Whose Choice Is It Really?

The Impact of Property Profitability, Owner Strategies, & Perceived Majority Tenant Prejudices on Housing Choice Voucher Acceptance

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Abstract

This dissertation addresses the critical role of landlords in implementing the Housing Choice Voucher program. Housing choice vouchers provide tenant-based rental assistance to low-income families so that they can have greater opportunities to select apartments and locations than under other rental housing assistance programs. Vouchers provide a renter with more location, quality and housing type options than project-based subsidized housing. The program's ability to increase choice depends heavily on the decisions of private landlords to accept voucher tenants. This research examines the factors influencing housing choice voucher acceptance by owners, or their agents, specifically property profitability, owner strategies, and perceived majority tenant prejudices. One previous study attempted to identify the factors that affect landlords' acceptance of vouchers, and was restricted to landlords participating in the voucher program. This dissertation expands our understanding of landlords' decisions to accept voucher tenants in two key ways: empirical modeling of voucher acceptance using a national sample of rental properties; and qualitative studies of landlords within a single market area. This research has implications for improving the future performance of the voucher program and the housing quality of low-income renters. By understanding the factors influencing voucher acceptance, public policy makers can utilize this information and direct their efforts to successfully market the program, expand voucher knowledge, and increase non-participating owners' acceptance of vouchers. Furthermore, policy makers can determine if additional legislation is needed to enhance the protection of voucher holder's rights and maintain the supply of eligible units. Such

efforts will enhance the effectiveness of housing agencies and thus, help achieve the goal of providing low-income renters with better housing options.

DEDICATION

To my family

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CHAPTER 1. INTRODUCTION

According to The State of the Nation's Housing 2006, there will be a 1.8 million increase in renter households by 2015 and low-income households will be responsible for most of that gain. The increase in low-income renters, coupled with decreasing profitability of affordable housing, is cause for concern that the lower-income population will be ill-housed due to a lack of affordable housing supply and to inadequacies in rental housing assistance. The primary federal housing program providing assistance to low-income renters, the Housing Choice Voucher, requires landlords willing to participate in the voucher program. Despite evidence of the positive benefits of the voucher program, every year numerous vouchers go unused because a voucher recipient could not locate a willing landlord.

The research reported herein addresses a key determinant of the performance of the Housing Choice Voucher program and the ability of low-income renters to acquire decent housing: the decision by landlords to accept vouchers. Understanding an owner's decisions regarding vouchers will contribute substantially to improving the effectiveness of vouchers, which relies upon the marketability of the program and the ability to increase non-participating owners' acceptance of vouchers.

Low-income renters, including the elderly, the disabled, and families with children, utilize vouchers to supplement the difference between the fair market rent (FMR) for a unit and 30 percent of the family's adjusted income. This research increases the multifamily rental housing industry's knowledge regarding the impact of property profitability, owner strategies, and perceived majority-tenants' prejudices on landlord voucher acceptance. An increase of voucher knowledge and voucher promotion with landlords will have positive effects on voucher acceptance and utilization, thereby increasing access to housing.

Housing Choice Voucher Overview

Housing choice vouchers (voucher) are utilized by the low-income elderly, disabled, and families with children to provide the differential between 30% of a recipient's income and the cost of fair market rent (FMR). In 1970, a research study discovered that housing allowances were a more cost-effective alternative source of housing for low-income residents than new construction of apartments. Therefore, in 1974, HUD decentralized project-based subsidized housing by providing housing assistance in the form of a portable rental voucher or certificate after Congress created the initial voucher program. Due to a variety of words and phrases used within the multifamily industry, a definition of terms is provided in Appendix A.

Twelve states and seventeen local jurisdictions possess source of income legislation that prohibits discrimination based upon source of income. In 1998, amendments to the voucher program offered more flexibility to owners without any requirement to accept future voucher residents. Without the "take one, take all" policy, landlord participation is voluntary if landlords have at least one voucher tenant, with the exception of the aforementioned twelve states and seventeen jurisdictions with source of income legislation. Finkel & Buron (2001) discovered that voucher holders were statistically more probable of utilizing their vouchers in jurisdictions with source of income legislation.

Discrimination in Multifamily Rental Housing

Another form of insuring voucher success is protecting the voucher recipient's rental rights. The Federal Fair Housing Act offers protection to a voucher recipient's rental rights. Sixty-five percent of voucher recipients are minorities (Pendall, HUD 1998b). Several HUD studies that utilized paired testing have documented that applicant inequality in multifamily rental housing still exists. Unfortunately, whites are still shown more often an available unit for rent, quoted that the unit is in fact available, and offered rental concessions, as compared to African-Americans and Hispanics. Finkel and Kennedy (1992) surmise a landlord's reluctance to accept vouchers is related to racial identification.

Due to the overwhelming participation of racial minorities in the voucher program, understanding landlords' decisions regarding voucher acceptance is a critical issue, as it can easily be perceived as discrimination and not a business necessity. This study does not measure discrimination, but nonetheless, it is still a very important issue.

Factors Impeding Voucher Acceptance

The Property Owner and Manager Survey (POMS), a national survey conducted by the U.S. Bureau of the Census in 1995, concluded that 53% of the over two million multifamily units do not accept vouchers for the following reasons: 1. Problems with tenants; 2. Too many regulations; and 3. Too much paperwork. Additional reasons that impede voucher acceptance are program costs, moral hazard, threat to property profitability, property business plans, limited access to affordable housing supply, and corporate philosophy.

There have been several contributions to affordable housing literature regarding vouchers. Those contributions include a descriptive study by Bogdon & Ling (1998) who provide descriptive statistics of the 1995 Property Owner and Manager Survey data. Bogdon & Ling (1998) also conducted an analysis to determine the effects of property, owner, location and tenant characteristics on property profitability. A key finding from their study was that voucher acceptance had a positive affect on relative property profitability. Kennedy & Finkel (1994) published a study that analyzed voucher utilization and the program costs associated with voucher acceptance. It was determined that there was a breakdown, both with the owner and public housing agency (PHA), with the pre-inspection process that increased vacancy and decreased income. A study that analyzed moral hazard, which is the risk associated with voucher tenants, was conducted by Benjamin, et al. (1992) discovered that increasing the number of voucher tenants reduces tenant quality; however, net rental income increases. Tenant quality is based upon a tenant's ability to pay, likelihood for eviction, and potential for other lease infractions.

An important voucher analysis, the Section 8 Rental Voucher and Certificate Utilization Study, was conducted in 1991. Kennedy & Finkel (1994) authored the study's final report and included a model of factors affecting landlord acceptance of vouchers. Their analysis was the initial theoretical framework for this study. The Kennedy & Finkel (1994) model for landlord voucher acceptance for enrollee success in securing a rental unit tested the following variables: enrollee characteristics, landlord perceptions of vouchers, market characteristics, and whether enrollees matched owner norms (race, class, age) for a *specified unit*. The only variables significantly influencing voucher acceptance were an owner's familiarity with vouchers and an owner's expectations regarding damages by voucher recipients

<u>Landlord Model of Voucher Acceptance</u>

The mobility feature of a voucher requires that a renter have access to an affordable housing supply, which is controlled by the decisions of property owners. An owner's decision to accept vouchers consists of at least three components: 1. Property profitability; 2. Perceived majority tenant prejudices; and 3. Owner strategies.

The impact of vouchers on property profitability is reflected in program costs, increased risk associated with voucher tenants (moral hazard), and area property values. Programs costs include property operating expenses. Property turnover rate is reflected in moral hazard.

Perceived majority tenant prejudices refer to assumptions made by property owners regarding the prejudices held by a majority of the tenants against subsidized tenants, that ultimately influence property owners to make decisions in favor of majority tenants in an effort to not upset them.

Owner strategies include corporate philosophy, business plans, and access to affordable housing. Business plans include property size and an interactive variable that measures the impact of management representation and property size have on voucher acceptance. Corporate philosophy includes presence of a management company or a manager, knowledge of vouchers, existing voucher tenants, and type of property owner. Access to affordable housing refers to unit rent levels, set according to owner's goals, which may or may not be affordable. Location of the property is also included in access to housing.

Kennedy & Finkel (1994) provide the initial theoretical basis for this study; however, this research study addresses an entirely different scope of landlord acceptance. Landlord acceptance in this study was analyzed based upon the factors of property profitability, perceived majority tenant prejudices, and owner strategies. Previous research has not been conducted to address these factors and their sub-variables, i.e. presence of management company, non-profit ownership, or property size. This research study utilizes a national Census Bureau sample (POMS), and not a sample from the PHA. Data from multifamily properties, and not just one unit, were also used.

Methodology

This research was a mixed-methods sequential study based on two data sets. The study began with a quantitative method, using POMS data, where theories were tested, and was followed up with additional quantitative and qualitative methods, utilizing data from a Fairfax

County, VA Property Management Survey. Two data sets were examined to determine the impact of owner/management company strategies and philosophy, property profitability and majority tenant prejudices on voucher acceptance. The primary research goal was to answer the question: ***Is voucher acceptance affected by the following variables: property profitability, perceived majority tenant prejudices, and owner strategies*?**

Data Sets

The data were obtained from two samples of rental property owners, one national and one specific to Fairfax County, Virginia (VA). The first data set, the Property Owner and Managers Survey (POMS) (See Appendix B) was conducted by the U.S. Bureau of the Census in 1995. POMS provides 1572 records of owner, tenant, and property characteristics. Each record was classified by property. POMS was the first and *only* national survey of property owners and managers; therefore, there is no other source of such detailed information, nor more current. Although the data are thirteen years old, POMS is a valuable source of property management company and property operations information. The POMS data sample was drawn from the 438 geographic areas used in the Census Bureau's 1993 American Housing Survey National Sample.

Although the POMS survey provides a national sample of multifamily properties that measures current occupancy and future acceptance of voucher tenants, it does not provide a detailed measure of a company's reasons for accepting or rejecting vouchers and was not designed to address the specific objectives of this research. To gain more insight into the context and details of a company's decision to accept or reject vouchers and perceived majority tenant prejudices, this research includes a survey administered to property management companies in Fairfax County, VA. The second data set, a survey of thirteen Fairfax County, VA property management companies, supplements the POMS data by providing current data regarding property operations, owner perceptions and perceived tenant prejudices. Among the thirteen management companies, three management companies were selected as case studies. Fairfax County was selected due to its diverse population, large rental market, and lack of affordable housing. Additionally, Fairfax County possesses no legislation that prohibits source of income discrimination. Fairfax County was also selected based upon the researcher's experience within the Fairfax market. The Apartment Owner and Building Association (AOBA) is a professional association that is comprised of companies that own or manage residential and commercial properties within the Metropolitan DC area. AOBA assisted in selecting the sample by providing members that own or manage multifamily residential properties in Fairfax County.

Both data sets within this research study focus on private market rate privately owned properties, hereafter, referred to as market private properties. Market private property performance is influenced by the dynamics of market supply and demand. Owners and management companies of market private properties are afforded operational choices and are not limited by governmental regulations as with public housing; therefore, market rate property decisions are based upon a property's performance and its ability to achieve budgeted income. Due to their requirements to accept vouchers, Low Income Housing Tax Credit (LIHTC) and public housing properties were excluded from the POMS data used in this study and from the Fairfax County interviews. Multifamily was defined as five or more units in POMS, and is also recognized as a property management industry standard. Therefore, for this study, anything less than five units was eliminated from the sample.

Research Model

Based upon theoretical background and related literature review, the following operational model in Figure 1 was utilized in this study. The model addresses the research objectives of this study: *Is voucher acceptance affected by property profitability, perceived majority tenant prejudices, and owner strategies*?

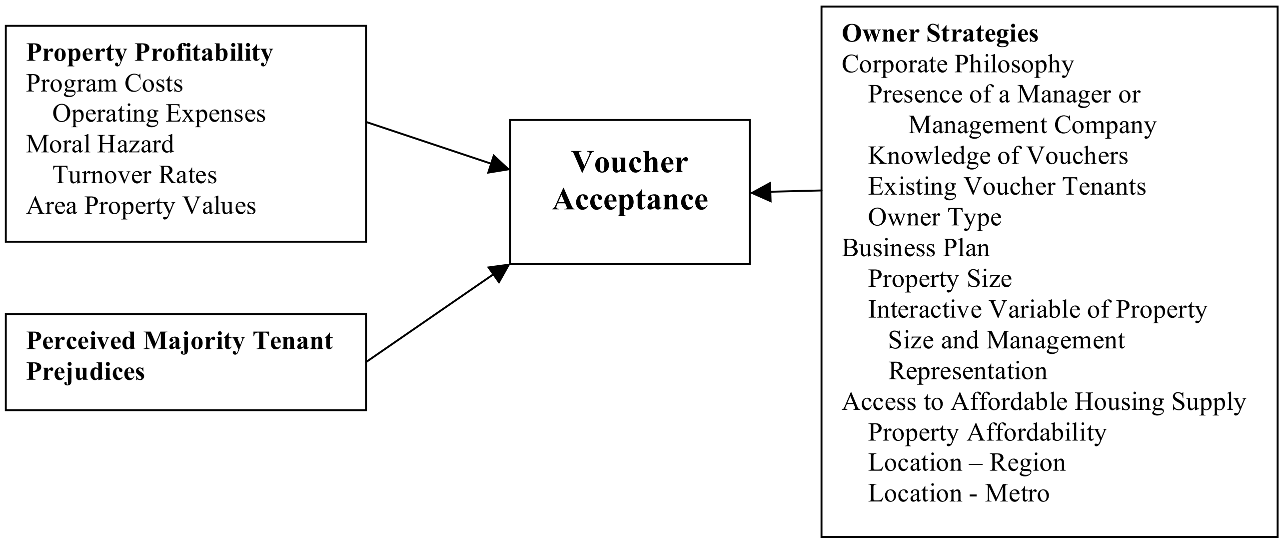

Figure 1. Operational Model for Voucher Acceptance

<u>Research Hypotheses</u>

To achieve this objective, three research hypotheses will be addressed:

H1: There is a relationship between a property's profitability and voucher acceptance.

H2: There are differences in owner/management company strategies and corporate philosophy regarding vouchers that influence acceptance, and communication and documentation of policy.

H3: There is a relationship between perceived majority tenant prejudices and voucher acceptance, marketing, and advertising.

The variables used in the above model (Figure 1) are outlined in the research model provided in Figure 2.

V = *f* (R, M, TR, AV, MC, HCV, AF, UT, UM, VT, OE), where

V	=	Owner's future acceptance of housing choice vouchers equal to 1, 0 otherwise
R2	=	Dummy variable equal to 1 if located in the Midwest, 0 otherwise (Northeast suppressed)
R3	=	Dummy variable equal to 1 if located in the South, 0 otherwise
R4	=	Dummy variable equal to 1 if located in the West, 0 otherwise
M1	=	Dummy variable equal to 1 if located inside Metro area and inside central city, 0 otherwise (outside metro area and in metro area and outside of central city suppressed)
TR	=	Turnover rate in last 12 months
AV	=	Dummy variable equal to 1 if change in area property value last year increased or stayed the same, 0 otherwise
MC	=	Dummy variable equal to 1 if the property is managed by a Management Company/Manager, 0 otherwise.
HCV	=	Dummy variable equal to 1 if owner/management company is very or somewhat familiar with Section 8, 0 otherwise
AF	=	Dummy variable equal to 1 if unit rent is lower than FMR, 0 otherwise
UT	=	Property size in units
UM	=	Interactive variable of property size in units and Management Company/Manager, 0 otherwise
VT	=	Dummy variable equal to 1 if property currently has voucher tenants, 0 otherwise
OE	=	Operating expenses per unit based upon advertising, cleaning, property insurance, legal and professional fees, repairs & maintenance, supplies, grounds care, trash removal, and personnel/labor expenses
OT	=	Dummy variable equal to 1 if owner type is non-profit, 0 otherwise
u	=	Error term for the regression

The logistic regression form is written as:

$$\textbf{Logit } V = \beta_0 + R2\beta_1 + R3\beta_2 + R4\beta_3 + M1\beta_4 + TR\beta_5 + AV\beta_6 + MC\beta_7 + HCV\beta_8 + AF\beta_9 + UT\beta_{10} + UM\beta_{11} + VT\beta_{12} + OE\beta_{13} + OT\beta_{14} + u$$

Figure 2. Research Model - Binary Logistic Regression for POMS Data

Research Contribution

The net supply of eligible rental housing units continues to diminish due to affordability issues, razing, filtering up through condominium conversions, increased demand, and, discrimination. Therefore, access to eligible units *with landlords willing to accept vouchers* is an even more critical problem.

Landlords' decisions to accept vouchers are constrained by their responsibility to achieve profitability while dealing with the problems with tenants, too many regulations, and too much paperwork, per the 1995 POMS study. This dissertation provides a better understanding into a landlord's decision to accept vouchers, thereby creating an environment to capitalize on statistically significant factors that can increase voucher acceptance. Any misperceptions of voucher acceptance can be effectively redressed through marketing to educate the multifamily rental housing industry. Also, constructive feedback from property management companies can be used by HUD to promote voucher marketability, enhance voucher program performance, and increase voucher utilization.

Source of income legislation protects voucher holders' rights and should be enacted in areas where there is an affordability issue or a low voucher utilization rate (as compared to PHA standards). It provides another layer of discrimination protection and housing for those who might not otherwise locate it. By decreasing discrimination, the supply of eligible units to voucher recipients would increase.

This study analyzes empirical data and case studies to discover and interpret the relationships between voucher acceptance and property profitability, perceived majority tenant prejudices, and owner strategies. A strategic component to the voucher program's success is the landlords' decision to participate. Recognizing and interpreting these relationships is pivotal to increasing effectiveness of the voucher program.

Research Findings

The research study findings indicate that property profitability, perceived majority tenant prejudices, and owner strategies affect voucher acceptance. Owner strategies created the largest impact on voucher acceptance. Among owner strategies, the presence of voucher tenants at a property increased the likelihood of properties accepting future voucher tenants more than a property without voucher tenants. Path dependency is related to this behavior. Current behavior best predicts future behavior. An additional significant owner strategy was voucher knowledge. Voucher knowledge was positively associated with future voucher acceptance and voucher tenants at a property.

Property size was also significant in a landlord' acceptance of vouchers. As a property increased in size, it was less likely to accept vouchers. Another major finding is that the presence of a management company negatively influenced future voucher acceptance; however, when evaluating a management company for an interaction with property size, the effects were different. Basically, the property size variable overrides the management company variable as a property increases in size; therefore, small properties with management companies equate to large properties without management companies, that both are less likely to accept future vouchers.

Non-profit owners were found to be more likely to accept vouchers than other property owners. Properties in the South were less likely to accept vouchers than properties in the Northeast.

Property profitability was not found to be significant nor affect voucher acceptance when tested in logistic regressions. However, during case study interviews, property profitability was a primary factor with all three management companies. Management companies stated they managed risk by restricting voucher limits at properties to prevent potential lost income from lack of rent increases, delayed inspections, and slowed renewal increases. Additionally, POMS findings indicated that properties were less likely to have voucher tenants as operating expenses increased. Because turnover rates and area property values had no effect on landlord voucher acceptance and these variables had many missing values that seriously reduced the sample, they were removed from the final model presented here.

Other findings include the frustration that the participating Fairfax management companies stated regarding the operational constraint caused by the PHA's late payments, slowed renewal contract processing, delayed rental increase notification, and laborious responsibilities associated with voucher program administration. Perceived majority tenant prejudices were a significant factor in landlord voucher acceptance, as evidenced by Fairfax management companies stating their properties do not advertise voucher acceptance for fear of properties being labeled low-income. Additionally, Fairfax property managers believed that almost 40% of their residents would be upset to find that subsidized residents lived in their building due to their fear that theft, violence, illegal drug use, or vandalism would increase. Almost a third of the participating Fairfax property managers rejected vouchers in an attempt to not upset their current residents. Additionally, over half of the participating Fairfax management companies did not have a formal or written voucher policy.

Another finding is the issue of advocacy. According to the interviewed landlords, voucher tenants have advocates within the PHAs. PHAs are an available resource for tenants for issues ranging from unpaid rents, environmental concerns, to domestic issues. Unsubsidized residents take issue with being underrepresented as a tenant at the same property with voucher tenants due to not having an advocate in the PHA. Landlords also take issue with voucher tenants having an advocate with the PHA, as the PHA can interfere with a landlord's right to operate a property.

Interviewed management companies stated they will sacrifice their voucher rejection policy in an effort to achieve net operating income and increased occupancy. However, each management company manages risk with predetermined voucher limits per property.

Negative perceptions of vouchers still plague the multifamily rental housing industry. Negative perceptions of vouchers might prevent properties with FMR-qualifying rents from accepting vouchers.

CHAPTER 2. LITERATURE REVIEW

Pertinent literature includes history of the voucher program, research on voucher policy, voucher program information, discrimination in multifamily rental housing, and factors impeding voucher acceptance. Additionally, a summary and critique of a study related to the factors affecting landlords' acceptance of vouchers is included; however, the literature has yet to focus on voucher acceptance where the owner's decision to accept was simultaneously based upon perceived majority tenant prejudices, owner strategies, and property performance, within a sample that was not a voucher submarket and based on empirical data. This section will also address the theorized relationships between voucher acceptance and property profitability, perceived majority tenant prejudices, and owner strategies, and how these relationships become a model to understand a landlord's decision regarding voucher acceptance.

Housing Choice Voucher Program History

The leading form of federal housing assistance in the United States is the Housing Choice Voucher Program (voucher), initially known as Section 8 Existing. Vouchers, utilized by the low-income elderly, disabled, and families with children, provide the differential between 30% of a recipient's income and the cost of fair market rent (FMR). Prior to the first voucher program, housing allowances were the more cost-effective alternative source of housing for low-income residents than new construction of apartments. Following housing allowances, the initial voucher program was created in 1974 when the HUD decentralized project-based subsidized housing by providing housing assistance in the form of a portable rental voucher or certificate. The following outlines the evolution from housing allowances, certificates and vouchers, and the merger of the latter two into the housing choice voucher program that exists today.

Experimental Housing Allowance Program

The early research examining the affect of housing allowances determined that allowances were more cost-effective in providing housing for low-income residents than new construction of apartments. Congress funded the first research study, the Experimental Housing Allowance Program (EHAP), in 1970. EHAP housing allowances differed from vouchers in that the housing subsidy was paid directly to households instead of property owners. Households would then use the housing allowance to pay for housing of their choice. Critics of housing allowances were concerned that they would inflate housing prices and provide too much incentive for landlords to raise rents relative to the amount of allowance increase. In addition, arguments were made that the housing stock quality would suffer due to homeowners' and landlords' unwillingness to improve units. EHAP concluded that stimulating repairs and continued maintenance of the existing housing stock positively affected housing standards. However, stringent EHAP housing standards negatively affected program participation by excluding too many units from eligibility (Struyk & Bendick, 1981). The study concluded that housing allowances had no effect on the price of housing and were inconsequential in the construction of new units or major rehabilitation of existing units (Struyk & Bendick, 1981). The success of the EHAP program influenced housing policy in that housing allowances became preferred over new construction programs due to their reduced costs, higher tenant satisfaction and lower levels of racial and economic segregation associated (Friedman & Weinberg, 1982).

Housing Certificate Program

Due to its belief that tenant-based housing assistance was a legitimate option to public housing, Congress passed an amendment to the Housing Act of 1937, known as the Housing and Community Development Act of 1974. This amendment created Section 8 and added a tenant-based housing assistance program, referred to as Section 8 Existing (HUD, 2000). Another segment of the Section 8 program (referred to as Section 8 New Construction) provided subsidies for new construction, substantial rehabilitation, or moderate rehabilitation if rental assistance was allotted to a specified number of units (HUD, 2000). The site-based housing production program was eliminated in 1983 due to cost considerations (HUD, 1999).

The Section 8 Existing program served lower-income families through a subsidy that reduced a tenant's rent payments to 25 percent of income. The percentage was eventually raised to 30 percent of income. Family income was determined through actual income, size of family, number of children, and any medical or atypical expenses. Section 8 Existing utilized the concept of FMR, and generally did not allow families to rent a unit whose cost exceeded FMR of an equivalent property. Section 8 Existing assigned two major responsibilities to owners participating in the program: tenant selection and maintaining a property to HUD-determined quality standards (HUD, 2000).

Housing Voucher Program

In 1983, the Voucher Demonstration in the Housing and Urban-Rural Recovery Act of 1983 was created upon realization that more flexibility in tenant-based assistance was necessary (HUD, 2000). Congress ultimately replaced the voucher demonstration program with a permanent voucher program in the Housing and Community Development Act of 1987. Vouchers were calculated based upon the difference between the allowed FMR and 30 percent of the family's adjusted income. If a family secured a rental unit whose rent was less than the voucher, it could keep the savings. HUD required that housing quality meet a minimum standard to receive a voucher payment. In addition, mobility and location choices were key features that influenced a decision to move to a lower poverty- or lower minority-concentrated area.

Vouchers alone were inconsequential in a renter's decision to move. Therefore, HUD designed its voucher program with portability features to increase access to quality, affordable housing in better neighborhoods. Portability allowed recipients to utilize their voucher at a location of their choice by using local PHAs to administer the program. Portability was eventually extended to the Certificate program (HUD, 2000).

Merger of the Certificate and Voucher Programs

In 1998, in an effort to streamline its tenant subsidy programs, HUD reached an agreement with Congress to create one voucher program with one set of regulations in the Public Housing Reform Act. The rental certificate and rental voucher programs were merged. The merged program simplified the involvement and responsibilities for HUD, PHAs and participating families (HUD, 2000). "The merged program continues the voucher program policy of permitting a family to rent above the payment standard (but subject to a limitation that the family cannot pay more than 40 percent of their income for rent), retains Housing Quality Standards, and permits portability to any jurisdiction administering a Section 8 program" (HUD, 2000). The merger also increased a landlord's authority and flexibility to participate in the program by eliminating the "take one, take all," "endless lease," and 90-day lease termination notification provisions of the old programs. "Take one, take all" required an owner to accept all future voucher applicants if a property currently rented to at least one voucher recipient. "Endless lease" required an owner to continue a lease without the option of terminating the contract without cause, but with sufficient notice. A 90-day lease termination notification often exceeded a property's standard termination notification of 60 days. This dual system of notification lengths presented a management challenge with inconsistent policy enforcement. The consolidated program, known as the Housing Choice Voucher Program, also allowed for

PHAs, in addition to landlords, to screen prospective tenants, and included language authorizing a landlord or PHA to terminate tenancy for criminal activity (HUD, 2000).

Housing Choice Voucher Program Policy

There have been legislative and administrative changes that altered the ability of voucher recipients to secure rental units. Amendments to the Voucher program in 1998 highlighted more flexibility without any obligatory future voucher residents. PHAs also gained authority with voucher tenant contract administration and receiving compensation for ported vouchers. Additional policy issues remain with landlord participation, Federal Fair Housing Act, and source of income legislation.

‘Take One, Take All’

The first change was the repeal of the ‘take one, take all’ requirement in 1998. The 1998 repeal of the “take one, take all” provision, which prohibited any owner from rejecting vouchers if they had ever accepted vouchers (Pendall, 2000), provided more latitude for an owner to try vouchers without any commitment to future voucher tenants. Previously, owners who had voucher residents were required to accept all future voucher applicants. “Take one, take all” was a hindrance to property owner participation in the voucher program. Forced future participation due to accepting one voucher resident was too much of a risk. Removal of “take one, take all” opened the doors for uncertain owners to experiment with vouchers with minimal risk and limit their exposure.

Increase in PHA Authority

PHAs amended the language in leases to include provisions for the eviction of a tenant involved in any criminal activity. PHAs were also given latitude to increase FMR to widen the supply and location of available rental units. HUD now compensates PHAs when vouchers are "ported," or used in other jurisdictions that accept vouchers (Devine, et al., 2002). Additionally, PHAs may deny admission or terminate voucher assistance to any individual with a record of illegal activity through HUD's One Strike provisions. PHAs also have latitude to refuse to renew a Housing Assistance Payment (HAP) contract with owners who are non-compliant with PHA and HUD regulations or quality standards (HUD, 2000).

Landlord Participation

Vouchers provide a subsidy based upon demand within a market. Vouchers utilize affordable rental units within private markets to implement HUD's housing policy of increasing access to affordable and quality housing. A challenge of the program is that "even owners with moderately priced properties may choose not to participate for a variety of reasons, including special requirements imposed by the (voucher) program or the stigma they associate with vouchers" (Devine, et al., 2002). Therefore, this demand-side program is constrained by the supply of owners with affordable properties willing to accept vouchers.

According to Rubinowitz & Rosenbaum (2000), the main barrier to families using vouchers is not an insufficient number of affordable rental housing units, rather an insufficient number of property owners with units at or below FMR that accept vouchers. In a survey of its member agencies, the Council of Large Public Housing Authorities discovered the "most frequently reported reason vouchers go unused is that 'not enough landlords are participating in the program'" (Sard, 2001). As multifamily rents continue to rise and the supply of affordable housing diminishes, the inability of voucher recipients to utilize their subsidy is an increasingly critical policy concern.

Federal Fair Housing Act

The Federal Fair Housing Act, enforced by HUD and the U.S. Justice Department, can protect a voucher holder's rental rights. Voucher holders refused the opportunity to rent an available unit based upon inclusion within a protected class or by discriminatory intent are protected by the Fair Housing Act and have rights to pursue the withheld rental unit. According to the Federal Fair Housing Act, an individual or family may not be refused housing, provided different application terms, lease conditions or terms, or denied housing services or facilities based upon race, color, national origin, religion, sex, familial status or handicap. Sixty-five percent of voucher recipients are minorities (Pendall, HUD 1998b); therefore, an owner's decision to refuse to rent to a voucher recipient may be a proxy for discrimination. Unlawful practices, such as discrimination based upon a protected class or source of income, are not likely to change if an owner does not believe there is risk of being caught (Sard, 2001).

Source of Income Legislation

In addition to the Federal Fair Housing Act, another protection that has influenced a voucher recipient's rental housing search is source of income legislation at the state or local level. Source of income legislation prohibits discrimination against lawful sources of income; however, many cases have challenged whether legislation intended to include vouchers. As interpreted by many localities and states, legislation restricts an owner from making a blanket statement of not accepting vouchers and intended to "require landlords to accept otherwise qualified tenants whose lawful source of income may include Section 8 housing assistance" (Riddle & Harris, 2000). In a 2001 study by Finkel & Buron, they discovered that voucher holders "had a statistically significantly higher probability of (voucher) success over twelve points" in jurisdictions with laws that prohibit discrimination in renting apartments based on source of income and/or receipt of Section 8. In addition to prohibiting discrimination against vouchers, source of income provisions may also provide protection to recipients of social security, welfare, and veterans' benefits. Low-income housing tax credit properties (LIHTC), or other federally subsidized properties, are forbidden to discriminate against a family due to its voucher status. The states and localities that forbid unsubsidized landlords to discriminate against voucher recipients are provided in Figure 3.

States with Source of Income Non-Discrimination Provisions		**Local Governments with Source of Income Non-Discrimination Provisions**	
California	North Dakota	District of Columbia	Hamburg, NY
Connecticut	Oklahoma	San Francisco, CA	New York, NY
Maine	Oregon	East Palo Alto, CA	West Seneca, NY
Massachusetts	Utah	Corte Madera, CA	Multnomah County, OR
Minnesota	Vermont	Chicago, IL	Portland, OR
New Jersey	Wisconsin	Frederick County, MD	Borough of State College, PA
		Howard County, MD	Philadelphia, VA
		Montgomery County, MD	Seattle, WA
			King County, WA

Figure 3. States and Local Governments with Source of Income Non-Discrimination Provisions. From "*Housing Choice Voucher Discrimination: Another Obstacle to Achieving the Promise of Brown*", Colfax (2004), "*Law Enacted to Protect Tenants Using Vouchers*", Fernandez (2008), and "*Income Qualification in Resident Screening,"* Riddle & Harris (2000).

In 1999, a year following the repeal of the "take-one, take-all" provision, three state court decisions rejected industry claims that a state or locality cannot force participation in the Section 8 program, a voluntary federal program (Riddle & Harris, 2000). The Connecticut Supreme Court decision protected Section 8 voucher holders within the "lawful source of income" language of Connecticut General Statute Section 46a-64c. An applicant must still qualify for residency based upon a property's stated selection criteria; however, the monthly rent for which an applicant must qualify should be reduced by the amount of a voucher. In the New Jersey Supreme Court decision of *Franklin Tower One, LLC. N.M.*, a trial court stated that the landlords' interests were second to the need of the tenant population and general welfare (Riddle & Harris, 2000). Subsequent landlord claims were filed that argued that Section 8 acceptance and compliance created a financial burden. The New Jersey Supreme Court ruled that New Jersey landlords often experienced more burdensome regulations other than Section 8 and that owners must accept Section 8 vouchers. The City of Chicago Commission on Human Relations offered numerous reasons why states could mandate participation in Section 8 in *Smith et al. v. Wilmette Real Estate & Management Co.* Chicago's local fair housing ordinance prohibited unlawful housing practices based upon the source of income of an applicant or tenant. Landlords challenged that Chicago's local ordinance pre-empted federal law that provided for voluntary participation in Section 8. The state court's decision in the *Smith* case stated that the source of income ordinance was aligned with the purpose of Section 8 and agreed that state and local governments may require participation in Section 8 (Riddle & Harris, 2000).

Although landlords lost three court cases in Connecticut, New Jersey, and Chicago, IL regarding their forced participation in the Section 8 program, additional arguments still remain involving landlords' violation of their "constitutional right to freedom of contract and the constitutional right to be free from government taking property without just compensation" (Colfax, 2004). This argument is rejected for two reasons. First, it was utilized previously when businesses in the South refused to serve African-Americans. Case law stated that any violation against civil rights laws in the selection of customers by business owners was unlawful. Secondly, refusal of vouchers based upon an owner asserting lost compensation by the government was denounced in *Smith, 1999* when the court stated an owner receives the same income for the housing unit from a non-voucher holder as a voucher holder (Colfax, 2004).

Currently, there are twelve states and seventeen local jurisdictions with source of income legislation in place (Riddle & Harris, 2000). Of these states and localities, only the District of Columbia's law specifically includes vouchers within the 'source of income' protected class (Colfax, 2004). The remaining states and localities interpret, at each landlord's discretion, whether source of income legislation includes vouchers. The POMS data does not provide sufficient geographic information to determine the impact of source of income legislation on voucher rejection. Therefore, source of income legislation will not be addressed in the scope of this research, even though it is a critical policy issue to ensuring vouchers can be used.

Housing Choice Voucher Program Information

The Housing Choice Voucher Program enables over 1.5 million low-to very-low income households to obtain rental housing through tenant-based rental assistance, with most renting outside of poverty-concentrated areas. The following outlines voucher program features, utilization rates and voucher benefits.

Program Features

Vouchers are utilized by low-income elderly, the disabled, and families with children (see Figure 4). Elderly and disabled households that include children are counted as families with children. Elderly households that include adults with disabilities are counted as elderly. Vouchers supplement the difference between FMR and 30 percent of the family's adjusted income. As a family's income increases, they may continue to rent the unit; however, the subsidy will decrease. Program success is contingent upon voucher recipients locating affordable, quality housing in the private rental market.

Vouchers are portable and can be used anywhere in the United States that has a PHA to manage vouchers ("Introduction to Housing Vouchers", 2003). The voucher program restricts use of vouchers for housing that is of decent quality and reasonable cost. Better quality units are less likely to fail a PHA inspection. If a voucher unit fails a PHA inspection, the voucher tenant must start their selection process over or wait to assume occupancy until deficiencies are corrected and the unit is re-inspected by the PHA. Consequently, voucher success rates are higher in areas with better quality units and well-managed PHAs (Finkel, et al., 2003).

The locational choice feature of vouchers allows recipients to search for housing in lower-poverty neighborhoods. Project-based Section 8 housing, where an entire property is subsidized, is often located in high-poverty neighborhoods (Turner, 1998). Voucher studies provide "new evidence supporting the assumption that living in a neighborhood with concentrated poverty is associated with slower family progress toward self-sufficiency. The associations can be seen with respect to employment, wage levels, and welfare assistance" (Devine, Gray, Rubin & Taghavi, 2002).

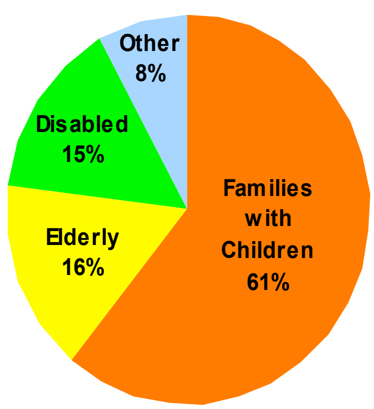

Figure 4. Disbursement of Vouchers From 2000 HUD Data.

Upon receipt of a voucher, a family has up to 120 days to secure and occupy a rental home. Voucher program eligibility is based on income at or below 80 percent of the area's median income, which is calculated utilizing three main factors: household composition, metropolitan area versus rural county, and individual PHA guidelines. However, PHAs must guarantee that 75 percent of households new to the voucher program qualify at or below 30 percent of the median income ("Introduction to Housing Vouchers", 2003).

Utilization Rates

Use of a voucher provides a renter with more location, quality, and housing type options than project-based subsidized housing. Vouchers have broadened housing choices for low-income families and have performed "far better than public housing project-based assisted housing at enabling families to live outside areas of concentrated poverty" (Sard, 2001). However, when supply of multifamily units accepting vouchers is limited, voucher utilization is impaired. Past studies have found that the proportion of voucher holders able to use their vouchers, known as 'success rate,' fell from 81% in the early 1990s to 69% in 2000 ("Introduction to Housing Vouchers", 2003). One of the goals of HUD's housing policy is to provide low-income families access to adequate housing at an affordable price through the voucher program. Unfortunately, a declining rate of voucher utilization challenges the future success of the program.

Voucher Benefits

Clear differences have been shown between voucher recipients who have escaped concentrated poverty and those individuals who have not. The Gautreaux Program, administered by the nonprofit Leadership Council for Metropolitan Open Communities in Chicago, gave low-income African-Americans housing vouchers to relocate to rental apartments in mostly white, middle income suburbs and low-income black city (Chicago) neighborhoods. The program provided a test of the "concept of 'geography of opportunity' that suggests that where individuals live affects their opportunities and life outcomes" (Rosenbaum, 1995).

The Moving to Opportunity (MTO) program hinged upon geographically restricted rental program assistance in an effort to measure the impact of high-poverty concentration areas. High-poverty concentration areas, often in urban settings with highly segregated neighborhoods, provide few opportunities to their residents. These areas, also usually distressed and crime-ridden, often do not provide residents access to decent housing, quality schools, economic opportunities, employment options, or positive role models (Shroder, 2001). Inspired by the Gautreaux program, MTO focused on *place* and not just *race*. The demonstration sought to determine if "geographically restricted rental assistance, combined with counseling, provides an effective means of bringing families and children into better learning and working environments, leading to economic and social self-sufficiency" (Goering, et al.).[1]

[1] MTO was a research program that provided tenant-based rental assistance to very low-income families and tracked their progress over the course of 10 years. The purpose of the longitudinal MTO study was to determine the long-term effects of access to low-poverty neighborhoods on housing, employment and educational attainment of participating households. By understanding the long-term effects of low-poverty neighborhoods, additional mobility programs could be implemented within tenant-based assistance programs and achieve success at local levels (Goering, et al., 1999). Five PHAs within Baltimore, Boston, Chicago, Los Angeles and New York City participated in the experimental program. Families selected for the MTO program were given vouchers for rental housing in areas with less than 10 percent poverty. The families within the MTO treatment group also received counseling. In addition to the experimental group, two control groups were established. One of the control groups continued to receive existing Section 8 assistance and counseling, and the second in-place control group received no vouchers, but continued to receive project-based assistance. Each of the volunteer families was randomly assigned to one of the three groups (Goering, et al.). In a 2001 follow up article, Katz, Kling and Liebman revisited the Boston MTO experiment. They concluded that children in both the treatment group and the Section 8 control group exhibited fewer behavior problems, and treatment group children experienced fewer personal crimes and injuries. Employment rates, earnings and welfare usage affected by MTO mobility were not shown to be statistically significant; however, general physical and mental health were improved significantly (Katz, Kling & Liebman, 2001). Katz, Kling and Liebman (2001) summarized their findings by stating "our results clearly indicate that offering housing vouchers to the residents of distressed inner-city housing projects improves the well-being of those residents interested in moving out of public housing".

Discrimination in Multifamily Rental Housing

Unfortunately, applicant inequality in multifamily rental housing still exists. Studies conducted by HUD indicate that African-Americans and Hispanics receive unequal treatment, as compared to whites. Whites will more often be shown a unit available for rent, be quoted that a unit is in fact available to rent, and offered concessions to entice them to rent, as compared to African-Americans and Hispanics. Additionally, Finkel and Kennedy (1992) state that a landlord's reluctance to accept subsidized tenants may be linked to racial identification. Paired testing, discrimination against the voucher population, and discrimination as a business necessity is discussed in detail to provide a better understanding of the discrimination that exists with the predominant voucher holder – minorities.

Paired Testing

Fair housing audits have been conducted to test hypotheses about racial discrimination. Yinger (1986) hypothesized that a housing agent may deny African-Americans access to housing due to personal prejudices; support of white customer prejudices or because a rental agent thinks African-Americans and whites prefer different neighborhoods. Yinger found that prejudice increases with age and occurs more frequently in male housing agents. Discrimination against African-Americans by housing agents supporting white customers' prejudices dissipates once the neighborhood begins racial transition. The initial premise of the housing agent's discrimination was in an effort to preserve the racial composition of the white neighborhood. The third hypothesis for denying housing to African-Americans was based upon differing neighborhood expectations of whites and African-Americans. Yinger concluded that whites would prefer not to move into an integrated neighborhood, while most African-Americans prefer an integrated neighborhood to an all black neighborhood (Yinger, 1986). Fair housing audits also discovered no discrimination in areas undergoing racial transition and that discrimination occurred more often in white areas. Yinger (1986) concluded that economic interests and racial prejudices of white customers motivate discrimination. This hypothesis is further supported in research conducted by Kennedy & Finkel (1994) who concluded an owner's rejection of vouchers was not consistent across all units within a property. Many owners indicated they would accept a voucher for a specific unit, as long as the voucher recipient met the norms of the owner, i.e. a minority renting a unit typically rented by minorities.

In 1999, Ondrich, Stricker, and Yinger concluded that discrimination against African-Americans and Hispanics exists among landlords' behavior and this discrimination was motivated by personal prejudice and in response to the potential prejudice of present and future white residents. Their study utilized data from the 1989 HUD Housing Discrimination Study (HDS), which contained over 1500 rental housing audits in 25 metropolitan areas from 1989 (Ondrich, et al., 1999). HDS employed paired testing, where two auditors, one either black or Hispanic and the other white, work as a team visiting each rental community to estimate the odds of a difference in treatment between auditors and to review the causes of different treatment by rental agents. The teamed auditors' descriptors, i.e. sex, age, were matched, and they were assigned the same marital status, number of children, and income (Ondrich, et al., 1999). The auditors visited each property randomly and independently record rental agent behavior, i.e. restricting access to units and aiding/hindering the rental of a unit.

Through the paired testing, the researchers discovered rental agents discriminated against African-Americans in restricting access to a unit and hindering rental of unit due to their perceived white customer prejudices against African-Americans. However, there was no conclusive evidence that white customer prejudice lead to rental agents not offering rental incentives to African-Americans. Hispanic auditors were discriminated by both white customer prejudice and rental agent prejudice in offering rental incentives (Ondrich, et al., 1999). Ondrich, et al. concluded from their study that discrimination continues to occur to African-Americans and Hispanics due to the potential economic gain a property incurs when the rental agent acts with the white customers' prejudices and also from a rental agent's own prejudices (1999).

As a follow up to the 1989 HUD Housing Discrimination Study, Housing Discrimination Study 2000 (HDS 2000) was conducted on 4,600-paired tests in 23 metropolitan areas nationwide in 2000. The study found that whites were still more likely to receive rental information about available rental units and to tour available units over African-Americans in 21.6% of tests. Non-Hispanic white renters were more likely to receive information about available housing and to tour available units in 25.7% of tests than were Hispanic renters. Essentially, Hispanic renters now experience a higher occurrence of discrimination than black renters (Turner, Ross, Galster, & Yinger, 2002). Additionally, numerous studies have concluded that African-Americans and Hispanics are treated less favorably because of their race and ethnicity in approximately 25 – 50% of housing searches (Yelonosky, 1999 and Yinger, 1999).

Discrimination Against the Voucher Population

The *1998 Picture of Subsidized Households* (U.S. Department of Housing and Urban Development, 1998) provides demographic characteristics of voucher holders. Voucher recipients are 65% black or Hispanic and more frequently live in areas of high minority concentration. In addition, 20% of the population in areas with voucher recipients had incomes below the poverty level, compared with 15% of the national population (Pendall, HUD 1998b). Warner (1999) states that studies conducted in the Minneapolis/St. Paul area indicate a correlation between tighter housing markets and the increasing number of owners refusing to rent to voucher holders. According to Sard (2001), "some of these decisions reflect business judgments, such as a desire to avoid the extra paperwork and time delays of the voucher program when other willing renters are plentiful or the perceived risk of antagonizing other tenants by renting to different families. But some reflect discrimination based on the actual or perceived characteristics of families with vouchers." Given the fact that 65% of voucher recipients are minorities (Pendall, HUD 1998b), the 'perceived characteristic' may reflect racial and/or ethnic discrimination. Nonetheless, the greater impact of voucher rejection falls upon racial minorities due to their prevalence in the voucher population. Measuring the impact of voucher rejection on racial minorities with vouchers is important. Unfortunately, neither data set provides tenant racial or ethnic characteristics, or applicant voucher status, to measure the difference between white voucher applicants and minority applicants; therefore, the scope of this research did not include measurement of discrimination.

Voucher utilization does not solve racial segregation entirely, but it has the potential to "counteract patterns of poverty concentration and racial segregation by enabling low-income renters to find and afford housing in neighborhoods throughout the metropolitan region" (Turner, 1998). Use of vouchers in the private market provides tenants access to conventional apartments and rental houses that were not built specifically to house the poor.

However, voucher impact on segregation is dependent upon the metropolitan location of the neighborhood (Turner, 1998). Turner (1998) determined that while voucher recipients were more likely to live in low-poverty neighborhoods than the total population of low-income renters, they do not appear to be less likely to live in predominantly black or Hispanic neighborhoods. There are two reasons for this: lack of units below FMR in a low-poverty or low-minority neighborhood and a constraint on voucher acceptance in low-poverty or low-minority neighborhoods.

<u>Discrimination as a Business Necessity</u>

There have been only a few lawsuits against housing providers who refused housing choice vouchers that cited violations under the federal Fair Housing Act. The lawsuits argued 'disparate impact' on minorities; however, most housing providers defended themselves by showing their policy was necessary to meet business and/or financial goals (Colfax, 2004). Some courts have concluded that the volunteer aspect of the housing choice voucher program is "sufficient justification for a housing provider to maintain a policy of refusing vouchers despite the substantially disproportionate adverse impact on racial minorities" (Colfax, 2004), while other courts have required housing providers to remove any policy of voucher rejection. Voucher advocates have compared the challenges associated with voucher utilization to the challenges associated with the no-children policies of the 1970s and 1980s. Both policies have substantial negative effects on minority families with children (Colfax, 2004). Voucher households may or may not have children; therefore, the potential disparate impact discrimination surrounding voucher rejection may be even more vast than the no-children policies (Colfax, 2004). Varied interpretation of Fair Housing Act violations and source of income legislation appears to have created an environment that does not support voucher holders' pursuit of discrimination claims. Interpretation of violations of the federal Fair Housing Act and source of income legislation is case specific and, therefore, predicated upon the availability of housing within local markets and the willingness of the court to interfere with private businesses. This type of environment has also prevented passage of a national law or more states with laws protecting voucher holders.

In review of *Home Opportunities Made Equal, et al.* (HOME) *v. Nationwide Mutual Insurance Company and Nationwide Mutual Fire Insurance Company* (Nationwide) court case, disparate impact discrimination was cited. Disparate impact occurs "when an action has a disproportionate effect on some group (racial, ethnic, gender, etc.), it can be challenged as illegal discrimination – even if there was no discriminatory intent" (Clegg, 2000). This illegal practice is known as disparate-impact discrimination. "Disparate-impact discrimination is said to exist if (a) a practice has a disparate impact on a protected group and either (b) the practice cannot be justified on the grounds of business necessity, but its disparate impact can be avoided through the use of an alternative policy that achieves the same business objectives" (Ross & Yinger, 2002).

In 1998, Nationwide was found guilty of discriminating against African-Americans in selling homeowners' insurance policies. A Virginia jury concluded the disparate impact claims against Nationwide by HOME were justified and ordered Nationwide to pay $100 million in punitive damages and $500,000 in compensatory damages. The court found that Nationwide was guilty of redlining, where the insurer would avoid the neighborhood altogether or sell lesser-quality policies (Lohse, 1998).

Discrimination is a factor that is necessary to understand better voucher acceptance and utilization. As stated previously, neither data set includes information regarding tenant racial or ethnic characteristics, nor applicant voucher status, to identify any difference between white voucher applicants and minority voucher applicants; therefore, no measurement of discrimination was analyzed in this study.

Factors Impeding Voucher Acceptance

The Census Bureau's POMS survey of multifamily properties revealed that 53% of the over two million multifamily units do not accept vouchers suggesting that discrimination against source of income may exist. Based upon the POMS, the top three reasons for not accepting vouchers were problems with tenants, too many regulations, and too much paperwork.

Additionally, owners and managers claim their refusal to accept vouchers is based upon payment delays and personal objection to government subsidies (See Table 1). The following expands upon reasons identified in Table 1 and identifies additional reasons that impede voucher acceptance. Reasons that impede voucher acceptance are program costs, moral hazard, threat to property profitability, property business plans, limited access to affordable housing supply, and corporate philosophy. Lastly, The Kennedy & Finkel (1994) Study is reviewed and critiqued, as it is the most significant study where the role of landlord acceptance was examined when determining voucher success rates.

Table 1. Reasons for Not Accepting Vouchers

Too Many Regulations	33%
Too Much Paperwork	33%
Problems with Tenants	29%
Rents Too Low	24%
Will Not Collect	12%
Object to Government Subsidies	11%

Note: [a]Multiple responses were allowed between reasons.
Source: Property Owner and Managers Survey, 1995. Modified from the original table of *Reasons For Not Accepting Section 8.*

Program Costs

EHAP concluded that the presence of housing allowances positively affected the housing markets they were located within by stimulating repairs and continued maintenance of the housing stock (Friedman & Weinberg, 1982). Vouchers have not produced the same outcome. When the supply of housing in a particular market decreases, and the market is exhibiting increased demand, the need for occupancy at any cost does not exist. In tighter housing markets, owners are not as willing to make repairs or maintain the property in order to pass a PHA inspection due to the frequency of unsubsidized applicants that do not require an inspection. Additionally, tighter markets create an environment where leasing parameters and/or qualification criteria become more stringent.

A landlord's participation within a voucher program is associated with pre-move-in requirements. Eligible rental units require an inspection prior to the move-in of the voucher tenant. Often inspections are unable to be scheduled immediately, thereby increasing the number of days a unit is vacant. The increase in vacancy equates to lost rent. In addition, some PHAs or local jurisdictions charge an annual inspection fee for all units regardless of the number of voucher occupied units. In a voucher and certificate utilization study Kennedy & Finkel (1994) determined that 39% of landlords that agreed to accept vouchers did not grant access to PHAs for inspections. Additionally, when landlords agreed to inspections, the PHA never completed an inspection with 22% of the study enrollees. This failure to inspect a unit may have caused the landlord to cancel the voucher tenant's rental application. A cancelled rental application equates to increased vacancy and lost rent. Upon receipt of a completed inspection, an owner must address the issues identified from the inspection, which increases maintenance and/or contractor expenses. Kennedy & Finkel found that 7% of landlords refused to address repairs outlined from the unit inspection (1994). Additionally, a landlord may not maintain his property to the same quality standard as the PHA requires, thus, creating repair and maintenance issues to be identified during the PHA inspection.

Even in markets with an abundant supply and decreased demand, an owner must weigh the costs of repairs against the benefit of an occupied unit by a voucher recipient. An owner's decision to maintain a vacant unit rather than perform potentially costly cited repairs to pass a voucher inspection is resolved based on profit maximization.

Moral Hazard

A multifamily residential lease is an agreement where an owner provides a residential unit to a leaseholder in exchange for a stream of payments in the future. An owner will only approve an application if the profitability of a lease meets or exceeds the required return. The required return is defined as adherence to the residential lease, which includes timely rental payments as defined by the lease. Profitability hinges upon multiple factors. The most visible factor influencing profitability is unit rent. However, characteristics of an applicant also affect profitability. Applicants with poor credit and residence history are more likely to default, thus increasing operating costs through legal and administrative fees. Lease default and tenant eviction also result in increased turnover, which amplifies maintenance expenses. Furthermore, disruptive tenants can lead to lease default or unanticipated turnover of tenants affected by the disruptive tenants, which adversely affects profitability of the property.

Most owners are under no obligation to rent to families with vouchers. In 2000, Benjamin, et al. hypothesized that "if Section 8 renters are less responsible than other tenants, accepting them as renters ultimately leads to displacement problems, as well as higher operating and capital costs". They conducted a 1992 study in the Washington, D.C. market to determine if in accepting subsidized tenants there was a tradeoff for the greater certainty of cash flow, less turnover and increased occupancy of units. Their sample included 81 apartment buildings within a homogeneous neighborhood with little public housing (Benjamin, et al.)

Benjamin, et al. question if voucher status is a signal that is correlated with net rent collected (2000). Even though a landlord cannot discriminate based upon race, color, religion, ethnicity, sex, familial status or disability, voucher status is a "potential sign of quality" (Benjamin, et al.). Since it would be discriminatory for a landlord to set individual unit rents based upon the tenant; landlords may prefer vacancy rather than accept a marginal tenant (Benjamin, et al). Their findings indicate that increasing the number of voucher recipients reduces the tenant quality, although the net rental collection increases. They also discovered that advertising Section 8 acceptance sent a negative, low-quality signal to, and contributed to the displacement of, non-subsidized tenants. Large displacement of unsubsidized tenants may lead to a clustering of voucher recipients, reduced tenant quality and a decline of net returns to the landlord (Benjamin, et al.).

Threat to Property Profitability

The primary goals of multifamily property operations are periodic income and appreciation in value (Kelley, 2000). Asset value is determined by net operating income (NOI) and the market capitalization rate. NOI is calculated by subtracting total operating expenses from total income. Holding vacancy, concessions, and expenses constant, higher average rents provide for increased NOI, thus generating a higher property value. Management techniques vary greatly and are dependent upon the goals of an owner. If an owner is more focused on monthly cash returns than building value, site operations will require immediate, short-term focus to increase cash flow rather than a long-term approach to increase value. Two factors that could negatively impact operations, a property's profitability and its value, and could, thus, influence voucher acceptance are moral hazard and program costs.

Property Business Plans

A property's business plan will set forth the owners' operational strategy, including property class, renter demographic characteristics, and market rents. Property class, renter demographics and market rents can influence voucher rejection individually or collectively.

Due to zoning and low residential densities, many housing markets have high barriers to entry that raise costs and restrict supply. An owner's or property business plan will identify the level to which a property should perform. Profitability, i.e. performance of a property, is anticipated based upon property class, market rents, and renter demographics. Often, due to limited financial resources of owners and/or tenants, affordable housing is not usually in desirable neighborhoods that offer services, a safer environment and amenities (Pendall, 2000).

Private, market-rate multifamily rental housing is often segmented into four classifications ranging from Class A to D. Class A properties are typically new properties located in competitive, sought after markets, are well-amenitized and offer numerous resident services. Class A properties command the highest rents a market will bear. A class 'A' property will most often maintain rents that exceed FMR and possess a clientele with income that surpasses voucher qualification standards. Class B properties were often Class A properties that have filtered down due to new construction of Class A properties. Class B properties may also be located in competitive markets; however, property rents are a tier below Class A. Class B properties may offer amenities and resident services, but not to the full extent of a Class A property. Due to rents being a tier lower than a Class A property, Class B residents' income will not be required to be as high as Class A residents; therefore, the income demographic begins to shift. Class C and D properties are often aged properties plagued with deferred maintenance concerns. The resident demographic indicates lower to lowest income residents. Class C and D properties are often not located in desirable neighborhoods and experience higher crime, lack of safety and domestic issues. Property class is a reliable indicator of a property's market rents. If a property's market rents fall within the 60% that exceed FMR and are out of reach for voucher eligibility, it is rare that a property would accept vouchers; therefore, Class A and higher rent Class B properties often lack voucher tenants.

A challenge to the corporate philosophy, business plan or property profitability is the undermining of policy by an owner's agent. Application of the principal-agent theory within property management is an owner as the principal and a property manager (regional or site) as the agent. While an owner may not observe the actions of a property manager, the owner does observe outcomes of the actions, i.e. profit (Grossman & Hart, 1983). One would assume profitability was based upon a property manager's actions and other uncontrollable components, i.e. market, economy, traffic. However, if a property manager makes decisions that are contrary to an owner's directive, yet are optimal, or preferable, for the property manager, a breakdown of policy occurs. The disconnect between an owner directive and its implementation at site level is a concern that was addressed within this body of research.

Limited Access to Affordable Housing Supply

A major dilemma in the search for housing is affordability. Second to lack of affordable housing is the lack of owners with affordable properties where voucher recipients can utilize their subsidy. Setting market rents for a property is the responsibility of owner and/or management company. Market rents are determined by calculating the income necessary to cover expenses and generate the owner's desired return on investment, relative to competitive rents for the property's market; therefore, affordability of a property is determined by an owner's strategies. Properties are considered unaffordable if their market rents exceed FMR. FMR is set by HUD and adjusted locally by the PHA. FMR excludes newly constructed units, public housing and substandard unit rents. FMR is calculated based upon the 40th percentile rent, with the intent to set FMR high enough to expand the selection of units and neighborhoods, but low enough to serve low income families. The remaining units, possessing the upper 60% of market rents, exceed FMR and become out of reach for voucher recipients.

A random survey of thirty-two Metropolitan D.C. conventional rental properties in November 2004 (Mitchell, 2004) discovered that of the 25% of Fairfax County, VA properties that accept vouchers, 60% of those properties possess market rents that exceed FMR. The shortage of properties with rents lower than FMR suggests a problem of access to affordable housing. Vouchers cover only the difference between FMR and 30% of a tenant's monthly income. The tenant must pay any excess. Therefore, market rents in excess of FMR increase a tenant's rent responsibility. If a tenant has qualified for a voucher, theoretically, their disposable income is minimal, if not zero. Many properties are then removed from tenant consideration even before learning if vouchers are accepted. Limited choices within FMR-qualifying properties will lead to even more concentration of voucher users. In addition, as the supply of older housing stock is converted to market-rate units or razed, affordable housing stock diminishes. Building new affordable units is not as cost-efficient as preserving existing affordable housing stock. Therefore, not only is access to properties that accept a voucher questionable, but also supply of affordable housing is at risk.

Corporate Philosophy

The philosophy of a management company is based upon the desire and direction of the owners. Therefore, owner perceptions, strategies and prejudices greatly influence a company's philosophy. Ross & Yinger (2002) assert that the housing application approval process reflects owner expectations and current management policies, both of which have been shaped by their experience. These expectations can also be affected differently based upon different regions or segment of the market. In addition to the measurable profitability factor upon voucher acceptance, an owner's previous experience, business plan, corporate philosophy, and varying expectations based upon property market or class influence voucher acceptance or rejection. Corporate philosophy includes the presence of a management company and/or manager. Owners' use of contracted management companies or manager not only exhibits professionalism and a commitment to maintaining and preserving the asset through quality management, but also influences voucher acceptance. Voucher acceptance is influenced by a management company's policies and philosophy permeating to the property level.

The type of property ownership influences corporate philosophy. Properties owned by non-profit or church-related groups will have different operational goals than properties owned by for-profit groups. For-profit groups will be solely focused on periodic income, return on investment and preservation of the asset, while non-profit groups incorporate social responsibilities within property operational goals. These operational differences will influence voucher acceptance in a positive direction.

The Kennedy & Finkel (1994) Study

In 1991, the U.S. Department of Housing and Urban Development commissioned the Section 8 Rental Voucher and Certificate Utilization Study "with the goal of better understanding why some enrollees fail to find housing under the Section 8 program, and identifying ways to improve the success rates of families enrolled in the program" (Kennedy & Finkel, 1994). This study is critical to housing choice vouchers and to the multifamily rental housing industry because it was the significant previous study where the role of landlord acceptance was examined as a factor of voucher success rates.

Kennedy & Finkel, the authors of the study's final report, utilized "data obtained from samples of the three main parties involved in the Section 8 program: thirty-three PHAs that issued Section 8 Rental Vouchers and Certificates, 1090 enrollees who searched for housing in the Section 8 program, and 575 landlords approached by the Section 8 enrollees in their search for housing" (1994). In addition to quantitative data from surveys of the three parties, Kennedy & Finkel conducted interviews with enrollees. The researchers utilized a multivariate regression to determine the factors affecting landlord acceptance of vouchers. Their model included variables of "enrollee characteristics, landlord characteristics and perceptions regarding Section 8, market characteristics, and indicators of whether the enrollee matches the typical tenant for the unit in question" (Kennedy & Finkel, 1994).

In Kennedy & Finkel's study to identify the determinants of landlord acceptance of vouchers, they tested the following variables: enrollee characteristics, landlord perceptions of vouchers, market characteristics, and whether enrollees matched owner norms (race, class, age) for a *specified unit*. They surmised that the only variables significantly influencing voucher acceptance were an owner's familiarity with vouchers and an owner's expectations regarding damages by voucher recipients. An owner's familiarity with vouchers is an important issue to address, according to Kennedy & Finkel, due to voucher recipients searching for apartments in a

"Section 8 submarket." A "Section 8 submarket" is a market where landlords are familiar with the program and are experienced with renting to voucher tenants.

Kennedy & Finkel's research indicated that a landlord's norms and perception of vouchers had no significant impact upon voucher acceptance; however, their study sample is questionable. Their sample was comprised of 72% of owners who accept vouchers and only 28% who reject. Kennedy & Finkel's study reported that 92% of the properties that accepted the voucher program enrollees were at least somewhat familiar with the Section 8 program. Their sample was comprised of landlords who were already participating in the voucher program; therefore, the voucher acceptance rate of their study sample is disproportionately high. The researchers stated our "success rates were so high that our sample included relatively few unsuccessful enrollees and accordingly it was difficult to identify factors associated with being unsuccessful. The combination of high success rates, the fact that units and landlords were so often already committed to the program, …hampered our ability to investigate the factors that lead an owner to decide that a particular unit is suitable for the Section 8 program" (Kennedy & Finkel, 1994). According to Kennedy & Finkel's study, 72% of owners accepted vouchers; however, according to POMS, only 53% of owners accepted vouchers as of 1995. POMS was conducted just one year after Kennedy & Finkel published their study. It is difficult to fathom that an almost 20% national decrease in voucher acceptance occurred in one year. Their success rates were unreasonably high and did not produce valid descriptive factors regarding a landlord's decision to accept or reject vouchers; therefore, Kennedy & Finkel's conclusion is questionable. Their sample *is* a voucher submarket. Their sample started with PHAs, which controls vouchers on a local level. There is sample selection bias within their analysis. Their data could have been collected through local apartment associations in order broaden their sample to include landlords who did not already accept vouchers to any minimize sample selection bias. Ultimately, their study would have produced more descriptive and valid data.

Enrollee characteristics, relative to normal tenants (norms) and Section 8 status, were reviewed to determine if an enrollee differs from the typical tenant to whom the landlord rents for the subject unit, as expected for market characteristics. Norms include: familial status, age, race, employment status, credit worthiness, level of references, size of unit, and welfare recipients. A key finding from the Kennedy & Finkel study was that voucher applicants that did not conform to the norm for a specific unit reduced the probability of application acceptance. However, white voucher recipients were more successful than black or Hispanic voucher recipients at sites where most enrollees were white. They also concluded that if a minority tried to rent a unit where a typical renter was not a minority, the probability of acceptance was reduced. Was a landlord's decision to reject a voucher based upon perceived prejudices of an adjacent tenant of the subject unit? The study summarizes their findings regarding success rates for white v. black or Hispanic voucher recipients; however, the study fails to relate the reduction in probability of acceptance, i.e. perceived majority tenant prejudices.

Kennedy & Finkel's study surveyed landlords for their *expectations* regarding amount of rent, rent increases, level of difficulty with evictions, amount of non-payment, amount of damage, number of months skipped in rent, days vacant, and years in tenure for Section 8 tenants as compared to non-Section 8 tenants. Kennedy & Finkel's study was more research in landlord's perceptions of Section 8 tenants due to their surveying expectations and not actual empirical data, i.e. property performance data.

Another questionable issue with Kennedy & Finkel's study is their focus on *one* unit and not an *entire* property. Kennedy & Finkel employed a mixed methods approach by obtaining

Section 8 enrollee data and conducting enrollee and landlord interviews. Through the landlord interviews, only one question addressed an entire property – "Would you consider accepting Section 8 for: All units, Some units, No units, Don't Know". All other questions were subject unit specific. Kennedy & Finkel concluded that landlords' Section 8 decision-making paradigm did not include their attitudes toward the program, its participants, or the market when they stated: "Because the landlords in our study were essentially 'in' the Section 8 program, their decisions about accepting enrollees appear not to be based on their attitudes and feelings about the program or about the market. Rather, the key factor in landlord acceptance is whether the *particular unit* is generally rented to a Section 8 tenant." Was the subject unit an unmarketable unit that otherwise would not be rented by non-Section 8 tenant? Unfortunately, Section 8 recipients experience rejection on a regular basis. When landlords have loss-leader units, units that have lost too much income from vacancy associated with physical or marketing issues, they may lease them to Section 8 applicants preying on the fact that Section 8 applicants are thankful to have their applications accepted. Therefore, due to Kennedy & Finkel's study being based on only one unit, their conclusions are not reflective of an entire property. The study's voucher acceptance results are inflated since they are based upon one unit; therefore, it should not be generalized for an entire industry. These questions surrounding the subject unit could have been avoided had Kennedy & Finkel widened their research sample to include an entire property and not just one unit.

Additional Research Critique

The strength of a rental housing market affects the demand of units, which increased market demand provides for increased rents. The following research outlines how vouchers increase market demand. Additionally, landlords' knowledge and experience and the effectiveness of a PHAs can work together to increase voucher acceptance; however, several factors are discussed that can hinder the effectiveness of the voucher program. Voucher acceptance was previously discussed as a threat to property profitability. The following critique will outline how voucher acceptance can actually increase a property's average rents. These four areas of critique are significant in further understanding voucher acceptance.

Strength of a Rental Housing Market

Contrary to the findings from EHAP, market rents are affected by vouchers. Voucher acceptance increases market demand and attracts a renter that is not concerned with paying full market rent without any rental concessions (Benjamin, et al., 2000). The supply of properties that accept vouchers is very limited; therefore, demand for a voucher-accepting property increases either through word-of-mouth by voucher recipients or PHAs. Increased demand creates an environment where market rents can be raised. In addition, most voucher recipients are not concerned with receiving a rental concession if the voucher covers a majority of the monthly rent. Within this Washington, D.C. study, increased market demand and lack of concessions positively affected market rents. Accepting Section 8 tenants does increase vacancy by 1.8%, but the 6.3% increase in average rents due to accepting vouchers compensated for the decrease in occupancy (Benjamin, et al.). Though this research has shown a link between the presence of vouchers at properties that were profitable and possessed higher market rents, it did not clearly identify the association of higher NOI, which also includes operating expenses, with voucher acceptance.

Landlord Knowledge & Experience

Finkel and Kennedy (1992) hypothesize that dynamics of the Section 8 program itself and also a landlord's behavior create differences in voucher utilization. Section 8 markets operate separately from conventional, private markets, in that they rely heavily on word-of-mouth and assistance from PHAs (Finkel & Kennedy, 1992). Landlords who are well acquainted and have achieved success with vouchers are more likely to continue to accept them. When landlords accept vouchers, it is typically very well known in the market. Landlords who do not accept vouchers will refer voucher recipients to those properties that do accept vouchers. Unfortunately, while landlord experience is an advantage to voucher recipients, it does nothing to expand the list to which PHAs refer their voucher recipients.

Effectiveness of PHAs

PHAs maintain a database of management companies, landlords, and properties that accept vouchers. PHAs may become complacent with the current list of landlords that accept vouchers and refer voucher recipients only to properties with existing vouchers. By failing to increase the number of properties accepting vouchers, PHAs are creating a submarket for vouchers. Voucher tenants refer other voucher applicants to apply to live at the same property (Finkel & Kennedy, 1992). Therefore, it is even more critical that the field from which PHAs choose properties to send voucher recipients become larger.

Increase to Property Value

Previously discussed were the concerns of moral hazard and program costs as threats to property profitability. While they are viable concerns to operations, a previous review of literature has shown that voucher acceptance is associated with higher rents, property profitability and property value (Kennedy & Finkel, 1994). Bogdon and Ling (1998) summarized the descriptive statistics of POMS data and also conducted an analysis to determine the effects of property, owner, location and tenant characteristics on property profitability. Their profitability analysis concluded that the presence of vouchers had a positive effect on relative profitability (Bogdon & Ling, 1998b). In addition, a 1992 study of 81 Washington, D.C. conventional properties concluded that voucher acceptance yielded higher rents. The study by Benjamin, et al. (2000) demonstrated a 6.3% increase in average rents when vouchers were accepted. Moreover, they discovered voucher recipients were not interested in receiving rental concessions since their rent responsibility was based on a percentage of their income, and not net monthly rent. Therefore, voucher recipients were not motivated to lease based upon rental concessions and owners were not compelled to offer concessions to voucher recipients (Benjamin, et al.). Fewer concessions results in larger income, which yields higher property value.

When a property is performing at or above its annual budget, there is no incentive to accept a voucher if a property is not already accepting vouchers. However, if a property is underperforming relative to its annual budget, voucher tenants are a rather quick source of occupancy, and, more importantly, quick income for a property. According to Finkel & Buron (2001), the average voucher success rate in a very tight market was 61% versus 80% in loose markets. Therefore, voucher success rates are higher in markets with higher vacancies and lower in tight markets.

Theoretical Framework

Housing Choice Vouchers are the primary housing subsidy for low-income renters. They provide locational choices for renters who otherwise would not have such options. Currently, the only specific voucher policy that protects voucher holders is source of income legislation in twelve states and seventeen jurisdictions. Federal fair housing laws also provide protection to protected classes; however, as previously reviewed, not even they preserve a voucher recipient's rights. Therefore, it is paramount to discover how voucher acceptance varies within the multifamily rental housing industry. A combination of variables related to owner characteristics, perceived majority tenant characteristics, and property characteristics can explain the variance in voucher acceptance within the property management industry. Consequently, the primary research question is: *Is voucher acceptance affected by the following variables: property profitability, perceived majority tenant prejudices, and owner strategies*?

The model of determinants of landlord voucher acceptance (Kennedy & Finkel, 1994) was the basis for the theoretical framework of this study. Kennedy & Finkel proposed a research model that hypothesized a relationship between landlord acceptance of vouchers and enrollee (voucher recipient) success. Subsequently, they explored the role of landlord acceptance in enrollee success by using a model that included a series of enrollee characteristics, landlord

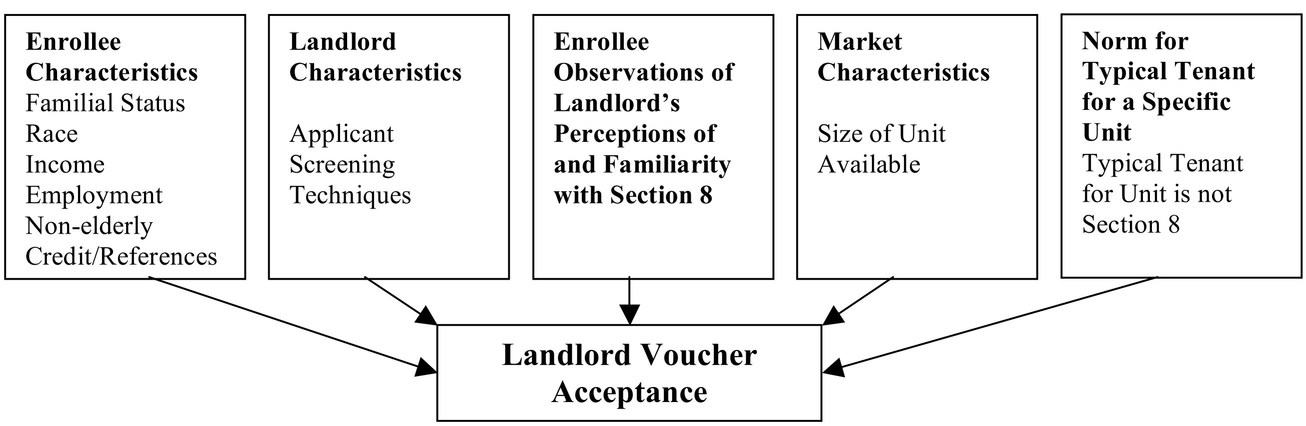

Figure 5. Model of Landlord Voucher Acceptance Utilized in the Determinants of Enrollee Success. Source: Kennedy & Finkel (1994)

characteristics, enrollee observation of landlord perceptions of and familiarity with Section 8, market characteristics, and indicators of whether the enrollee matched the norm for typical tenant for a *specific unit* (Figure 5).

As a new model for this research study, the variables hypothesized to have a relationship with voucher acceptance include the broad categories of: discrimination against voucher recipients, access to affordable housing supply, perceived majority tenant prejudices, property profitability, and owner behavior and expectations. The conceptual model reflecting these proposed relationships is shown in Figure 6. The main modification to the conceptual model to the operational model is the removal of discrimination as its own vector. While discrimination is measured directly, it is addressed in this research study through perceived majority tenant prejudices and how property owners/management companies respond to these prejudices. Additionally access to affordable housing (market rents in relation to FMR) was determined to be a variable more related to owner strategies due to rents being set by the owner or management company.

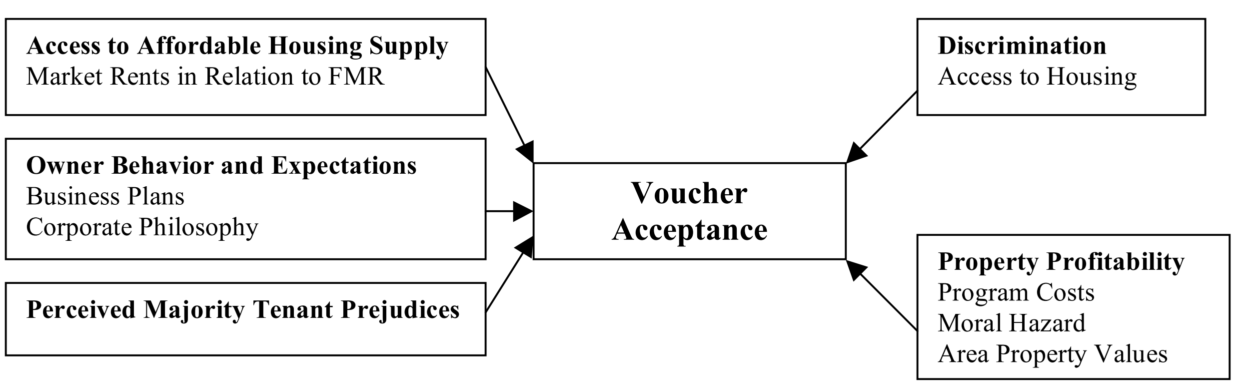

Figure 6. Conceptual Model for Voucher Acceptance

Based upon the literature review, research purpose and objectives, and theoretical background, an operational model was developed. The operational model is shown in Figure 7. The conceptual model was modified to collapse owner behavior and expectations and access to affordable housing supply together into one category, owner strategies. As previously mentioned, discrimination was removed as a separate category due its analysis being conducted through perceived majority tenant prejudices.

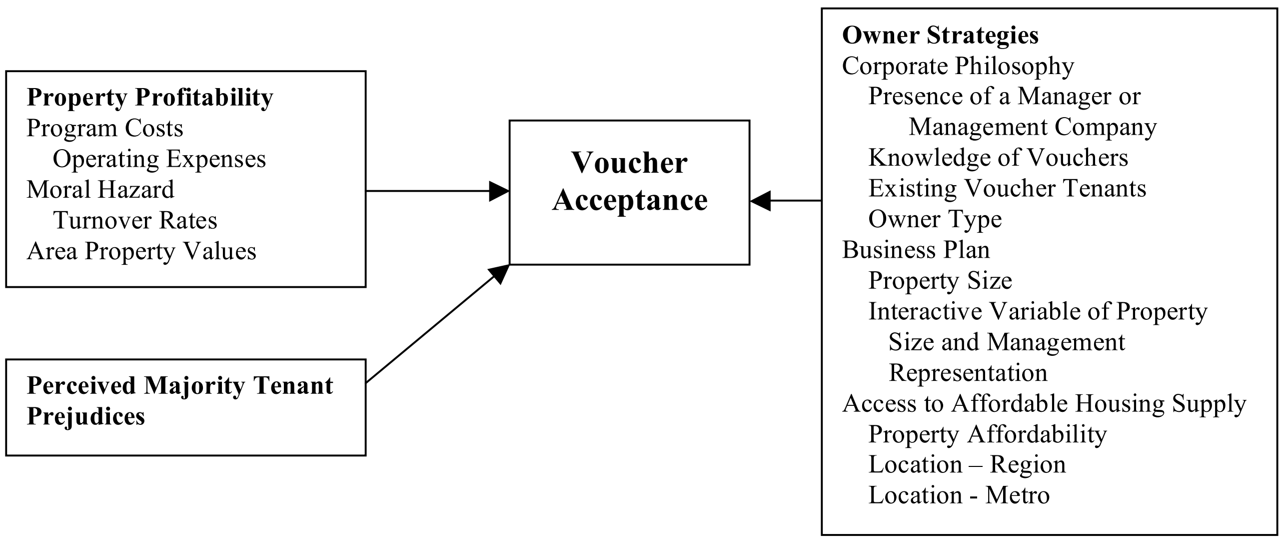

Figure 7. Operational Model for Voucher Acceptance

Previous studies have not researched voucher acceptance as specified in the operational model (Figure 7). For the quantitative analysis, this research study utilized a national sample based upon a national Census Bureau survey of 5,754 multifamily properties, and not a sample obtained from PHAs. This study also utilized this empirical data from multifamily properties, and not just one unit from a property. Empirical data and case studies were used to analyze the relationship between property profitability, perceived majority tenant prejudices, owner strategies, and voucher acceptance. Previous research utilized quantitative data and landlord interviews from landlords *already participating in the voucher program* to study voucher acceptance, property profitability and owner strategies. Additionally, previous research has not examined the impact of *this operational model* on landlord voucher acceptance. This research study will provide the needed clarification to why vouchers go unused and increase voucher knowledge within the multifamily industry. Additionally, the candid case studies with management companies will provide insight into how PHAs can improve their effectiveness and increase voucher utilization.

The expected effect direction of voucher acceptance by an owner, based upon the operational model, is shown in Table 2. Property profitability is categorized into three factors: program costs, moral hazard, and area property values. Program costs and moral hazard both exhibit a negative effect direction due to associated risk with both factors. Program costs include required maintenance and inspection of a voucher unit, which decrease potential profits. Moral hazard is the risk associated with higher turnover, lease default, and tenant eviction. These risks increase expenses and vacancy, thereby, reducing net operating income. Depending on area property values for a market, the expected effect direction of voucher acceptance will vary. In a market where area property values are falling, the expected direction of voucher acceptance will be positive due to an owner's attempt to secure income quickly. In a market where area property values are increasing, the effect direction of voucher acceptance will be negative, as there is no incentive for owners to utilize vouchers.

The voucher acceptance effect direction for perceived majority tenant prejudices will vary dependant upon if the voucher recipient matches the norms for the property. The majority tenant prejudices, as perceived by the owner, will determine if a voucher is accepted. If it is determined that the voucher recipient does not match the norms for the property, based upon the perceived majority tenant prejudices, the effect direction will be negative.

All three of the owner strategy factors vary based upon property or characteristics. Business plans for a property determine how the property will operate and if it will accept vouchers; therefore, the effect direction will vary based upon an individual property's business plan. Property size is included in business plans. Business plans also includes the interactive variable that reflects the coefficient interaction of property size and management representation (a manager or management company at the property) variables. Likewise, a company's corporate philosophy will determine what has been set forth for property operations in relation to voucher acceptance. Corporate philosophy includes the presence of a management company, knowledge of vouchers, existing voucher tenants, and owner type. An example of owner type is non-profit or church-related owner. The effect direction for each factor within corporate philosophy will vary. Finally, access to affordable housing supply will also vary dependent upon a property's market rents relative to FMR and location of the property. If a property's market rents are less than FMR, the effect direction will be positive. Dependent of the property's location relative to the region within the United States and whether it is in a metropolitan, central city, or suburban location, the effect direction of voucher location will vary.

Summary

Housing assistance for low-income elderly, the disabled and families with children has progressed from the time of the first subsidy experiment, EHAP. The current housing subsidy program, Housing Choice Vouchers, provides low-income families a voucher that can be used within the private market. Previous research has documented that vouchers have a positive

Table 2. Operational Model to Understand Owner's Decision to Accept Vouchers

Variable:	Effect Direction:
Property Profitability	
Program Costs	
Operating Expenses	-
Moral Hazard	
Turnover Rate	-
Area Property Values	+/-
Perceived Majority Tenant Prejudices	+/-
Owner Strategies	
Business Plans	
Property Size	+/-
Interactive Variable of Property Size and Management Company	+/-
Corporate Philosophy	
Presence of Manager/Management Company	+
Knowledge of Vouchers	+
Existing Voucher Tenants	+
Owner Type	+/-
Access to Affordable Housing Supply	
Property Affordability	+/-
Location – Region	+/-
Location – Metro	+/-

impact on education, income and employment for voucher recipients. A principal challenge with vouchers is locating a property owner who will accept them. The voucher utilization success rate has fallen twelve points since the early 1990s. Through the use of POMS data and Fairfax County, VA property management company survey case studies, this study identifies the relationship between voucher acceptance and property profitability, perceived majority tenant strategies, and owner strategies with the goal of enhancing marketability of vouchers through exposing any misperceptions of voucher acceptance, and influencing policy to expand source of income legislation, thus, increasing voucher utilization.

CHAPTER 3. METHODOLOGY

This research was designed as a mixed-methods study based on two data sets. Mixed-methods sequential research design was chosen so that this study could begin with a quantitative method, using POMS data, where theories were tested, and was followed up with additional quantitative and qualitative methods, involving a more detailed analysis with case studies, using a Fairfax County, VA Property Management Survey (Creswell, 2003). Two data sets were examined to determine the impact of owner/management company strategies and philosophy, property profitability and majority tenant prejudices on voucher acceptance. The primary research goal was to answer the question: ***Is voucher acceptance affected by the following variables: property profitability, perceived majority tenant prejudices, and owner strategies*?** The primary data set was obtained through a 2007 survey of management companies with properties in Fairfax County, VA. The secondary data set, POMS, conducted nationwide in 1995, collected information from property owners and managers regarding a multitude of multifamily variables, including those related to market, property maintenance, policy issues, and property performance (See Appendix B). The following information on methodology is provided in two sections based upon primary data and secondary data. The data were analyzed by utilizing statistical analysis techniques including binomial logistic regression model analysis.

The methodology is based on the following operational questions under three major research questions:

1) What is the relationship between a property's profitability and future voucher acceptance?
    a. What is the relationship between operating costs per unit and future voucher

acceptance?

b. Is there a relationship between total units at a property and future voucher acceptance?

c. Do changing area property values have any influence on future voucher acceptance?

2) What is the relationship between perceived majority tenant prejudices and future voucher acceptance, marketing, and advertising?

3) Are there differences in owner strategies and philosophy that influence future voucher acceptance, and communication and documentation of a voucher policy?

a. Is there a relationship between a property managed by a management company and future voucher acceptance?

b. How does an owner's familiarity with vouchers affect future voucher acceptance?

c. Is there a relationship between a property with existing voucher tenants and future voucher acceptance?

d. Does a property's classification as affordable, based upon market rents compared to FMR, have any impact on future voucher acceptance?

e. How do a property's region and location in reference to central city or metro area affect future voucher acceptance?

f. Does the type of property owner affect future voucher acceptance?

Property Owner and Manager Survey

POMS provides a prime set of data, as it was the first national survey of property owners. POMS data is thirteen old; however, it is the only national survey of property owners and provides great insight into property management. Only privately-owned rental properties were included in the survey; therefore, any governmentally-owned property was excluded. POMS provides a sample of approximately 5,754 multifamily properties. Data were analyzed using Statistical Package for the Social Sciences (SPSS) software.

The results of this proposed project are validated by utilizing industry standards and reliable data from POMS. The findings from POMS are representative of the multifamily industry and can be generalized, providing for external validity. In addition, the findings are widely accepted in the field, as the sources of the data are recognized as the foundation of housing policy and practice.

Sample Controls

Based upon their affordability, LIHTC properties are required to accept vouchers. To control for the possibility that owners only accept vouchers due to the property's LIHTC status, all units receiving or eligible for LIHTC were excluded. Additionally, cases with irregular expense distributions as compared to the Institute of Real Estate Management's 1995 Income and Expense Analysis for Multifamily Properties were removed. The revised sample size included 1,572 records after controlling for LIHTC and irregular entries.

Limitations

Twelve states and seventeen local jurisdictions ban discrimination based upon source of income. POMS did not include a variable within the survey to account for this factor. An owner with units located in an area with source of income legislation could not be evaluated for their willingness to accept vouchers due to mandatory voucher acceptance. Inclusion of this variable within the survey would have provided the flexibility to remove those units possessing source of income legislation in the analysis. However, due to the legislation being present in such a small percentage of the nation, the impact of source of income legislation on the analysis is probably minor.

The "take one, take all" policy with voucher participation was active during the collection of the POMS data. The policy discouraged owners' initial acceptance of vouchers due to the required future commitment to accept vouchers. Even though the policy may have worked in favor of maintaining voucher acceptance at a property already accepting vouchers, the policy was subsequently repealed in 1998. "Take-one, take all" had little or no effect on this research due to the study's focus on the relationship of voucher tenants and property performance, and not on an inability to participate freely in the voucher program.

Research Question

As stated previously, the primary research goal is to answer the following question: *Is voucher acceptance affected by the following variables: property profitability, perceived majority tenant prejudices, and owner strategies*? The secondary POMS data provided detailed information regarding property profitability and management company/owner strategies. Perceived majority tenant prejudices are addressed minimally in POMS and thus, were analyzed through the primary data set model.

Data Analyses

To achieve the research objectives, two research hypotheses were tested with POMS data:

H1: There is a relationship between property profitability (property turnover, area property value change, and operating costs) and future voucher acceptance.

H2: There are differences in management company/owner strategies (location, presence of a management company, familiarity with vouchers, existing voucher tenants, type of owner, affordability of property, and size of property) that influence future voucher acceptance.

Flow of Data Analyses

POMS data were analyzed in order to test the hypotheses. The results included (1) overview of respondents; and (2) relationships between voucher acceptance and property profitability, and owner strategies. Figure 8 identifies variables that are included in the data analysis and categorizes their placement within the operational model. The multivariate logit

Property Profitability

Program Costs

Operating Costs Per Unit (OE)

Moral Hazard

Turnover Rate in Last 12 Months (TR)

Area Property Values

Area Property Values (AV)

Perceived Majority Tenant Prejudices

Not addressed in POMS survey

Owner Strategies

Corporate Philosophy

Presence of Manager/Management Company (MC)
Familiarity with Vouchers (HCV)
Existing Voucher Tenants (VT)
Owner Type (OT)

Business Plan

Size of Property (UT)
Interactive Variable of Property Size and Manager/Management Company (UM)

Access to Affordable Housing Supply

Affordability of Property (AF)
Region (R)
Metro (M)

Figure 8. Variables in Operational Model

regression and variable description are shown in Figure 9. The data analyses also included variables to control for location, i.e. region and metro, property size, and if the property currently has any voucher tenants.

V = *f* (R, M, TR, AV, MC, HCV, AF, UT, UM, VT, OE), where

V	=	Owner's future acceptance of housing choice vouchers equal to 1, 0 otherwise
R2	=	Dummy variable equal to 1 if located in the Midwest, 0 otherwise (Northeast suppressed)
R3	=	Dummy variable equal to 1 if located in the South, 0 otherwise
R4	=	Dummy variable equal to 1 if located in the West, 0 otherwise
M1	=	Dummy variable equal to 1 if located inside Metro area and inside central city, 0 otherwise (outside metro area and in metro area and outside of central city suppressed)
TR	=	Turnover rate in last 12 months
AV	=	Dummy variable equal to 1 if change in area property value last year increased or stayed the same, 0 otherwise
MC	=	Dummy variable equal to 1 if the property is managed by a Management Company/Manager, 0 otherwise.
HCV	=	Dummy variable equal to 1 if owner/management company is very or somewhat familiar with Section 8, 0 otherwise
AF	=	Dummy variable equal to 1 if unit rent is lower than FMR, 0 otherwise
UT	=	Property size in units
UM	=	Interactive variable of property size in units and Management Company/Manager, 0 otherwise
VT	=	Dummy variable equal to 1 if property currently has voucher tenants, 0 otherwise
OE	=	Operating expenses per unit based upon advertising, cleaning, property insurance, legal and professional fees, repairs & maintenance, supplies, grounds care, trash removal, and personnel/labor expenses
OT	=	Dummy variable equal to 1 if owner type is non-profit, 0 otherwise
u	=	Error term for the regression

The logistic regression form is written as:

$$\textbf{Logit V} = \beta_0 + R2\beta_1 + R3\beta_2 + R4\beta_3 + M1\beta_4 + TR\beta_5 + AV\beta_6 + MC\beta_7 + HCV\beta_8 + AF\beta_9 + UT\beta_{10} + UM\beta_{11} + VT\beta_{12} + OE\beta_{13} + OT\beta_{14} + u$$

Figure 9. Binary Logistic Regression for POMS Data

Fairfax County, VA Property Management Survey

Fairfax County, Virginia

Fairfax County, Virginia (VA) is the second study area for this research. According to the U.S. Census in 2000, Fairfax County was the largest population jurisdiction within Virginia and the Metropolitan Washington, D.C. area. Figure 10 illustrates the location of Fairfax County in Virginia.

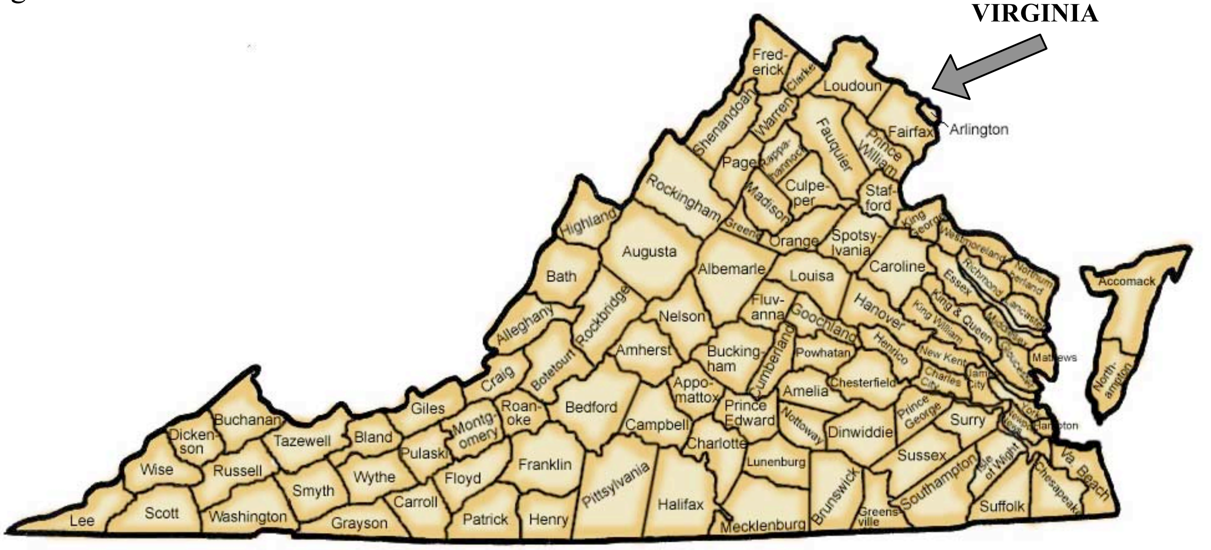

Figure 10. Location of Fairfax County in Virginia. From "*Virginia Current Map of Counties*," by the Library of Virginia (n.d.).

<u>Demographics of Fairfax County, VA</u>

The total population of Fairfax County, VA in 2006 was 1,010,443. Table 3 and Table 4 illustrate the population growth and housing unit changes of the county in comparison with the state and nation from 2000 to 2006. According to the American Community Survey (2006), Fairfax County is ranked the 37th largest county in population in the United States. Fairfax County's population growth of 18.5% exceeded the state of Virginia and United States in 2000;

however, in 2006, its population growth was the lowest among the three, yet Fairfax County's housing units continue to grow at a rate more than triple the rate of the entire United States.

Table 3. Population Growth of Fairfax County, Virginia, and the United States (1990 – 2006)

	1990	2000	2006
Total Population			
Fairfax County, VA	818,584	969,749	1,010,443
Population Growth			
Fairfax County, VA		18.5%	4.2%
Virginia		14.4%	8.0%
United States		13.2%	6.4%

Sources: U.S. Census Bureau (2006) and American Community Survey (2006)

Table 4. Housing Unit Increases in Fairfax County, Virginia, and the United States (1990 – 2006)

	1990	2000	2006
Total Housing Units			
Fairfax County, VA	292,345	359,411	390,761
Housing Unit Change			
Fairfax County, VA		22.9%	33.7%
Virginia		16.3%	11.2%
United States		26.1%	9.0%

Sources: U.S. Census Bureau (2006) and American Community Survey (2006)

Table 5 summarizes demographic characteristics for Fairfax County, VA and the United States in 2006. Fairfax County residents have higher educational attainment, are 50% less likely to live in poverty than the entire nation, and have a per capita income almost double that of the United States as a whole.

Table 6 outlines household demographics for Fairfax County, VA and the United States as of 2006. Fairfax County's median household income and median family income, $100,318 and $119,812 respectively, surpasses the United States by more than double. Additionally, Fairfax County's average household and family size are slightly larger than the United States.

Table 5. Demographic Characteristics of Fairfax County and the United States (2006)

	Fairfax County, VA	United States
Total Population	1,010,443	299,398,485
Gender (% of total population)		
Male	49.6	49.2
Female	50.4	50.8
Race (% of total population)		
White	67.9	73.9
Black or African American	9.5	12.4
Asian	15.8	4.4
Economic Characteristics		
Per capita income (dollars)	46,499	25,267
Individuals below poverty (% of total population)	5.3	13.3
Education (% of population 25 years and older)		
High school graduate or higher	92.8	84.1
Bachelor's degree or higher	58.7	27.0

Sources: U.S. Census Bureau (2006) and American Community Survey (2006)

General Housing Profiles in Fairfax County, VA

In 2006, Fairfax County, VA had a vacancy rate of 7.0%, which is 4.6% less than the national average. Fairfax County also possesses more homeowners than renters compared to the national average. Table 7 illustrates housing profiles for Fairfax County, VA.

Table 6. Household Characteristics of Fairfax County and the United States (2006)

	Fairfax County, VA	United States
Total Households	1,010,443	299,398,485
Average Size		
Average household size (person per household)	2.76	2.61
Average family size (person per family)	3.38	3.20
Economic Characteristics		
Median household income (dollars)	100,318	48,451
Median family income (dollars)	119,812	58,526
Family below poverty level (% of total population)	3.6	9.8

Sources: U.S. Census Bureau (2006) and American Community Survey (2006)

Table 7. Housing in Fairfax County, VA and the United States (2006)

	Fairfax County, VA	United States
Total Housing Units	390,761	126,311,823
Occupancy Status (% of total housing units)		
Occupied housing units	93.0	88.4
Vacant housing units	7.0	11.6
Tenure Status (% of total occupied housing units)		
Owner-occupied housing units	75.2	67.3
Renter-occupied housing units	24.8	32.7

Sources: U.S. Census Bureau (2006) and American Community Survey (2006)

Multifamily Housing in Fairfax County, VA

Fairfax County defines multifamily rental housing as a property with at least five or more units. The county has an inventory of 62,156 multifamily rental units as of 2006. Table 8 outlines the multifamily housing unit growth from 1996 to 2006 and the corresponding average vacancy rate. There were 2,594 multifamily housing units converted to condominiums from January 2005 to January 2006. Additionally, there were fewer new multifamily rental units constructed, which created a net decrease in rental housing stock by 1,113 units or (1.76%) ("2006 Rental Housing Complex Analysis", 2007). Average vacancy rate for multifamily rental housing was 6.0% for 2006, a .8% decrease from 2005 expected due to net loss in rental units.

Table 8. Multifamily Rental Housing Inventory of Total Units and Average Vacancy Rate, Fairfax County, VA
(1996 – 2006)

	1996	1997	1998	2000	2001
Total Units	51,186	52,024	54,243	57,226	59,128
Vacancy Rate	5.4%	5.0%	5.5%	1.6%	2.5%
	2002	**2003**	**2004**	**2005**	**2006**
Total Units	60,175	61,297	62,934	63,269	62,156
Vacancy Rate	5.5%	5.6%	5.6%	6.8%	6.0%

Source: 2006 Rental Housing Complex Analysis, 2007. No data are available for 1999.

Average monthly rent in January 2006 was $1,247, with efficiency units averaging $894 and three bedroom units averaging $1,654. Table 9 shows average monthly rent by year from 1996 to 2006. Fair market rents have continued to increase, with an exception from 2004 to 2005 where fair market rents decreased minimally. In March 2006, fair markets rents were set with each unit type receiving approximately 3% increase. This increase to fair market rent, while still less than the average monthly rent increase, is competitive given the challenge of rising rents and limited subsidies. Table 10 outlines fair market rents for 2005 and 2006.

Table 9. Average Monthly Rent for Multifamily Rental Housing, Fairfax County, VA (1996 – 2006)

	1996	1997	1998	2000	2001
Monthly Rent	$800	$809	$849	$989	$1,129
Percent Change	1.0%	4.3%	6.1%	16.5%[1]	14.2%
	2002	**2003**	**2004**	**2005**	**2006**
Monthly Rent	$1,157	$1,168	$1,157	$1,202	$1,247
Percent Change	2.5%	1.0%	-0.9%	3.9%	3.7%

Source: 2006 Rental Housing Complex Analysis, 2007. No data are available for 1999.
[1] The 1998-2000 percent change reflects a two-year difference.

Table 10. Fair Market Rent for Multifamily Rental Housing, Fairfax County, VA (2005 – 2006)

	2005	2006	Percent Change
Monthly Rent			
Efficiency	$915	$948	3.6%
1 Bedroom	$1,045	$1,080	3.3%
2 Bedroom	$1,187	$1,225	3.2%
3 Bedroom	$1,534	$1,580	3.0%
4 Bedroom	$2,007	$2,068	3.1%

Sources: Fairfax County Redevelopment and Housing Authority, January 2006 and Community Council on Homelessness, 2006.

Property Management Companies in Fairfax County, VA

Many property owners self-manage their assets through a management division or entity within their company. Therefore, for the purposes of this research, the term management company is also representative of property owner. According to AOBA, there are twenty-six companies who own and/or manage multifamily property in Fairfax County, VA and are members of AOBA. Sixteen of the twenty-six management companies, who manage rental housing in Fairfax County, VA, are based in the Metropolitan D.C. area with additional properties in Virginia, Maryland, and/or Washington, D.C. The remaining ten companies have regional offices in the Metropolitan D.C. area with properties not only located in Fairfax County, VA, but also throughout the United States.

Instrument Development

An anonymous, confidential questionnaire was designed for this study. The questionnaire consisted of sixteen questions related to the following: 1) Property operations - size, voucher acceptance, and achievement of NOI; 2) Perceived majority tenant prejudices - voucher advertising, marketing and effects of perceived majority tenant prejudices; and 3) Management company strategies and philosophy – operational goals and voucher policy communication and documentation.

Part I: Measurement of Property Operations

The first part of the questionnaire addressed property operations. Participants were asked seven questions of their entire management company portfolio and also, specifically, their Fairfax County properties. These questions related to number of units, average rent per square foot, voucher acceptance, and achievement of NOI. The last part of the questionnaire included a question that possessed a series of statements that were divided among six categories and an ‘other’ write-in category. Participants evaluated each statement for its influence when deciding to accept vouchers. These were developed using a Likert five-level importance scale: extremely important, very important, moderately important, slightly important, and unimportant. Five of the categories, rental income, operating expenses, resident issues, relationship with public housing agency (PHA), and rental housing market, included statements related to fair market rents, profitability, operations, delinquency, disruptive behavior, market demand, PHA administration, and size of property.

<u>Part II: Measurement of Perceived Majority Tenant Prejudices</u>

The second part of the questionnaire concentrated on voucher acceptance marketing, unsubsidized resident perceptions of vouchers, and management company reactions to majority tenants. These five questions addressed perceived majority tenant prejudices against voucher tenants. Participants were also asked to rank the most significant reason for not advertising voucher acceptance and upsetting unsubsidized residents. Once again, the final survey question provided one category, resident issues, of statements related to turnover of unsubsidized residents and demographic differences among subsidized and unsubsidized tenants. These statements were evaluated by participants using a five-level importance scale, as previously discussed.

<u>Part III: Measurement of Management Company Strategies and Philosophy</u>

The last series of questions addressed issues related to company policy and procedure. Participants were asked if their company possessed a voucher policy, and if so, how the policy was conveyed to employees. The final survey question identified statements related to achieving business plans, providing housing to all that qualify and experience with PHAs, in the company philosophy category.

Pretest

A pretest was conducted to ensure the reliability of the questionnaire. A simple pretest of the questionnaire was conducted by four property management professionals to identify any wording or comprehension problems. The results of the pretest were more informational in that the survey was redesigned; however, one comment received, "there has been talk we may be forced to take vouchers," indicated that a voucher study was timely. The questionnaire was redesigned after determining what information was necessary and receipt of feedback to include a Likert scale, an "other" write-in category, and a method to select the most significant factor for questions with more than one applicable factor.

Sampling Procedure

The site for this study was Fairfax County, VA. Fairfax County was chosen because of its diverse population, lack of affordable housing and large rental market of 62,156 units. The site was also selected because it has no legislation prohibiting source of income discrimination. In 2000, Popkin, Turner, and Cunningham, three researchers from The Urban Institute surveyed the progress of the program through an analysis of Fairfax County's voucher program (Popkin, Turner, Callaghan & Cunningham, 2000). Popkin, Turner, and Cunningham discussed merits and limitations of the voucher program with the Director of Housing Management of Fairfax County, VA. The Urban Institute researchers stated the main issues affecting voucher success is education of the voucher recipient by a PHA, misperceptions of vouchers by the community, voucher clustering, and PHA orientation for voucher recipients.

The researchers chose to analyze Fairfax County's voucher program due to its high utilization rate of 96 percent, its willingness to adjust to changing market conditions, and ability to address the main issues identified by the researchers (Popkin, et al., 2000). Additionally, Fairfax County PHA discovered its return rate (voucher recipients unable to use voucher during allotted time period) increased from 12 percent to 30 percent and realized voucher recipients could not locate a rental unit that accepted vouchers. Fairfax County's awareness and efficient administration has prompted the organization to identify a method to protect voucher recipients through a human rights ordinance and also to promote a positive image of voucher recipients (Popkin, et al., 2000).

In addition to the feedback by The Urban Institute's researchers, this researcher's personal experience of working in property management in Fairfax County also confirms that the Fairfax County PHA assists its voucher recipients to secure rental homes and promotes the image of voucher recipients. The effectiveness of the PHA is critical to voucher success and utilization. Therefore, due to Fairfax County PHA's continued administrative effectiveness and voucher success, a case study of property management companies with properties in Fairfax County will provide more insight into voucher rejection decisions that will be less likely related to an ineffective PHA. PHAs adjacent to Fairfax County do not possess similar administrative effectiveness or market characteristics, i.e. limited affordable supply with great demand, and would not enhance this research. Therefore, a comparison of additional PHAs to Fairfax County PHA was not conducted.

Property Management Company Selection

The sample for this study was twenty-six property management companies that manage multifamily properties within Fairfax County, VA. A multifamily property was defined as a building with a minimum of five or more rental units. The sample was comprised of all management companies that had at least one multifamily property in Fairfax County, VA and were members of the Apartment Owner and Building Association (AOBA). AOBA is a property management association of professionals who own and manage multifamily properties in the Metropolitan District of Columbia area. Membership within AOBA exhibits a level of professionalism and indicates an owner is aware of industry standards. According to AOBA, its mission is to enhance the value of its members' assets through effective leadership and advocacy, policy updates, information distribution, and professional development. The sample of Fairfax County, VA management companies was created from the AOBA membership list. Of the twenty-six companies, sixteen companies manage properties only in the Metropolitan D.C. area. Ten companies manage properties nationally. A management company's portfolio could not be comprised of LIHTC properties only because LIHTC properties require voucher acceptance.

Follow Up Property Management Company Selection

Based upon the completed questionnaires, three management companies were selected for follow-up interviews. The first company, Company A, was selected as a case study because it does not accept vouchers, yet it has properties with market rents below fair market rent. The second company, Company B, was chosen based upon accepting vouchers and possessing properties with market rents below fair market rent. The third company, Company C, was chosen due to its company philosophy to accept vouchers as a social responsibility. Company C's properties also qualify with market rents below fair market rent.

On November 15 and 16, 2007, the researcher conducted in-person interviews with all three case study companies. Each company representative was asked to elaborate on their answers and provide additional information based upon their experience.

Data Collection

The survey was anonymous; however, questionnaires were coded by the researcher to identify and track each management company that responded. The survey employed multiple venues for data collection. A questionnaire packet, including a cover letter, a copy of the questionnaire, and a business reply envelope, was mailed to each management company in the sample on June 1, 2007. Each cover letter was customized for the specific management company and representative. The researcher also signed cover letters individually. Once the two-week response deadline expired, management companies who had not responded received a follow-up telephone call and emailed questionnaires to secure additional responses. Between June 12, 2007 and August 1, 2007, thirteen completed questionnaires were returned. The response rate was 50%. Table 11 shows survey response statistics.

<u>Limitations</u>

An owner's lack of desire to answer the questions was a valid concern. If too many owners or their representatives failed to respond, the study would have become exploratory research, which indicates tentative findings. In addition, the researcher could not ask an owner directly if he discriminated against voucher recipients based upon their inclusion in a protected class. Questions were tailored in order to address tenant fit without appearing accusatory.

Table 11. Fairfax County, VA Property Management Survey Response Statistics

	Number of Management Companies (A)	Number of Responses (B)	Response Rate ((B/A) x 100) %
National Company	10	4	40%
Metropolitan D.C. Company	16	9	56%
Total	26	13	50%

Data Analysis

The purpose of this research was to analyze the decisions of owners to accept or reject vouchers as influenced by characteristics of properties, owners, and tenants. Due to limitations with POMS data, a Fairfax County, VA Property Owner Survey assisted in addressing the primary research objective: *To determine the relationship between voucher acceptance and property profitability, perceived majority tenant prejudices, and owner/management company preference and philosophy.*

To achieve the objectives, three research hypotheses were tested:

H1: There is a relationship between a property's profitability and voucher acceptance.

H2: There are differences in owner/management company strategies and corporate philosophy regarding vouchers that influence acceptance, and communication and documentation of policy.

H3: There is a relationship between perceived majority tenant prejudices and voucher acceptance, marketing, and advertising.

Hypotheses 1 and 2 were tested with the POMS data. Qualitative data from the questionnaires supplemented the quantitative POMS data. Data from the Fairfax County Property Management survey provided additional information to address the primary research objective further. The results included (1) overview of respondents; and (2) relationships between voucher acceptance and property profitability, perceived majority tenant prejudices, and owner strategies/corporate philosophy. Thus, Hypothesis 3 was tested with data from the Fairfax County Property Management survey. Furthermore, Hypotheses 1 and 2 were also tested with data from the Fairfax survey.

Data Coding

Data were coded into numbers for statistical analyses. Data were analyzed using Statistical Package for the Social Sciences (SPSS) software.

Part I: Measurement of Property Operations. The first part of the questionnaire addressed property operations. Participants were asked seven questions of their entire management company portfolio and also, specifically, their Fairfax County properties. These questions related to number of units, average rent per square foot, voucher acceptance, and achievement of NOI. Number of units and rent per square foot data were entered as-is. Voucher acceptance and NOI achievement data were coded as 1 and 2, where "yes" was 1 and "no" was 2. The last part of the questionnaire included a question that possessed a series of statements that were divided among six categories and an 'other' write-in category. Participants evaluated each statement for its influence when deciding to accept vouchers. These statements were developed using a Likert five-level importance scale: extremely important, very important, moderately important, slightly important, and unimportant. The levels were coded from 1 to 5, where "extremely important" was 5 and "unimportant" was 1.

Part II: Measurement of Perceived Majority Tenant Prejudices. The second part of the questionnaire concentrated on voucher acceptance marketing, unsubsidized resident perceptions of vouchers, and management company reactions to majority tenants. Voucher acceptance advertising data were coded from 1 to 3, where "always advertised" was 1 and "rarely advertised" was 3. Questions related to why a company might not advertise voucher acceptance and why residents might be upset with voucher tenants at their property were coded as 1 if a factor was selected and 0 if the factor was not selected. Factors that were the most significant were coded separately into another variable. Data related to the likelihood existing residents might become upset with voucher tenants moving into their building and whether management companies reject vouchers in an attempt to not upset current residents were coded from 1 to 3, where “yes” was 1, “no” was 2, and “do not know” was 3.

Resident issues data relating to turnover of unsubsidized residents and demographic differences among subsidized and unsubsidized tenants were coded using a five-level importance scale from 1 to 5. “Extremely important” was 5 and “unimportant” was 1.

Part III: Measurement of Management Company Strategies and Philosophy. Data generated from the question regarding the presence of a voucher policy were coded from 1 to 3, where 1 was “yes, an unwritten policy”, 2 was “yes, a written policy”, and 3 was “no policy”. Method of communicating voucher policy was coded as 1 if the statement was applicable, 0 if not. Additionally, the most significant method of communication was coded into a separate variable. Company philosophy data related to achieving business plans, providing housing to all that qualify and experience with PHAs were coded using a five-level importance scale from 1 to 5. “Extremely important” was 5 and “unimportant” was 1. Other data manually inserted by participants were added as a separate variable and then coded using the five-level importance scale.

Summary

Mixed-methods research was employed to enhance existing quantitative data, POMS, with additional quantitative and qualitative data from the Fairfax County, VA Property Management Survey. The Fairfax Property Management Survey was comprised of three sections: (1) measurement of property operations, (2) measurement of management company strategies and philosophy, and (3) measurement of perceived majority tenant prejudices. The pre-tested survey was distributed to twenty-six management companies in Fairfax County, VA, with a 50% response rate. This additional data will supplement the 1572 records from POMS data to measure the influence of property profitability, perceived majority tenant prejudices, and owner/management company strategies and philosophy on voucher acceptance.

CHAPTER 4. FINDINGS

To research how future voucher acceptance is affected by property profitability, perceived majority tenant prejudices, and owner/management company strategies, data from POMS, the Fairfax Property Management Survey, and three Fairfax Property Management Company case studies, were examined. A series of logistic regression analyses are provided to research the relationship between future voucher acceptance and property profitability, owner/management company strategies, and properties with existing voucher tenants. Furthermore, information from each case study was interpreted to determine how each company handled voucher acceptance in relation to perceived majority tenant prejudices, property profitability, and owner strategies. This mixed-methods approach provided for a broader interpretation of voucher acceptance in the multifamily rental housing industry.

Overview of POMS

Quantitative data was analyzed using a series of binomial logistic regression analyses, with future voucher acceptance as the dependent variable (see Table 12). A total of 1572 records were analyzed in the data analyses. Diagnostics for the models revealed no problems with multicollinearity, as collinearity statistics revealed no tolerance values less than .2.

POMS was analyzed utilizing four models. Model 1 represents the full model for future voucher acceptance. Model 2 controlled for a property not possessing any voucher tenants, but would accept future voucher tenants. Model 3 predicted the probability of future voucher acceptance among properties that had voucher tenants, but would not accept future vouchers. Given that the three previous models predicted the probability of voucher acceptance, the final model, Model 4, predicted the likelihood of voucher tenants at a property given the same independent variables.

In all models, dummy variables were employed for all independent variables, with the exception of turnover rate, operating expenses, and property size. An interactive variable based upon property size and management representation was created to identify any property size and management company interaction. Property size and presence of a manager or management company are likely to be related and could have an interactive influence on voucher acceptance. Small properties, often budget constrained, are more likely to be owner-managed than have a manager. The effect of management representation could be masked by the effect of property size; therefore, an interactive variable, in addition to separate variables of management representation and property size, were utilized in the models.

Descriptive Characteristics of Property Profitability Factors

Sixty-one percent of properties operated with expenses of $1501 - $1751 per unit (see Table 13). Operating expenses included POMS categories of advertising, legal services, cleaning, repairs and maintenance, maintenance supplies, grounds maintenance, trash services, labor, and property insurance. Approximately 83% of properties had less than 50% turnover. Eighty-nine percent of the properties maintained or experienced an increase in area property values.

Descriptive Characteristics of Owner Strategy Factors

Properties ranged in size from five units to 755 units. The three sizes of properties, small (5 – 49 units), medium (50 – 149 units), and large (200 +), were rather evenly split at 31.5%, 32.8%, and 35.7% respectively (Table 13). The majority of properties were located in the South at 38.7%. Approximately 52% of properties were located inside the metro area and inside the central city. Seven percent of the properties were located outside of the metro area.

Seventy-three percent of property owners employ a manager or management company for their properties. Seventy percent of property managers/owners are familiar or somewhat familiar with vouchers; however, almost 74% of properties currently have no voucher tenants at their properties, yet almost 11% of those properties that do accept vouchers possess at least 20% of voucher tenants at their property. Properties possessed rents lower than metro FMR in approximately 62% of the reported cases. The majority of property owners were individuals, followed by limited partnerships. Non-profit or church-related institutional ownership comprised 4% (Table 14).

Table 12. Variable Measurement and Descriptive Statistics

	N	Measurement	Mean	Median	Standard Deviation
Dependent variable					
Future voucher Acceptance	1470	1 = Yes, 0 = No	.3884		
Independent variables					
Region	1572	1 = Midwest, 0 = Other	.2265		
		1 = South, 0 = Other	.3874		
		1 = West, 0 = Other	.2214		
Metro	1572	1 = Inside metro Area & central city, 0 = Other	.5216		

Turnover Rate	1366	1 = Less than 5%, 2 = 5 – 9%, 3 = 10 – 19%, 4 = 20 – 49%, 5 = 50% or more, 0 = None	2.78		
Area Value Change	1324	1 = Area property value increased or stayed the same, 0 = Other	.8905		
Management Representation	1534	1 = Yes, 0 = No	.7301		
Voucher Familiarity	1517	1 = Somewhat or very familiar, 0 = No	.7007		
Affordability	1511	1 = Rent lower than metro FMR, 0 = No	.6181		
Property Size	1572	In units	176.7487	123.0000	175.20772
Voucher Tenant	1250	1 = Yes, voucher tenant at property, 0 = No	.2608		
Operating Expenses	1572	1 = $0 – $500, 2 = $501 - $750, 3 = $751 - $1000, 4 = $1001 – $1251. 5 = $1252 - $1501, 6 = $1502 - $1750, 7 = $1751 - $2000 Per Unit	5.4466		
Unit Management		Interactive variable in units	139.5163	72.0000	169.147777
Owner Type	1354	1 = Non-profit, 0 = Other	.4786		

Table 13. Descriptive Characteristics of Property Profitability Factors

Descriptive Characteristic	Total *n*	*(%)*
Operating Expenses per Unit[a]		
$0 – $500	8	(0.5)
$501 - $750	35	(2.2)
$751 - $1000	86	(5.5)
$1001 - $1251	145	(9.2)
$1252 - $1501	234	(14.9)
$1502 - $1750	972	(61.8)
$1751 - $2000	92	(5.9)
Total	1572	(100.0)
Turnover Rate in Last 12 Months[a]		
None	80	(5.9)
Less than 5%	288	(21.1)
5 – 9%	237	(17.3)
10 – 19%	234	(17.1)
20 – 49%	296	(21.7)
50% or More	231	(16.9)
Total	1366	(100.0)
Change in Area Property Values[a]		
Decrease in Area Property Values	145	(11.0)
Same Value or Increase in Area Property Values	1179	(89.0)
Total	1324	(100.0)

Note. [a]Frequencies and valid percents within each characteristic.

Table 14. Descriptive Characteristics of Owner Strategy Factors

Descriptive Characteristic	Total *n*	*(%)*
Property Size[a]		
Small (5-49 Units)	495	(31.5)
Medium (50 – 199 Units)	516	(32.8)
Large (200 - 755 Units)	561	(35.7)
Total	1572	(100.0)

Region[a]		
Northeast	259	(16.5)
Midwest	356	(22.6)
South	609	(38.7)
West	348	(22.1)
Total	1572	(100.0)
Metro[a]		
Inside Metro Area/In Central City	820	(52.2)
Inside Metro Area/Outside Central City	642	(40.8)
Outside Metro Area	110	(7.0)
Total	1572	(100.0)
Property Management[a]		
No Management Company/Manager	414	(27.0)
Owner Employs Management Company/Manager[b]	1120	(73.0)
Total	1534	(100.0)
Familiarity with Vouchers[a]		
Not Familiar with Section 8	454	(29.9)
Familiar or Somewhat Familiar with Section 8	1063	(70.1)
Total	1517	(100.0)
Property Affordability[a]		
Rents Lower than Metro Fair Market Rent	934	(61.8)
Rents Equal or Higher than Fair Market Rent	577	(38.2)
Total	1511	(100.0)
Owner Type[a]		
Individual	503	(39.1)
Estate Trustee	20	(1.6)
Limited Partnership	266	(20.7)
General Partnership	140	(10.9)
Joint Venture	34	(2.6)
REIT	61	(4.7)
Life Insurance Company	13	(1.0)
Financial Institution	16	(1.2)
Real Estate Corporation	103	(8.0)
Corporation	79	(6.1)
Non-Profit or Church-Related Institution	51	(4.0)
Fraternal Organization	1	(0.1)
Total	1287	(100.0)

Properties with Voucher Tenants[a]		
No Vouchers Currently at Property	924	(73.9)
Voucher Tenants Currently at Property	326	(26.1)
Total	1250	(100.0)

Note. [a]Frequencies and valid percents are represented within each characteristic. [b]Multiple responses were allowed between 'Owner employs a manager' and 'Owner employs a management company'.

Table 15. Percentage of Vouchers at a Property

Percent Range	Total *n*	*(%)*
0 - 10	1116	(89.1)
11 – 19	46	(3.7)
20 – 29	26	(2.1)
30 – 39	13	(1.0)
40+	52	(4.1)
Total	1253	(100.0)

Note. [a]Frequencies and valid percents within each characteristic.

Data Analysis

The first analysis, Model 1, predicted the likelihood of voucher tenants at a property. Model 2 represents the full model for future voucher acceptance. Model 3 controlled for a property not possessing any voucher tenants, but would accept future voucher tenants. Model 4 predicted the probability of future voucher acceptance among properties that had voucher tenants, but would not accept future vouchers.

<u>**Model 1**</u>

Given that future voucher acceptance is influenced by whether a property has current voucher tenants, Model 1 predicted the likelihood of voucher tenants at a property. The rightmost column contains the exponentiated betas. These are interpreted as the likelihood of the outcome of each independent variable. Model 1 was statistically significant, $X^2(11, N = 998)$

=183.575, $p < .001$, indicating that the model was able to distinguish between properties that currently had voucher tenants and those that did not. With only 24.5% of properties with voucher tenants correctly predicted, Model 1 has a poor fit. The overall model correctly classified 73.7% of properties with voucher tenants. Model 1 was reduced from 1572 cases to 998 cases in the analysis due to missing data values among the eleven independent variables (See Table 16).

The most highly statistically significant predictor of voucher tenants at a property was knowledge of vouchers. Managers who were familiar with vouchers were approximately 10.3 times more likely to have voucher tenants at their properties than managers who were not familiar with vouchers. Managers who are familiar with the voucher program know how to work with its regulations, tenants, and governing PHA. Knowledge breeds efficiency and effectiveness. When a partnership between a manager and PHA is beneficial, the chances of it continuing are greater.

Property affordability was statistically significant and positively associated with voucher tenants at a property. Additionally, properties with market rents less than FMR were 2.4 times more likely to have voucher tenants than properties with market rents higher than FMR. Voucher applicants must find affordable properties to use their vouchers. Properties with market rents in excess of FMR decrease the success rate of a voucher applicant due to a requirement for voucher tenants to qualify on FMR. Thus, property affordability is significant for predicting current voucher tenants.

Properties in the Midwest are only 37% as likely to have voucher tenants as properties in the Northeast. Furthermore, properties in the South are only 38% as likely to have voucher tenants as properties in the Northeast. Even though it was highly significant, there is not enough information to explain these differences. These differences may be related to regional differences, i.e. demographic characteristics, or they may possibly be related to breakdowns with local PHAs. Regardless, additional research is needed to examine regional disparities.

Properties within the central city and metro area were negatively associated with voucher tenants at a property. Statistically significant, properties within the central city and metro area were 73% less likely to have voucher tenants than properties outside central city and outside the metro area.

Non-profit ownership of a property was positively associated with voucher tenants at a property. Properties owned by a non-profit or church entity were 1.8 times more likely to have voucher tenants than other property owners. Voucher acceptance is expected to be an operational policy for non-profit owners, as assisting social welfare, and not just focusing on profit, is standard practice for non-profit owners.

Operating expenses were negatively associated and statistically significant with voucher tenants at a property. As operating expenses increase, the likelihood of voucher tenants decreases by almost 90%. A concern with accepting vouchers is increased expenses. This model revealed that increased expenses were not associated with voucher tenants at a property.

Management representation, property size, interaction variable of management company and property size, and the West regional variable were not statistically significant.

Several variables that are statistically significant in Model 1 are not significant in Model 2. Model 2 predicts the probability of future voucher acceptance, while Model 1 predicts the probability of current voucher tenants. In Model 2, property size, presence of management representation, and the interaction variable of property size and management representation are statistically significant; however, in Model 1, these variables are not statistically significant. Additionally, the positive association of management representation and property size in Model

1 changes to a negative association with voucher acceptance in Model 2. A hypothesis for these variables being significant when predicting the probability of future voucher acceptance (Model 2), and not predicting the probability of current voucher tenants (Model 1), may be related to management companies not knowing their tenant profile due to management company turnover or recent property acquisition.

Properties within central city and metro area were statistically significant and negative when predicting the probability of current voucher tenants. This variable was also negative when predicting future voucher acceptance. Both of these results were surprising. Rental housing within central cities of metro areas at the time of this survey was typically more accepting of vouchers than outside metro area or in metro areas outside of the central city. However, there may be other factors altering the relationship of properties within central city and metro areas to future voucher acceptance and current voucher tenants, i.e. relationship with PHAs, which was not measured in the POMS survey, or a lack of available units.

Operating expenses and Midwest region are negatively associated and statistically significant with current when predicting the probability of current voucher tenants. When completing the POMS survey, properties answered questions regarding operating expenses based upon actual expenses, instead of assumptions that could be influenced by negative stereotypes of voucher recipients. Voucher recipients must utilize their vouchers at affordable properties. Given that affordable properties operate with leaner budgets due to their affordable rents, a negative association may be reflected in operating expenses due to a tighter budget. Another hypothesis for a negative association with operating expenses and current voucher tenants may be the benefits created from voucher acceptance, i.e. decreased turnover.

Table 16. Model 1 - Logistic Regression Predicting Likelihood of Existing Voucher Tenants

	β	Standard Error	Significance	Exponentiated β
Operating Expenses Per Unit	-.107*	.065	.099	.899*
Non-Profit Owner or Church-Related Institution	.572*	.345	.098	1.771*
Familiarity with Vouchers	2.325****	.299	.000	10.229****
Presence of Management Company/Manager	.195	.241	.419	1.215
Total Units	.000	.001	.747	1.000
Interactive Variable of Units and Manager/ Management Company	.000	.001	.671	1.000
Affordability of Property	.866****	.179	.000	2.376****
Region				
Midwest	-1.001****	.246	.000	.367****
South	-.971****	.229	.000	.379****
West	-.363	.239	.128	.695
Metro				
In Metro Area & In Central City	-.312**	.158	.049	.732**
Constant	-2.155****	.528	.000	.116****
-2 log likelihood	987.59			
Cases classified false negative	20.6			
Cases classified false positive	5.6			
Cases classified correctly (%)	24.5			
Nagelkerke R^2	.243			

*$p<0.1$. **$p<0.05$. ***$p<0.01$. ****$p<0.001$

Model 2

The logistic regression in Table 17, Model 2, estimates the probability of future voucher acceptance. Model 2 contained twelve independent variables. Model 2 containing all of the predictors was statistically significant, $X^2(12, N = 953) = 565.00, p < .001$, indicating that the model was able to distinguish between properties that would accept future vouchers and those that would not. Model 2 correctly classified 80.2% of cases. The overall percentage correct for Model 2 was 89.5%. Model 2 was reduced from 1572 cases to 953 cases in the analysis due to the missing data values among the twelve independent variables.

The results for Model 2 are shown in Table 17. In Model 2, the most significant predictors of future voucher acceptance are the presence of voucher tenants and knowledge of vouchers. As expected, both have positive coefficients. Properties with existing voucher tenants are forty-seven times more likely than properties without existing voucher tenants to accept future vouchers. Existing voucher tenants as a significant future voucher acceptance predictor can potentially be explained through path dependency, positive experiences with vouchers, positive income stream associated with vouchers, and reduced turnover from vouchers. Also, a manager who is somewhat or very familiar with vouchers is six times more likely than a manager who is unfamiliar with vouchers to accept future vouchers. A manager who is knowledgeable of vouchers is more likely better acquainted with voucher guidelines and PHA expectations, and therefore, has a better relationship with the PHA. Better relationships with PHAs foster prompter service for both the voucher tenant and landlord.

Property size is also highly statistically significant; however, it possesses a negative coefficient. As a property increases in size, the less likely it will accept future vouchers. Small properties behave differently than larger properties due to a variety of reasons. Smaller properties have fewer units to spread costs and therefore, smaller properties experience lower economies of scale and tighter budgets. Tighter budgets equate to smaller site staffs with very broad responsibilities. The risk of failing to generate enough income to cover expenses can be a monthly occurrence with small properties. An unanticipated moveout or a unit failing to pay can risk positive cash flow for the month; therefore, guaranteed income from vouchers may be the impetus for increased likelihood of future voucher acceptance at smaller properties. Additionally, smaller properties may possess characteristics of location, age, or class that larger properties do not possess that influence future voucher acceptance.

Larger properties are operated differently than smaller properties, and come with their own set of operational difficulties, i.e. more resident problems, larger collection issues, and a higher frequency of turnover. Larger properties may be less likely to accept future vouchers in an effort to minimize perceived risks, i.e. operational difficulties increasing lost income, associated with larger properties and voucher acceptance. Also, the "take one, take all" policy was active when POMS data was collected. Therefore, larger properties could face greater risks if forced to accept a large number of voucher tenants after they started accepting vouchers.

Management representation, or the presence of a manager or management company, was statistically significant with a negative direction on future voucher acceptance. Properties with management representation were approximately 53% less likely to accept vouchers than properties without management representation. An interesting discovery was the interactive variable of property size and management representation. This interactive variable had a positive direction on future voucher acceptance. However, the net effect of property size and the interactive variable coefficients is -.002. As property size changed, management decisions changed. Management representation varies among property size: small properties (5-49 units)

– 57%; medium properties (50-199 units) – 82%; large properties (200 units+) – 78%. Property size categories were determined based upon previous categories utilized by Census Bureau when analyzing the POMS data and also from the researcher's multifamily industry experience. It was surprising that this interactive variable was positive when its components were negative. The effects of these components, management company and property size, materialized differently due to their coefficients. When properties are smaller than 200 units, property size (-.005 coefficient) is not the focus with future voucher acceptance. Rather, management company/manager (-.642 coefficient) is the deciding factor for voucher acceptance at small properties. However, at properties larger than 200 units, management companies are not the main concern. Property size is the factor that matters with future voucher acceptance at large properties. In other words, a large property without management representation equates to a twenty-five unit small property with a management company in that it is more likely that neither of them will accept future vouchers.

Management representation is a statistically significant factor influencing future voucher acceptance; however, its impact on voucher acceptance depends on the size of the property, as it fluctuates from negatively influencing smaller properties, to a neutral position with 200 unit-properties, and finally, to positively influencing future voucher acceptance at properties larger than 200 units. Decisions made by managers or management companies to accept or reject vouchers may be influenced by principal-agent issues and also perceived majority tenant prejudices. Furthermore, a negative perception may be associated with vouchers through previous experience by a manager or management company or within the market. However, it is not with enough certainty to determine a specific reason that would lead to management representation creating negative influence on future voucher acceptance. This would warrant further research.

Properties in the South are approximately 44% less likely to accept vouchers than properties in the Northeast. While this is statistically significant, there is not enough information to identify why properties in the South are less likely to accept vouchers. Additional research is needed to identify these reasons.

Owners of non-profit properties or church-related institutions were almost three and a half times more likely to accept vouchers than other property owners. For most multifamily property owners, operational goals are periodic income and appreciation in value; however, non-profit and church-related institutions possess different operational goals and management styles. Non-profit and church-related institutions are more focused on their social responsibility than moral hazard or perceived risk associated with voucher acceptance, and therefore may be more likely to accept a voucher.

Affordability of a unit was not a predictor in future voucher acceptance. However, property affordability was a significant predictor of current voucher acceptance, which is an effective determinant of future behavior, i.e. voucher acceptance. Affordability measures whether property market rents are below FMR. A key element to voucher recipients' success is locating affordable rental units. When voucher tenants are successful in locating affordable properties, they are more successful in utilizing their vouchers.

Properties in the Midwest and West were not statistically significant as compared to properties in the Northeast for future voucher acceptance.

Properties within central cities and metro areas were not significant predictors of future voucher acceptance and the effect was in the negative direction. This was a surprising discovery as it was assumed that properties within central cities and metro areas would be more likely to accept future vouchers. At properties within central cities and metro areas with market rents less than FMR, there were voucher tenants at 27.8% of the properties. Properties outside of central cities and metro areas with market rents less than FMR had voucher tenants at 36.8% of the properties. Properties within central cities and metro areas had fewer voucher tenants than other metropolitan locations but they provided more affordable rental housing options.

Operating expenses were not a significant predictor of future voucher acceptance. This variable was an inadequate proxy to measure for future voucher acceptance. Operating expenses may increase with the presence of vouchers; however, it is not a definite indicator of future voucher acceptance.

Model 3

The logistic regression in Table 18, Model 3, controlled for a property not possessing any voucher tenants, but would accept future voucher tenants. Model 3 containing all of the predictors was statistically significant, $X^2(11, N = 682) = 57.248$, $p < .001$, indicating that the model was able to distinguish between properties that did not have existing voucher tenants but would accept future voucher tenants. Model 3 was unable to classify correctly any of the properties that did not have voucher tenants but would accept future vouchers, indicating that it is impossible to predict change. The overall percentage of correctly classified cases was 93.4%. Model 3 was reduced from 1572 cases to 682 cases in the analysis due to excluding cases with voucher tenants and any missing data values among the eleven independent variables. Knowledge of vouchers was highly statistically significant. Managers who were somewhat or very familiar with vouchers were thirteen times more likely to begin accepting vouchers than managers who knew nothing about vouchers. This could reflect a positive impact of voucher

Table 17. Model 2 - Logistic Regression Predicting Likelihood of Future Voucher Acceptance

	β	Standard Error	Significance	Exponentiated β
Operating Expenses Per Unit	.060	.093	.519	1.062
Non-Profit Owner or Church-Related Institution	1.245***	.483	.010	3.474***
Familiarity with Vouchers	1.837****	.416	.000	6.276****
Existing Voucher Tenants	3.854****	.246	.000	47.174****
Presence of Management Company/Manager	-.642*	.336	.056	.526*
Total Units	-.005****	.001	.001	.995****
Interactive Variable of Units and Manager/ Management Company	.003*	.002	.074	1.003*
Affordability of Property	-.175	.263	.505	.839
Region				
Midwest	.161	.344	.640	1.175
South	-.813**	.330	.014	.444**
West	-.236	.344	.492	.790
Metro				
In Metro Area & In Central City	-.019	.228	.934	.981
Constant	-3.315****	.750	.000	.036****
-2 log likelihood	546.07			
Cases classified false negative	5.4			
Cases classified false positive	5.1			
Cases classified correctly (%)	80.2			
Nagelkerke R^2	.650			

**p<0.1. **p<0.05. ***p<0.01. ****p<0.001*

knowledge or that those interested in vouchers gain knowledge. The most important variable is knowledge of vouchers, even though property size and the interactive variable of size and management representation continue to reduce the likelihood of accepting vouchers in the future. Additionally, path dependency states that the most likely predictor of the future is current activity; therefore, properties without voucher tenants are unlikely to shift to accepting voucher tenants.

Model 4

The logistic regression in Table 19, Model 4, predicted the probability of not accepting vouchers in the future among properties that had current voucher tenants. Model 4 was reduced from 1572 cases to 271 cases in the analysis due to excluding cases without voucher tenants and any missing data values among the eleven independent variables. Model 4 containing all of the predictors was statistically significant, $X^2(11, N = 271) = 35.50, p < .001$, indicating that the model was able to distinguish between properties that have voucher tenants now, but will not accept future vouchers. Model 4's fit was not good, as it correctly classified only 15.3% of properties that had voucher tenants but would not accept future vouchers. The model's overall percentage of correctly classified cases was 80.1%.

Model 4, although limited in its sample size, sought to uncover if there are issues owners or managers may experience with vouchers that may predict future voucher acceptance. Delinquency among voucher tenants was reported at sixteen cases out of 1493, or 1.1%. Disruptions by voucher tenants were 32 cases out of 1427 total cases, or 2.2%. Cases of delinquency and disruptions among voucher tenants were included in the initial model; however,

Table 18. Model 3 - Logistic Regression Predicting Likelihood of Future Voucher Acceptance
Controlling for Properties Without Existing Voucher Tenants

	β	Standard Error	Significance	Exponentiated β
Operating Expenses Per Unit	-.010	.140	.945	.990
Non-Profit Owner or Church-Related Institution	.316	.817	.699	1.372
Familiarity with Vouchers	2.582****	.735	.000	13.227****
Presence of Management Company/Manager	.145	.445	.745	1.156
Total Units	-.003	.002	.175	.997
Interactive Variable of Units and Manager/ Management Company	- .004	.003	.139	.996
Affordability of Property	-.071	.368	.847	.931
Region				
Midwest	.273	.478	.567	1.314
South	-.675	.531	.204	.509
West	-.256	.512	.617	.774
Metro				
In Metro Area & In Central City	.148	.340	.663	1.160
Constant	-3.962****	1.195	.001	.019****
-2 log likelihood	274.37			
Cases classified false negative	6.6			
Cases classified false positive	0.0			
Cases classified correctly (%)	71.1			
Nagelkerke R^2	.209			

**p<0.1. **p<0.05. ***p<0.01. ****p<0.001*

the very low frequency of moral hazard resulted in insignificant variables. Also, both variables contained over 200 missing cases collectively. Their inclusion in the model was not necessary due to such a small frequency and would have compromised the sample size and potentially affected the certainty to which conclusions may be drawn.

Properties in the South with vouchers were approximately 2.3 times more likely to discontinue voucher acceptance than properties in the Northeast with voucher tenants.

Management representation and property size continue to be significant predictors in future voucher acceptance, or in this model, future voucher rejection. Properties with management representation are 2.8 times more likely than properties without management representation to discontinue voucher acceptance. As property size increases, continued voucher acceptance decreases.

The interactive variable, based on property size and management representation, had a negative effect on voucher rejection for properties with existing voucher tenants. The coefficients of property size (.006) and management representation (1.036) created the same effect as in Model 2. When properties are smaller than 200 units, property size is not the focus with voucher discontinuance. Rather, management representation is the deciding factor for discontinuing vouchers at small properties. However, at properties larger than 200 units, management companies are not the primary concern. Property size is the factor that matters with discontinuing future voucher acceptance at large properties. At the time this survey was administered, “take one, take all” was in effect. This policy required a property to accept future vouchers once the property had a voucher tenant. At large properties, there is a potential risk that a majority of the property could become vouchers tenants; therefore, large properties manage their risk and control their operations by rejecting all future vouchers.

Voucher knowledge has a positive impact on future voucher acceptance for those without current voucher tenants, which is consistent with the positive effect of voucher knowledge reported earlier. Managers who were somewhat or very familiar with vouchers and currently had voucher tenants were significantly less likely to discontinue voucher acceptance than managers who knew nothing about vouchers but had current voucher tenants. Voucher knowledge reduces the likelihood that a manager will accept now and switch to reject in the future.

This model supports the previous conclusion that management representation has a negative impact on voucher acceptance, independent of property size. However, the negative impact from management representation on voucher acceptance is altered when property size reaches a certain size. A key factor that certainly influenced this data was the "take one, take all" policy due to this survey having been conducted prior to its repeal. Rejection of voucher applicants at a property that already had voucher tenants would have been due to extreme circumstances since "take one, take all" required that you accept all voucher applicants. There is no classification ability of this model. Everyone is path dependent and stays the same.

Table 19. Model 4 - Logistic Regression Predicting Likelihood of Future Voucher Acceptance
Controlling for Properties With Existing Voucher Tenants

	β	Standard Error	Significance	Exponentiated **β**
Operating Expenses Per Unit	-.099	.122	.415	.906
Non-Profit Owner or Church-Related Institution	-20.179	8535.530	.998	.000
Familiarity with Vouchers	-1.257*	.657	.056	.285*
Presence of Management Company/Manager	1.036*	.552	.060	2.819*
Total Units	.006***	.002	.005	1.006***
Interactive Variable of Units and Manager/ Management Company	- .006**	.002	.015	.994**
Affordability of Property	.329	.399	.409	1.390
Region				
Midwest	-.135	.528	.799	.874
South	.821*	.444	.064	2.274*
West	.172	.478	.718	1.188
Metro				
In Metro Area & In Central City	.273	.320	.393	1.314
Constant	-1.184	1.080	.273	.306
-2 log likelihood	248.51			
Cases classified false negative	1.9			
Cases classified false positive	1.5			
Cases classified correctly (%)	15.3			
Nagelkerke R^2	.189			

**p<0.1. **p<0.05. ***p<0.01. ****p<0.001*

Summary of POMS Analysis

The POMS analysis tested two of the three hypothesized relationships affecting landlords' decisions to accept voucher tenants.

Hypothesis 1

Results indicate that operating expenses per unit was not found to be a significant predictor of future voucher acceptance. Turnover rate and changes in area property values were run in the original model; however, due to their statistical insignificance and large missing values, they were removed from the logistic regression in Table 17. Therefore, the first research hypothesis of: *There is a relationship between property profitability (property turnover, area property value change, and operating costs) and future voucher acceptance* was not supported.

Hypothesis 2

The second research hypothesis was: *There are differences in management company/owner strategies (location, presence of a management representation, existing voucher tenants, familiarity with vouchers, affordability of property, and size of property) that influence future voucher acceptance.* Within the logistic regression, the following variables related to owner strategies were included: owner type, presence of management company, familiarity with vouchers, existing voucher tenants, size of property, affordability of property, region, and metro. After initial data analysis of property size and management company variables, an additional interactive variable combining property size and management representation was created and included in the logistic regression to test for relationships.

Several variables were significant in predicting future voucher acceptance: knowledge of vouchers, property size, management representation, existing voucher tenants, properties located in the South (region), and properties owned by non-profits and church-related institutions.

Property size and management representation are influencing factors and definitely affect voucher acceptance; however, the level at which voucher acceptance is affected depends upon property size. Variables associated with metro location and affordability were not predictors of future voucher acceptance. Thus, the second research hypothesis was partially supported.

Overview of Fairfax Property Management Survey Respondents

Due to the limited scope of the POMS data, a separate survey of twenty-six management companies within Fairfax, VA was conducted to capture details encompassing perceived majority tenant prejudices and a company's decision to accept or reject vouchers. A total of thirteen surveys (50% response rate) were received. Descriptive statistics are reported to provide an overview of respondent characteristics. Property operations, perceived majority tenant prejudices, and management company strategies and philosophy were measured in the Fairfax Property Management Survey.

Measurement of Property Operations

Of the thirteen management companies that responded, their portfolios ranged in size from eight to 341 properties, with 2,204 to 80,000 total managed units. Fairfax management portfolios varied from one to six properties with 259 to 2,350 total managed units. Average rent per square foot ranged from \$1.10 to \$2.00. Approximately 69% of the entire management companies' portfolio accepted vouchers with 46% of their Fairfax properties accepting vouchers (Table 20). Almost 91% of Fairfax non-voucher properties met or exceeded budgeted 2006 NOI; 83.3% of Fairfax voucher properties met or exceeded 2006 NOI.

Measurement of Perceived Majority Tenant Prejudices

All thirteen of the management companies responding to this survey rarely advertise voucher acceptance in marketing collateral or advertising. The most frequent reasons for not openly advertising were: potential unsubsidized applicants may not apply (84.6%), property will become voucher concentrated (61.5%), and property will be labeled as low-income (69.2%); however, approximately 77% of the respondents stated their lack of advertising was not due to corporate policy (Table 21). The most significant factor for not advertising is that management companies do not want their property labeled as low income.

Table 20. Descriptive Characteristics of Fairfax County, VA Property Management Survey Participants

Descriptive Characteristic	Total *n*	*(%)*
Voucher acceptance within entire management portfolio[a]		
Yes	9	(69.2)
No	4	(30.8)
Total	13	(100.0)
Voucher acceptance within Fairfax management portfolio[a]		
Yes	6	(46.2)
No	7	(53.8)
Total	13	(100.0)
Achieve or exceed budgeted 2006 NOI among voucher acceptance properties[a]		
Yes	5	(83.3)
No	1	(16.7)
Total	6	(100.0)
Achieve or exceed budgeted 2006 NOI among non-voucher properties[a]		
Yes	10	(90.9)
No	1	(9.1)
Total	11	(100.0)

Note. [a]Frequencies and valid percents within each characteristic.

When asked if existing residents would become upset upon learning that government-assisted residents live in their building, 38.5% of management companies stated their residents would become upset. Additionally, almost 31% of management companies reject vouchers in an attempt to not upset current residents (Table 21). Almost 77% of respondents reported their residents might become upset out of concern that theft, violence, illegal drug use, or vandalism will increase. Approximately 62% of management companies reported their residents might be concerned that loud or disruptive behavior will increase. Fear of deteriorating property grounds and an increased need for exterior maintenance was reported as a resident concern by approximately 46% of management companies (Table 22). The most significant factor for upsetting residents was their concern about theft, violence, illegal drug use, or vandalism increasing with government-assisted residents living in their building.

Table 21. Reasons for Not Openly Advertising and/or Marketing Voucher Acceptance

Reasons	Total *n*	*(%)*
Property will be labeled as low-income[a]		
Yes	9	(69.2)
No	4	(30.8)
Total	13	(100.0)
Property will become voucher concentrated[a]		
Yes	8	(61.5)
No	5	(38.5)
Total	13	(100.0)
Potential unsubsidized applicants may not apply[a]		
Yes	11	(84.6)
No	2	(15.4)
Total	13	(100.0)
Displacement of current unsubsidized residents will occur[a]		
Yes	5	(38.5)
No	8	(61.5)
Total	13	(100.0)
Against corporate policy[a]		
Yes	3	(23.1)
No	10	(76.9)
Total	13	(100.0)

Note. [a]Frequencies and valid percents within each characteristic.

Table 22. Descriptive Characteristics of Perceived Majority Tenant Prejudices

Characteristic	Total *n*	(%)
Residents will become upset upon learning government-assisted residents live in their building[a]		
Yes	5	(38.5)
No	2	(15.4)
Do Not Know	6	(46.2)
Total	13	(100.0)
Management companies sometimes reject vouchers in an attempt to not upset current residents[a]		
Yes	4	(30.8)
No	2	(15.4)
Do Not Know	7	(53.8)
Total	13	(100.0)

Note. [a]Frequencies and valid percents within each characteristic.

Table 23. Reasons Residents Might Become Upset Upon Learning Government-Assisted Residents Live in Their Building

Reasons	Total *n*	(%)
Fear of property grounds and exterior maintenance will deteriorate[a]		
Yes	6	(46.2)
No	7	(53.8)
Total	13	(100.0)
Fear of property losing its marketability or cache[a]		
Yes	5	(38.5)
No	8	(61.5)
Total	13	(100.0)
Concern loud or disruptive behavior will increase[a]		
Yes	8	(61.5)
No	5	(38.5)
Total	13	(100.0)

Concern theft, violence, illegal drug use, or vandalism will increase[a]		
Yes	10	(76.9)
No	3	(23.1)
Total	13	(100.0)
Concern number of children will increase[a]		
Yes	4	(30.8)
No	9	(69.2)
Total	13	(100.0)
Concern of overcrowding in apartments[a]		
Yes	5	(38.5)
No	8	(61.5)
Total	13	(100.0)
Objection to someone else paying less rent for comparable unit[a]		
Yes	4	(30.8)
No	9	(69.2)
Total	13	(100.0)
Voucher recipients are not in same socioeconomic class as other residents[a]		
Yes	5	(38.5)
No	8	(61.5)
Total	13	(100.0)
Voucher recipients differ and are not in the same race as other residents[a]		
Yes	2	(15.4)
No	11	(84.6)
Total	13	(100.0)
Voucher recipients possess different values[a]		
Yes	3	(23.1)
No	10	(76.9)
Total	13	(100.0)

Note. [a]Frequencies and valid percents within each characteristic.

Measurement of Management Company Strategies and Philosophy

Almost 54% of management companies reported that they do not have a stated or written voucher policy. Of the companies that do have a policy, 30.8% have a written policy and 15.4% have an unwritten policy (Table 24). Voucher policies are conveyed most often by a verbal directive either by the management company or the property supervisor. The most significant methods of communicating voucher policies are verbal directives by property owner and management company (Table 25).

Table 24. Presence of Corporate Voucher Policy

	Total	
	n	*(%)*
Company possesses corporate policy regarding voucher acceptance[a]		
Yes, An Unwritten Policy	2	(15.4)
Yes, A Written Policy	4	(30.8)
No Stated or Written Policy	7	(53.8)
Total	13	(100.0)

Note. [a]Frequencies and valid percents within each characteristic.

When determining whether or not to accept vouchers, management companies consider several factors, including whether or not a property's market rent does not exceed fair market rent, the guaranteed monthly income stream provided by vouchers, and the ability to achieve budgeted net rental income. These three factors are components of rental income and are affected by property profitability. Table 26 provides respondent details regarding voucher acceptance for rental income factors. Seventy-five percent of respondents considered that a property's market rents were lower than FMR as very or extremely important when deciding to accept vouchers. A guaranteed monthly income stream from vouchers was reported as very or extremely important from 50% of respondents regarding their decision to accept vouchers.

When deciding whether or not to accept vouchers, 58.3% of management companies responded that the ability to achieve budgeted net rental income was very or extremely important.

Table 25. Communication Method of Voucher Policy

Factor	Total *n*	*(%)*
Verbal directive by property owner[a]		
Yes	1	(50.0)
No	1	(50.0)
Total	2	(100.0)
Verbal directive by management company[a]		
Yes	2	(100.0)
No	0	(0)
Total	2	(100.0)
Verbal directive by property supervisor[a]		
Yes	2	(100.0)
No	0	(0)
Total	2	(100.0)
Word of mouth by fellow team members[a]		
Yes	2	(100.0)
No	0	(0)
Total	2	(100.0)
Independent policy created at property level[a]		
Yes	2	(100.0)
No	0	(0)
Total	2	(100.0)

Note. [a]Frequencies and valid percents within each characteristic.

Property profitability also includes voucher acceptance factors related to operating expenses. The ability to operate within budgeted expenses was reported as approximately 69% very or extremely important by respondents when deciding to accept vouchers. Seventy-seven percent of respondents consider the ability to achieve and/or maximize net operating income as very or extremely important (Table 26).

Table 26. Voucher Acceptance Factor: Rental Income

Factor	Unimportant *n (%)*	Slightly Important	Moderately Important	Very Important	Extremely Important	Total
Property's market rents do not exceed fair market rents[a]	2 (16.7)	1 (8.3)		5 (41.7)	4 (33.3)	12 (100.0)
Guaranteed monthly income stream[a]	2 (16.7)		4 (33.3)	5 (41.7)	1 (8.3)	12 (100.0)
Ability to achieve budgeted net rental income[a]	2 (16.7)		3 (25.0)	4 (33.3)	3 (25.0)	12 (100.0)

Note. [a]Frequencies and valid percents within each characteristic.

Table 27. Voucher Acceptance Factor: Operating Expenses

Factor	Unimportant *n (%)*	Slightly Important	Moderately Important	Very Important	Extremely Important	Total
Ability to operate within budgeted expenses[a]	2 (15.4)	1 (7.7)	1 (7.7)	5 (38.5)	4 (30.8)	13 (100.0)
Ability to achieve and/or maximize net operating income[a]	2 (15.4)	1 (7.7)		4 (30.8)	6 (46.2)	13 (100.0)

Note. [a]Frequencies and valid percents within each characteristic.

Voucher acceptance factors related to resident issues are affected by property profitability and perceived majority tenant prejudices. Existing resident selection criteria, concern of negative effect on delinquency and non-payment evictions, and level of disruptive behavior, violence, illegal drug use, theft, and vandalism at the property are factors that are influenced by property profitability. Potential turnover of unsubsidized residents and difference of demographic profile of existing residents and potential voucher tenants are factors of perceived majority tenant prejudices. Approximately 62% of management companies responded that existing resident selection criteria is very or extremely important when deciding to accept vouchers (Table 28). A concern of a negative effect on delinquency and non-payment evictions was very or extremely important with almost 54% of respondents. Management companies reported in 77% of responses that the level of disruptive behavior, violence, illegal drug use, theft, and vandalism at a property is very or extremely important.

Potential turnover of unsubsidized residents was very or extremely important with approximately 69% of respondents. Approximately 46% of management companies considered a difference of demographic profile of existing resident and potential voucher tenants as very or extremely important when determining to accept vouchers.

Voucher acceptance is also influenced by the relationship management companies have with PHAs. Components within PHA Relationship include: timely remittance of payments by local PHA, time to administer program, i.e. lease and HAP contract, and PHA inspection fees, standards, and potential mandated improvements. All three of these components impact property profitability. Seventy-seven percent of respondents reported that timely remittance of payments by local PHAs is very or extremely important (Table 29). Time to administer the voucher program, i.e. lease and HAP contract was very or extremely important to 77% of management companies. Additionally, PHA inspection fees, standards, and potential mandated improvements were reported as very or extremely important by approximately 69% of respondents.

Table 28. Voucher Acceptance Factor: Resident Issues

Factor	Unimportant	Slightly Important	Moderately Important	Very Important	Extremely Important	Total
	n (%)					
Existing resident selection criteria[a]	3 (23.1)		2 (15.4)	6 (46.2)	2 (15.4)	13 (100.0)
Concern of negative effect on delinquency and non-payment evictions[a]	2 (15.4)	1 (7.7)	3 (23.1)	2 (15.4)	5 (38.5)	13 (100.0)
Level of disruptive behavior, violence, illegal drug use, theft and vandalism at property[a]	2 (15.4)		1 (7.7)	5 (38.5)	5 (38.5)	13 (100.0)
Potential turnover of unsubsidized residents[a]	2 (15.4)	2 (15.4)		7 (53.8)	2 (15.4)	13 (100.0)
Difference of demographic profile of existing residents and potential voucher tenants[a]	2 (15.4)	3 (23.1)	2 (15.4)	4 (30.8)	2 (15.4)	13 (100.0)

Note. [a]Frequencies and valid percents within each characteristic.

As discussed from previous literature and experience, voucher acceptance depends on supply and demand factors within specific rental housing markets and property characteristics, as well as owner prejudicial biases and ignorance. Voucher acceptance factors related to the rental housing market include factors that are affected by property profitability and owner strategies. The demand of your rental units in the market, an ability to adjust rents to capitalize on any market gains without concern of exceeding FMR, and an ability to achieve budgeted property occupancy at an underperforming asset are factors that are affected by property profitability. The poverty level of an area in which a property is located and the size of a property are determined by owner strategies.

Table 29. Voucher Acceptance Factor: PHA Relationship

Factor	Unimportant *n (%)*	Slightly Important	Moderately Important	Very Important	Extremely Important	Total
Timely remittance of payments by local PHA[a]	2 (15.4)		1 (7.7)	4 (30.8)	6 (46.2)	13 (100.0)
Time to administer program, i.e. lease and HAP contract[a]	2 (15.4)	1 (7.7)		4 (30.8)	6 (46.2)	13 (100.0)
PHA inspection fees, standards, and potential mandated improvements[a]	2 (15.4)		2 (15.4)	2 (15.4)	7 (53.8)	13 (100.0)

Note. [a]Frequencies and valid percents within each characteristic.

Demand of rental units was reported by 75% of management companies as very or extremely important (Table 30). The ability to adjust rent to capitalize on any market gains without concern of exceeding FMR was very or extremely important to almost 92% of management companies. Approximately 62% of management companies reported that an ability to achieve budgeted property occupancy at an underperforming asset was very or extremely important when deciding to accept vouchers. Only 31% of respondents characterized the poverty level of an area in which a property is located as very or extremely important. Furthermore, only 15% of management companies reported that the size of a property was very or extremely important when deciding to accept vouchers; however, approximately 31% considered it moderately important.

Company philosophy or owner strategies can affect voucher acceptance through the following factors: the ability to achieve operational and financial goals in a business plan, opportunity to provide housing to all that qualify, and previous experience with PHAs and vouchers. The ability to achieve operational and financial goals in a business plan was reported by approximately 69% of management companies as very or extremely important (Table 31).

Table 30. Voucher Acceptance Factor: Rental Housing Market

Factor	Unimportant	Slightly Important	Moderately Important	Very Important	Extremely Important	Total
	n (%)					
Demand of your rental units in market[a]	2 (16.7)	1 (8.3)		4 (33.3)	5 (41.7)	12 (100.0)
Ability to adjust rents to capitalize on any market gains without concern of exceeding FMR[a]	1 (8.3)			4 (33.3)	7 (58.3)	12 (100.0)
Ability to achieve budgeted property occupancy at an underperforming asset[a]	2 (15.4)	1 (7.7)	2 (15.4)	4 (30.8)	4 (30.8)	13 (100.0)
Poverty level of area in which property is located[a]	3 (23.1)	1 (7.7)	5 (38.5)	3 (23.1)	1 (7.7)	13 (100.0)
Size of property[a]	5 (38.5)	2 (15.4)	4 (30.8)	1 (7.7)	1 (7.7)	13 (100.0)

Note. [a]Frequencies and valid percents within each characteristic.

Table 31. Voucher Acceptance Factor: Company Philosophy

Factor	Unimportant *n (%)*	Slightly Important	Moderately Important	Very Important	Extremely Important	Total
Ability to achieve operational and financial goals in business plan[a]	4 (30.8)			3 (23.1)	6 (46.2)	13 (100.0)
Opportunity to provide housing to all that qualify[a]			3 (23.1)	2 (15.4)	8 (61.5)	13 (100.0)
Previous experience with PHAs and vouchers[a]	1 (7.7)	1 (7.7)	2 (15.4)	2 (15.4)	7 (53.8)	13 (100.0)

Note. [a]Frequencies and valid percents within each characteristic.

Summary of Fairfax County, VA Management Company Survey

Forty-six percent of Fairfax, VA properties that responded to the survey accepted vouchers. The difference between voucher and non-voucher properties that achieved or exceeded the 2006 budgeted NOI was minimal. Management companies did not advertise voucher acceptance for fear of their properties being labeled as low-income. Management companies believed their residents would become upset to learn that subsidized residents live in their community due to a perception of increased violence, theft, and illegal drug use. Over half of the management companies did not have a stated or written voucher policy. If a management company did have a voucher policy, it was more often an unwritten policy communicated by a management company or owner. Management companies were concerned about the limits voucher participation had on their freedom to raise rents while working to achieve the operational and financial goals of property. Management companies also felt restricted by the

PHA for remittance of payments and time to administer the program. Balancing these concerns and restrictions, while trying to achieve optimal performance within a rental housing market, is a challenge for every property owner. However, this “balance” may be more than just operational challenges. It may signal prejudices or ignorance on behalf of the management company that bias the market.

Overview for Fairfax Survey Case Studies

Of the thirteen respondents to the Fairfax Property Management Survey, three management companies were selected for follow up interviews. Based upon the completed questionnaires, three management companies were selected for follow-up interviews. Company A was selected for a follow-up interview because it does not accept vouchers, yet it has properties with market rents below FMR. Company B was chosen based upon accepting vouchers and possessing properties with market rents below FMR. Company C was chosen due to its company philosophy to accept vouchers as a social responsibility. Company C possesses properties that qualify with market rents below FMR. The follow-up interviews provided company officers to elaborate on answers provided in the completed survey and to provide information based upon their experience.

Company A

The following information is based on a November 16, 2007 interview with Company A. The interview was conducted with one of the partners of Company A. The Partner has been with the company for almost fifteen years. Company A does not accept vouchers even though its properties' rents qualify below fair market rent. Company A is a collection of limited liability corporations of market private properties. Within their portfolio they own and manage approximately 6,200 residential rental units for-profit. Fourteen of their twenty-one properties are for low- to moderate income residents. Of Company A's twenty-one properties, four properties are located in Fairfax. Three of their four Fairfax properties voucher qualify with market rents below FMR. The three properties in Fairfax County total 1,016 units. Current portfolio occupancy is between 92 – 93%.

Company A accepted vouchers in the past at properties with HUD financing. HUD financing requires properties to accept vouchers. Additionally, Company A purchased properties that already had voucher tenants and continued to accept vouchers when 'Take one-take all' was active. After 'Take one-take all' was repealed, properties continued to accept vouchers when it was financially advantageous to do so. Examples of financial advantages were continued residency and guaranteed payments.

Company A's experience with vouchers has been one of voucher tenants receiving a preferential set of conditions, i.e. a PHA advocate. Company A has witnessed voucher tenants voicing concerns to their PHA that are addressed immediately. If a non-subsidized resident were to voice a similar concern, they would not have the same response, or advocacy. Per Company A, voucher tenants have "more teeth if they want to make noise, for example environmental issues and mold, because of their PHA representation." When the PHA intervenes and provides voucher tenant protection, instead of assisting all units, it creates animosity between voucher tenants and the rest of the property.

Property Profitability

Annual inspections have been troublesome for Company A. Company A believes there is an unreasonably higher standard of unit quality for voucher tenants which delays move-ins. Higher standards equate to higher operating expenses and sometimes unanticipated capital expenditures. Move-ins have also delayed during the unit approval process due to certification groups not communicating timely to accounting.

Operating expenses became an issue due to increased administrative and personnel costs associated with voucher acceptance. PHA inspections and liability issues associated with compliance requirements increased property costs. Company A partner's concern is that a property is forced to manage to the exception where there are no economies of scale.

Perceived Majority Tenant Prejudices

In addition to lease rent issues, Company A reported that unsubsidized residents perceive that specific issues accompany voucher tenants, i.e. overcrowding, unruly children, and increased crime and illegal drug use.

When asked how unsubsidized residents feel about subsidized residents, partner with Company A reported that their C- and D properties are not discriminating on services and they do not worry about overreactions from residents. However, at their A and B properties, residents would think about themselves and wonder if they were subsidizing someone else's rent. He stated that unsubsidized residents would be upset that they were paying more for their unit and subsidizing a voucher tenant's rent.

Voucher Policy

When asked how his properties know when to not take a voucher, Company A partner replied "They don't. We are neutral. Each site has been instructed to contact their portfolio manager and every case is handled on an exception basis." Exceptions are their standard procedure.

Corporate Structure and Decision Making Paradigm

Company A would accept vouchers if occupancy were a concern; however, they do not want to create obligated tenancy where tenant rights are amplified by the government and bureaucracy. Company A is very disgruntled with the controlling government that accompanies voucher tenants. However, the Partner stated that Company A would accept vouchers if a property was off budget, between 80% - 89% occupancy, or had a floor plan that was difficult to rent or was habitually vacant. His company's mantra was "free thinking" with each current situation to decide whether they will accept a voucher.

Company A Partner further explained that voucher acceptance or rejection was also based upon risk management. The company works to minimize exposure and risk with any group, i.e. furnished apartments, corporate units, military, and vouchers. They do not want to become reliant on an unreliable source. Their established maximum acceptable percentage for any group is five to eight percent. Company A established limits based upon a bad experience with the Military Set-Aside program because the program was out of sync with market rents and demand. There was not enough resilience within the contract to capture appropriate increase on renewals. Rent growth was restricted without any lease termination or rent increase options. Company A continued to lose income without any contract termination or rent increase options. Since their learning experience, controls were implemented to ensure the company's risk was minimized and managed.

Resident selection criterion is reviewed systematically by each property jurisdiction. Local regulations, landlord/tenant law, bad debt, and collections issues are considered. They insure properties (of the same class) within the same submarket possess the same resident selection criteria. The Senior Vice President of Residential Operations approves any changes to resident selection criteria after a dialogue with portfolio manager, marketing manager, property manager and, possibly, the asset manager.

Voucher Program Concerns and Recommendations

Company A Partner believes there is a larger issue with vouchers that surrounds a societal and sociological perspective. He perceives there is a stigma associated with assistance programs, i.e. substance abuse programs. He then related housing subsidy programs to assistance programs. According to Company A partner, stigma issues have been somewhat abated over the years depending on jurisdiction; however, there is such a blend of composition and ethnicity. It is not classless. The Partner provided an example of HUD's zero tolerance with drug use at voucher properties. He stated zero tolerance created an environment where voucher properties were treated like "crack houses," and now, according to the partner, a "crack house" stigma is associated with voucher properties. Based upon this interview, the researcher concluded that the partner's negative perception of vouchers would impact Company A's philosophy and operational policies.

Company A's experience with Fairfax PHA has been good. The mechanics of the process have worked well. The company referred to Fairfax PHA as "practiced professionals" and stated that they have provided payments in a timely manner.

Summary

Company A owns and operates three properties that qualify to participate in the voucher program, yet their voucher policy is to reject vouchers. Company A reviews voucher acceptance on an exception basis. Company A partner was very familiar with source of income legislation, as he mentioned that Company A had properties located in a locale with protective voucher legislation and they were *required* to accept vouchers.

As an executive of Company A, the Partner's negative perception of vouchers and his comparison of voucher properties to "crack houses" negatively influence Company A's philosophy toward vouchers. The hypotheses of owner strategies affecting voucher acceptance was highly supported within Company A. However, the Partner stated that when a property was not performing, i.e. occupancy between 80 – 89%, vouchers would be considered for immediate occupancy and income. His concern was that their risk was managed, regardless of the specific group, i.e. vouchers, military, furnished housing.

Company B

The following information is based on a November 15, 2007 interview with Company B. The interview was conducted with the President of Company B. The President has been with the company since its founding eighteen years ago. Company B's total portfolio encompasses 12,000 apartment homes from class A to C, with mostly moderate- to low-income residents. Company B accepts vouchers at all of their FMR qualifying Fairfax properties, which are five of six. Five Fairfax properties, or 832 out of 1409 units, accept vouchers. Company B is a private real estate company that owns 100% or has an ownership interest in their entire portfolio. They specialize in managing multifamily residential properties for-profit while, according to Company B President, "complying with the needs of the community to provide more affordable housing that provides a benefit for all." Company B's current portfolio occupancy is 98%.

Perceived Majority Tenant Prejudices

Company B reported that unsubsidized residents would be upset with a subsidized resident due to the quality of the person and if "he looks like he does not fit in." The President of Company B stated that PHAs should "match a voucher person to a property because it is not about race, but more about socioeconomic class."

Company B cherishes their elderly voucher tenants due to experiencing no problems from them. However, according to the President, "young voucher tenants have kids and are problems." Approximately 20-35% of Company B's voucher tenants are elderly.

Company B President stated that management companies reject vouchers in an attempt to not upset current residents. When asked why current residents might become upset, the President reported that management companies assume all vouchers holders will be single moms with four kids; however, elderly voucher tenants are welcomed.

Property Profitability

According to Company B President, voucher properties experience operating expenses five to ten percent higher than non-voucher properties. Voucher tenants usually do not work and are home all day using utilities. Additionally, voucher tenants typically do not call in service issues in a timely manner, thus creating larger safety and health issues when finally discovered. According to the President, voucher tenants are not as clean, have pest infestation and approximately 50% of the voucher units have maintenance violations.

Company B President discussed annual Real Estate Assessment Center (REAC) inspections. Based on Company B's experience, REAC inspections cost approximately $1000/unit. REAC costs are escalated due to pre-inspections, which are conducted by property team members two to three times in order to increase inspection success rates.

Five out of Company B's six Fairfax properties possess market rents lower than FMR; however, when market rents are adjusted, they can easily exceed FMR. According to the President, Company B is very conscious to not exceed FMR when increasing rents, but must also consider how much market rents can be adjusted without failing to capitalize on increasing market rents.

Voucher Policy Communication

Company B has never considered communicating its voucher policy in writing due to their changing relationship with PHAs, and, hence, their changing voucher policy. Company B President commented that it is "harder to change our policy when vouchers are not needed." Additionally, there appears to be a principal/agent issue within Company B. When asked how properties handle their voucher policy, the President replied, "Site people do not think. They will just say 'this is our policy'."

Voucher Policy Limits

The President stated that with the repeal of "Take one, take all," an owner has more freedom over voucher concentration; however, fair housing must be considered. Company B has a 10% voucher unit limit at each property. Property managers monitor levels and their Training Director reviews it. Written or not, Company B's policies are reviewed. Based on personal experience, the President believes that 18% voucher tenancy is the absolute maximum. More than 18% voucher units at a property becomes an administrative and policy enforcement nightmare.

Corporate Structure and Voucher Decision Process

Company B's voucher policy has fluctuated throughout their history of managing properties. Their policy changes to reject vouchers when they continually experience problems with the Fairfax PHA; however, they start to accept vouchers if there is a market demand for them or if there are unanticipated vacancies.

Voucher applicants must income-qualify based upon their portion of rent. They are also qualified on credit and rental history. Every property in Company B has the same rental qualifications regardless of voucher acceptance; however, debt to income ratios may vary based upon the market. The majority of voucher applicants received by Company B properties are based upon PHA referrals. The Marketing and Policy Committees create Standard Operating Procedures. One of Company B's policies includes no marketing of voucher acceptance. The Training Director performs a final review of site level compliance.

According to the President of Company B, vouchers are a source of quick occupancy. When properties are underperforming against operating budgets, property managers are instructed to contact their PHA to refer available voucher applicants for immediate move-ins.

Voucher Program Concerns and Recommendations

Company B's President, a self-reported firm supporter of vouchers, stated, "when it works well, it benefits all." However, Company B has experienced problems associated with the Fairfax PHA, which has caused them to discontinue voucher acceptance. Their problems range from the PHA being uncooperative and not considering a landlord's position to failing to assist management and always advocating for the tenant.

Advocacy for the voucher tenant also extends to tenancy rights. According to Company B President, it is very difficult to terminate a lease of or evict a voucher tenant. This is often necessary when voucher tenants' "disruptive lifestyle creates problems for other tenants." However, when the PHA or a social worker visits to inspect the voucher tenant's reported situation, there is nothing visibly wrong because the cause of the problems, the father of the voucher tenant's children, "disappears" during the day, according to President. The father returns at night and continues to cause problems, yet, Company B and the PHA have very limited resources and power to control this situation.

Company B President theorized that voucher tenants problems are due to children not monitored properly when there is only one parent per household. Additionally, "certain demographics bring over occupancy, i.e. two to three families in one unit. There is a large delay by the PHA to conduct unit inspections; therefore, they do not discover over occupancy." Company B has also discovered that tenants sublet a second bedroom and collect money tax-free, and questioned why the PHA has not noticed it. Company B has been frustrated that illegal drug dealing by voucher tenants has not been a cause for eviction supported by PHA.

Company B President reported that the inspection process has "hurt us with financial hits." Renewal increases do not take effect until the PHA has conducted an inspection. The PHA only pays the increase from the date of inspection. Typically, renewal inspections are delayed for three months after the renewal lease begins. This process occurs annually on each renewal.

During inspections, the PHA is aggressive against the landlord but not as aggressive about the tenants' housekeeping. If there are any violations, the PHA pays rent into escrow until the violation is corrected. Additionally, tenants may report unit problems against the landlord to the PHA causing rent to be held in escrow until issues are remedied. This disconnect between the PHA inspectors and accountants creates undue financial hardship on properties.

Inaccurate records prevent properties from receiving proper monthly rental payments. Sites then meet with the PHA to review every record monthly. This becomes very labor intensive, thus, increasing administrative costs. Administrative mistakes, processing delays and the inability to work with landlords make for a frustrating experience. According to Company B, the voucher system is too rigid and needs to be updated. PHAs perceive that landlords have deep pockets. PHA possesses a bad attitude and lacks communication with properties.

Company B President perceives that County Supervisors and PHAs believe landlords have an obligation to provide affordable housing. When landlords do not provide affordable housing, supervisors and the PHA become angry with them. Company B's President suggested, with an affordable housing stock diminishing, that county supervisors and PHAs cooperate with owners to make voucher acceptance easier.

Company B's President recommended better assistance from PHAs when landlords inform them of tenant issues and that PHAs assist them with evictions. The President believes that PHAs minimize issues reported by landlords for fear no other apartment community will accept voucher tenants. Also, PHAs should review internal processes to improve organizational efficiency. The HAP contract is very cumbersome, too restrictive, and should be discarded. A one-page addendum to a lease offers a landlord more freedom and should be its replacement.

Summary

Company B currently accepts vouchers at all of their properties with FMR qualifying rents. Numerous problems with the PHA have prompted Company B to discontinue voucher program acceptance in the past. Even though the President supports vouchers, acceptance of vouchers is not a steadfast policy for Company B. The difficulties experienced outweigh guaranteed income and occupancy, and prompted the President to change Company B's voucher policy when needed. When improvements are made to PHA's performance, i.e. payment delays, housing inspection issues, and portion adjustment delays, vouchers are once again accepted.

Voucher tenants are provided advocacy by PHA, which constrains operational freedom of owners. Tenants without vouchers are underrepresented without any advocacy and they become very upset with voucher tenants creating discord between residents. Perceived majority tenant prejudices materialized as unfair advocacy and overcrowding issues.

Company B offered great insight into the voucher program and the Fairfax PHA. Even as a strong voucher supporter, Company B has voucher limits per property. Management of a property's exposure, or risk, is critical to success on multiple levels – administratively, voucher concentration, operating expenses, etc. Further research is needed to analyze how property voucher limits affect operations.

Company C

The following information is based on a November 16, 2007 interview with Company C. The interview was conducted with the Director of Residential Services of Company C. The Director has been with Company C for over five years. With more than seventy properties, which are mostly class B and C, Company C owns and manages their approximately 25,000 units for-profit. As part of their company philosophy, Company C accepts vouchers at all of its properties. Company C owns and manages five Fairfax properties, or 2088 units. The average occupancy of Company C's portfolio is between 97% and 98%.

Perceived Majority Tenant Prejudices

Per Company C's Director, voucher tenants and unsubsidized tenants co-exist well and tenants do not recognize any differences between each other. Due to Company C's portfolio of mostly class B and C properties, it attracts applicants with credit issues. Company C reaches out to applicants and offers conditional leases with credit counselors to teach applicants and future residents financial life skills. Seventy percent of Company C's residents were accepted conditionally. Company C is a private company that views credit counseling and providing affordable housing as a social responsibility. According to Company C's Director, private companies have more flexibility with property expenses and "REITs see credit counseling as a cost."

Voucher Policy Communication

Company C's voucher policy is not written. Company C does have a written resident selection criteria; however, vouchers were not mentioned in the policy. Voucher applicants have to fulfill the same resident selection criteria as standard applicants.

Voucher Policy Limits

Interestingly, Company C only allows properties to have four to five percent of units occupied by voucher tenants. When asked to explain the rationale, the Director stated "It has always been our policy." Even a company that prides itself on providing affordable housing and *fulfilling a social responsibility* by accepting vouchers must manage its risk by limiting the number of voucher tenants at its properties. Their inability to maximize income due to delayed notification of new rental rates, which is a process between PHAs and local government, has been the largest challenge for Company C.

Corporate Structure and Voucher Decision Process

The Directors of Fair Housing, Property Management and Residential Services determine residential selection criteria and voucher policies. Company C's voucher policy has not changed in the past five years that the Director of Residential Services has been with the company.

Voucher Program Concerns and Recommendations

The delay in releasing new FMR has created a very frustrating environment when preparing budgets for the upcoming year and for forecasting income. Administration of HAP contracts, inspections and payments has been great. The problem has been the inability to increase rents at the appropriate time. The main issue is the local government and setting of rents. Company C Director feels strongly that if PHAs *and* governments were effective, there would be no limit of voucher acceptance at their properties.

Summary

Company C accepts vouchers as part of its social responsibility to the housing industry. However, even with its commitment to provide access to affordable housing, Company C has limits. Company C allows only four to five percent of a property's units to be occupied by voucher tenants. Per Company C's Director, his primary issue has been an inability to raise rents due to delayed notification of new rents. This delay, which is caused by a lengthy process between PHAs and local government, has been quite costly to Company C. If Company C could be notified of new rents more timely, they would not impose voucher limits at any of their properties. Voucher limits are a way to manage their risk of losing too much income from lost rent increases due to delayed notifications. Key factors to increasing voucher acceptance are effective local governments that work well with PHAs and notify management companies promptly of rent increases.

Summary of Fairfax Survey and Case Studies

The Fairfax Survey and Case Studies tested all three hypothesized relationships affecting landlords' decisions to accept voucher tenants.

Hypothesis 1

The first research hypothesis was: *There is a relationship between property profitability (property turnover, area property value change, and operating costs) and future voucher acceptance*. More than 60% of Fairfax survey respondents gauged the ability to achieve budgeted net rental income, operate within budgeted expenses, and maximize net operating income as very or extremely important. Potential turnover of unsubsidized residents was very or extremely important to almost 70% of survey respondents. Additionally, interviewed management companies stated that when occupancy was in jeopardy, vouchers would be accepted for immediate move-ins. Also, management companies related voucher tenant properties to higher operating expenses. Questions related to area property values were not assessed in the Fairfax survey. These results indicate the first research hypothesis was partially supported.

Hypothesis 2

The second research hypothesis was: *There are differences in management company/owner strategies (location, presence of a management representation, existing voucher tenants, familiarity with vouchers, affordability of property, and size of property) that influence future voucher acceptance.* Knowledge of vouchers continued to be a critical component of voucher acceptance. Additionally, a company's philosophy and business plan for the property were very or extremely important to over 70% of survey respondents when determining voucher acceptance. A property's fair market rent and the property's ability to capitalize on market gains without fear of exceeding FMR was a concern for over 90% of survey respondents. Location, in relation to poverty level of adjacent property area, and size of property were only moderately important to survey respondents when determining voucher acceptance. Each management company that was interviewed possessed a voucher limit per property. This strategy was in an effort to manage their perceived risk to voucher tenants. Additionally, over 50% of the surveyed companies did not possess a formal or written voucher policy. Of the interviewed companies, two of the three companies routinely changed their informal voucher policy dependent upon their relationship with the PHA and whether or not a property could benefit from immediate voucher tenant moveins. Based upon the Fairfax survey data and case study interviews, the second research hypothesis was partially supported.

Hypothesis 3

The third research hypothesis was: *There is a relationship between perceived majority tenant prejudices and voucher acceptance, marketing, and advertising.* Perceived majority tenant prejudices influenced survey respondents to not openly advertise, nor market, voucher acceptance out of fear their properties would be labeled low-income or potential unsubsidized applicants may not apply. Additionally, 40% of survey respondents believed their residents might become upset to learn subsidized residents lived at their property. More than 60% of survey respondents believed that their residents might become upset due to loud or disruptive behavior increasing or due to theft, violence, illegal drug use, or vandalism increasing. Interviewed management companies further confirmed the data from the Fairfax survey by stating that their residents would not want to subsidize someone else's rent, nor have less right's than another tenant. The third hypothesis was supported.

CHAPTER 5. DISCUSSION AND IMPLICATIONS

This study was designed to address voucher acceptance and how it is affected by property profitability, perceived majority tenant prejudices, and owner strategies. The following presents a summary of the study, major findings, implications, and suggestions for further study.

Summary of the Study

Housing choice vouchers provide a low-income renter with more housing options. Despite efforts by renters to utilize these vouchers, numerous vouchers go unused because willing landlords were nowhere to be found. The purpose of this research was to address the following three research hypotheses: (1) There is a relationship between a property's profitability and voucher acceptance; (2) There are differences in owner/management company strategies and corporate philosophy regarding vouchers that influence acceptance, and communication and documentation of policy; and (3) There is a relationship between perceived majority tenant prejudices and voucher acceptance, marketing, and advertising.

The model of determinants of landlord voucher acceptance (Kennedy & Finkel, 1994) was the initial theoretical framework of this study. This research was conducted as a mixed-methods study utilizing two data sets, POMS and the 2007 Fairfax County Property Management Survey. POMS is a 1995 survey of multifamily property owners and managers conducted by the Census Bureau. Due to the limited nature of the POMS data, a separate survey of thirteen Fairfax, VA property management companies was developed to capture details surrounding a company's decision to accept or reject vouchers and perceived majority tenant prejudices. Among the thirteen management companies, three management companies were selected as case studies. These data sets were analyzed to determine the impact of owner/management company strategies and philosophy, property profitability and majority tenant prejudices on voucher acceptance.

Major Findings

This research began with an initiative to assess how property profitability, perceived majority tenant prejudices, and owner strategies affect voucher acceptance. Findings suggest that all three factors have a significant role in voucher acceptance.

Utilizing the POMS data, owner strategies had the largest impact on voucher acceptance. Results indicate that the presence of existing voucher tenants at a property increased the likelihood of properties accepting future voucher tenants by 47 times more than a property without voucher tenants. Additionally, a manager knowledgeable with vouchers is 6.2 times more likely than managers who are not knowledgeable about vouchers to accept vouchers. Knowledge of vouchers was also positively associated with the presence of voucher tenants at a property.

Property size, which was a variable in the owner strategies vector, also influenced the likelihood of voucher acceptance. In the POMS sample, as a property increased in size, it was less likely to accept vouchers. The "take one, take all" policy, which could have put larger properties at greater risk in accepting vouchers, could have influenced the effect of property size in the POMS data. The Fairfax data reflect the current policy environment where landlords can cap their acceptance of voucher tenants. Only 15% of Fairfax management companies reported that property size was very or extremely important when deciding to accept vouchers. This suggests that the "take one, take all" policy might have discouraged larger properties from participating in the program.

Another major finding was that the presence of management representation (presence of a management company or site manager), a variable within owner strategies, negatively influenced future voucher acceptance; however, when property size and management representation were analyzed jointly as an interactive variable, the effects were different. When evaluating small properties and management representation, property size is not the deciding factor – management representation is; therefore, small properties with management representation are less likely to accept vouchers. An analysis of large properties and management representation indicates that property size was the determining factor in the POMS data, for example, large properties without management representation are less likely to accept future vouchers.

Owners of non-profit or church-related institutional properties are three and a half times more likely to accept vouchers than other property owners. Also, properties in the South are 44% less likely to accept vouchers than properties in the Northeast. Type of property owner and location of property are both variables within the vector owner strategies.

When tested in logistic regressions, property profitability does not affect voucher acceptance. Moral hazard, a variable within the vector property profitability, is not associated with landlords leaving the voucher program. However, property profitability was a primary factor with all three case study companies. Even more so, companies restricted voucher limits at properties in an effort to manage risk associated with potential lost income from delayed rental increases, delayed inspections, and slowed renewal increases. Additionally, findings revealed that as operating expenses increased, properties were less likely to have voucher tenants.

Fairfax management companies participating in this survey stated they were operationally constrained by the PHA due to delayed rental payments, late rental increase notifications, and laborious responsibilities associated with voucher program administration. Voucher acceptance is not advertised for fear of properties being labeled low-income. Property managers believed that 38.5% of their residents would be upset to find that subsidized residents lived in their building. Managers thought the most upsetting factor to unsubsidized residents would be that theft, violence, illegal drug use, or vandalism would increase. When managers were asked if they rejected vouchers in an attempt to not upset their existing residents, almost 31% responded yes and 54% did not know. Over half of Fairfax management companies did not have a stated or written voucher policy.

According to these landlords, unsubsidized residents take issue with voucher tenants having an advocate in the PHA. PHAs represent voucher tenants for issues ranging from unpaid rent, noisy neighbor issues, to environmental concerns. Unsubsidized residents do not have such an advocate at their disposal.

Even if a management company has a policy to reject vouchers, it will forego its policy to achieve net operating income and increased occupancy. Furthermore, each case study company manages its risk associated with vouchers with predetermined saturation limits per property.

Negative perceptions of vouchers continue to permeate the property management industry and negatively affect voucher acceptance. These perceptions hinder properties with FMR-qualifying rents from accepting vouchers. Negative perceptions can filter down to the site from the management company or are created at the site. The management company or site personnel may create these negative perceptions from previous voucher experiences; however, they may also reflect a prejudicial bias against voucher tenants. Prejudicial biases against voucher tenants are often masked behind voucher rejection. PHAs are limited with the number of participating landlords due to negative perceptions of vouchers.

Implications

Programs, such as Housing Choice Vouchers, aimed at providing access to affordable housing units are an important component of the nation's housing policy. However, success of the housing choice voucher program is contingent upon landlords' willingness to accept vouchers. Findings from this study suggest a number of implications for increased success of the voucher program and for future research.

Knowledge of Vouchers

Knowledge of vouchers increases efficiency of participating managers, thereby maximizing performance of the PHAs. Knowledgeable managers are able to assist voucher applicants, thereby increasing voucher success rates and utilization. Furthermore, managers who are aware of voucher guidelines, regulations, and PHA expectations are more efficient and have fewer problems. Knowledgeable managers are able to train their site team members and other management company employees, thus shortening the voucher learning curve. Additional quarterly training should be conducted by PHAs for all properties with voucher tenants to ensure properties are advancing through the voucher learning curve quicker. PHAs should consider working longer hours that mirror the hours worked in the property management industry. By making themselves more accessible, PHAs can insure properties have a positive experience learning about and handling vouchers, while taking care of the voucher applicant and tenant.

Effective PHAs can submit prompt payments to properties, perform property inspections more timely, and inform properties of rental increases in time to maximize income. All paperwork associated with voucher tenants, i.e. HAP contract and renewal authorizations, should be sent electronically to properties to increase turnaround time and prevent payment delays. Additionally, all property payments should be submitted through an electronic funds transfer system to insure properties are paid in a more timely manner and with less paperwork.

With enhanced performance and positive experiences, PHAs should not only insure that participating managers are knowledgeable of the voucher program, but should actively market vouchers and recruit new managers and management companies into the voucher program. Knowledge of vouchers minimizes prejudices and discriminatory behavior. Anyone who is interested in participating in the voucher program should be partnered with a successful management company already participating in the voucher program. Peer modeling provides an open environment for others to learn from the successes of a participating management company. Peer modeling also provides an outlet to address social stigma issues. The successful management company can recognize and address any concerns promptly and professionally. Workshops with local apartment associations should be conducted by local PHAs to market the voucher program. Quarterly workshops, in conjunction with local apartment association membership meetings, with different themes will provide for continued interest. Different themes can include "Break the Cycle -- Accept Vouchers!," "Profit and Vouchers. You Can Have Both!," and "Vouchers and the Real Costs."

PHAs have always existed in the background in multifamily housing. It is long overdue that they be brought to the foreground. By recruiting them within mainstream industry events, more industry professionals will become aware of the advantages to partnering with a local PHA and to accepting vouchers.

PHA Effectiveness

Knowledge minimizes negative perceptions of vouchers and social stigma issues. Peer modeling will teach from a successful model and work to improve voucher perceptions. However, knowledge and training will only go so far. Unless PHAs improve their performance with submission of rental payments, completion of inspections, and approval of renewal leases, properties have no reason to take the risk to accept vouchers. The proof is in the PHAs' performance. PHAs should refer to best practices of non-profits to model how they are operated.

Non-Profit Property Ownership

Only 4% of the properties in the POMS survey were owned by non-profits, yet they were the ownership form most likely to accept future vouchers. PHAs must ensure that they actively market to non-profits for voucher tenant placement. As more markets become high barrier to entry, it is becoming more difficult to operate a property with affordable rents. More incentives should be given to non-profits to insure it is feasible for them to own and operate affordable multifamily properties.

Rent Growth

Management company flexibility and rent growth restriction is a concern with management companies and owners. Interviewed management companies stated they may increase voucher acceptance if they did not feel inhibited with maintaining market rents below FMR. Additionally, faster notification of new rents is needed. Company C stated that they would remove their voucher limit per property if they received new FMRs before the start of the upcoming calendar year. Properties need these FMRs to prepare their operating budgets. FMRs are used to calculate property market rents and, ultimately, property income for the next year. Without the correct market rents, it is impossible to prepare an accurate budget, plan appropriately, or evaluate property financing. HUD and the local PHAs should calculate, approve, and disperse FMRs well in advance before the start of the upcoming calendar year.

Voucher Threshold Effect

Based upon case study interviews, there is a perceived threshold effect of 18%. There is no empirical data to support this claim, but the interviewed companies believe it is difficult to operate once the percentage of voucher tenants surpasses 18%. This threshold effect may be a byproduct of the prejudices of majority tenants and the prejudices of property owners and managers, or it may be an arbitrary number selected to minimize administrative paperwork. However, 18% is a potentially conservative limit on voucher acceptance in that once an owner accepts vouchers, he is more likely to accept them in the future. After properties backfill any availability for new voucher tenants due to turnover of existing voucher tenants, properties that had once willingly accepted vouchers may stop accepting vouchers under the misperception that they have satisfied their voucher limit. More research should be conducted to determine threshold effects and program costs. What is the effect on program costs when the threshold effect approaches 40%? A known fact is that voucher utilization increases when voucher tenants rent with properties who have been previously successful with vouchers. Therefore, it is critical to better understand threshold effects and associated program costs.

From a policy perspective, too many vouchers at a property could be detrimental due to concentration of poverty. Additional research is also needed regarding maximizing the number of voucher tenants at a property without encouraging poverty-concentration problems.

Management Companies

Statistical analysis of the POMS data revealed that properties with management representation were less likely to accept vouchers, and 73% of the properties in the POMS survey had management representation. Therefore, it is critical to understand the negative effect of management companies on future voucher acceptance in order to increase access to the housing market for voucher holders. POMS was conducted when “take one, take all” was in effect. “Take one, take all” required properties that already had a voucher tenant to accept future voucher tenants. This policy may have influenced the findings that showed management companies had a negative effect on voucher acceptance. Management companies were very concerned that once they accepted one voucher tenant, their property would be concentrated with voucher tenants since they could not reject vouchers once one voucher had been accepted. Therefore, many management companies just did not accept any vouchers. The researcher experienced this same scenario when managing properties prior to this study. The researcher managed two properties in 1995. One property did not accept vouchers, and the other accepted vouchers only because it already had one voucher tenant. As soon as the voucher tenant moved out, the property immediately stopped accepting vouchers before another voucher tenant could move in. With “take one, take all,” a manager lacked control over the applicant approval process for the property once a voucher tenant moved in, as a property manager was now required to accept voucher applicants.

Reinforcement of renters’ rights and fair housing concepts should be required for all properties receiving governmental assistance. Local apartment associations should conduct annual training courses related to landlord tenant laws and fair housing. Also, multifamily rental properties applying for or renewing their business licenses must also attend these annual training courses.

Balanced competing equities is the concept that while costs to conform to a regulation are not relevant in determining discrimination, they may be considered in calculating necessary resolutions to overcome discriminatory actions (Percy, 1989). Voucher acceptance represents a balance between the government and management companies. The goal of the government is to protect the rights of renters against discrimination; however, the management company wants to minimize risk. The premise of balanced competing equities is to not discriminate against vouchers in that the remedies for any discriminatory actions, i.e. voucher rejection based upon a protected class, will be based upon the costs to comply with voucher acceptance. Use of incentives, instead of rules, has been successful for section 504 of the Rehabilitation Act of 1973, or reasonable accommodations for disabled persons (Percy, 1989). Management companies have a fiduciary responsibility to the property owner to increase the value of the asset. If management companies associate risk with voucher acceptance, they will reject vouchers; therefore, management companies must understand the incentives and documented risks associated with voucher acceptance. PHAs need to promote the incentives and quantify any risks of voucher acceptance to management companies as previously outlined.

Are “Housing Choice Vouchers” Really a Choice?

HUD overhauled the voucher program in 1998 when in merged the certificate and voucher programs. It also gave a more marketable name, Housing Choice Vouchers, to the Section 8 program. However, how did this new name and program increase the options for low-income renters? Does the renter have access to affordable housing stock that accepts vouchers? Property owners create operating budgets based upon the rents a market will bear and are needed to profitably operate a property. If those rents exceed FMR, the likelihood of voucher acceptance decreases and *a renter has no choice*.

Based on the findings from the POMS survey, properties with existing voucher tenants were more likely to accept future voucher tenants. Conversely, properties that did not accept vouchers would likely continue to reject vouchers. The factors of voucher knowledge, PHA effectiveness, non-profit property ownership, rent growth, voucher threshold effect, and management representation are opportunities to improve the Housing Choice Voucher Program. Another alternative for insuring access to affordable housing for low-income renters could be to provide tax incentives to management companies which accept vouchers, similar to incentives that Section 42 Low-Income Housing Tax Credit provide to developers.

In the event the stated factors and incentives are ineffective in maintaining an affordable housing stock that accepts vouchers, source of income legislation is an option in areas where affordability is a major issue for properties that continue to reject vouchers, yet have FMR-qualifying market rents. Without source of income legislation, there may be no choices available for a low-income renter when searching for a property that accepts vouchers. Source of income legislation will protect voucher applicants' use of vouchers and maintain the supply of eligible units.

Owners and management companies of private rental properties consider source of income legislation an infringement upon their rights. Source of income legislation resembles "take one, take all" in that an owner or management company cannot deny a voucher applicant based upon source of income. Property owners and management companies main concern is that voucher tenants could quite possibly become the majority tenant through routine turnover at properties in jurisdictions with source of income legislation. Therefore, it is paramount that housing policy address the aforementioned factors and incentives to preserve, if not increase, affordable housing options that accept vouchers.

Suggestions for Future Research

Given changes in program policies and market conditions, POMS should be administered again. It is a source of abundant information and resources for multifamily operations that can increase operational efficiencies and enhance policies.

Additional research should address voucher thresholds, the perceived risks of landlords in participating in the program, and voucher concentration. Arbitrary and potentially prejudicial voucher limits could restrict the supply of units available to voucher holders. If there are threshold effects that negatively impact property performance, these need to be documented and disseminated for the program to operate efficiently. In all likelihood, without adequate information, landlords overestimate risks associated with the program. Other perceived risks include moral hazard and program administrative costs. Research on administrative costs should include best practices (for example, the use of information technology) to increase PHA operating efficiency, transaction costs and processing times. Further research can correct these deficiencies and can increase the positive impact of program knowledge. Although previous research has shown that voucher concentration has negative effects on voucher tenants, additional research is needed to assess the effects differing levels have on property operations, income, and property value.

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APPENDIX A.
DEFINITION OF TERMS

Definition of Terms

Apartment Owner

An owner of a multifamily property. Term used interchangeably with management company.

Apartment Unit

An individual rental unit occupied by a qualified resident(s).

Enrollee

A voucher recipient and participant in the voucher program. Also referred to as a voucher tenant.

Fair Market Rent

Rent level determined by HUD and calculated on the 40^{th} percentile rent. Properties with market rents that exceed fair market rent are considered unaffordable due to the enrollee being responsible for any portion of market rent that exceeds fair market rent.

Housing Choice Voucher

A rental subsidy that supplements a tenant's monthly rent based upon a percentage of annual income. Housing choice vouchers are also referred to as vouchers.

Landlord

An owner and/or management representative of a multifamily property. Term used interchangeably with management company.

Management Company

A company contracted by the apartment owner to oversee operations of a multifamily housing community. Management companies are responsible for staffing, leasing, maintenance and daily management of property. Properties can be owner-managed or managed by a third party.

Market Rate Apartment

An apartment with rents determined by an apartment owner or management company based upon property financial objectives, property amenities, unit features, and market supply and demand. Market rate apartments do not receive any federal, state, or local subsidies to supplement rental income or reduce expenses.

Market Rent

Individual apartment unit rent levels of non-subsidized properties based upon apartment unit features, property amenities, and market supply and demand.

Multifamily Housing

A building that contains five or more rental units. Multifamily housing is also referred to as a multifamily property.

Multifamily Property

A term that is used interchangeably with multifamily housing. Multifamily property may also be referred to as property.

Net Operating Income

The amount remaining after total operating expenses are subtracted from total income.

Public Housing Agency

A local housing agency that oversees housing choice voucher management and allocation.

Resident

An occupant of an apartment unit.

Resident Selection Criteria

Criteria that are customized by a property that stipulate qualifying criteria for each application. Criteria may include previous rental history, income, and credit history.

Source of Income Discrimination

Disparate treatment against rental applicants that discriminates based upon source of income, i.e. housing choice voucher.

Tenant

A term used interchangeably with resident.

Voucher Tenant

A voucher recipient who resides in an apartment unit.

APPENDIX B.
PROPERTY OWNERS AND MANAGERS SURVEY FOR MULTI-HOUSING PROPERTIES

OMB No. 0528-0174: Approval Expires 09/30/96

FORM **POMS-101**
(8-1-95)

U.S. DEPARTMENT OF COMMERCE
BUREAU OF THE CENSUS
ACTING AS COLLECTING AGENT FOR
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PROPERTY OWNERS AND MANAGERS SURVEY
MULTI HOUSING UNIT PROPERTIES

A. Rental unit

B. Owner/manager identification

This questionnaire concerns the rental unit identified in item A and the property of which itis a part. The questions are about the characteristics, both physical and financial, of the property, expenses incurred in managing the property, property management issues, tenant relations and the like.

C. Are you currently the owner, manager, or agent of the rental unit identified in item A above?

1 ☐ Yes

Please turn to question 1a on page 2.

2 ☐ No

D. Can you provide the name, address, and/or telephone number of the current owner or manager of the property?

Any information that you can provide in the block below will be helpful to the Census Bureau in locating someone knowledgeable about the property. **After completing the information below, please return this questionnaire in the envelope provided. Thank you.**

1 ☐ Yes

Name	Title
Address	
City	State / ZIP Code
Telephone number *(including area code)*	

2 ☐ No, don't know anything about this property

1a. Is the rental unit identified in item A on the front cover part of a property OWNED by a public housing authority?

1 ☐ Yes

2 ☐ No

SKIP to item 2a

b. What is the name of the public housing authority?

SKIP to item 80, page 31

2a. Is the rental unit part of a property OWNED by the United States Military or by any other Federal agency?

1 ☐ Yes

2 ☐ No

SKIP to item 3a

b. What is the name of the installation or agency?

SKIP to item 80, page 31

3a. Is the rental unit identified in item A on the cover —

1 ☐ Rented for cash rent?

2 ☐ Occupied by someone other than the owner without payment of cash rent?

3 ☐ Vacant, but available for rent? (Include units that are both for rent or for sale and units that are rented but not yet occupied.)

4 ☐ Vacant, available for sale only?

5 ☐ Vacant, but not available for rent or sale?

6 ☐ Occupied by the owner of the property?

7 ☐ Used primarily as a second or vacation home by the owner or people who rent on a daily, weekly, or short-term basis?

SKIP to item 80, page 31

b. Is the rental unit a —

1 ☐ Unit in a property with two or more housing units?

2 ☐ Single family detached house?

3 ☐ Single family attached house, rowhouse or townhouse (not a condominium)?

4 ☐ Single housing unit with business?

5 ☐ Condominium?

6 ☐ Co-operative?

7 ☐ Mobile home?

SKIP to item 80, page 31

GO to item 4a, page 2

RENTAL UNIT CHARACTERISTICS

The following questions refer to the specific RENTAL UNIT identified in item A on the front cover of the questionnaire.

4a. What is the monthly rent for the rental unit identified in item A? (If vacant, what is the asking rent?)

$ ______ .00 OR

0 ☐ Occupied rent free

SKIP to item 7

b. Are the following included in the rent?

	YES	NO	NOT USED
(1) Electricity	1 ☐	2 ☐	
(2) Gas	1 ☐	2 ☐	3 ☐
(3) Fuel oil or other fuels	1 ☐	2 ☐	3 ☐
(4) Water	1 ☐	2 ☐	
(5) Trash collection	1 ☐	2 ☐	

c. Is the monthly rent for the tenant occupying the rental unit partially or completely paid by —

Mark (X) ALL that apply.

1 ☐ **The Federal Section 8 certificate or voucher program?**
2 ☐ **AFDC, ADC, General Assistance, or any other welfare program?**
3 ☐ **Another Federal housing subsidy program?**
4 ☐ **Another state or local housing subsidy program?**
5 ☐ None of the above
6 ☐ Unit is vacant
7 ☐ Don't know

5. Is the rental unit under rent control, rent stabilization, or some other type of rent regulation?

1 ☐ Yes, under rent control or rent stabilization
2 ☐ Yes, under some other form of rent regulation
3 ☐ No

6. What is the length of lease for the rental unit?

1 ☐ Less than one year or month-to-month
2 ☐ 1 year
3 ☐ More than 1 year but less than 2 years
4 ☐ 2 years
5 ☐ More than 2 years
6 ☐ No lease required

7. **Did the rent for the rental unit identified in item A change between the previous tenant and the current tenant? (If vacant, is the asking rent different than for the previous tenant?)**

1 ☐ Yes, rent increased
2 ☐ Yes, rent decreased
3 ☐ No change
4 ☐ No previous tenant in this unit

8a. **Is the rental unit handicapped-accessible?**

1 ☐ Yes
2 ☐ No

SKIP to item 8c

b. **Did the tenant share in the costs of handicapped-accessibility improvements?**

1 ☐ Yes
2 ☐ No
3 ☐ Don't know

SKIP to item 9a

c. **If the rental unit were to be made handicapped-accessible, would the tenant share in the costs of improvement?**

1 ☐ Yes
2 ☐ No
3 ☐ Don't know

9a. **In the last two years has the rental unit been inspected by a local housing inspector?**

1 ☐ Yes
2 ☐ No
3 ☐ Don't know

SKIP to item 10, page 5

b. **What was the result of the inspection?**

1 ☐ Passed inspection
2 ☐ Passed inspection subject to repairs being made
3 ☐ Did not pass inspection, but passed reinspection
4 ☐ Did not pass
5 ☐ Don't know

10. In the last 5 years, was any of the following work done to the rental unit identified in item A?	YES	IN WHAT YEAR?	NO OR NOT NEEDED	DON'T KNOW
a. Interior painted	1☐ →	1 9 _ _	2☐	3☐
b. CENSUS USE ONLY				
c. Some or all kitchen appliances replaced	1☐ →	1 9 _ _	2☐	3☐
d. Some or all bathroom fixtures replaced	1☐ →	1 9 _ _	2☐	3☐
e. Carpets replaced	1☐ →	1 9 _ _	2☐	3☐
f. Unit rewired	1☐ →	1 9 _ _	2☐	3☐
g. Lead-based paint removed or covered	1☐ →	1 9 _ _	2☐	3☐
h. Radon vented to the outside	1☐ →	1 9 _ _	2☐	3☐
i. Asbestos removed or covered	1☐ →	1 9 _ _	2☐	3☐
j. Inspection or spraying for pests	1☐ →	1 9 _ _	2☐	3☐
k. Heating/air conditioning unit repaired	1☐ →	1 9 _ _	2☐	3☐
l. Building roof repaired or replaced	1☐ →	1 9 _ _	2☐	3☐
m. Other major repairs to the unit – *Specify*				
______________________	1☐ →	1 9 _ _	2☐	
______________________	1☐ →	1 9 _ _		
______________________	1☐ →	1 9 _ _		

PROPERTY CHARACTERISTICS

11. When was the building containing the rental unit identified in item A originally built?

☐ 1990 or later – *Enter the year*

1 9 _ _
Year

85 ☐ 1985–1989
80 ☐ 1980–1984
70 ☐ 1970–1979
60 ☐ 1960–1969
50 ☐ 1950–1959
40 ☐ 1940–1949
30 ☐ 1930–1939
20 ☐ 1920–1929
19 ☐ 1919 or earlier

12a. What type of heating equipment is used MOST to heat the building containing the rental unit identified in item A?

Mark (X) only ONE box.

1 ☐ Central warm-air furnace (with air vents or ducts to the individual rooms)
2 ☐ Steam or hot-water system (radiators or other system using steam or hot water)
3 ☐ Electric heat pump
4 ☐ Other built-in electric units (permanently installed in wall, ceiling, or baseboards)
5 ☐ Floor, wall, or other built-in, hot-air heater without ducts
6 ☐ Room heaters which use kerosene, gas, or oil which are VENTED to the outside through a chimney, flue, or pipes
7 ☐ Room heaters which use kerosene, gas, or oil which are UNVENTED
8 ☐ Portable electric room heaters
9 ☐ Stove(s)
10 ☐ Fireplace(s) WITH inserts (installed equipment designed to circulate more heat into the room)
11 ☐ Fireplace(s) with NO inserts
12 ☐ Other – *Specify*

13 ☐ None

SKIP to item 12c, page 7

12b. What fuel is used MOST to heat the building?

Mark (X) only ONE box.

1 ☐ Electricity
2 ☐ Gas
3 ☐ Fuel oil
4 ☐ Kerosene or other liquid fuel
5 ☐ Coal or coke
6 ☐ Wood
7 ☐ Solar energy
8 ☐ Other – *Specify*

9 ☐ None

12c. What fuel is used MOST to heat the water for the building?

Mark (X) only ONE box.

1 ☐ Electricity
2 ☐ Gas
3 ☐ Fuel oil
4 ☐ Kerosene or other liquid fuel
5 ☐ Coal or coke
6 ☐ Wood
7 ☐ Solar energy
8 ☐ Other – *Specify*

9 ☐ None

The following questions refer to the PROPERTY. The term PROPERTY refers to all land and buildings that include the rental unit identified in item A on the front cover and that are included under a single deed.

13. How many BUILDINGS containing residential units are there on this property?

_______ Buildings

14. How many residential housing units (separate living quarters) in this property are —

_______ **Occupied?**
_______ **Vacant for sale only?**
_______ **Vacant for rent only?**
_______ **Vacant for either rent or sale?**
_______ **Vacant, not available for rent or for sale?**

15. How many residential housing units at this property are rented furnished?
Do not include units that provide appliances only.

0 ☐ None

_______ Furnished units

16. How many residential housing units at this property are occupied rent free?
Include an owner-occupied unit as rent-free.

0 ☐ None

_______ Rent-free units

17. Are any of the units in this property under rent control, rent stabilization, or some other type of rent regulation?

Mark (X) ALL that apply.

1 ☐ Yes, one or more units are under rent control or rent stabilization
2 ☐ Yes, one or more units are under some other form of rent regulation
3 ☐ No

18. Are the following amenities available to the tenants?

Mark (X) ONE box on each line.

	YES-free or included in rent	YES-for additional fee	NO
a. Air conditioning	1 ☐	2 ☐	3 ☐
b. Covered off street parking such as a garage or carport	1 ☐	2 ☐	3 ☐
c. Uncovered off-street parking such as a parking lot	1 ☐	2 ☐	3 ☐
d. Swimming pool	1 ☐	2 ☐	3 ☐
e. Shuttle bus service	1 ☐	2 ☐	3 ☐
f. Secretarial/message service	1 ☐	2 ☐	3 ☐
g. Common room(s) for parties, etc.	1 ☐	2 ☐	3 ☐
h. Organized social events	1 ☐	2 ☐	3 ☐
i. Electronic security systems for individual units	1 ☐	2 ☐	3 ☐
j. Cable television	1 ☐	2 ☐	3 ☐
k. Athletic facilities such as tennis courts, exercise room, etc.	1 ☐	2 ☐	3 ☐
l. Laundry appliances in unit	1 ☐	2 ☐	3 ☐
m. Common laundry room	1 ☐	2 ☐	3 ☐
	YES		NO
n. Elevator	1 ☐		3 ☐
o. Security system and/or protective service for the property	1 ☐		3 ☐
p. Automatic sprinkler system for fire suppression	1 ☐		3 ☐
q. Play area with equipment for children	1 ☐		3 ☐

19. In the last 5 years, have any of the following capital improvements or upgrades been made or started at this property? Capital improvements are additions to the property that increase the value or upgrade the facilities.	YES	IN WHAT YEAR?	NO	DON'T KNOW
a. Upgrading of heating system	1☐ →	1 9 _ _	2☐	3☐
b. Upgrading of the property's plumbing system	1☐ →	1 9 _ _	2☐	3☐
c. Addition or upgrading of air conditioning system	1☐ →	1 9 _ _	2☐	3☐
d. Replacement of kitchen facilities	1☐ →	1 9 _ _	2☐	3☐
e. Renovation of bathroom facilities	1☐ →	1 9 _ _	2☐	3☐
f. Addition of a security system	1☐ →	1 9 _ _	2☐	3☐
g. Addition of a swimming pool	1☐ →	1 9 _ _	2☐	3☐
h. Addition of off-street parking	1☐ →	1 9 _ _	2☐	3☐
i. Addition of a playground or play area	1☐ →	1 9 _ _	2☐	3☐
j. Addition of handicapped/universal access improvements	1☐ →	1 9 _ _	2☐	3☐
k. Other capital improvements or upgrades to the property – *Specify* ↙				
_______________	1☐ →	1 9 _ _	2☐	
_______________	1☐ →	1 9 _ _		

20a. Does the owner employ anyone to manage this property?
Mark (X) all that apply.

1☐ Yes, a resident manager or superintendent
2☐ Yes, a non-resident manager
3☐ Yes, a management company
4☐ No, owner manages this property → ***SKIP to item 21a, page 10***

b. Does the manager or management company —	YES	NO
(1) Collect rent?	1☐	2☐
(2) Take applications and select new tenants?	1☐	2☐
(3) Initiate evictions?	1☐	2☐
(4) Make decisions on small maintenance or repair jobs?	1☐	2☐
(5) Make decisions on large maintenance or repair jobs?	1☐	2☐
(6) Make mortgage payments?	1☐	2☐
(7) Make tax payments or prepare tax estimates?	1☐	2☐

20c. **How long has this property been under the current management?**

1 ☐ Less than 1 year
2 ☐ 1 up to 3 years
3 ☐ 3 up to 5 years
4 ☐ 5 years or more

21a. **What were the total actual receipts from rent for ALL residential housing units in this property for the last year for which you have complete records?**

$ .00

b. **For what twelve month period are the receipts above reported?**

FROM Month ____ Year ____ TO Month ____ Year ____

22a. **Are there any commercial (nonresidential) units in this property such as a rental office, doctor's office or any other business establishment?**

1 ☐ Yes
2 ☐ No → *SKIP to item 23*

b. **What percent of the total floor space in this property is used for commercial (nonresidential) purposes?**

______ Percent

c. **What were the total actual receipts from rent for ALL commercial units in this property for the last year for which you have complete records?**

$ .00

d. **For what twelve month period are the receipts above reported?**

FROM Month ____ Year ____ TO Month ____ Year ____

23. **What percentage of gross rental income from this property is spent on regular maintenance?** *Include income from both residential and commercial units. Exclude expenditures for capital improvements.*

1 ☐ None (0 percent)
2 ☐ Less than 5 percent
3 ☐ 5 to 9 percent
4 ☐ 10 to 19 percent
5 ☐ 20 to 29 percent
6 ☐ 30 to 39 percent
7 ☐ 40 to 49 percent
8 ☐ 50 to 74 percent
9 ☐ 75 percent or more

24a. What were the operating costs for this property for the last year for which you have complete records?

Do NOT include expenditures for capital improvements reported in item 19 on page 9. Do not double count costs; include operating costs in one category only.

	YEARLY COST	OR	NONE
(1) Advertising	$ .00		☐
(2) Auto and travel	$ .00		☐
(3) Cleaning	$ .00		☐
(4) Commissions	$ .00		☐
(5) Property insurance	$ .00		☐
(6) Legal and other professional fees	$ .00		☐
(7) Management fees	$ .00		☐
(8) Mortgage interest paid to banks, etc.	$ .00		☐
(9) Mortgage insurance	$ .00		☐
(10) Other interest	$ .00		☐
(11) Repairs and maintenance	$ .00		☐
(12) Supplies	$ .00		☐
(13) Real estate taxes	$ .00		☐
(14) Utilities (electricity, gas, water and sewer, and fuel oil)	$ .00		☐
(15) Tenant referrals	$ .00		☐
(16) Grounds/lawn care; snow removal	$ .00		☐
(17) Trash collection	$ .00		☐
(18) Personnel/labor costs	$ .00		☐
(19) Ground rent or special assessments	$ .00		☐
(20) CENSUS USE ONLY			
(21) Other operating costs not listed above	$ .00		☐

b. For what twelve month period are the operating costs above reported?

Month | Year — Month | Year

25. **Which category best describes the CURRENT maintenance PROGRAM for this property?**

1 ☐ Most maintenance postponed, major problems handled as quickly as possible
2 ☐ Most minor problems postponed, major problems handled immediately
3 ☐ All maintenance handled immediately and preventive maintenance practiced

26. **Which category best describes maintenance PLANS for this property over the next three years?**

1 ☐ Most maintenance postponed, major problems handled as quickly as possible
2 ☐ Most minor problems postponed, major problems handled immediately
3 ☐ All maintenance handled immediately and preventive maintenance practiced

27. **Does this property benefit from —**

Do not include FHA, VA, or FmHA insurance or guarantees as a "benefit"

Mark (X) ALL that apply.

1 ☐ **A government-sponsored below-market interest rate loan?**
2 ☐ **A government rental subsidy (such as Federal Section 8 payments to the project)?**
3 ☐ **A government grant for capital costs such as Section 202 or CDBG?**
4 ☐ **Property tax relief?**
5 ☐ **Federal income tax credit for low-income, old, or historic properties?**
6 ☐ **Accelerated Federal income tax depreciation for low- and moderate-income properties?**
7 ☐ None of the above
8 ☐ Don't know

28a. **Is this property ELIGIBLE for LIHTC (Low-Income Housing Tax Credits)?**

1 ☐ Yes
2 ☐ No
3 ☐ Don't know

SKIP to item 29a

b. **Does this property RECEIVE LIHTC?**

1 ☐ Yes
2 ☐ No
3 ☐ Don't know

29a. **Did this property make a profit last year?**

Mark (X) only ONE answer.

1 ☐ Yes
2 ☐ No, broke even
3 ☐ No, had a loss
4 ☐ Don't know or not sure

b. **Compared to similar properties in this area, do you think this property has been less profitable, more profitable, or about the same in the past year?**

1 ☐ Less profitable than similar properties
2 ☐ More profitable than similar properties
3 ☐ About the same as similar properties
4 ☐ Don't know or not sure

c. **In the past year, have the property values in the neighborhood where this property is located increased, decreased, or remained about the same?**

1 ☐ Increased
2 ☐ Decreased
3 ☐ Remained about the same
4 ☐ Don't know or not sure

30. When there is a vacancy at this property, do the following kinds of properties compete with this property for new tenants?

	YES	NO	DON'T KNOW
a. Privately owned, nonsubsidized properties in the area	1 ☐	2 ☐	3 ☐
b. Privately owned properties that accept Section 8 rent vouchers/certificates	1 ☐	2 ☐	3 ☐
c. Privately owned properties with other subsidized units (not Section 8)	1 ☐	2 ☐	3 ☐
d. Public Housing	1 ☐	2 ☐	3 ☐
e. Other kinds of competitors – *Specify*	1 ☐	2 ☐	

31a. Is this property NOW being marketed to new tenants?

1 ☐ Yes
2 ☐ No

SKIP to item 32a, page 14

b. Are any of the following types of advertising NOW used to market this property?

	YES	NO	DON'T KNOW
(1) Newspaper ads	1 ☐	2 ☐	3 ☐
(2) TV/radio ads	1 ☐	2 ☐	3 ☐
(3) Apartment property guides	1 ☐	2 ☐	3 ☐
(4) Multiple Listing Service (Board of Realtors)	1 ☐	2 ☐	3 ☐
(5) "For Rent" sign at the property	1 ☐	2 ☐	3 ☐
(6) Word-of-mouth referrals through tenants	1 ☐	2 ☐	3 ☐
(7) Some other means – *Specify*	1 ☐	2 ☐	

c. What changes are planned in the following types of advertising in the next year?

	PLAN TO USE		NO CHANGE PLANNED	HAVE NO PLAN
	LESS OFTEN	MORE OFTEN		
(1) Newspaper ads	1 ☐	2 ☐	3 ☐	4 ☐
(2) TV/radio ads	1 ☐	2 ☐	3 ☐	4 ☐
(3) Apartment property guides	1 ☐	2 ☐	3 ☐	4 ☐
(4) Multiple Listing Service (Board of Realtors)	1 ☐	2 ☐	3 ☐	4 ☐
(5) "For Rent" sign at the property	1 ☐	2 ☐	3 ☐	4 ☐
(6) Word-of-mouth referrals through tenants	1 ☐	2 ☐	3 ☐	4 ☐
(7) Some other means – *Specify*	1 ☐	2 ☐	3 ☐	4 ☐

32a. Have any of the following methods been used to screen potential tenants for this property?

	YES	NO
(1) Personal interviews	1☐	2☐
(2) Responses on the application form	1☐	2☐
(3) Credit references or credit checks	1☐	2☐
(4) Employment checks or employer references	1☐	2☐
(5) Personal references	1☐	2☐
(6) Bank references	1☐	2☐
(7) References from previous rental agent/owner/property owners association	1☐	2☐
(8) Proof of meeting minimum income requirement	1☐	2☐
(9) Some other means – *Specify*	1☐	2☐

b. Which number from above is the MOST important?

_______ Number

33a. In the past two years, has anyone who wanted to become a tenant at this property been rejected?

1☐ Yes

2☐ No → *SKIP to item 34, page 15*

b. What were the reasons for the rejection(s)?

	YES	NO
(1) Performance in personal interview	1☐	2☐
(2) Responses to the application form	1☐	2☐
(3) Credit or credit references	1☐	2☐
(4) References from employer or employment history	1☐	2☐
(5) Personal references	1☐	2☐
(6) References from previous rental agent/owner/property owners association	1☐	2☐
(7) Insufficient income to meet minimum requirements	1☐	2☐
(8) Unit too small for the number of persons in the household	1☐	2☐
(9) A record of disruptive behavior in previous residences	1☐	2☐
(10) Applicants do not "fit in" with other residents	1☐	2☐
(11) Type of occupation – *Specify*	1☐	2☐
(12) Other reasons – *Specify*	1☐	2☐

34. **What are the most important factors considered when setting rents at this property?**
Mark (X) ALL that apply.

1 ☐ Last year's rent plus inflation adjustment
2 ☐ Last year's operating costs, including debt service on mortgages
3 ☐ Expected operating cost increases for the coming year
4 ☐ Effect on tenant turnover
5 ☐ Demand for rental units in the area
6 ☐ Vacancies at this property
7 ☐ Vacancies in the area
8 ☐ Rents for similar units at other properties in the area
9 ☐ Governmental rent restrictions or guidelines
10 ☐ Other factor(s) – *Specify*

11 ☐ Don't know

35. **What was the turnover rate at this property in the past 12 months?**

0 ☐ None (0 percent)
1 ☐ Less than 5 percent
2 ☐ 5 to 9 percent
3 ☐ 10 to 19 percent
4 ☐ 20 to 49 percent
5 ☐ 50 percent or more
6 ☐ Don't know

36a. **Are any of the following changes currently taking place or planned for this property?**
Mark (X) ALL that apply.

1 ☐ Converting the residential rental units to condominium or cooperative ownership
2 ☐ Converting some or all residential rental units to nonresidential use
3 ☐ Renovating the residential rental units and/or replacing obsolete features while remaining a rental property
4 ☐ Combining units to create larger units
5 ☐ Working to change the tenant population

6 ☐ None of the above
7 ☐ Don't know

SKIP to item 36d, page 16

b. **To achieve the above changes for this property, is the management actively trying to increase tenant turnover?**

1 ☐ Yes
2 ☐ No

SKIP to item 36d, page 16

c. **What techniques are used to increase tenant turnover at this property?**
Mark (X) ALL that apply.

1 ☐ Rent increases
2 ☐ Decreasing the level of maintenance
3 ☐ Decreasing services to the tenant
4 ☐ Charging fees for previously free services
5 ☐ Other technique(s) – *Specify*

SKIP to item 37, page 16

36d. Is the management actively trying to minimize tenant turnover at this property?

1 ☐ Yes
2 ☐ No

SKIP to item 37

e. Why is the management trying to minimize tenant turnover at this property?

Mark (X) ALL that apply.

1 ☐ To maintain a stable tenant population
2 ☐ To retain desirable tenants
3 ☐ To minimize turnover costs
4 ☐ To lower maintenance costs
5 ☐ Other reason(s) – *Specify*

---

f. What techniques are used to minimize tenant turnover at this property?

Mark (X) ALL that apply.

1 ☐ Rent concessions or reductions
2 ☐ Increasing the level of maintenance
3 ☐ Redecorating or upgrading the units
4 ☐ Making other improvements to the property
5 ☐ Improving services to the tenants
6 ☐ Other technique(s) – *Specify*

---

37. In the past year, have any real estate tax abatements or refunds been received on this property for any of the following reasons?	YES	NO	DON'T KNOW
a. For historical preservation	1 ☐	2 ☐	3 ☐
b. Because the property houses low-income tenants	1 ☐	2 ☐	3 ☐
c. Because the property is in a low-income area	1 ☐	2 ☐	3 ☐
d. Because the property is in a targeted economic development area	1 ☐	2 ☐	3 ☐
e. Because of a real estate tax appeal or assessment	1 ☐	2 ☐	3 ☐
f. For some other reason – *Specify*	1 ☐	2 ☐	

38. How familiar are you with the Section 8 rental subsidy certificate or voucher program?

1 ☐ Very familiar
2 ☐ Somewhat familiar
3 ☐ Not at all familiar

39. **In the past 6 months, about how many inquiries have been received asking whether this property accepts tenants who hold Section 8 vouchers or certificates?**

1 ☐ None
2 ☐ Fewer than 5 inquiries
3 ☐ 5 to 9 inquiries
4 ☐ 10 to 19 inquiries
5 ☐ 20 to 49 inquiries
6 ☐ 50 to 99 inquiries
7 ☐ 100 or more inquiries
8 ☐ Don't know how many inquiries

40a. **Under the current ownership have there EVER been tenants at this property whose rent was partially or completely paid with Section 8 rental subsidy certificates or vouchers?**

1 ☐ Yes
2 ☐ No

SKIP to item 40c

b. **How many units at this property are NOW occupied by Section 8 tenants?**

_______ Units

c. **Would you accept NEW tenants whose rent is partially or completely paid with Section 8 rental subsidy certificates or vouchers?**

1 ☐ Yes → *SKIP to item 41a*
2 ☐ No

d. **Which of the following reasons describe why you do not want to accept new Section 8 tenants at this property?**

Mark (X) ALL that apply.

1 ☐ Concerned about ability to collect on the vouchers or certificates
2 ☐ Concerned about potential problems with the tenants who are part of these programs
3 ☐ Too many regulations connected with these programs
4 ☐ Too much paperwork and time involved
5 ☐ Rent for units in this property are too high to participate in the certificate and voucher programs (above fair market rent)
6 ☐ Object to government involvement in rental subsidies
7 ☐ Other reasons – *Specify*

____

41a. **In the past two years, what percentage of tenants at this property are delinquent in their rent payments in a typical month?**

0 ☐ None → *GO to item 42a, page 18*

_______ Percentage

b. **Does delinquency of rent payments for this property cause a minor, moderate, or serious cash flow problem?**

1 ☐ Minor
2 ☐ Moderate
3 ☐ Serious

41c. In the past two years, how have you dealt with tenants who are delinquent in their rent payments?

	YES	NO
(1) By notifying the tenants that they are late before taking further action	1 ☐	2 ☐
(2) By notifying the tenants that they are late and beginning collection procedures	1 ☐	2 ☐
(3) By beginning eviction procedures	1 ☐	2 ☐
(4) By doing nothing and waiting for the tenants to pay	1 ☐	2 ☐
(5) Some other way – *Specify* ↙	1 ☐	2 ☐

d. Are the characteristics of delinquent tenants at this property different from those who are not delinquent?

1 ☐ Yes
2 ☐ No → ***SKIP to item 42a***

e. How are they different? Are they —

	YES	NO
(1) **From low income households?**	1 ☐	2 ☐
(2) **Section 8 certificate or voucher holders?**	1 ☐	2 ☐
(3) **From single-parent households?**	1 ☐	2 ☐
(4) **From over-crowded units?**	1 ☐	2 ☐
(5) **From households with teenage children?**	1 ☐	2 ☐
(6) **From young adult or student households?**	1 ☐	2 ☐
(7) **From households with one or more unemployed adults?**	1 ☐	2 ☐
(8) **From households with visitors unwelcome to the management?**	1 ☐	2 ☐
(9) **From households with visitors unwelcome to the tenants?**	1 ☐	2 ☐
(10) **Something else?** – *Specify* ↙	1 ☐	2 ☐

42a. In the past two years, how often did any of the following happen in any of the units or on the grounds of the property?

	NEVER	RARELY	OCCASIONALLY	FREQUENTLY
(1) Vandalism to the INSIDE of unit(s)	1 ☐	2 ☐	3 ☐	4 ☐
(2) Vandalism to the OUTSIDE of building or to common areas	1 ☐	2 ☐	3 ☐	4 ☐
(3) Theft	1 ☐	2 ☐	3 ☐	4 ☐
(4) Loud or disruptive behavior	1 ☐	2 ☐	3 ☐	4 ☐
(5) Violence	1 ☐	2 ☐	3 ☐	4 ☐
(6) Drug usage	1 ☐	2 ☐	3 ☐	4 ☐
(7) Other undesirable behavior – *Specify* ↙	1 ☐	2 ☐	3 ☐	4 ☐

If ALL answers above are "Never", SKIP to item 43a, page 19, otherwise continue with item 42b, page 19

42b. **In the past two years, how have you dealt with undesirable or disruptive behavior at this property?**

	YES	NO
(1) By talking to the disruptive individuals in person	1☐	2☐
(2) By issuing a warning in writing to the disruptive individuals	1☐	2☐
(3) By referring problem to tenants' committee for resolution	1☐	2☐
(4) By calling private security to deal with the problem	1☐	2☐
(5) By calling the police and asking them to take action	1☐	2☐
(6) By beginning eviction procedures	1☐	2☐
(7) Some other means – *Specify*	1☐	2☐

c. **Are the characteristics of tenants who cause problems at this property different from those who do not cause problems?**

1☐ Yes
2☐ No

SKIP to item 43a

d. **How are they different? Are they —**

	YES	NO
(1) **From low income households?**	1☐	2☐
(2) **Section 8 certificate or voucher holders?**	1☐	2☐
(3) **From single-parent households?**	1☐	2☐
(4) **From over-crowded units?**	1☐	2☐
(5) **From households with teenage children?**	1☐	2☐
(6) **From young adult or student households?**	1☐	2☐
(7) **From households with one or more unemployed adults?**	1☐	2☐
(8) **From households with visitors who are unwelcome to the management?**	1☐	2☐
(9) **From households with visitors who are unwelcome to the tenants?**	1☐	2☐
(10) **Something else?** – *Specify*	1☐	2☐

43a. **In the past two years, how many times has the management of this property taken a tenant to court?**

1☐ Never
2☐ Once
3☐ Twice
4☐ 3 to 5 times
5☐ More than 5 times

43b. **In the past two years, how many times has a tenant at this property taken the management to court?**

1 ☐ Never
2 ☐ Once
3 ☐ Twice
4 ☐ 3 to 5 times
5 ☐ More than 5 times

44a. **In the past two years, how many times have tenant eviction procedures been started at this property?**

0 ☐ Never

SKIP to item 45

1 ☐ Once
2 ☐ Twice
3 ☐ 3 to 5 times
4 ☐ More than 5 times

b. **How would you describe the legal requirements for eviction in this jurisdiction?**

1 ☐ Very easy
2 ☐ Easy
3 ☐ Neither easy nor difficult
4 ☐ Difficult
5 ☐ Very difficult
6 ☐ Don't know

45. **Is there a tenants' council or organization at this property?**

1 ☐ Yes
2 ☐ No
3 ☐ Don't know

46a. **What best describes the household income of tenants at this property?**

Mark (X) only ONE answer.

1 ☐ Mostly low income
2 ☐ Mostly middle income
3 ☐ Mostly upper income
4 ☐ Somewhat diverse, with low and middle income tenants
5 ☐ Somewhat diverse, with middle and upper income tenants
6 ☐ Very diverse, with low, middle, and upper income tenants
7 ☐ Don't know

b. **Has the income mix at this property changed in the past two years?**

1 ☐ Yes
2 ☐ No

SKIP to item 47, page 21

c. **Has it become —**

Mark (X) only ONE answer.

1 ☐ **More low income?**
2 ☐ **More middle income?**
3 ☐ **More upper income?**
4 ☐ **More diverse with incomes at the low, middle, and upper levels?**
5 ☐ Don't know

47. Do the following regulations or restrictions make it difficult to operate this rental property? Exclude Federal, state, or local income tax codes.

	NO	YES, A LITTLE	YES, SOMEWHAT	YES, A LOT
a. Lead-based paint requirements	1☐	2☐	3☐	4☐
b. Asbestos requirements	1☐	2☐	3☐	4☐
c. Waste disposal requirements	1☐	2☐	3☐	4☐
d. Radon requirements	1☐	2☐	3☐	4☐
e. Water quality standards	1☐	2☐	3☐	4☐
f. Zoning or property usage	1☐	2☐	3☐	4☐
g. Parking restrictions in and around this property	1☐	2☐	3☐	4☐
h. Limits on types of utility hook-ups allowed	1☐	2☐	3☐	4☐
i. Rent control, stabilization, etc.	1☐	2☐	3☐	4☐
j. Americans with Disabilities Act	1☐	2☐	3☐	4☐
k. Historic preservation restrictions	1☐	2☐	3☐	4☐
l. Local property taxes	1☐	2☐	3☐	4☐
m. Other regulations or restrictions – *Specify*	1☐	2☐	3☐	4☐

48a. Does the local government, other than the courts, offer assistance in resolving disputes between tenants and the property management?

1☐ Yes
2☐ No
3☐ Don't know

SKIP to item 48c

b. Does the local government assist in resolving disputes by —

	YES	NO
(1) Providing the opportunity for issues to be discussed at an early stage?	1☐	2☐
(2) Providing mediators or arbitrators to resolve disputes between parties?	1☐	2☐
(3) Other means? – *Specify*	1☐	2☐

c. Is there a mechanism other than the courts to arbitrate or mediate disputes between property owners and local government?

1☐ Yes
2☐ No
3☐ Don't know

49a. **In the past year, have you had any contacts with the United States Department of Housing and Urban Development (HUD)?**

1 ☐ Yes
2 ☐ No

SKIP to note on page 23

b. **How many?**

_______ Number of contacts

c. **In general, how satisfied were you with your contacts with HUD?**

1 ☐ Very satisfied
2 ☐ Satisfied
3 ☐ Neither satisfied nor dissatisfied
4 ☐ Unsatisfied
5 ☐ Very unsatisfied

Note: The remaining items on this questionnaire are owner-oriented. They include questions about the acquisition and financing of the property and characteristics of the owner.

If the person answering this questionnaire is the owner of the property, please complete the remaining questions.

If the person answering this questionnaire is not the owner, but is the manager or other agent of the owner, please:

- **Review the remaining questions and complete those you can answer.**
- **If any questions remain unanswered, provide the name, address, and telephone number of the owner in item 78 on page 31.**
- **Return the questionnaire in the pre-addressed envelope provided.**

50. **In what year was the property acquired by the present owner?**

If the land was acquired before building on it, report the year the building was built. If there is more than one building included in the property, answer for the one containing the rental unit identified in item A on the cover.

1 9 __ __

51. **How was this property acquired?**

1 ☐ By purchase
2 ☐ Through a tax free exchange of rental property
3 ☐ By foreclosure or assignment
4 ☐ Through some other manner – *Specify*

5 ☐ By inheritance or gift

SKIP to item 56a, page 24

52a. **What were the owner's reasons for acquiring this property?**

Mark (X) ALL that apply.

1 ☐ As a residence for self or family member(s)
2 ☐ To provide affordable housing in the community
3 ☐ For income from residential rents
4 ☐ For long-term capital gains
5 ☐ To convert from residential to nonresidential use
6 ☐ To convert from nonresidential to residential use
7 ☐ As a tax shelter for other income
8 ☐ As retirement security
9 ☐ As future security for family member(s)
10 ☐ Some other reason – *Specify*

b. **Which number from those marked above was the MAIN reason for acquiring this property?**

______ Number

53. **What was the purchase price for this property?**

Exclude closing costs.

$ ________________ .00

54. **How was the acquisition of the property financed?**

Mark (X) only ONE box.

1 ☐ Placed one new mortgage (land contract, etc.)
2 ☐ Placed two or more new mortgages
3 ☐ Assumed a mortgage(s) already on the property
4 ☐ Assumed a mortgage already on the property AND placed a new mortgage
5 ☐ Borrowed using assets other than this property as collateral
6 ☐ Paid all cash – no borrowing
7 ☐ Some other manner – *Specify*

____

55. **What was the major source(s) of equity or down payment for this property?**

Report all sources that accounted for one third or more of the down payment.
If bought entirely with cash, report the source(s) of the cash.

1 ☐ Sale of land or other real estate
2 ☐ Sale of previously owned stocks, shares or other securities
3 ☐ Sale of stock or partnership shares for this project
4 ☐ Owner's cash, bank deposits, share accounts, or bonds
5 ☐ Borrowing using assets other than this property as collateral
6 ☐ Other cash source – *Specify*

____

7 ☐ Non-cash source – *Specify*

____

8 ☐ No down payment required
9 ☐ Don't know

56a. **About how much do you think this property would sell for on today's market? If you do not know, give your best estimate.**

$ ________________ .00

b. **On what did you base your estimate of current market value?**

Mark (X) ALL that apply.

1 ☐ Assessed value of property
2 ☐ Recent real estate appraisal
3 ☐ Original purchase price plus inflation
4 ☐ Original purchase price plus improvements and inflation
5 ☐ Selling or asking price of similar properties in area
6 ☐ Capitalization of current rental revenues
7 ☐ Something else – *Specify*

____

57a. What are the reasons for continuing to own this property today?

Mark (X) ALL that apply.

1 ☐ As a future residence for self or family member(s)
2 ☐ To provide affordable housing in the community
3 ☐ For income from residential rents
4 ☐ For long-term capital gains
5 ☐ To convert from residential to nonresidential use
6 ☐ As a tax shelter for other income
7 ☐ As retirement security
8 ☐ As future security for family member(s)
9 ☐ Currently for sale, but not yet sold
10 ☐ Can't sell because mortgage is higher than current value
11 ☐ Want to sell but no buyers interested at current asking price
12 ☐ Other reasons – *Specify*

b. Which number from those marked above is the MAIN reason for continuing to own this property today?

Number

58. How much longer do you (the owner) expect to own this property?

1 ☐ Less than 1 year
2 ☐ 1 up to 3 years
3 ☐ 3 up to 5 years
4 ☐ More than 5 years
5 ☐ Don't know

59. Would you (the owner) acquire this property today if it were available?

1 ☐ Yes
2 ☐ No
3 ☐ Don't know or not sure

60a. Is there a mortgage (including deed of trust, trust deed, contract to purchase, land contract), home equity line of credit, or similar debt on this property?

Mark (X) ALL that apply.

1 ☐ Yes, mortgage, deed of trust, trust deed
2 ☐ Yes, contract to purchase, land contract, or purchase agreement
3 ☐ Yes, a line of credit secured by the property or a home equity loan
4 ☐ Some other loan secured by the property (do not include personal loans or consumer finance loans)
5 ☐ No, there are no mortgages or similar debts on this property

SKIP to item 68a, page 27

b. How many mortgages or similar debts are there on this property?

Mortgages/similar debts

61a. Who services the current FIRST mortgage on this property?

Mark (X) only ONE box.

1 ☐ Commercial bank or trust company
2 ☐ Savings and loan association, Federal savings bank
3 ☐ Mutual Savings bank
4 ☐ Life Insurance company
5 ☐ Mortgage banker or mortgage company
6 ☐ Federally sponsored secondary market agency (FHLMC, FNMA, GNMA, or mortgage pool securities guaranteed by FHLMC, FNMA, or GNMA)
7 ☐ Conventional mortgage pool (not guaranteed by FHLMC, FNMA, or GNMA)
8 ☐ Other federal agencies (e.g. , VA, FHA, FmHA, SBA, etc.)
9 ☐ Real Estate Investment Trust (REIT)
10 ☐ Pension fund or retirement fund
11 ☐ Credit union
12 ☐ Finance company (including consumer discount company, industrial bank, cooperative bank)
13 ☐ State or municipal government or housing finance agency
14 ☐ Individual or individual's estate
15 ☐ Other (e.g. , real estate or construction company, philanthropic organization, fraternal society, educational endowment, etc.) – *Specify*

b. Does the servicer also hold the mortgage?

1 ☐ Yes
2 ☐ No
3 ☐ Don't know

62. What was the face amount of the current FIRST mortgage on this property when made?

$ .00

63. Is the current FIRST mortgage on this property insured or guaranteed by —

1 ☐ **The Federal Housing Administration (FHA)?**
2 ☐ **The Department of Veterans Affairs (VA)?**
3 ☐ **The Farmers Home Administration (FmHA)?**
4 ☐ **A private mortgage insurance company?**
5 ☐ None of the above

64. Is the current FIRST mortgage on this property —

1 ☐ **The same mortgage that was placed or assumed when the property was acquired?**
2 ☐ **A refinancing of a previous loan?**
3 ☐ **A mortgage placed on a property previously owned free and clear of debt?**

65a. In what year was the current FIRST mortgage on this property made or assumed?

If a mortgage was refinanced or renewed, enter the year of the most recent action.

1 9 _ _

b. What is the current interest rate on the FIRST mortgage?

Percent

66. **What type of mortgage is the current FIRST mortgage on this property?**

Mark (X) only ONE box.

1 ☐ Fixed-rate, level payment
2 ☐ Short-term with balloon payment
3 ☐ Adjustable rate mortgage (ARM)
4 ☐ Other – *Specify*

67a. **How much are the required regular mortgage payments on ALL mortgages on this property?**

$ .00

OR

0 ☐ No regular payments required

SKIP to item 68a

b. **Per —**

1 ☐ Month
2 ☐ Quarter
3 ☐ Year
4 ☐ Other – *Specify*

68a. **Is the owner of this property a —**

Mark (X) only ONE box.

1 ☐ **Individual investor, including joint ownership by two or more individuals, such as husband and wife?**
2 ☐ **Trustee for estate?**
3 ☐ **Limited partnership?**
4 ☐ **General partnership?**
5 ☐ **Joint venture?**
6 ☐ **Real Estate Investment Trust (REIT)?**
7 ☐ **Life insurance company?**
8 ☐ **Financial institution other than life insurance company?**
9 ☐ **Real estate corporation?**
10 ☐ **Corporation other than real estate corporations?**
11 ☐ **Housing co-operative organization or stock co-operative?**
12 ☐ **Non-profit or church-related institution or labor union?**
13 ☐ **Fraternal organization?**
14 ☐ **Other kind of institution?** – *Specify*

SKIP to item 78, page 31

b. **How many owners are there?**

Owners

The following questions refer to the OWNER of this property. The owner is the individual whose name appears on the legal deed to this property. If this is a general partnership, answer for the lead or operating general partner only. If owned by two or more individuals, answer for any one of the individuals.

69a. What is the owner's age?

_______ Age

b. What is the owner's sex?

1 ☐ Male
2 ☐ Female

c. What is the owner's race?

1 ☐ White
2 ☐ Black or African American
3 ☐ American Indian or Alaskan Native
4 ☐ Asian or Pacific Islander
5 ☐ Other

d. Is the owner of this property of Spanish/Hispanic origin?

1 ☐ Yes
2 ☐ No

70a. Does the owner own any OTHER residential rental properties in the United States?

1 ☐ Yes
2 ☐ No

SKIP to item 71a

b. How many TOTAL rental apartment units and/or rental houses does the owner own in this and other properties in the United States?

_______ Total number of rental units

71a. What was the owner's total gross income (before income taxes) in 1994 from ALL sources?

1 ☐ Less than $10,000
2 ☐ $10,000 to $29,999
3 ☐ $30,000 to $49,999
4 ☐ $50,000 to $74,999
5 ☐ $75,000 to $99,999
6 ☐ $100,000 or more

b. What percentage of gross income came from ownership of THIS property?

1 ☐ 100 percent
2 ☐ 75 to 99 percent
3 ☐ 50 to 74 percent
4 ☐ 25 to 49 percent
5 ☐ 10 to 24 percent
6 ☐ 1 to 9 percent
7 ☐ None, this property is losing money

Answer item 71c only if item 70a is marked "Yes".

71c. What percentage of gross income came from ownership of ALL residential property?

1 ☐ 100 percent
2 ☐ 75 to 99 percent
3 ☐ 50 to 74 percent
4 ☐ 25 to 49 percent
5 ☐ 10 to 24 percent
6 ☐ 1 to 9 percent
7 ☐ None

72a. Does the owner contribute time to the maintenance and/or management of this property?

1 ☐ Yes
2 ☐ No

SKIP to item 73a

b. About how many hours per week has the owner spent on the maintenance and/or management of this property in the past 12 months?

0 ☐ Less than 1 hour per week
1 ☐ 1 to 8 hours per week
2 ☐ 9 to 24 hours per week
3 ☐ 25 to 40 hours per week
4 ☐ More than 40 hours per week

c. Did the owner receive wages or salary for work performed in the maintenance and/or management of this property in the past 12 months?

1 ☐ Yes
2 ☐ No

73a. What percentage of the owner's working time is devoted to all aspects of owning and managing residential rental properties?

1 ☐ 100 percent

SKIP to item 74a, page 30

2 ☐ 75 to 99 percent
3 ☐ 50 to 74 percent
4 ☐ 25 to 49 percent
5 ☐ Less than 25 percent

b. In addition to owning residential rental property, in what other type of work is the owner of this property involved?

Mark (X) ALL that apply.

1 ☐ Executive, administrative, or managerial
2 ☐ Professional (legal, medical, educational, etc.)
3 ☐ Technical
4 ☐ Administrative support, clerical
5 ☐ Sales
6 ☐ Precision craft or repair
7 ☐ Farming, forestry, or fishing
8 ☐ Other
9 ☐ None

74a. Does the owner of this property live AT THIS PROPERTY most of the time?

1 ☐ Yes

SKIP to item 76

2 ☐ No

b. Where does the owner live most of the time?

Mark (X) only ONE answer.

1 ☐ United States (including Puerto Rico)
2 ☐ Canada
3 ☐ Mexico
4 ☐ Central America, South America, the Caribbean
5 ☐ Europe
6 ☐ Asia excluding Middle East
7 ☐ Middle East, North Africa
8 ☐ Other Africa
9 ☐ Australia, New Zealand, Pacific Islands
10 ☐ Other – *Specify*

75. In the past 12 months, about how often did the owner visit this property?

1 ☐ More than once a week
2 ☐ About once a week
3 ☐ About twice a month
4 ☐ About once a month
5 ☐ Less than once a month
6 ☐ Never or almost never

76. Where was the owner of this property born?

Mark (X) only ONE answer.

1 ☐ United States (including Puerto Rico)
2 ☐ Canada
3 ☐ Mexico
4 ☐ Central America, South America, the Caribbean
5 ☐ Europe
6 ☐ Asia excluding Middle East
7 ☐ Middle East, North Africa
8 ☐ Other Africa
9 ☐ Australia, New Zealand, Pacific Islands
10 ☐ Other – *Specify*

77. How long has the owner of this property owned residential rental property?
Include properties other than this one.

1 ☐ Less than 1 year
2 ☐ 1 up to 3 years
3 ☐ 3 up to 5 years
4 ☐ 5 up to 10 years
5 ☐ 10 years or more

78. **Please enter below the name, address, and telephone number of the OWNER of the property containing the rental unit.**

Name | Title
Address
City | State | ZIP Code
Telephone number *(Including area code)*

79. **Who completed this questionnaire?**

1 ☐ Property owner → ***SKIP to item 81***
2 ☐ Property manager
3 ☐ Other agent of the owner

80. **Please enter the name, address, and telephone number of the person who completed this questionnaire.**

Name | Title
Address
City | State | ZIP Code
Telephone number *(Including area code)*

81. **Would you be interested in receiving a summary of the survey results when they are available in 1997?**

1 ☐ Yes
2 ☐ No

THANK YOU VERY MUCH FOR YOUR COOPERATION.

Please return this questionnaire in the enclosed envelope to:

Bureau of the Census
1201 East 10th Street
Jeffersonville, IN 47132

NOTES

FOR CENSUS USE ONLY							
a.	b.	c.	d.	e.	f.	g.	h.

APPENDIX C.
FAIRFAX COUNTY, VA PROPERTY MANAGEMENT SURVEY

VirginiaTech
VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

FAIRFAX COUNTY, VA
PROPERTY MANAGEMENT SURVEY

Please answer the following questions about your company's practices regarding housing choice vouchers, previously known as Section 8 vouchers. ***In the event your company does not accept vouchers, please continue and complete the survey as outlined. The purpose of this survey is to understand each company's practices, opinions and policies regarding vouchers, regardless of voucher acceptance.***

All references to 'vouchers' are inclusive of 'housing choice vouchers' and 'section 8 vouchers'. Your responses are very important. Additionally, if your company's portfolio includes low-income housing tax credit (LIHTC) properties, please exclude all LIHTC data from your answers.

Answering is completely voluntary and all information provided will be held in the strictest confidence. If you believe there is another person better suited to answer questions on procedures related to housing choice vouchers, please ask that person to complete this questionnaire. After answering all the questions, please return the questionnaire in the envelope provided by ***Friday, June 15, 2007.*** Thank you for your valuable input and time.

Q1. How many properties (excluding LIHTC properties) does your company manage within its multifamily rental portfolio? _______ **Total Properties** (please write in the number)

↓

Q1a. What is the total number of units (excluding LIHTC units) managed within your entire multifamily rental portfolio? ________ **Total Units** (please write in the number)

↓

Q1b. What is the average rental price per square foot for your units (excluding LIHTC units) managed within your entire multifamily rental portfolio? **$______/s.f.** (please write in the number)

Q2. Do any of your properties (excluding LIHTC properties) within your entire management portfolio accept vouchers?

☐ Yes ☐ No

↓

If you answered Q2 as *No*, please skip to Q7.

Q3. How many of your managed properties (excluding LIHTC properties) are in Fairfax

County, Virginia? ______ **Fairfax Properties** (please write in the number)

Q3a. What is the total number of units (excluding LIHTC units) managed by your company in Fairfax County, Virginia?
_______ **Fairfax Units** (please write in the number)

Q4. Collectively, did your Fairfax properties meet or exceed budgeted Net Operating Income for 2006?
 Yes No

Q5. Do any of your Fairfax properties (excluding LIHTC properties) accept vouchers?
 Yes No

If you answered Q5 as *No*, please skip to Q7.

Q5a. How many of your Fairfax properties (excluding LIHTC properties) accept vouchers?
________**Fairfax Properties Accepting Vouchers**
(please write in the number)

Q5b. How many total units (excluding LIHTC units) do you manage in Fairfax County that accept vouchers?
_______**Fairfax Units Accepting Vouchers**
(please write in the number)

Q6. Collectively, did your Fairfax properties that **accept vouchers** (excluding LIHTC properties) achieve or exceed budgeted Net Operating Income for 2006?
 Yes No

Q7. Collectively, did your Fairfax **non-voucher** properties achieve or exceed budgeted Net Operating Income for 2006?
 Yes No

Q8. Which of the following statements best describes the level at which voucher acceptance is advertised in marketing venues and promotional collateral for properties that accept vouchers? *Check only **one** response.*
 Always advertised Sometimes advertised Rarely advertised

Q9. Which of the following reasons describe why management companies might **not** openly advertise and market voucher acceptance? *Check all reasons that apply. Please also indicate the most significant reason by checking the box to the right of the corresponding line.*

Check all reasons that apply	***Check the one reason most significant***
☐ Property will be labeled as low-income	☐
☐ Property will become voucher concentrated	☐
☐ Potential unsubsidized applicants will not apply	☐
☐ Displacement of current unsubsidized residents will occur	☐
☐ Against corporate policy	☐
☐ Other – explain	☐

____

____

Q10. If one of your non-voucher properties began accepting vouchers, do you believe your existing residents might become upset upon learning that government-assisted residents have qualified to live in their building?

☐ Yes ☐ No ☐ Do not know

Q11. Which of the following reasons describe why residents might be upset with voucher recipients at the property? *Check all reasons that apply. Please also indicate the most significant reason among all of the factors by checking the box to the right of the corresponding factor.*

Check all reasons that apply	***Check the one reason most significant***
☐ Fear of property grounds and exterior maintenance will deteriorate	☐
☐ Fear of property losing its marketability or cache	☐
☐ Concerned loud/disruptive behavior will increase	☐
☐ Concerned theft, violence, illegal drug use, or vandalism will increase	☐
☐ Concerned number of children will increase	☐
☐ Concerned about overcrowding in apartments	☐
☐ Object to someone else paying less rent for comparable unit	☐
☐ Voucher recipients are not in same socioeconomic class as other residents	☐
☐ Voucher recipients differ and are not in the same race as other residents	☐
☐ Voucher recipients possess different values	☐
☐ Other – please list	☐

____

____

Q12. Do you believe management companies and/or property owners sometimes reject vouchers in an attempt to not upset the current residents?

☐ Yes ☐ No ☐ Do not know

Q13. Does your company possess a corporate policy regarding voucher acceptance?

☐ Yes, an unwritten policy ☐ Yes, a written policy ☐ No policy

If you answered Q13 as *Yes, a written policy* or *No policy,* please skip to Q14.

Q13a. How is the voucher policy conveyed to employees? *Check all reasons that apply. Please also indicate the most significant reason by checking the box to the right of the corresponding line.*

Check all reasons that apply	***Check the one reason most significant***
☐ Verbal directive by property owner	☐
☐ Verbal directive by management company	☐
☐ Verbal directive by property supervisor	☐
☐ Word of mouth by fellow team members	☐
☐ Independent policy created at property level	☐

Q14. In your opinion, how ***important*** are the following factors to consider when deciding to accept vouchers?

	Extremely Important	Very Important	Moderately Important	Slightly Important	Unimportant
Rental Income					
▪ Property's market rents do not exceed Fair Market Rent (FMR)	☐	☐	☐	☐	☐
▪ Guaranteed monthly income stream	☐	☐	☐	☐	☐
▪ Ability to achieve budgeted net rental income	☐	☐	☐	☐	☐
Operating Expenses					
▪ Ability to operate property within budgeted expenses	☐	☐	☐	☐	☐
▪ Ability to achieve and/or maximize net operating income	☐	☐	☐	☐	☐
Resident Issues					
▪ Existing resident selection criteria	☐	☐	☐	☐	☐
▪ Concern of negative effect on delinquency and non-payment evictions	☐	☐	☐	☐	☐
▪ Level of disruptive behavior, violence, illegal drug use, theft and vandalism at property	☐	☐	☐	☐	☐
▪ Potential turnover of unsubsidized residents	☐	☐	☐	☐	☐
▪ Difference of demographic profile of existing residents and potential voucher tenants	☐	☐	☐	☐	☐
Relationship with Public Housing Agency (PHA)					
▪ Timely remittance of payments by local PHA	☐	☐	☐	☐	☐
▪ Time to administer program, i.e. lease and Housing Assistance Payment (HAP) contract	☐	☐	☐	☐	☐
▪ PHA inspection fees, standards, and potential mandated improvements	☐	☐	☐	☐	☐
Rental Housing Market					
▪ Demand for your rental units in the market	☐	☐	☐	☐	☐
▪ Ability to adjust rents to capitalize on any market gains without concern of exceeding FMR	☐	☐	☐	☐	☐
▪ Ability to achieve budgeted property occupancy at an underperforming asset	☐	☐	☐	☐	☐
▪ Poverty level of area in which property is located	☐	☐	☐	☐	☐
▪ Size of property	☐	☐	☐	☐	☐
Company Philosophy					
▪ Ability to achieve operational and financial goals as stated in property business plan	☐	☐	☐	☐	☐
▪ Opportunity to provide housing to all that qualify	☐	☐	☐	☐	☐
▪ Previous experience with PHAs and vouchers	☐	☐	☐	☐	☐
Other – please list					
▪ ________________________________	☐	☐	☐	☐	☐
▪ ________________________________	☐	☐	☐	☐	☐

Q15. Please provide any additional information regarding vouchers that may be of assistance in understanding your company's practices regarding vouchers.

____
____
____
____
____
____
____
____

If you would prefer to provide comments directly, please email or call. I can be reached at (540) 231-0773 or kjmitch@vt.edu.

THANK YOU! Please make sure you have answered all the questions and return the questionnaire in the envelope provided (postage already included) or, if envelope misplaced, to:

Kimberly J. Mitchell, **CPM, CAM**
211 Wallace Hall
Residential Property Management Program
Mail Code 0410
Virginia Tech
Blacksburg, Virginia 24061

Optional: To receive the results of this survey, provide your email or mailing address:

____
____
____

APPENDIX D.
FAIRFAX COUNTY, VA PROPERTY MANAGEMENT SURVEY COVER LETTER

VirginiaTech
VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

June 1, 2007

(first) (last)
(management company)
(address)
(city), (state) (zipcode)

Dear (first),

The business of managing multifamily rental housing is a multi-billion dollar industry. As managers of properties, you are charged with the task of maximizing net operating income. Prior to returning to graduate school in 2004, I managed multifamily rental housing for twelve years. Numerous employment positions at the site, regional, and corporate levels provided different experiences; however, the goal of maximizing value of an asset never changed. As a new faculty member of Virginia Tech's Residential Property Management program, I now teach this concept to my students.

For the past three years, I have been working on my doctorate in Urban Affairs and Planning at Virginia Tech. I am currently working with Virginia Tech's Center for Housing Research at Virginia Tech and the U.S. Department of Housing and Urban Development (HUD) to research multifamily operations, specifically property profitability and housing choice vouchers (voucher). This research will help you and the property management industry to understand any implications that voucher acceptance has upon property profitability and ultimately, assist you in maximizing value of your properties.

Regardless of whether or not your company accepts vouchers, I am interested in understanding your company's practices, opinions and policies concerning vouchers. The enclosed survey will take about 10 minutes of your time. Your participation is critical to the success of this study and will contribute to the on-going success of the multifamily rental housing and property management industries.

You were chosen to answer a few questions about how your company makes decisions at the **corporate** level. I ask that you or someone else in your corporate office in a position to make decisions on company operations, policies, and owner preferences answer the enclosed questionnaire. In order for our results to accurately reflect the practices of all Fairfax, Virginia property management companies that are members of Apartment and Office Building Association of Metropolitan Washington (AOBA), it is very important that we receive a response from each company in our sample. Each survey possesses a numeric code that will only be used to identify which companies have returned their surveys. I assure you that your participation and answers will be completely confidential and that you or your company will not be identified in any published results.

The results of this research will be distributed throughout the property management industry. If you would like an early summary of the results, please provide an email address on the line provided at the end of the survey. Your participation in this study will directly benefit the property management industry and could help you and your company become more profitable and competitive. Please complete and return the enclosed questionnaire by Friday, June 15, 2007.

I would be most happy to answer any questions you might have. Additionally, if you would like to provide any comments that may supplement the survey, feel free to call or email. My telephone number is (540) 231-0773, and my email address is kjmitch@vt.edu.

Thank you in advance for your help with this study.

Sincerely,

Kimberly J. Mitchell, CPM, CAM
Residential Property Management Program

Enclosures

APPENDIX E.
INSTITUTIONAL REVIEW BOARD
EXEMPT APPROVAL

Virginia Tech
VIRGINIA POLYTECHNIC INSTITUTE
AND STATE UNIVERSITY

Institutional Review Board
Carmen Green
IRB Administrator
Research Compliance Office
1880 Pratt Drive, Suite 2006(0497), Blacksburg, VA 24061
Office: 540/231-4358; FAX: 540/231-0959
email: ctgreen@vt.edu

DATE: December 14, 2005

MEMORANDUM

TO: Charles T. Koebel Housing Research Center 0451
Kimberly Mitchell Univ. Unions & Student Activities 0138

FROM: Carmen Green CTG

SUBJECT: **IRB Exempt Approval:** "Whose Choice Is It Really? An Anlysis of Property Owner and Manager Characteristics and Their Impact on Housing Choice Voucher Acceptance" IRB # 05-768

I have reviewed your request to the IRB for exemption for the above referenced project. I concur that the research falls within the exempt status. Approval is granted effective as of December 13, 2005.

Virginia Tech has an approved Federal Wide Assurance (FWA00000572, exp. 7/20/07) on file with OHRP, and its IRB Registration Number is IRB00000667.

cc: File

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