attractive to landlords and support affordable housing more generally.

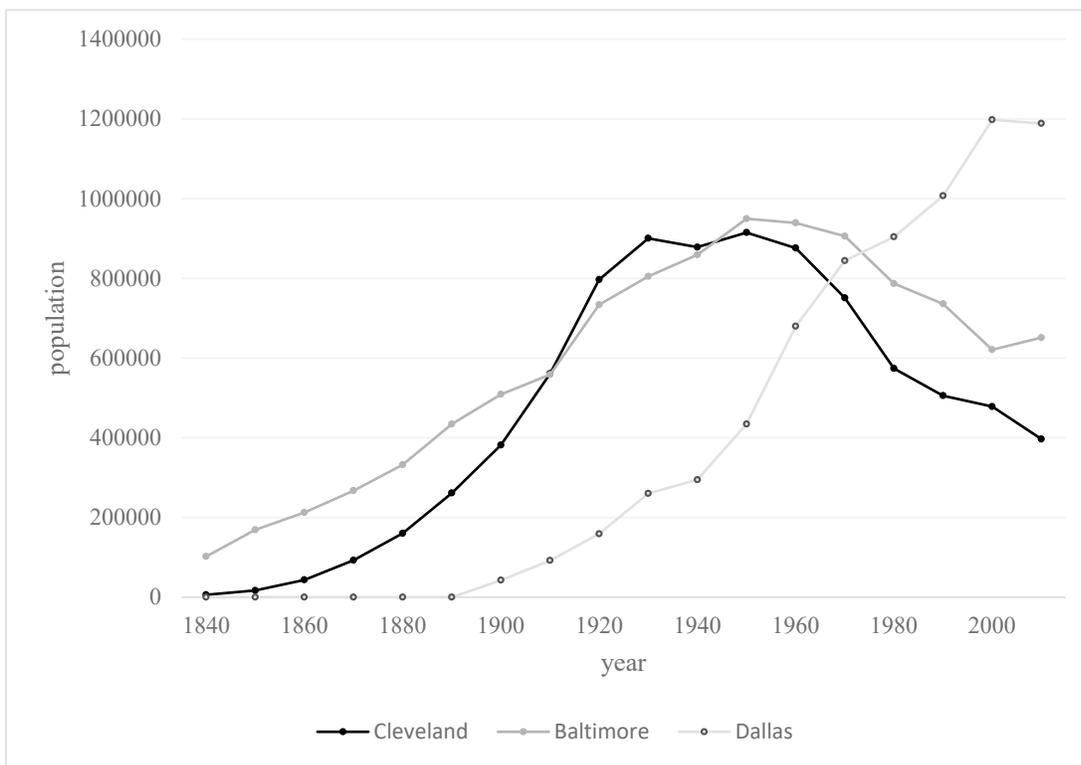
Data and Methods

In the summers of 2014 and 2015, the research team collected 127 interviews with a sample of landlords and property managers in Baltimore, Dallas, and Cleveland, supplemented by ethnographic observations of our respondents and of key housing institutions in each city. Administrative data on all voucher households in each metropolitan area and the owners of the units occupied by these households from 1994 to 2015 augmented these data.²

Research Sites

We selected three research sites to represent a range of urban contexts and HUD regions. As Exhibit 1 shows, Dallas is the youngest of the three cities, reflecting the unchecked expansion of America's sun belt during the past century. Population growth in Dallas has largely been matched by a commensurate expansion of the city and surrounding suburbs. Neither Baltimore nor Cleveland has grown geographically since the 1930s, but Dallas' geography expanded 800 percent between 1930 and 1980 (Gibson, 1998). Although the city stabilized at that point, the suburbs have continued to expand. Thus, it remains a fairly loose housing market with a vacancy rate of 8.7 percent, a median rent of \$950, and no dramatic shortage of housing such as that experienced in geographically constrained cities like Honolulu, New York, or San Francisco, (2014 American Community Survey [ACS] 1-year data).

Exhibit 1: Population by Year in Baltimore, Cleveland, and Dallas



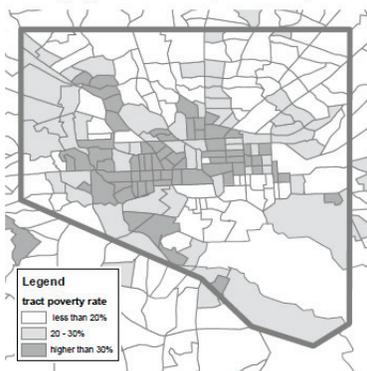
² We do not utilize the longitudinal nature of the data in this report, instead presenting descriptive statistics from particular years. Our work using these data is ongoing.

In contrast, Baltimore and Cleveland have both experienced periods of both growth and decline. As families, particularly Black families, migrated to industrial hubs during the war years, they were met with housing shortages exacerbated by strict residential segregation (CPHA, 1941; Green, 1930; Joint Committee on Negro Housing, 1951; Kusmer, 1978; Orser, 2015). In both Baltimore and Cleveland, however, the population pressures have entirely reversed, and the urban landscape is marked by thousands of vacant and abandoned properties—12,000 in Cleveland and 16,500 in Baltimore (Jacobson, 2015; Jarboe, 2015).

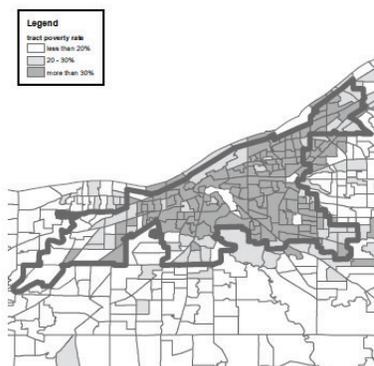
Emerging from these histories, our three research sites provide heterogeneous market contexts. Perhaps surprisingly, given its reputation as a new economic powerhouse, Dallas city's poverty rate is nearly identical to that of Baltimore city (24.1 and 24.2 percent respectively; 2014 ACS). Cleveland, in contrast, is the poorest city in our sample, with a poverty rate of 35.9 percent and is in a far poorer metropolitan area than Baltimore (2014 ACS). This poverty is concentrated in non-White areas of each city (see Exhibit 2). In Cleveland, unlike in our other two sites, the Cuyahoga Metropolitan Housing Authority's (CMHA) jurisdiction is countywide, which includes both the city and the suburbs. Nearly one-half of CMHA's vouchers are in the suburbs, and so many of our Cleveland landlords have properties outside of the city limits. To provide comparable statistics among the three sites, we focus our analysis here on the city of Cleveland. The housing stock in Baltimore and Cleveland are substantially older—less than 20 percent of houses were built after 1960, compared with nearly two-thirds of houses in Dallas (2014 ACS). Both Baltimore and Cleveland are dominated by small single-family properties, which make up around 60 percent of the rental stock in both cities, but only about 30 percent in Dallas (2014 ACS).

Exhibit 2: Spatial Distribution of Poverty and Race in Baltimore, Cleveland, and Dallas

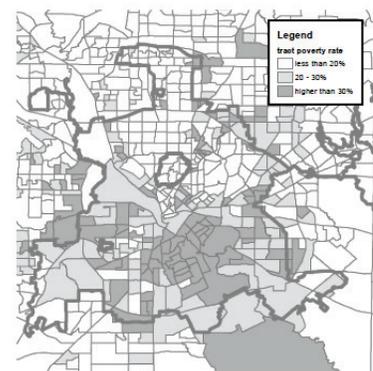
Poverty by Census Tract, Baltimore, Cleveland, and Dallas



BALTIMORE, MD

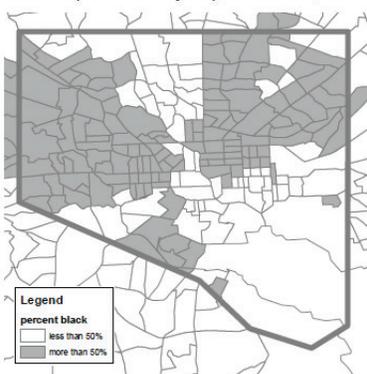


CLEVELAND, OH

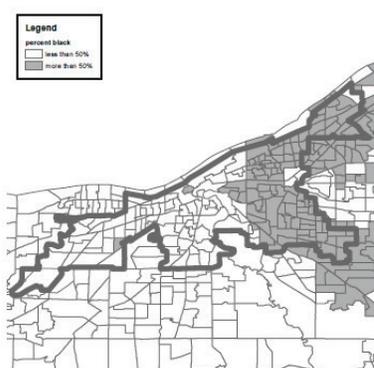


DALLAS, TX

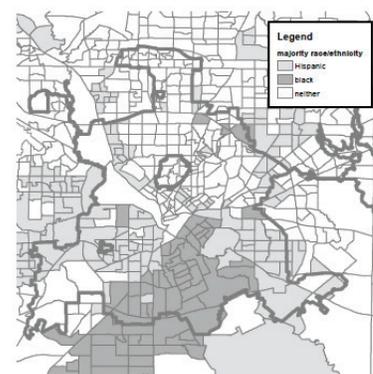
Tracts by Racial Majority, Baltimore, Cleveland, and Dallas



BALTIMORE, MD



CLEVELAND, OH



DALLAS, TX

Source: American Community Survey (2014, 5-year estimates)

Ethnographic and Interview Data

This report uses data from 127 indepth interviews with landlords and property managers in Baltimore, Cleveland, and Dallas complemented with several months of ethnographic observation at each site. Most interviews were drawn from a stratified random sample of rental property listings, scraped from three months' worth of active listings. Approximately one-third of these interviews were supplemented by some form of ethnographic observations ranging from property tours to several days of embedded observation.

Sampling

There existed no extant sampling frame of landlords comparable across the three cities. To approximate the experience of a tenant looking for housing in each city, we scraped three months' worth of rental listings from the most commonly cited search engines, based on tenant interviews conducted as part the McArthur Network's How Parents House Kids project. In all three cities, GoSection8.com dominated the assisted housing market, although subsidized tenants in Cleveland also reported using HousingCleveland.org. Craigslist was the most commonly cited search engine used by unsubsidized low-income tenants. The team

scraped three months of rental listings from each website. To ensure that our sample was limited to properties into which voucher tenants could hypothetically move, we removed listings above 150 percent of Fair Market Rent from the sampling frame.³

To ensure that we had a sufficient range of landlords in each city, we stratified our sample based on whether the property listing was actively marketed to subsidized tenants, whether the address was in a tract where more than 20 percent of households were above or below the poverty line, and the racial composition of the neighborhood.⁴ As described in detail in appendix A, we intentionally oversampled properties from the voucher-targeted search engines.

We supplemented this random sample with a purposive sample of owners who were theoretically important but did not appear in our random sample. These owners included individuals who did not list their units publicly, those who invested in rental real estate but were not currently renting properties (flippers and wholesalers, for example), and those filling market niches that emerged as gaps during fieldwork. For example, we added landlords we learned about in the field who were referenced as major players on the local housing scene, who we had reason to believe used a marketing or screening technique that we wanted to learn more about, who operated in an area of the city underrepresented in our sample, or who were involved in landlord educational activities of interest.⁵ Combining these processes resulted in 127 interviews, 80 from the random sample, and 47 from the field sample. By design, the majority, 73 percent, of the landlords in our sample were willing to accept voucher holders.⁶ Each interview lasted approximately 2 hours and focused on landlords' business strategies and their professional and personal histories, enabling us to contextualize their responses in terms of their social and economic position. Applying indepth interview techniques, we elicited stories about our respondents' business strategies, their opinions of and preferences for the voucher program, how they got into real estate, their personal lives, and their plans for the future (both personal and professional). These interviews followed an extended interview guide covering core questions and providing additional probe questions to explore particular areas of interest. However, the interviews were implemented as free flowing conversations, following the respondents' narratives and redirecting the conversation back to the interview protocol only when a particular line of inquiry was exhausted.

The ability to identify willing landlords and elicit honest discussions of their work was fundamental to this research. Fortunately, landlords responded to our interview invitations by welcoming us into their workplaces and homes and with enthusiasm, eager to tell their side of the story and make recommendations for policy. Fieldworkers were trained in the best practices of neutral engagement,

³ In an attempt to replicate the broadest possible process of a low-income tenant seeking housing, the city's name was put into the search box for sampling purposes. Although this search does preclude properties in suburban jurisdiction's appearing in the results, it means that most of the results were within city limits, particularly in Cleveland where the city and county do not share a name.

⁴ In Cleveland and Baltimore, this was a Black-White divide. In Dallas, it was non-Hispanic-Black/non-Hispanic-White/Hispanic concentration.

⁵ Such as local meetups and real estate investment associations (REIAs).

⁶ Unfortunately, no way exists to determine the overall prevalence of voucher-accepting landlords in each city. As described in appendix A, sampling weights can be constructed to adjust for the stratification-induced oversampling with each search engine, but we cannot compare across the Craigslist and the GoSection8 sample.

placing them in the position of learners, eager to understand the work of landlording (see DeLuca, Clampet-Lundquist, and Edin, 2016 for more details on interview methods).

Building off of our respondents' enthusiasm, approximately one-third of the interviews were accompanied by ethnographic observations with the landlord as he or she attended to day-to-day business. These observations ranged from brief interactions (such as property tours) to multiple days spent shadowing respondents as they waited for their turn at housing court, watching them become frustrated in the presence of lead paint and housing quality inspectors, listening to them interview prospective tenants at restaurants and diners, and showing the units of soon-to-be evicted tenants.⁷ Nearly all invited us into their networks, offering introductions to other “mom-and-pop” landlords they knew, identifying the “big players,” and pointing us toward key local actors.

In each city, we sought to examine the institutional contexts in which landlords operate, interviewing key informants and observing institutions related to real estate. In Cleveland and Baltimore, we observed housing court and participated in “ride-alongs” with officers assigned to the court (called sheriffs in Baltimore and bailiffs in Cleveland), as they drove through the city overseeing evictions. In Cleveland, we also met with housing court judges, magistrates and specialists, employees of moving companies whom landlords employed to facilitate eviction, and lawyers who represented landlords in court. We also met with a variety of key informants related to the HCV program in each city, including representatives of the CMHA, the Dallas Housing Authority, Housing Authority of Baltimore City, Housing Quality Standards inspectors, and elected city officials. In Dallas and Baltimore, fieldworkers attended more than 25 meetings of real estate investment associations.⁸ These sessions ranged from practical training in best practices, to large pep rally-style events, in which national experts sold books and training courses. We interviewed the leadership of these organizations, as well as a number of secondary actors that frequented these events, including private lenders, wholesalers, and tenant placement agents. These observations helped us to more broadly understand the field of landlording in each city and to identify types of landlords to target in the field sample.

Qualitative Coding and Data Analysis

All interviews were recorded, transcribed verbatim, paired with accompanying ethnographic field notes, and loaded into qualitative data analysis software (MaxQDA). Respondents were assigned pseudonyms and other identifying information was changed. For data analysis, we employed a process of iterative inductive coding related to our research question (Corbin and Strauss, 1990). First-round codes were derived from the initial research questions and supplemented with topics that emerged from the data. As analytic themes surfaced, research assistants were tasked with identifying the prevalence of these themes within our data.

Reports of prevalence within the qualitative sample are designed first and foremost to—for internal validity—explore the degree to which a particular opinion or characteristic was shared by other members of our sample. The degree to which these findings are generalizable to larger populations (external validity) should be approached with caution. However, we are helped in

⁷ See appendix B for details.

⁸ See appendix B for details.

this regard by our sampling strategy and the degree to which our sample is similar to the administrative data on observables.⁹

The beliefs of our respondents are fundamental to understanding landlord behavior. Their quotations, however, should not be interpreted as an articulation of objective truth. For example, when landlords criticize their tenants, the public housing authority, or municipal ordinances, their criticisms in no way should suggest that any of those entities are not behaving appropriately. Like anyone, landlords espouse many beliefs that are not factually correct, but they nonetheless act on those beliefs in critical ways that should be considered in policy formation.

50058 Data Cleaning and Analysis

To complement the qualitative data, we provide descriptive statistics from our analysis of the HUD 50058 administrative dataset. This source supplied address-level data on all HCV-subsidized households between 1994 and 2015 in the Baltimore, Dallas, and Cleveland metropolitan areas.¹⁰ These data contain tenant characteristics such as household composition, income, demographics, and mobility, but most importantly for our work, information on the landlord and housing unit, including structure type and building size.

Extensive data cleaning was conducted on the landlord data to ensure that we accurately capture the distribution of ownership types in each metropolitan area. HUD provided both a unique identifier and the landlord name. In the cases in which property owners with the same name were categorized by two or more identification numbers, likely because of multiple Employer Identification Numbers, or EINs, we deployed Fuzzy string matching to determine a list of potential false negatives, which were hand checked to determine whether the owner was substantively the same.¹¹ The addresses of properties that lacked longitude and latitude information were similarly checked for obvious typographical errors and geocoded again, resulting in a 99-percent success rate.

The final data consisted of 1.5 million records (approximately 100,000 per year¹² and 763,000 in Dallas, 389,000 in Cleveland, and 355,000 in Baltimore). In most cases, tabulations from 2015 are provided to ensure overlap with our qualitative data collection. However, due to Moving to Work demonstration program reporting requirements, data from the city of Baltimore were highly incomplete during that year, with more than 90 percent missing, and thus descriptive information related to property ownership and unit characteristics from Baltimore is reported from 2005, the most recent year in which the data were complete.

⁹ See appendix A.

¹⁰ This report uses only 2005 and 2015.

¹¹ Details available on request.

¹² Prior to 2002, substantially fewer records reflected lower voucher numbers and less complete data. The bulk of analyses used here are from the 93,000 records in 2015.

The Urban Landlord

From Jacob Riis' overcrowded and unsanitary slums (1890) to Matthew Desmond's recent descriptions of housing insecurity and eviction (2016), the landlord has played a prominent role in narratives of urban poverty. Surprisingly, however, the landlord him or herself has remained an enigma. Outside of a few broad statistical accounts now nearly half a century old (Stegman, 1972; Sternlieb, 1966; Sternlieb and Burchell, 1973) and several works of urban history (Blackmar, 1991; Connolly, 2014; Day, 1999; Satter, 2010), nearly no research considers the landlord as a social actor within urban markets nor connects this position to the daily reality of landlord-tenant relations. In short, our understanding of rental property owners in American cities has not been updated since the 1970s, when American cities looked very different from today.

There exists, then, an enormous gap in the academic research on cities. This gap is particularly troubling given the vast literatures covering urban phenomena plausibly linked to the behaviors of landlords and rental property owners such as eviction (Desmond, 2012, 2016; Desmond, Gershenson, and Kiviat, 2015; Desmond and Valdez, 2012), poor housing quality, crowding (Dedman et al., 2001; Evans et al., 2010), lead-paint exposure (Markowitz and Rosner, 2013), affordability (Quigley and Raphael, 2004), residential mobility (Gasper, DeLuca, and Estacion, 2010; Hanushek, Kain, and Rivkin, 2004; Pribesh and Downey, 1999), abandoned properties (Mikelbank, 2008; Shlay and Whitman, 2006; Spelman, 1993), racial segregation (Massey and Denton, 1993), housing voucher usage (Edin, DeLuca, and Owens, 2012; McClure, 2008; McClure, Schwartz, and Taghavi, 2015; Metzger, 2014), and neighborhood disorder, decay, and concentrated disadvantage (Sampson, 2012; Wilson, 1987).

Historically, landlords' decisions have been viewed as profit-maximizing strategies based on various incentives and regulations. In other words, decisions on where to invest, how to treat tenants, and whether to accept housing vouchers have all been assumed to be rational decisions based on calculative profit maximization. What little research exists regarding landlords suggests that the story is far more complex (Garboden and Newman, 2012; Gilderbloom, 1989; Mallach, 2006). These previous studies portray landlords as operating with limited information, within tight financial constraints, and with low-level expertise.

Most importantly, one-half of all rentals are in small properties¹³—mostly single-family homes and duplexes (2016 American Community Survey 1-year data). Small “mom-and-pop” owners, with highly varying degrees of capitalization and expertise, dominate ownership of these units. Two papers looked directly at the question of the profitability of low-end urban real estate, using some combination of the Property Owners and Managers Survey, or POMS, and the Residential Finance Survey (Garboden and Newman, 2012; Mallach, 2006). Both these works found high levels of economic vulnerability; less than 40 percent of small owners stated that they have positive cash flow (Mallach, 2006). Of small properties with affordable rents (below the regional median), only those without debt service are viable. Only 25 percent of mortgaged properties have positive cash flow (Garboden and Newman, 2012). Taken together, these quantitative analyses and our own findings described

¹³ To distinguish between small and multifamily properties, we employ the standard distinction of having fewer than five units. For landlord portfolio size, we distinguish “mom-and-pop” landlords as having one to five units in their portfolio, which could be distributed among as few as one and as many as five rental properties.

in the following suggest that much of the stock is financially precarious, which could theoretically lead to undermaintenance, abandonment, and conversion.

In this section, we use interview and ethnographic data with 127 rental property owners in Baltimore, Cleveland, and Dallas to describe the realities of urban landlording. We begin with a summary of who owns rental properties in our three sites. We then discuss what motivates amateurs to invest in urban real estate. We then turn to the threats to profitability that our respondents experienced, including rent collection, unexpected costs, financing, and turnover. Finally, we discuss how landlords attempt to respond to those challenges.

Who Owns Rental Housing in Baltimore, Dallas, and Cleveland?

The landlords and property managers in our sample are a surprisingly heterogeneous group (Exhibit 3). Landlords are demographically diverse: 40 percent are Black and about 13 percent are non-Black minorities (mostly Asian), and the split is 60-40 in terms of gender in our sample. Throughout the sample, landlords who fall into the “mom-and-pop” category owning fewer than 5 rental units own about one-fifth of units, another two-fifths are of moderate size (5 to 30 units) and the remaining one-third fall into the large (30 to 100 units) or very large (100 or more units).¹⁴ Some respondents owned rental properties, others managed properties they did not own, and many flipped houses for resale (and many did more than one of these).

As Exhibit 4 shows, our research sites differ substantially. Cleveland and Baltimore’s rentals appear to have the most ownership fragmentation, with most of our sample owning fewer than 30 rental units. Dallas has the most large-scale owners due to the number of multifamily apartment complexes in the city.

These figures suggest that findings of ownership fragmentation from earlier studies remain true in older industrial cities but do not reflect the real estate market in cities like Dallas. In Baltimore and Cleveland, the story remains one of small, amateur landlords with limited access to capital and limited business acumen. These landlords do most of the renovation and maintenance of their properties but often keep a day job at the same time. The motivations of this group are split: (1) Those looking for long-term investment income generated through appreciation; or (2) Those looking for short-term profits either through flipping or cash flow.

¹⁴ Because landlords of larger properties are more likely to appear in the lists, these figures do not represent the distribution of landlords who are more likely to be small property owners. Furthermore, our interviews focused on the primary decision-maker for the property, which occasionally included property management companies that multiple owners employed. Ownership fragmentation is thus higher than the fragmentation represented in this table.

Exhibit 3: Sample Demographics

Total sample (number)		127
	Baltimore	36
	Cleveland	56
	Dallas	35
Respondent race (percent)		
	Black	0.40
	White	0.47
	Other	0.13
Respondent male (percent)		0.60
Business activities (percent)		
	Landlord	0.77
	Property manager	0.30
	Rehabber or flipper	0.32
Housing Choice Voucher Program participation (percent)		
	Accepts voucher	0.73
	Does not accept vouchers	0.27

Note: Business types are not mutually exclusive.
Source: Tabulation of respondent demographics

Exhibit 4: Landlord Participation in the HCV Program by Number of Units Owned

Size of Portfolio	All Landlords (Percent)			HCV-Participating Landlords (Percent)			Nonparticipating Landlords (Percent)
	Cleveland	Baltimore	Dallas	Cleveland	Baltimore	Dallas	All
Very large (100+)	0.13	0.18	0.42	0.11	0.18	0.32	0.28
Large (31–100)	0.20	0.21	0.06	0.27	0.23	0.08	0.08
Medium (6–30)	0.43	0.36	0.39	0.41	0.41	0.44	0.36
Small mom and pops (1–5)	0.25	0.24	0.13	0.22	0.18	0.16	0.28
Total	1.00	1.00	1.00	1.00	1.00	1.00	1.00

HCV = Housing Choice Voucher.

Notes: N = 127. The distribution of nonparticipating landlords lacks sufficient sample size for cross-city comparison.
Source: Unweighted tabulation of interview sample

The landlords of larger numbers of units in our sample can be roughly divided into whether they own many small properties or one big property. The former is more common in Baltimore and the latter in Dallas, with Cleveland falling somewhere in between. The difference in these two groups, beyond economies of scale, is the ownership structure. The owners of many small properties tend to be more parochial, more likely to have built up expertise within a particular city’s market niche, and more directly involved in their business, although they sometimes employ property managers. The owners of large properties tend to be institutional investors who rely on a hierarchical structure of property managers. Investment strategies are determined at the corporate office, including how to screen tenants, whether to accept vouchers, and when to renovate. These strategies are disseminated to regional managers who oversee the property manager at each property. That property manager in turn usually employs a tenant placement agent who is responsible for lease ups and an assistant manager who assists with clerical tasks. Because strategic direction was determined at the corporate level, these managers had little or no discretion in tenant screening and selection, voucher selection, and renovation decisions, although our extended onsite observations of their work suggests that they exercised a great deal of professional autonomy in certain matters, particularly marketing and tenant dispute management.

Although these institutional arrangements are a key piece of the rental market in Dallas, they are not the city’s only type of rental housing. In the older sections of the city, where formerly owner-occupied houses are now offered as affordable and subsidized rentals, the landlords are similar to those in Baltimore and Cleveland—small portfolio owners struggling to get by. The natural question, then, is why did they choose to invest in real estate in the first place?

Why Amateurs Invest in Urban Real Estate

As Exhibit 5 shows, for most of the landlords in our sample, the choice to invest in real estate was a response to the limitations of the mainstream labor market. Our data suggest that two major life course events drive individuals into real estate investment—professional dissatisfaction and retirement concerns.

Exhibit 5: Small Landlords’ Stated Reason for First-Time Investment

Reason	Sample
Job insecurity or dissatisfaction	0.44
Retirement	0.18
Investment	0.14
Accidental	0.10
Other	0.14
Total	1.00

Notes: N = 93 (large owners and property managers excluded). Accidental was coded for landlords who did not acquire their first property as an investment, either inheriting it from family or moving and being unable to sell. Other includes reasons such as divorce, favor, hobby, and five interviews in which the key motivation could not be determined.

Source: Unweighted tabulation of interview subsample

Of the sample, 44 percent expressed work-related insecurity or dissatisfaction as the primary reason for acquiring a first investment property. Only a handful of the small investors we interviewed were able to sustain exclusively through real estate (most either worked full time, had a spouse who worked, or were retired). Nevertheless, most of our landlords got into real estate as an aspirational attempt to exit the labor market. Their dissatisfaction with traditional employment took many forms. Some investors were just out of college or graduate school and were having trouble finding a job that met their credentials. Others had been employed for years without promotion in white-collar employment and became increasingly frustrated with their lack of upward mobility and wealth accumulation. Some were the mothers or fathers of young children who needed the flexibility and autonomy that traditional employment could not provide. Some, like Katrina, an aspiring property investor living in Baltimore, were simply looking for a way out of the low-wage labor market.

Like many individuals in the new economy, Katrina had tried many jobs and pursued several credentials before investing in real estate. Her first job was as a realtor, but she soon came up against the stark hierarchies of that work.

Unbeknownst to me, I had to work long evenings and weekends, and I didn't have the experience, so I became someone's assistant. So I had to go into a different path.

Next, Katrina decided to get a cosmetology degree but quickly became disappointed in that career as well. She said she felt like “a struggling beautician, [an] educated hair stylist.” When a friend convinced her that rental real estate was her path to economic security, she decided to switch careers again and is now helping other landlords identify discounted properties with an eye toward buying an investment property of her own.

The second category, 18 percent of the sample, consists of individuals about to retire. Most of these investors held down long-term stable employment that provided a lifetime of financial security. Reflecting an increasing working- and middle-class trend, however, these individuals expressed little faith that government benefits and their own retirement accounts will be sufficient to maintain their quality of life through their retirement.

Beatrice, an African-American woman from Baltimore with a portfolio of four single-family rentals, spent her working life as an information technology contractor for the federal government in Washington, D.C. The job paid well, and Beatrice said she rarely had to worry about money, but now she is starting to worry about the future, “I don't have benefits or—I have a 401k, but I'm not getting a pension or anything else like this, and I'm almost 60 years old.” Beatrice explained that the goal of owning rental properties is to provide what she called “passive income,” meaning that rent comes in from the rental properties each month without any additional work from the investor: “Yeah, so that's like my pension, the passive income.”

The instability and fear of the future exemplified by Katrina and Beatrice is endemic in the lives of small landlords. Most chose real estate not because they had particular interest or acumen, but because it presented an economic strategy that had few barriers to entry. This decision had important consequences not only for the investor's economic security but for the markets in which they invested. As described in detail in the next section, the low-end rental market presents many challenges to these investors.

Challenges of the Low-End Rental Market

Although many of the larger landlords provided us with detailed financial information and reports, the smaller landlords in our sample, which made up the bulk of the subsidized market in Cleveland and Baltimore, were remarkably unaware of their business' profitability. Many could not itemize their routine costs, nor did they have a good sense of an appropriate capital improvement budget. Although many talked about the importance of cash flow, few were able to provide or even define their capitalization rate. Indeed, for small landlords, their most common indicator of economic viability was simply whether they had money left in their account after they paid their mortgage. The lack of bookkeeping in this part of the market is an important finding in its own right.

Nevertheless, our respondents spoke at length about how they perceived the value of their real estate portfolio and their personal financial position. These attitudinal factors appeared far more likely to influence their behavior than a technical estimate of their investment return. Most landlords in Cleveland and most in Baltimore and Dallas expressed some degree of economic fragility. The reality is that small and mid-sized landlords in our sample are vulnerable to the vicissitudes of the low-end rental market; economic instability among tenants leads to economic instability among landlords.

The Challenges of Rent Collection and Turnover

Rent collection is a central challenge for the landlords who rent in the low-end housing market. When asked how often he has trouble collecting rent on time, Viktor, a 72-year-old White landlord from Cleveland responded, "All the times." Viktor recounted a conversation with a tenant who, shortly after moving in, came to tell him she would not be able to pay all her rent, because she had lost her job. He was sympathetic but also had to pay the mortgage, so he told her: "You cannot stay without paying the rent." To which she responded, "What do you want me to do, rob a bank?" Viktor retorted, "No, I want you to pay rent or move out." He remembered her saying, "I'm not going to move out, and I'm not going to pay." At the time we interviewed him, the tenant owed him \$360. He told us that if he didn't receive the money she owed in the next two weeks, he would begin the eviction process: "If she not going to pay, I will evict her."

The issue of late rent is embedded within the low-wage labor market. As cash welfare has evaporated and housing subsidies defunded, more and more families are forced to rely on at-will minimum wage employment that provides too little money and does so inconsistently, leading to marked income fluctuation and periods of extreme deprivation (Edin and Shaefer, 2015; Western et al., 2012). The brunt of these conditions is borne by poor families, but it affects landlords as well, whose income streams are directly dependent on their tenants' income.

According to the landlords, in most cases, tenants do end up paying, albeit late. This delay alone leads to cash flow struggles for landlords without reserves. More damaging, however, is when tenants cannot pay their rent and must be evicted. A great deal of research has rightly focused on the impact of eviction on poor families (Desmond, 2016), but the process has consequences for landlords as well, generally resulting in a loss of 1 or 2 months' rent, occasional unit vandalism, and legal costs. When landlords are operating at the fringes of financial stability, they cannot afford to house tenants indeterminately in arrears.

Tenant Turnover and Vacancies

Similarly, tenant turnover presents a significant challenge to profitability for landlords. Stu, a medium-sized landlord in Cleveland, explained that for this reason the ideal tenant is—

Someone who's looking to be there for a while. We don't want people going in and then moving right back out, we want people moving in a minimum 5 years. We don't lock them in or anything like that, but that's what we hope for. The biggest thing that hurts a landlord is turnover.

When a tenant leaves, the landlord must be ready to absorb the costs of turning over the unit. At best, this cost entails touching up paint, making repairs, replacing or cleaning the carpet, and forgoing rent until a suitable replacement is found. Landlords estimate that this may cost them anywhere between \$500 and \$1,500. Larry, a large owner from Baltimore, explained that “chances are there's going to be damages, they're going to leave a lot of shit that you're going to have to clean out. I mean it can be bad. You're going to lose 1, 2 months' additional rent, so total maybe 4 months' rent or more depending on how quick you can get it turned around.” Shia, the owner of more than 80 units in Cleveland, concurred, lamenting that “Every time you turn an apartment, that's a lot of money. You're painting it, you're dealing with fixing anything in it. You have to make it presentable. You have to go ahead and spend time and show it. Your year can drastically change depending on your vacancy factor and your payments.”

Bill, from Cleveland, also raised the problem of vacancy: “What do I do when there are no tenants? Middle of winter, I might have a \$200 gas bill. Then I've got \$100 and some for that, I might spend \$400 in winter just to maintain the place.” Bill pointed out that he invests a lot of time in each tenant he screens and selects. “If you're a tenant, I have to work to screen you. You've got to sit down, got to get inside their soul and find out what they're all about. It costs time and money to screen. Time, lots of time and money. It's like a marriage. Why would you want to start all over? Get to know everybody all over again, going through that whole process?”

Unexpected Costs

Landlords expend substantial resources to identify tenants who will pay rent on time and maintain the unit at a reasonable standard, but no system is foolproof. Most landlords we spoke to had their share of “tenant horror stories” in which poor screening resulted in sudden and unexpected costs. Small landlords were particularly vulnerable—not only did they lack the resources to deal with the problems that emerged, but their inexperience often meant they employed less effective screening procedures. Because they struggled to avoid the costs of extended vacancy, they took more risks and “went with their gut” when choosing tenants far more frequently.

Landlords report that the consequences of poor tenant selection matter most when it comes to how the tenant maintains the home. Improper property maintenance—on either the part of the tenant or the landlord—has a number of consequences ranging from posing an inconvenience or health risk to the tenant, being a nuisance to the neighbors, creating a structural risk to the home, and incurring costs to the landlord. Although clearly embedded within rental housing law, landlords nevertheless chafe at the idea that they are in some way responsible for the behavior of their tenants. Keith, a landlord with several dozen properties in distressed communities in Cleveland, explained the difficult position of landlords.

It's terrible, because the police department and the city, they want me to take care of it. What am I supposed to do? They feel the landlord has control over them. We don't have any control. You don't allow us to do anything. Our hands are totally tied... Like if they put their garbage out wrong, I get fined, if they don't cut their grass, I get fined, if they have litter there, I get fined.

Keith complained that the city "fine[s] you for anything. Like the one time, you know they have those big garbage cans. The [tenants] put too much garbage in and the lid was sticking up like this much." Keith held up his thumb and index finger about an inch apart: "one-hundred-dollar fine," he says.

Not all tenant issues, however, represent petty annoyances and small fines. For the more economically fragile landlords, a large one-time expenditure can undermine the profitability of their real estate holding, sometimes disastrously. Matt and Katherine are a married couple who own 18 homes together in Cleveland's inner-ring suburb of Lakewood. They have two kids, and struggle financially to keep everything afloat. They find that their tenants often do not take good care of the home.

Matt: Tenants don't take care of the property like you would take care of your house. Which I guess I can understand, but on the other side, you know what? You're living there. Do you want to live in your own garbage? I mean, I got a dumpster right out there, I can just walk out the door. You just go into these places, and there's garbage bags full of flies, I'm like, take this out! Ugh! Why? How can you handle that?

Katherine: It's amazing what some people will live in.

What really upsets Matt are the financial consequences for this kind of negligence. The day before Katherine gave birth to their first child, the couple received a water bill in the mail for more than \$10,000. Matt recounted, "I sat on the couch and cried. We're going to go bankrupt and of course, Katherine was going into the hospital the next day. It was a nightmare." Then Matt found out why the water bill was so high.

About three days later I was over at the building, and this tenant comes out, and he was loony tunes huge, huge, 6'4", 6'5". All he had—he had nothing in his apartment except a chair and a weight set in the living room. And a bible. But he tore the handle off the faucet in the kitchen and the water had been running and running and running and running. And he came out and says, "Oh, I've got a problem with my sink." I go in and I said, "How long has this been going on?" "I don't know." I flipped my lid because I knew damn well that's where all my money was. It was a nightmare.

Matt and Katherine had not yet gone bankrupt when we met them, but they were struggling to pay the money they owed and stay afloat.

Water can be more than only an unanticipated cost. It can threaten landlords' ability to stay afloat. The cost of utilities—and specifically water—has increased dramatically in recent years, stretching the budgets of millions of renter households that struggle to cover rent payments and

other obligations. Nationwide, water prices have increased more than 50 percent from 2010 to 2017 and even more in certain cities.¹⁵ Most of the landlords in our sample passed the water bill on to their tenants, but unlike electrical bills that can be put in the tenant's name, the legal and financial responsibility for water rested on landlords' shoulders; nonpayment can result in fines, criminal charges, and property liens. Because landlords had no mechanism to monitor their tenants' water usage, a classic moral hazard problem emerged, resulting in unpleasant surprises like the one Katherine and Matt described.

Financing

Because we collected data in 2013 and 2014, many of the institutional lending sources that had proliferated during the housing bubble had either disappeared or had changed based on increased regulatory scrutiny. This change meant that real estate investors increasingly needed to rely on private or "hard money" lenders. The point of hard money lending is to provide renovation financing and thus cover the difference between what a house is worth (and thus what can be traditionally financed) and what needs to be invested into property in order to get it ready for rental or resale. In an ideal scenario, the hard money lender gets all his money back once the house is fully renovated and either sold or refinanced with a traditional loan. This scenario means that rates for hard money are substantially higher than traditional mortgage rates, ranging between 12 and 16 percent plus points. These rates mean that if the renovation experiences delays or if the investor is unable to refinance, the costs of debt on a property can have profound impacts on profitability.

Although hard money lenders excuse their high rates by noting that their loans are uncollateralized and thus higher risk, they structure their deals carefully to minimize loss in the case of default. Like most construction loans, they do not provide the full balance up front but release it in portions as renovations proceed. This method ensures that if they do need to foreclose that the property has some value. Their ability to receive repayment also does not depend on the investor's ability to profit from the investment but simply the after-renovation value of the property. Because the timeframe is limited and the amount of renovation predetermined, private lenders are able to predict with relative confidence what a property will be appraised for 6 months later after a specific, carefully monitored, amount of work is put in. Thus, they absorb nearly none of the risk associated with property appreciation (or depreciation), rent collection, vandalism, or lead-paint litigation, which remains squarely on the investor.

Strategic Responses

Landlords in Baltimore, Cleveland, and Dallas face a common set of challenges and barriers to profitability renting to the low-wage rental market, including rent collection, vacancies and turnover, extra fees and costs related to property maintenance and damage, and financing. To resolve those issues, they adopt a variety of strategic responses, ranging from subpar maintenance to attempting to elevate their market niche by screening and renovating above the market.

¹⁵ According to *Circle of Blue*, a nonprofit that administers a yearly survey of water prices in 30 large cities across the United States, <http://www.circleofblue.org/waterpricing/>.

Screening for the “Good” Tenant

Tenant selection is a key process through which landlords try to minimize the challenges of rent collection and turnover. Selection can occur in a passive way, where landlords are contacted by interested tenants who have seen their advertisements on the Internet, in the voucher office, or locally. It can also occur in a more active way, where landlords rely on a set of criteria to select certain tenants and engage in targeted recruitment of these types of residents. These selection criteria have important implications for who ends up where.

A landlord’s first step is the selection of a tenant who is profitable to house, referred to as the “right” or “good” tenant by landlords in our sample. In the words of a young Cleveland landlord, Keith McAdam, the “right” tenants are those who “pay the rent relatively on time and call when stuff breaks. It’s really simple stuff, take out your trash, clean up your yard, you know?”

Landlords can list specific tools that they use to screen tenants such as criminal background, residential history, and credit checks, but most admit that finding the right tenant comes down to a gut feeling. When we observed respondents meeting with prospective tenants and debriefed afterward, their minds were nearly always made up before processing any of the official application paperwork. They based their opinion of a prospective tenant on how she dressed for the interview, whether or not she returned phone calls in a timely manner, how she parented her children, and the types of questions she asked (or did not ask) about the unit. In an extreme example, one landlord told us about his ‘pet’ theory: “The larger the dog, the worse the credit... Because if you think about it, anyone who has a large dog in a small apartment is irresponsible anyway.”

Although making important decisions about tenants based on shallow first impressions might seem like bad business, it comes from a place of necessity. Landlords have little formal official documentation from which to distinguish between applicants, and few poor tenants have good credit and unblemished rental histories. For landlords with properties in high poverty neighborhoods, waiting for a tenant with a slate of desirable attributes is not an option. Liam, a White man in his sixties who has owned property in Baltimore since the 1970s, explained that for a property in a disadvantaged neighborhood, “because of where it is located, if I can verify they have the resources to pay, and I know that their credit’s probably messed up, and they are willing to live in that neighborhood, I’ve got to rent to them.” The key for these properties, then, is to identify the “diamonds in the rough”—the tenant of limited means who will nonetheless pay rent every month and reside in the unit for years without complaint.

Liam shared a tool he finds especially useful for screening tenants. For him, the content of the credit report is far less informative than the tenant’s ability to provide the report in the first place.

A lot of time I make a tenant—an applicant—do something to prove to me that first of all they’re motivated, and second of all that they can do something. Because if they can’t do a simple task that I’m asking them to do, how can they do a bigger task of paying me the rent? So I might say that I would really like a look at your credit report, but I really don’t want your Social Security number.

Liam gives the prospective tenant a list of the websites from which they can access and print their own credit report for free, telling the tenant: “Here, you take care of this.” If the tenant fails to produce the report, Liam takes this as a signal of their inability to follow directions, which he says does not bode well for the future. He claimed, “I’m not playing a trick, that’s my way of

doing things. I'm asking them to give me information, and if they can't, that tells me that it wasn't meant to be."

Credit history, residential references, and criminal history are three criteria on which landlords rely to varying degrees to screen tenants during the rental process in order to select for the characteristics of their ideal tenant for a given property. Of the three criteria, landlords are most interested in residential history, including how long a tenant stayed at the previous home and their relationship with the landlord.

However, no test is foolproof. Charley Vo, a Vietnamese landlord in Dallas who came to the United States 15 years ago "looking for the land of opportunity," said that on the first meeting "you can't tell the difference," because—in his perception—potential tenants intentionally deceive him, making it nearly impossible to predict who will make a "good" tenant.

When they hunt for an apartment, they dress up, appear at the best behavior, always, and I never actually see anyone that come here with an attitude. The moment I see an attitude that's it. You, I do not even consider. But once they move in, that's where you can actually start seeing. I have a guy who came in here very nicely. Quickly 1 month after, he start not paying rent.

Charley believes that careful screening can help increase the odds of finding good tenants, but it is not always enough. When it comes to tenants, Charley explained, "you never know what you will get." Although screening is a key strategy used by many landlords to minimize unexpected costs and locate the "good" tenants, many agree that it is not an infallible method.

Eviction and the Threat of Eviction

When dealing with a tenant who is not paying rent in full, eviction is a powerful tool that landlords have at their disposal (Desmond, 2012; Hartman and Robinson, 2003; Purser, 2014). The literature primarily focuses on how eviction affects families. Families who suffer an eviction-catalyzed relocation are more likely to suffer material hardship, report depressive symptoms, be in poor health, move frequently, and move to higher poverty and higher crime neighborhoods (Desmond, Gershenson, and Kiviat, 2015; Desmond and Kimbro, 2015; Desmond and Shollenberger, 2015). Eviction further affects poor families' subsequent residential trajectories, creating a permanent record that can make securing housing more difficult in the future (Desmond, 2012). The literature on housing instability more broadly suggests similar negative effects of unplanned and involuntary relocation, the terminal step in the process of evicting. For children, forced residential and school mobility results in disruptions to academic progress and peer networks and is highly correlated with poor academic achievement and behavioral problems (Alexander et al., 1988; Garboden, Leventhal, and Newman, 2017; Schwartz, Stiefel, and Cordes, 2016; Ziol-Guest and McKenna, 2014). However, we know little about how eviction works from the landlord's perspective.

Although most of our landlords had evicted tenants, eviction has its downsides. Most importantly, it can be costly to the landlord. Eviction usually creates a period of vacancy in the unit, meaning missed rent and the potential for vandalism, in addition to the costs of finding a new tenant and dealing with deferred maintenance. Thus, although eviction is one solution to an unprofitable tenant, it is a complex moment from the landlord's perspective; it solves a worst-case scenario problem, namely having a nonpaying (or underpaying) tenant in a unit. However, it is far from a cure-all, containing several direct threats to profitability.

For example, Viktor, who prides himself on having long-term tenants, told us about a family who had rented from him for more than 17 years at what he calls “discount prices,” paying only \$850 a month for a three-and-one-half bedroom house. Viktor said he had not raised the rent in years, although he was only barely breaking even after paying the mortgage and maintaining the house. Just last year, he decided he needed to raise the rent to \$1000 a month to maintain a satisfactory profit. Despite the amicable relationship he had had with these tenants for nearly 2 decades, patterns changed quickly when he raised the rent. The family started making late and incomplete rental payments. Viktor felt he had to evict them. He knew his tenants quite well and was fond of their children. When they begged him for one last chance, he granted it, and together, they created a payment plan. However, it did not stick. When the money they owed him reached several thousand dollars, Viktor initiated the eviction process for a second and final time. What happened next surprised him. Before leaving for good, the family vandalized the house. “You name it,” Viktor said about the damage done, they “even stole all the fuses from the electrical box... What he will do with this fuses I don’t know. Smoke detectors and the light fixtures. They did everything they could.” Viktor explained his understanding of the rupture.

Even though you are very good to the people, and they’re very good to you when they’re living in the house. [But] when they move out they start to remember that they paid you money. They forget that they lived there. And they try to make as much problem to the landlord as they can... It’s like marriage. When you living with husband, you love each other and happy, but if you’re divorcing...

Once the relationship ends, all bets are off, Viktor explained, highlighting an important element of the landlord-tenant relationship. As long as you avoid eviction, you keep the relationship amicable, but once it is ruptured, relations can go downhill fast. Above and beyond the financial downsides of eviction, this reality creates an imperative to preserve the relationship.

As the head of a real estate investors’ training workshop in Dallas explained, “There’s only one thing worse than a tenant, and that’s *no* tenant.” Although fewer than 10 percent of our respondents had avoided altogether executing any evictions, 83 percent took practical steps to avoid eviction whenever possible.

Landlords like Keith explained that when “you’re broke, you don’t have enough money to evict ’em. It’s gonna cost you a month’s rent, plus a hundred and twenty dollars to file... I’d rather get five hundred bucks a month guaranteed, than worry about lookin’ for a new tenant.” For landlords without cash reserves, eviction is not a sustainable solution to the problem of “bad” tenants. In general, landlords agree that it is better to have a tenant—even one that does not pay in full—than to have a vacancy. For example, Ellen explained that it is not in her interest to evict for an unpaid water bill, “because we’re getting \$1200, \$1400 over here. I’m not worried about her \$200.” In the low-end market, some rent is nearly always better than no rent.

We found that landlords often avoid costly evictions, instead relying on the *threat* of eviction. By redefining renters as debtors, filing assists in rent collection by leveraging the state to materially and symbolically support the landlord’s debt collection. At the same time, housing tenants in small amounts of arrearage gives landlords the legal pretext to remove a tenant for any reason and prevents tenants from exercising their legal rights regarding code enforcement (Garboden and Rosen, forthcoming).

Thus, most landlords go out of their way to avoid eviction unless absolutely necessary. In fact, much of the time, landlords are scheming of ways not to get rid of tenants but to hold on to tenants (Rosen, 2014).

The Voucher Program

Landlords in our sample described how participating in the Housing Choice Voucher program helped alleviate many of the challenges discussed previously that are faced by landlords. Historically, a great deal of stigma has surrounded the program resulting in landlords' avoidance of renting to voucher tenants. However, in recent years, changes in the low-end housing market have made the voucher program more attractive to landlords—especially in Baltimore—increasing competition to attract and retain voucher tenants. Under certain circumstances, the HCV program can offer a set of solutions to some of the problems faced by landlords. This process is explored in the next section.

Landlords and the Housing Choice Voucher Program

In this section, we present three sets of findings. First, we describe how context shapes the field of HCV landlords in each city. We leverage administrative data to describe the distribution of HCV-participating landlords, combined with illustrative cases from the interview data. The second section breaks down the HCV program into its components, describing how landlords in each city feel the various aspects of the program either support or limit their business goals. We find significant differences between our research sites, which result from the intersection of landlord capacity and the alternative market tenants available to nonparticipating landlords. We argue that in all three cities, the costs and benefits to the program are weighed against a hypothetical tenant that a landlord might otherwise rent to in the open market. The final section looks directly at nonparticipants, explaining how past experiences with the HCV program led them to reject participation.

The Voucher Niche: How Context Drives Participation

Landlord enthusiasm for particular aspects of the HCV program is highly contingent on the market conditions of the city in which they do their work. As Exhibits 6 and 7 show, the context affects the characteristics of HCV landlords. In Baltimore and Cleveland, the HCV landlord portfolios are small, with 42 and 57 percent owning fewer than six subsidized units respectively. In Dallas, the subsidized stock consists of more multifamily rental properties with large professional owners.

Our qualitative interviews enable us to add texture to these broad cross-site differences. In the following sections, we highlight the unique features of each housing market, discuss why the particular ownership form emerged, and use case studies to show how it impacts the lives of tenants.

Exhibit 6: Distribution of Housing Choice Voucher Units by City and Metropolitan Area and Size of Landlord

Number of Housing Choice Voucher Units in Portfolio	Baltimore Metro	Baltimore City	Cleveland Metro	Cleveland City	Dallas Metro	Dallas City
	Percent					
Very large (100 or more units)	0.08	0.12	0.13	0.07	0.18	0.29
Large (31–100 units)	0.24	0.18	0.12	0.10	0.31	0.31
Medium (6–30 units)	0.30	0.27	0.26	0.26	0.24	0.21
Small (1–5 units)	0.37	0.42	0.49	0.57	0.26	0.19
Total	1.00	1.00	1.00	1.00	1.00	1.00

Source: HUD administrative data

Exhibit 7: Distribution of Housing Choice Voucher Units by City and Metropolitan Area and Structure Type

Structure Type	Baltimore Metro	Baltimore City	Cleveland Metro	Cleveland City	Dallas Metro	Dallas City
	Percent					
Single-family detached	0.33	0.56	0.40	0.43	0.27	0.19
Semidetached	0.05	0.02	0.21	0.31	0.06	0.04
Rowhouse or townhouse	0.30	0.26	0.05	0.01	0.15	0.13
Lowrise	0.30	0.12	0.20	0.16	0.50	0.62
Highrise with elevator	0.02	0.03	0.13	0.09	0.01	0.03
Manufactured home	0.00	0.00	0.00	0.00	0.00	0.00
Total	1.00	1.00	1.00	1.00	1.00	1.00

Source: HUD administrative data

Baltimore: Mom-and-Pop Investors and Voucher Entrepreneurs

Baltimore’s rental housing stock is dominated by small properties, mostly rowhouses, which make up 59 percent of all rental units in the city compared with 21 percent of units in large buildings (2015 American Community Survey 1-year data).¹⁶ The stock is thus uniquely suited to small time “mom-and-pop” operators who own about one-half of the subsidized rental stock in Baltimore. The large owners in Baltimore consist mostly of voucher entrepreneurs, wealthy individuals who own dozens, and in some cases hundreds, of single-family rowhouses that they rent nearly exclusively to subsidized tenants. Several of these landlords appeared in our sample, with Rutherford Properties representing a prototypical case.

Rutherford Properties started small, gradually purchasing single-family rentals from Baltimore’s aging generation of large landlords. These self-proclaimed “old guys” had offered a low-quality product for low rents, sustaining their business on volume. Rutherford quickly realized that this business model was not sustainable. Lead-paint litigation, increased code enforcement, and a soft market meant that the old model was no longer profitable; they needed a way to finance the renovation of this aging stock while still turning a profit in a city where the median renter household makes only about \$29,000 per year (2015 ACS). The voucher program fit that bill.

Rutherford Properties used a simple process as far back as the 1990s, using their modest capital reserves they purchased a decaying rental property, renovated it, refinanced it based on its after renovation value, and then rented it to a voucher household. Because they knew the details of the system, they could usually get close to the fair market rent (FMR)—more than \$1,200 for a two bedroom in Baltimore, enough to cover the mortgage. By the time mortgage markets dried up post-2008, they had accumulated sufficient cash flow to self-finance. During the course of 15 years, they acquired several hundred single-family rentals, nearly all of which were rented to voucher holders. By working at scale, avoiding the highest poverty neighborhoods,

¹⁶ Based on the ACS categories, small buildings contain fewer than 5 units, whereas large buildings contain fewer than 20.

implementing careful screening and management practices, and making each property lead free, Rutherford Properties was able to make substantial profits through the voucher program. One of the owners laughed off the idea that voucher tenants were unprofitable: “Landlords who have horror stories and then say Section 8 is terrible. Well Section 8 is not terrible; you’re actually a terrible landlord.”

HCV landlords such as Rutherford Properties thrive in Baltimore for several reasons. First, is the nature of the stock—primarily single-family brick rowhouses. Because these properties are challenging to maintain, expensive to demolish, and rarely available in large batches of adjacent properties, barriers to entry exist to the rental market in Baltimore for larger corporate landlords who need to buy in at scale or are more comfortable with new construction. By remaining well capitalized and acquiring properties gradually over time, local owners like Rutherford Properties are able to maintain their market position. The reason that Rutherford Properties exclusively pursues a voucher strategy is related to the differential between the FMR in Baltimore (\$1,232), the median rent (\$1,038), and the rent that the median renter household can afford (\$736) (HUD, 2015; 2015 ACS).¹⁷ By renovating precisely to Housing Quality Standards (HQS) standards, taking advantage of scale economies in terms of managing paperwork and administration, voucher entrepreneurs like Rutherford Properties are able to earn substantial profits in a tough rental market like Baltimore. This strategy is not limited only to larger owners like Rutherford. Many of the smaller investors in the city also pursue a “voucher only” strategy (Rosen, 2014). Indeed, the owners of Rutherford and other similar companies teach courses aimed at smaller investors at the local real estate investment association seminars regarding the Section 8 strategy.

Dallas: The Institutional Investor

The housing stock in Dallas is very different from that in Baltimore; only about 14 percent of rental units are in small properties compared with 28 percent in large multifamily buildings, with the remaining 58 percent falling somewhere in between (2015 ACS). Although a number of our respondents owned and rented single-family properties to voucher holders, the dominant form of voucher housing in Dallas was large low-rise developments, often with Low Income Housing Tax Credit (LIHTC)-mandated income restrictions. This pattern is identifiable within the administrative data, with 62 percent of voucher holders living in low-rise apartment complexes. National investment companies owned these complexes, but in nearly every case, professional onsite property managers oversaw every aspect of the complex’s management.

For example, we spent several days with Tracy, the property manager of Breezewood Estates in south Dallas. Tracy described Breezewood Estates as a “tax credit property, which is based off your income” with about 100 “really nice” townhome units. Like many LIHTC developments, Tracy’s complex has a certain amount of cross-subsidization, where units are rented to folks with vouchers in complexes that are already income limited.¹⁸ Breezewood Estates does more than house its tenants; the national office tasked Tracy and her assistant with organizing a number of “social services for the kids.” She organizes an inhouse summer program that “takes them on

¹⁷ Some but not all of this difference is due to Baltimore’s designations as a 50th (rather than 40th) percentile FMR area. Depending on the year, this designation allows for a higher rent ceiling by approximately \$100 per month for a two-bedroom unit. This exemption is ending in fiscal year 2019.

¹⁸ Properties subsidized through the LIHTC program are required to accept housing vouchers.

field trips, takes them to the pool, just different things with them to keep them active and instead of being in trouble.” Tracy’s obvious ability to relate to and interact with her tenants was evidenced throughout our interactions—she is the personal face of the corporate ownership.

Beyond these interactions, however, Tracy’s business is highly routinized and standardized at the corporate level. Her tenant screening process is fully outsourced to an online service, and she abides by strict rules and regulations related to fair housing. Since corporations like the one Tracey works for have already standardized their processes of rent collection, maintenance and renovation, and eviction proceedings, it is easy to comply with many of the demands of the HCV program with minimal extra work. With this efficiency already in place, the HCV program is an obvious investment opportunity for corporations in Dallas in a way that is much less straightforward in our other two sites. The built environment in Dallas is uniquely suited for this type of large corporate ownership structure. The joint opportunities for tax credit development and readily available developable land allows for a steady supply of new construction. A filtering process was also in evidence, as several property managers noted that today’s HCV program developments were yesterday’s luxury townhomes. As wealthy families moved outward from the core, owners often purchased their housing, looking to repurpose the development for voucher tenants.

Cleveland: The Struggling Mom and Pop

In many ways, Cleveland presents the greatest challenge for the HCV program. Not only is the FMR substantially lower than the other two cities, but the city is extremely economically depressed with a poverty rate of 36 percent in 2015 (2015 ACS). Due to a small differential between the FMR and the voucher rent ceiling, the voucher “premium” is less in Cleveland, making the voucher program less profitable. The HCV landlords in our sample frequently viewed renting to voucher holders less as a business strategy and more as alternative born out of necessity when market tenants failed them.

John is such a landlord. He owns three small rental properties, which he rents primarily to voucher tenants. During our interview, he focused on a particularly rough part of Cleveland. The goal, he said, was to avoid vacancies as much as possible for that house and hope that the “market turns around,” and he might eventually be able to sell it at a profit. Beyond the obvious loss of rental income, John has also experienced problems with people breaking into his vacant homes to steal copper piping. However, finding a reliable market tenant in that community has proved challenging, so John switched to vouchers.

I could schedule five people to come and look at it this afternoon and a very low percentage [would] show up. So I end up going down there basically for nothing. So I just got on the Section 8 list and if they call me that means they’re interested they want to see you.

Moreover, even if a market tenant could be found, John does not want the hassle of rent collection. The voucher program solves that problem as well. He charges \$900 a month for the four-bedroom unit, of which his current tenant is responsible for \$100, with the remainder directly deposited into his account each month. John said he likes that his tenant keeps the unit clean, but she nearly never pays her portion. Although this nonpayment puts her at constant risk of eviction, John has so far held back, because the money from the housing authority is worth it to avoid the vacancy.

Although the program solves some of John’s problems—limiting vacancy while providing steady rental income—the HCV program does not represent a path to profitability in Cleveland. John noted that “by the time I end up paying [the mortgage and taxes] and the water and sewer, I’m in the negative.” Unlike the voucher specialists in Baltimore, John’s goal is simply to tread water and hope for property appreciation. He admittedly provides a fairly low-quality product, noting that the inspections, while burdensome, are the only thing “keeping [him] from being a slumlord.” He pushes many of the costs of doing business onto his tenant, including water and snow removal, and only visits the property during the summer to do exterior maintenance (and thus avoid citation from the city).

If John could rent reliably to market tenants, he would. In all three sites, landlords who can find market tenants usually prefer them. Without ways to incentivize landlords, the HCV program is not particularly attractive to landlords with other options.

Of course, the sites overlap significantly. Some voucher landlords in Baltimore struggled mightily, but a meaningful number of “mom-and-pop” landlords in Dallas and Cleveland contained some success stories. The case studies presented in this section are designed to illustrate the modal voucher landlord in each of the three contexts. This, in turn, provides critical background information that enables us to understand the more pronounced site-level difference of opinion related to the HCV program as described in the next section.

Pulling It Apart: The Incentives and Disincentives of the HCV Program

Landlords in Baltimore, Dallas, and Cleveland face a common set of challenges and barriers to profitability, including rent collection, vacancies and turnover, unexpected costs, and financing. Depending on the context in which the landlord operates, participating in the HCV program can alleviate some of these barriers but may exacerbate others. This section isolates the HCV program’s primary components, identifying three key factors that can influence a landlord’s preference for voucher tenants: (1) Financial motivation—landlords unanimously report that they receive rental payments more reliably when participating in the voucher program, and some receive a rental “premium” above what they could get on the private market, however, this differential is highly contingent on market factors; (2) Landlords’ perception of tenants—landlord prejudices and experiences with subsidized tenants play a key role in the decision to participate; and (3) Bureaucratic factors—interactions with the public housing authority (PHA) during contract signing and HQS inspections play a significant role in how landlords experience the program. For each of these, the different responses of landlords depend on the imagined hypothetical market tenant who would replace their voucher tenant. When the hypothetical tenant is roughly equivalent in terms of reliable payment of similar rents, the administrative costs of the program are weighed more heavily as a disincentive to participation.

Financial Incentives

One of the most challenging aspects of being a landlord who rents to low-income families is dealing with the late and partial payments. Not only does payment volatility destabilize cash flow, but landlords say they must devote a great deal of time and effort to rent collection. For this reason, some landlords demonstrate a strong preference for voucher tenants, because most of the rental payment is issued directly and dependably from the housing authority. More than any other factor, landlords mentioned guaranteed rent as a key motivator for their participation in the voucher program. As Exhibit 8 shows, in Cleveland, 48 percent, in Baltimore, 59 percent, and in Dallas, 61 percent of landlords cite rent dependability as a positive motivating factor for participation (not surprisingly, none thought it was a negative aspect).

Exhibit 8: Financial Factors Affecting Landlords' Participation in the Housing Choice Voucher Program

Influence of Public Housing Authority's Direct Deposit of Rent by City	Cleveland	Baltimore	Dallas
	Percent		
Positive factor	0.48	0.59	0.61
Negative factor	0.00	0.00	0.00
Not a stated factor	0.52	0.41	0.39
Total	1.00	1.00	1.00

Beliefs About Voucher Rents in Relation to Market Rents That Are Motivations for Participation or Nonparticipation by City	Cleveland	Baltimore	Dallas
	Percent		
Voucher rents are higher	0.05	0.26	0.03
Voucher rents are lower	0.33	0.06	0.21
Voucher rents are higher in some locations	0.00	0.18	0.18
Not a stated motivation	0.62	0.50	0.58
Total	1.00	1.00	1.00

Notes: N = 127. Tabulations represent percentage of respondents stating that item was a positive or negative factor for participation or nonparticipation.

Source: Unweighted tabulation of interview sample

Liam, a longtime landlord in Baltimore, explained this key benefit of the voucher program: “They [the PHA] are going to give you the certain payment, they going to have that deposit sitting in your checking account on the first of the month. It’s nice to see that deposit, instead of picking up the phone and saying [to the tenant] ‘Are you going to pay this month?’”

Liam, however, also described another financial benefit, namely that voucher rents are higher than he could reliably receive from a market rate tenant (DeLuca, Garboden, and Rosenblatt, 2013b; Rosen, 2014). Whether this benefit means that the voucher program pays a premium for such units is an open question. Landlords, for their part, argue that when voucher rents fall above market rents, it is because they are providing “diamonds in the rough”—homes of such high quality that their worth exceeds what the market is willing or able to pay. Our data cannot address this issue, but what matters for program participation is landlords’ *perceptions* of profitably—whether or not they believe the HCV program enables them to receive higher rents than a hypothetical market tenant.

The degree to which landlords report higher rents as a motivating factor for participating in the HCV program depends largely on the urban context. As shown in Exhibit 8, about 26 percent of landlords in Baltimore reported that higher rents were a factor in their decision to accept voucher tenants, but we do not see this factor in the other two cities. These figures were nearly entirely reversed in Cleveland, where 33 percent of landlords reported that voucher rents were *lower*. Dallas provides the most mixed picture, where 21 percent of landlords reported that voucher

rents were lower, 18 percent said that whether voucher rents were higher or lower depended on the unit's location, and only 3 percent of landlords reported that voucher rents were higher.

Many factors likely could explain these differences, but the difference between the FMR and the market rent in each city is dominant. Baltimore is a poor city in a rich metropolitan area, which includes the Washington, D.C. suburbs. Because FMR is calculated based on rents for the entire metropolitan area, Baltimore landlords have a higher rent ceiling relative to what the unsubsidized market can bear. The FMR for a two-bedroom unit in Baltimore is \$1,298 per month, a full 54 percent of the \$29,000 per year median Baltimore city renter income. In Cleveland, the FMR is much lower—only \$733 for a two-bedroom unit (nearly \$500 less per month than in Baltimore)—where the median income is only \$20,705 a year. Although the Cleveland FMR is also higher than the city's median rent, the gap between the two is far smaller, meaning that fewer Cleveland landlords would experience the voucher rent premium as an economic incentive for accepting vouchers.

Dallas is an interesting third case. Rather than being set at the metropolitan area, FMRs in Dallas have been based on the rents within each ZIP Code, making for fewer discrepancies in either direction. Allowing for rent ceilings that vary by neighborhood, lower rents in high-poverty neighborhoods discourage landlords from accepting vouchers there and, in theory, incentivize landlords to accept vouchers in low-poverty neighborhoods where rent ceilings are higher. Our data support the extant quantitative literature that locally set FMRs may have a real, if small, impact on neighborhood attainment through this mechanism (Collinson and Ganong, 2016).

The Voucher Tenant

For the landlords we studied, the tenants mattered quite a bit in a landlord's decision to rent through the HCV program. Between 51 and 74 percent of our sample mentioned that the tenants were a factor in their decision to rent to voucher holders. Although the tenants were a deterrent to participation for some landlords, they were a motivating factor for others. On the one hand, even when rent was guaranteed through the HCV program, landlords worried about tenant "quality" for a variety of reasons. A "bad" tenant can vandalize a rental property, force time-consuming and unprofitable evictions, generate citations that a landlord needs to pay, and cause any number of other headaches. On the flip side, some landlords feel voucher tenants are better for key reasons. Some perceive voucher tenants to be more grateful than market tenants and therefore more respectful of the home.

The ways in which landlords evaluate voucher tenants differ between cities. As Exhibit 9 shows, between 15 and 25 percent of landlords in each city do not believe voucher tenants to be significantly different from market-rate tenants, and in Baltimore, 18 percent believe voucher tenants to be "better" than other tenants. However, a great deal of stigma is still attached to program participants; even 20 percent of landlords in Baltimore, 30 percent in Dallas, and 45 percent in Cleveland believed that voucher tenants were worse.

In many cases, it is difficult to disentangle the landlord's actual negative experiences with voucher tenants from their prejudices. For example, Franklin, who specializes in renting to voucher families, described what he sees as the difference between himself and his tenants.

They don't run their lives like us; they weren't brought up like us—I mean I don't know you two [the interviewers], but I know me. I was raised in a decent background. Most of them aren't. We know the issue with a lot of these racially

challenged people and the families they were brought up with—the families that they were raised in, the male role model was nonexistent or very weak, and just not good. And you’ve got to feel sorry for a lot of them really, but nevertheless a lot of these problems have resulted from them. And some people call them generational, I don’t know, it might be multigenerational. But they don’t think like us.

Another factor related to tenants that landlords consider is the eligibility screening that they undergo in order to qualify for the HCV program. Given this qualification screening, some landlords view voucher tenants as “prescreened.” Keisha, a Dallas landlord, explained the benefit.

You know that they have no felonies, you know there’s been no illegal activities, and you know that you’re going to get whatever rent or portion of the rent that you’re asking for. It’s just covered and secured. And with me, I need security.

Although only 15 to 22 percent of landlords noted prescreening as a benefit of the HCV program (Exhibit 10), it nevertheless indicates that many of our respondents do not implement adequate tenant screening. Interestingly, nearly twice the proportion of landlords in Baltimore (21 percent) as in Cleveland (11 percent) found voucher eligibility screening to be a benefit of the program.

Exhibit 9: Landlord Attitudes About Voucher Tenants That Motivate Participation or Nonparticipation in the Housing Choice Voucher Program by City

Landlord Perception	Cleveland	Baltimore	Dallas
Percent			
Voucher tenants are better	0.05	0.18	0.06
Voucher tenants are worse	0.45	0.21	0.30
Voucher tenants are the same	0.24	0.26	0.15
Not a stated motivation	0.26	0.35	0.48
Total	1.00	1.00	1.00

Notes: N = 127. Tabulations represent percentage of respondents stating that item was a positive or negative factor for participation or nonparticipation.

Source: Author’s tabulations of indepth interviews

Exhibit 10: Landlord Attitudes About Public Housing Authority’s Screening of Recipients That Motivate Participation or Nonparticipation in the Housing Choice Voucher Program by City

Landlord Perception	Cleveland	Baltimore	Dallas
Percent			
Positive factor	0.11	0.21	0.15
Not at all effective	0.00	0.03	0.03
Not a stated motivation	0.89	0.76	0.82
Total	1.00	1.00	1.00

Notes: N = 127. Tabulations represent percentage of respondents stating that item was a positive or negative factor for participation or nonparticipation.

Source: Author’s tabulations of indepth interviews

It is true that voucher holders are generally not allowed to have certain crimes on their criminal record and cannot have been evicted from housing while on the voucher program, but by and large, the type of screening that the PHA conducts is far below what the experienced landlords in our sample conducted, such as credit reports, home visits, calls to previous landlords, eviction histories, employment screening, and so forth. This false sense of security can encourage landlords to neglect their own screening techniques, creating a negative impression of the voucher program and voucher tenants going forward.

Finally, a significant portion of our landlords (15 in Dallas, 21 in Baltimore, and 22 percent in Cleveland) stated that they were motivated to participate in the program out of a desire to “do good” for their tenants and “help others.” For example, Devah, an African-American landlord in Baltimore explained, “Being a landlord, you’re going to be a psychologist, a counselor, a mother, you got to be all of that. I find that I really enjoy that. It does my heart good.”

Although such statements are certainly self-aggrandizing, many of the landlords who expressed them were motivated by their personal backgrounds. Several of the female landlords in our sample, including Devah, grew up in situations not dissimilar from their tenants. Having done well financially, these women did develop close personal connections with their tenants and felt inspired to give back in some way.

Interactions With the Public Housing Agency

Units in the HCV program must pass yearly quality inspections to qualify for the voucher program. As Exhibit 11 shows, when it comes to inspections, one-half of landlords in Baltimore and Cleveland report that inspections are a burdensome and negative aspect of the program, whereas landlords in Dallas, perhaps because the housing stock is newer, are largely unconcerned.

Exhibit 11: Administrative Factors Affecting Landlords’ Participation in the Housing Choice Voucher Program, by City

Influence of Annual Housing Quality Standards Inspection	Cleveland	Baltimore	Dallas
	Percent		
Are useful to me	0.05	0.12	0.24
Are burdensome and costly	0.60	0.50	0.12
Not a stated motivation	0.34	0.38	0.64
Total	1.00	1.00	1.00
Influence of Interactions With Public Housing Authority			
Positive factor	0.03	0.06	0.06
Negative factor	0.45	0.50	0.27
Not a stated motivation	0.52	0.44	0.67
Total	1.00	1.00	1.00

Notes: N = 127. Tabulations represent percentage of respondents stating that item was a positive or negative factor for participation or nonparticipation.

Source: Unweighted tabulation of interview sample

Animosity toward inspection is hardly surprising; landlords must wait for inspectors to arrive and sometimes make costly repairs. Although any form of inspection is burdensome, what appears to frustrate landlords the most is perceived inconsistency and unpredictability of outcomes (Greif, forthcoming). If landlords can predict what's coming and fix things in anticipation, they can accept the inspection as a cost of doing business. When they feel that inspectors will identify minor issues while simultaneously missing larger ones, they lose faith in the process. This unpredictability is particularly frustrating to landlords at the time of initial inspection, which can mean the landlord might need to delay the move-in date, meaning a whole month's rent can be lost. As described in detail in the following, administrative inefficiencies related to inspection are one of the primary drivers of nonparticipation.

Interestingly, a small yet substantial number of landlords described the inspection in a positive way. In nearly all these cases, the reason for their enthusiasm is that the inspection will bring things to the landlord's attention that he or she might not be aware of until it is too late (a water leak, for example). Competent landlords will, of course, inspect their own units on a regular basis, but for those who do not do so (either because of incompetence or living out of state), they appreciate the work the PHA does in providing annual monitoring of their investments.

Landlords who participate in the Housing Choice Voucher program also interacted with the PHA outside of the context of inspections, and their experiences were not positive. About one-half of our landlords in Cleveland (45 percent) and Baltimore (50 percent) and about a one-fourth in Dallas (27 percent) view interactions with the PHA and the bureaucratic hurdles involved in renting through the program (for example, negotiating the housing assistance payments (HAP) contract) as a negative factor. As shown in Exhibit 11, nearly none of our landlords viewed these interactions as positive. When things take too long with the housing authority, landlords lose money. Carlos, who has no stated preference in regard to vouchers, explained why he is conflicted.

There was a lady one time and she said, 'I'll take it.' But it took her so long to get back with me and somebody else came in and I said okay. So, every day that it's vacant, in theory I'm losing money. So I'm not opposed to it, it's just, that time [it] just took forever.

The material consequences of bureaucratic inefficiency certainly grate on landlords. They also often resist the idea of government assistance and big government in general, even when their livelihood depends on it. As Gary put it succinctly, "All bureaucracy sucks no matter where it is when you are dealing with government or county or city programs."

The Last Straw: How Experience Drives Nonparticipation

The previous section described landlords' views of each aspect of the HCV program, focusing on how market dynamics shape those perspectives. Each of those elements, we argue, would be expected to have a marginal impact on program participation in particular contexts. A different, albeit highly related question regards which factors drive nonparticipation. In other words, given the bundle of costs and benefits inherent in the HCV program, what in particular drives a landlord to refuse participation? To answer that question, we examined the 37 property owners in our sample who did not participate in the program or were actively trying to end their participation by refusing any additional HCV program tenants.

Our data suggest that nonparticipation is not a static category; 68 percent of nonparticipants had previously rented to voucher holders and described their choice to reject voucher tenants as emerging directly from their past experiences.

As Exhibit 12 shows, only 8 percent of nonparticipating landlords (that is, 3 out of 37) cited inadequate rents as their primary motivation for not accepting voucher holders. Recall that this sample is only of landlords with units in low-rent markets, it excludes owners with only high-end and luxury units who can generally reliably collect rents much higher than paid by the voucher program. Our sample, however, did include landlords who had no trouble finding enough reliable renters outside of the voucher program. Having successfully engaged a reliable alternative tenant, nonparticipation in the voucher program is the easy and obvious choice. Clifton, for example, owns rentals in Lakewood, a hip inner-ring suburb just outside the city of Cleveland. He does not accept vouchers and did not have much to say about why, other than he is looking for a completely different demographic, “young professionals right after college, [when] they start making good money. We’re probably their first spot after the dorm, or whatever it is, where they can work 9:00 to 5:00.” These tenants pay rent reliably, and he had never considered participating in the program, and so he doesn’t have to give the voucher program a second thought.

Exhibit 12: Stated Reasons for Nonparticipation in the Housing Choice Voucher Program for Property Owners

Reasons for Nonparticipation	Percent
Any inspection issues	0.51
Costs associated with repairs	0.30
Time associated with inspections	0.30
Lack of Public Housing Authority support during tenant conflict	0.41
Inadequate rents	0.08
Paperwork and bureaucracy	0.41
Dislike of regulation, lack of control	0.19
Other	0.06

Notes: N = 37 (participants and property managers excluded). Categories are nonexclusive.
Source: Unweighted tabulation of interview subsample

However, most nonparticipants rejected the program not because of a lack of market fit, but because of negative experiences with the program. These experiences generally consisted of some subset of the following dynamics: (1) Inspections that nonparticipants felt were capricious, time consuming, or both; (2) A general frustration with the bureaucratic aspects of participation, particularly in terms of a lack of control over one’s business; and (3) A tenant conflict, which they felt the program limited their ability to resolve. As shown in Exhibit 12, some combination of these dynamics occurred with most nonparticipants.

Although not all cases included all three dynamics, they are deeply related. Because most of the rent is paid to HCV landlords directly from the PHA, the primary opportunity for landlord-tenant conflict relates to housing maintenance and repairs. Although our respondents placed a certain amount of blame on their tenants—at times defending their position with stereotypical narratives related to the irresponsibility of the urban poor—the bulk of the vitriol was reserved for the HUD program bureaucracy that landlords had hoped would take their side in the conflict. When the PHA intervened in relation to tenant complaints or annual HQS inspections, landlords often felt the PHAs had failed them.

This distrust is readily apparent when it comes to the routine administration of the HCV program, specifically the requirement for annual and pre-move-in inspections. As previous section described, few landlords would voluntarily submit to an inspection regimen if one was not required but most were committed, at least in theory, to the idea that their properties should be up to code, free from hazards, and so forth. What frustrated them, however, is that they believe that the inspection program is not administered consistently and predictably.

Marlene, for example, owned 19 rental properties in the inner ring suburbs of Baltimore. She had rented to many voucher holders in the past, but by the time we spoke with her, she was desperately trying to turn over her stock to rent to market tenants. Marlene's homes were in fairly desirable areas for voucher families, making the removal of her homes from the subsidized stock particularly troubling for policymakers hoping to attract landlords in opportunity neighborhoods. However, Marlene explained that she was having "issues" with tenants and was frustrated in the PHA's lack of support. The final straw for her were the inspections, which she felt were fundamentally unfair.

So the Section 8 process... my husband and I are not slumlords. We take very good care of our properties, but they have inspections every year and they are getting more and more ridiculous with what their requirements are. Not requirements, but... like for example, I had one house that... you know, when they move in they do an inspection. Your house has to be in pretty perfect shape, or at least mine always have been. But sometimes I'll go to a potential tenant's house [for screening] and I know that they have a Section 8 voucher. And I look the house and I think, "Oh my god, how could they ever let you live here?" But then they come to my house and, you know, every... like if the paint colors don't match they make you paint...

Marlene claimed that many of the inspectors she has encountered are unknowledgeable, punitive, or corrupt. For example, she was cited for an open interior ventilation pipe in an exterior stairwell, which she claimed posed no particular risks. She claims the inspector did not notice the lock box where he would have found the key to enter the home without Marlene's presence and so the inspector surmised that she had failed to show up to several appointments and decided to claim that she had overcounted the number of bedrooms. Finally, she expressed an unsubstantiated belief that the larger landlords get an easier time during inspections, because the inspectors are "paid off."

Marlene was clearly presenting only her personal suspicions. Her beliefs may or may not be factually accurate, but they are significant for our purposes in that they lead to her exiting the voucher program. The reports of corruption were extremely rare, but the capriciousness of Housing Quality Standards inspections was a sentiment felt by nearly all the respondents in our

sample. Many landlords noted that they made only the most obvious repairs in advance of their scheduled inspections; they were so confident that the unit would fail that they simply waited for the first inspector to provide a list of issues to be addressed, costing both them and the program time and money. This problem was particularly acute on initial inspections, when a failure results in housing insecurity for a tenant and a loss of rent revenue for a landlord.

The case of Antwan, a landlord in Cleveland, illustrates how landlords' expectations of the PHA can break down, with consequences for program participation. Antwan bought his first rental property cheaply for cash—only a few thousand dollars—and started renting to voucher tenants nearly immediately. His first tenant, an older man who did carpentry work, stayed 5 years and worked out well for Antwan. However, his next tenant, a woman on the second floor, was, in Antwan's words, "just nasty." He was called repeatedly to her home to fix various issues. When he grew frustrated with these requests, both parties appealed to the Cuyahoga Metropolitan Housing Authority. When the inspectors came out they insisted that Antwan make some repairs (such as carpet cleaning) that he felt should be paid for by the tenant.

I guess somehow Section 8 said I wasn't doing what I needed to do. You know? They wanted me to fix some things and I was trying to make them understand that I would do this, but the tenant needs to be responsible for some of this. And they were like no, well if you don't do certain things as the landlord they'll let them get out of the lease. I said, "Fine." Fine, no harm intended as long as they move right out and I don't have to evict them. I'm already losing rent here, so it's going to cost me up to \$1200 to put the place back together.

Despite this experience, Antwan did not give up on the program right away. He felt his next few voucher tenants were better, but he was frustrated that they moved frequently, resulting in vacancy and turnover costs. Although Antwan again bemoaned the tenants' frequent decisions to relocate, he felt the CMHA was shirking some responsibility, "[the tenant] can say I don't like the way things are going over here and Section 8 doesn't really say, 'Well you can't keep moving every year.'" Of course tenants are perfectly within their rights to relocate when their lease is up, just like any other unsubsidized renter.

When probed about these interactions, Antwan said that the PHA was too "black and white" and did not allow for much "grey area" in his conversations with staff. Instead of an agency willing to partner with him as he had hoped, he felt that he consistently got the message of, "It's your property. You're making all the money. You should fix stuff," even when he did not think that was fair. Finally, Antwan told us he reached a breaking point and decided to stop accepting voucher tenants.

Then I stopped in 07, because it got to be too much of them coming in and basically saying you need to do this and do that. It was too much control and not enough of the tenant being held responsible. Like hey, this is what you need to do for the tenant. If they were to find some way to make the tenant responsible to fix some of the damage, some of the wear and tear.

Antwan's account is of course merely one side of a three-sided story. The tenant likely had their own version of who was at fault, and of course, it is the CMHA's job to ensure that all its clients live in safe and sanitary environments. Although we cannot adjudicate the different accounts of this story, what is interesting here is Antwan's expectation that the CMHA intervene on his behalf. Although Antwan is well within his legal rights to pursue damages from a tenant who

damages his property, his expectation that the CMHA will advocate for him to punish the tenant for excessive wear and tear or discourage the tenant from relocating to help him avoid turnover costs is, quite simply, not the job of the PHA. These unrealistic expectations on the part of landlords have important policy consequences, as we will discuss in the next section.

Previous work has shown that some landlords frame their participation in the voucher program as a social good, a sort of quasi-charitable endeavor through which they assist the government in its program of housing low-income people (Greenlee, 2014). In exchange for this charity, landlords like Antwan often see their relationship with the PHA as a partnership, at times holding unreasonable expectations that the PHA will prioritize their needs over those of their tenants. However, the PHA is not set up to take sides. By virtue of regular inspections and the PHA's legal right to withhold payment, the PHA may at times intervene to ensure housing quality. In these moments when landlords' frustration with a troublesome tenant situation intersects with their perception of a misallocation of justice from the PHA, the landlord may be susceptible to exiting the program.

In summary, our data suggest that only one-third of landlords with properties below 150 percent of Fair Market Rent avoid the voucher program entirely. The rest of the nonparticipants have had negative experiences with the program, primarily in the form of tenant disputes and inspection inconsistency, which have pushed them out. Although these negative experiences may be disheartening for practitioners, the next section suggests that it is in fact an enormous opportunity to expand the pool of voucher landlords. Because so many have direct encounters with the program, small-scale reforms can help avoid the situations common in our sample.

Conclusion: Policy Insights

In nearly every city, landlords can choose whether or not to rent to a tenant with a housing voucher (Tighe, Hatch, and Mead, 2017). Many refuse to do so, discouraging subsidized tenants in their marketing or directly rejecting them as part of the screening process. At the same time, however, most cities contain a subset of landlords who covet the reliable and sometime higher rents that voucher holders represent. They compete with one another through move-in incentives and targeted marketing, sometimes lining up outside the doors of the voucher office to recruit families having just received their vouchers. How does the program operate so differently for different landlords? What motivates landlord participation in this program and for what reasons?

We demonstrated the role of various factors in motivating landlords to participate or opt out of the voucher program. Although financial factors such as reliable rental payments and the voucher premium play a key role in motivating participation, negative experiences related to tenant factors and bureaucratic PHA hurdles, including inspections and HAP negotiations, are often a significant deterrent to landlord participation. Taken together, our results suggest the need for policymakers to consider how landlords think about their alternative options as they decide whether or not to participate in the voucher program. Our results suggest that in all three cities, the costs and benefits to the program are weighed against the hypothetical counterfactual tenant that a landlord might otherwise rent to in the open market.

We found that in Baltimore, the old housing stock makes inspections cumbersome, but the financial perks of renting through the HCV program make participation worthwhile for a large group of landlords, relative to the risks of renting to poor market tenants. Although Cleveland has a similar aging housing stock, renting through the program is less of a financial incentive, and the counterfactual tenant is quite similar to the voucher tenant, making the unpredictable inspections too costly to motivate as many landlords to participate. In Dallas, we showed how market niche shapes motivation. Landlords with a certain type of housing have a strong motivation to participate, but for those in opportunity neighborhoods with high-quality housing, they have no trouble attracting reliable market tenants.

This report described the barriers to profitability in the low-end rental market, how landlords adapt to these challenges, and how participating in the HCV program interacts with this process. Although the HCV landlords in our sample spoke positively of many aspects of the program (reduced losses because of nonpayment and higher rents in some cases), some landlords still associate significant stigma with the program—even among those who participate. In this conclusion, we discuss the ways in which our data apply to a variety of policy proposals designed to improve outcomes for HCV families, such as small area fair market rents, source of income (SOI) protection, housing mobility programs, and institutional reform.

Small Area Fair Market Rents

Metropolitan-level FMRs create financial incentives for landlords to rent to voucher holders in poor neighborhoods and disincentives to rent to voucher holders in more affluent areas (Collinson and Ganong, 2016; DeLuca, Garboden, and Rosenblatt, 2013b; Rosen, 2014). Landlord accounts corroborated these findings in all three of our research sites—in Baltimore, where landlords report a voucher premium for their properties in poorer neighborhoods, and in Cleveland, where the FMR is only slightly higher than the city’s median rent, thus creating a sort of “null effect” when it comes to voucher acceptance. In other words, in high-income

metropolitan regions like Baltimore, some housing in low-poverty neighborhoods is likely available at or below FMR, but this scenario is likely not the case for the Cleveland market.

In Dallas, the SAFMR demonstration has produced the anticipated results. Research on the Dallas case found that when the FMR is defined at the ZIP-Code level rather than at the metropolitan level, voucher holders move to better neighborhoods (Collinson and Ganong, 2016). We should note, however, that nearly none of the small landlords in Dallas understood the SAFMR change, the impact of which is muddled by payment standards and rent reasonableness.¹⁹ Those that were even aware of the change knew simply that their rents had decreased—a fact that was met with dismay despite the hold-harmless period. Although it is likely the SAFMR was a factor in the larger investors’ decisions to market particular properties to voucher holders, the lack of understanding has likely limited the program’s effectiveness.

Our data may also help explain the uneven impact of the SAFMR demonstration, which showed the strongest effects in Dallas, more moderate positive effects in Cook County, and negative effects in Chattanooga (Finkel et al., 2017). Assuming that the voucher program continues to be administered more or less at the jurisdictional level, the ability of SAFMR to promote opportunity moves will be restricted in some central cities. In the city of Baltimore, for example, the hypothetical implementation of SAFMR combined with a reduction to the 40th percentile (from 50th)²⁰ would result in a reduced or static rent ceiling in every single ZIP Code in the city, according to the 2015 hypothetical SAFMRs. Although this ceiling would certainly reduce the incentive of the voucher specialists to rent to voucher holders, it would fail to incentivize landlords anywhere else within city limits. To be effective in all contexts, SAFMR must be coupled with SOI legislation and, ideally, administrative restructuring to facilitate moves between urban and suburban jurisdictions.

Source of Income Protection

One policy tool that has been proposed to create more widespread acceptance of voucher holders is a national SOI protection law. Currently, this type of legislation exists in only a handful of jurisdictions across the country (PRRAC, 2017; Tighe, Hatch, and Mead, 2017) and not in any of our sites. For landlords who are able to rent units above FMR, such a law would have little impact—they could simply price out of the voucher market. This situation would include many of the landlords in the low-poverty communities in which voucher holders struggle to find housing. For tenants looking to live in more marginal communities, however, SOI protection could theoretically provide an essential tool to press their case for housing.

Our data suggest some challenges to implementing such an anti-discrimination law. For small landlords, tenant screening is often haphazard and poorly documented, making discriminatory intent difficult to prove. As described previously, mom-and-pop owners frequently told us that their decisions were made based on a “gut feeling”—a statement that was confirmed during our observations of meetings with prospective tenants. Although this gut-feeling screening is not explicitly discriminatory, it nevertheless interacts with the landlord’s preconceived notions of

¹⁹ Several landlords in Baltimore and Cleveland insisted that FMR “went by the ZIP Code.”

²⁰ This reduction is currently planned for fiscal year 2019, although Baltimore is currently exempt from the SAFMR implementation.

voucher tenants, particularly when housing subsidies predominantly serve racial and ethnic minorities. Differentiating this gut feeling from categorical rejection of HCV families will be difficult in areas where higher income families apply for the same apartments as voucher holders.

Our data suggest the program is most likely to be effective in larger apartment complexes, such as those in Dallas. These complexes generally outsource their tenant screening and thus operate at levels of aggregation that are easy to monitor and enforce. In many cities, they are routinely audited and even employ inhouse testers to ensure compliance by property managers across their portfolio (a fact that made our initial interactions with them challenging until we assured them of our true intent). Our data also suggest that these complexes are the sites of the most pernicious examples of SOI discrimination. Because these complexes often operate an “all or nothing” policy of voucher acceptance, a few in our sample spoke of performing mass evictions of voucher tenants (at the time of lease renewal), resulting in large-scale involuntary displacements.

In addition to enforcement challenges, taking on a voucher tenant for landlords of small properties comes with real costs in terms of property maintenance and bureaucracy. Although often cited as a key reason to avoid such legislation, our data suggest that it is not the actual process *per se* that landlords of small properties find challenging, but instead the fact that it appears unevenly implemented. We do not wish to underestimate the logistical challenges related to inspecting thousands of rental properties on an annual basis, but our data suggest that reform is possible. Although Cleveland landlords were nearly unanimous in their contention that the inspection process was burdensome, landlords in Baltimore spoke of significant improvement during the past 10 years in terms of the timeliness of inspection and its reliability. In newer housing markets like Dallas with more professional landlords, the burdens of inspection were significantly lessened.

Landlord Training

As described previously, a significant portion of the negative feelings that landlords harbor toward the voucher program come from their unrealistic expectations of the public housing authority staff to support their business. Landlords who rent to market tenants, for example, know that if a tenant refuses to pay for damages to a unit, then the civil court system is their only recourse. Voucher landlords, however, frequently seek the PHA’s help in recovering such losses, generally after a unit fails inspection due to such damages. When the PHA refuses to intercede, the relationship quickly goes south.

These stories speak to the need for PHAs to invest resources at the front end to manage landlord expectations around the program and to inform them of their legal rights and obligations. Although the HAP contract is theoretically designed to accomplish these goals, its inadequacy is abundantly clear in our data. Because so many landlords are inexperienced, this training could be useful beyond clarifying the role of the PHA. It could, for example, emphasize the importance of tenant screening, inform them about programs available to them related to weatherization, conducting inspections of their properties to guard against water leaks, and so forth. Since the 1960s, the lack of quality management practices has been identified as the key source of urban divestment (Stegman, 1972); it is clear that the problem will not resolve on its own.

Housing Mobility Programs

In two of our sites, Baltimore and Dallas, an active housing mobility program was in place at the time of our research to help families escape high-poverty neighborhoods. In both cities, few landlords were aware of the programs. Those landlords that did know about these programs generally expressed the sentiment that the alternative programs had superior customer service, and a few believed that they had higher quality tenants. As one landlord in Baltimore reported—

They are much more customer friendly. If a landlord calls and has an issue, they are much more responsive than Section 8. Section 8 is not very responsive, because it's government and anything to do with government workers, they are paid a salary, they do what they're told, and that's it [sic.]. For nonprofit organizations, usually there are a lot more—usually these are people who want to work for that nonprofit organization.

Although these reputations are only as good as the program's implementation, they provide an important opportunity for mobility programs, even when managed by the PHA, to essentially rebrand.

If, as we described in the section titled *Why Amateurs Invest in Urban Real Estate*, most nonparticipating landlords have rented to voucher holders in the past, then a mobility program presents an opportunity for a second chance. By conducting landlord outreach under a name that landlords do not know, a mobility program has the opportunity to sidestep the previous experiences of landlords and their outdated stereotypes about the voucher program. Mobility programs also hire and train staff to counsel tenants about budgeting, home repair, and other important issues related to private-market renting that also enables the program to “vouch” for the quality of its participants.

Institutional Reform and Inspections

Although a number of respondents reported that their PHA has improved its processes over time, bureaucratic issues were still endemic. Although few landlords relished an annual inspection or a HAP contract, many landlords expressed frustration at perceived capriciousness among PHA bureaucrats and inspectors, leading to negative externalities for tenants. For example, data from Cleveland suggest that landlords' distrust of the inspection process may lead to practices that can have deleterious effects on renter stability. Some landlords used perceptions of mistrust and unpredictability to justify illicit tactics (for example, bribery) to elicit “successful” inspection outcomes.

Further, these perceptions fueled an attitude that subpar housing conditions need only be remediated on receiving official inspection violations. When landlords believe that they cannot anticipate what issues an inspector will find, they defer repairs until they know what will make the inspector's list. If landlords could predict the outcomes of inspections in advance, our data suggest they would make more proactive repairs. Inspections would also benefit from expedited timeframes. Unit vacancies and move-in delays due to inspection problems are disadvantageous for both landlord and tenant alike.

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Appendix A: Random Sampling

Respondents were sampled from three sources: (1) a random sample of rental listings on websites explicitly targeting families with vouchers (GoSection8.com and HousingCleveland.org) (N = 65); (2) a small random sample of rental listings on Craigslist.com, the most of which did not rent to voucher holders (N = 18); and (3) a purposive sample of respondents of theoretical interest, either because they were not likely to be included in the random sample (because they did not list their units publicly or had only just started investing) or were substantively interesting and were recommended by other respondents (N = 42).

To ensure heterogeneity of neighborhood context, the sampling frames of recent rental listings were stratified by census tract racial plurality (Black and White in Baltimore and Cleveland, non-Hispanic White, non-Hispanic Black, and Hispanic in Dallas) and poverty (above or below 20 percent poverty rate in the census tract). Exhibit 13 shows the distribution of our sampling frame by city and source of listing.

Exhibit 13: Sampling Strata of Scraped Eligible Rental Listing by City and Source (Percent)

	Cleveland		Baltimore		Dallas	
	GoSection8 and Housing Cleveland	Craigslist	GoSection8	Craigslist	GoSection8	Craigslist
Poor Black	57	21	57	29	56	5
Low-poverty Black	16	25	32	19	7	5
Poor White	16	3	4	25	2	5
Low-poverty White	11	51	8	27	8	72
Poor Hispanic					24	8
Low-poverty Hispanic					3	5

Source: Listings scraped and geocoded from GoSection8, Housing Cleveland, and Dallas

In all three cities, the units listed on the websites tailored to voucher tenants were in high-poverty, highly segregated neighborhoods.

To ensure heterogeneity in the qualitative data, the sample was not drawn proportionately to the population across the strata. Rather, to ensure sufficient data in each category, the research team endeavored to sample equal numbers of landlords with focal properties in each racial stratum and twice the number from poor than from low-poverty tracts. The goal was to achieve the same number of respondents in each stratum from the Craigslist sample. Exhibit 14 shows the breakdown respondents in terms of strata. The overall goal of heterogeneity was achieved through this method particularly for the subsidized sample, which includes landlords with focal properties across the full range of neighborhoods.

Exhibit 14: Final Number of Randomly Sampled Respondents With Each Sampling Strata, by City and Source

	Cleveland		Baltimore		Dallas	
	GoSection8 and Housing Cleveland	Craigslist	GoSection8	Craigslist	GoSection8	Craigslist
Poor Black	11	2	5	1	6	1
Low-poverty Black	10	2	2	2	4	0
Poor White	3	0	1	2	2	1
Low-poverty White	5	3	3	2	1	2
Poor Hispanic					5	0
Low-poverty Hispanic					4	0
Total	29	7	11	7	22	4

Note: Because respondents from the field sample lacked a focal property, they are not included in this table.
 Source: Listings scraped and geocoded from GoSection8, Housing Cleveland, and Dallas

As Exhibit 15 shows, the subsidized sample undersamples properties in poor minority neighborhoods and oversamples those in affluent neighborhoods, as designed. Although sampling weights can be constructed, we chose not to use them in reporting our findings. Although our sample represents a large-n interview study, the comparably small number of respondents in each stratum make such weighting potentially misleading. Instead, we relied the administrative data to determine population-level patterns of rental property ownership, whereas the interviews helped us interpret those overall patterns.

Exhibit 15: Distribution of Respondents From Random Sample of GoSection8 and Housing Cleveland by Strata, City, and Source

	Cleveland	Baltimore	Dallas
	Percent		
Poor Black	38	45	27
Low-poverty Black	34	18	18
Poor White	10	9	9
Low-poverty White	17	27	5
Poor Hispanic	—	—	22
Low-poverty Hispanic	—	—	18

— not applicable

Source: Authors' unweighted tabulation of interviews

Appendix B: Ethnographic Data

The ethnographic observations used in this study range from brief tours of rental properties to extended shadowing of respondents during several days. The following provides details on more indepth types of observations conducted in each site, with names removed for confidentiality.

Cleveland Site

Two full-day ride-alongs with landlords.

Ride along with bailiffs on eviction set outs (saw several dozen units).

Observation of courtroom hearings over eviction and debt.

Observation of closed mediation sessions over eviction and debt

Observation of Housing Choice Voucher program inspection.

Interviews with elected city council members.

Interviews with court officials who oversee landlord-tenant matters.

Observation of landlord interaction with officials at public housing authorities.

Baltimore Site

Participant observation of Real Estate Investment Seminars (22 sessions).

Assisted real estate investor is mass mailing, evaluating leads.

Attending real estate auctions (3).

Full-day ride-along with sheriff conducting evictions (approximately 10 units).

Interviews with members of sheriff's department (2).

Interviews with members of PHA and Department of Housing and Community Development (4).

Interviews with tenant advocates (2).

Interview with landlord advocate group.

Observation of HCV inspection.

Observation of lead paint inspection.

Interview with lead paint inspector.

Observation of Housing Court (3 days).

Interview with rent court judge.

Shadowing tenant under threat of eviction as he attended rent court.

Interviews with hard money lenders (2).

Shadowing hard money lender as he evaluated investments (1 day).

Dallas Site

Participant observation of Real Estate Investment Seminars (7 sessions)

Observation of housing court (1 without landlord, 1 with).

Two-day ride-along with landlord (including managing repairs and tenant screening).

Attended PHA voucher briefing (2).

Interview with PHA leadership.

One and a half days on site of a large rental complex, assisting property manager.

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