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**Selection, Matching, and the Rules of the Game:  
Landlords and the Geographic Sorting of Low-Income Renters**

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## **ABSTRACT**

This paper considers an unexamined mechanism in the selection processes that sort the urban poor into different neighborhood environments: the landlord. Scholars of poverty and residential mobility have long been interested in how the choices of low-income families interact with structural barriers to create high-poverty neighborhoods that reproduce social and economic isolation as well as racial segregation. However, they have not examined the ways in which these choices are shaped by the intermediary force of the landlord. This paper draws on ethnographic observation and in-depth interviews with twenty landlords in Baltimore city, examining their engagement with the Housing Choice Voucher (HCV) program. Findings show that landlords' strategic implementations of HCV rules contribute to residential sorting patterns through a three-step process: first, selection, in which targeted recruitment tactics favor voucher tenants; second, a sorting process in which landlords cherry-pick the lower-end voucher tenants, matching them to hard-to-rent units; and third, landlords' selective retention of tenants who do not have the means to leave. Taken together, these tactics result in a strategic balkanization of the rental housing market that retains voucher holders where they can be most profitable to landlords – in the very neighborhoods policymakers would like to provide them with the opportunity to leave. Landlord tactics serve as a powerful mechanism in the re-concentration of poverty.



## INTRODUCTION

From redlining and racial covenants, to separate and unequal public housing rosters, discrimination in housing practices has played a pivotal role in sorting people across the urban landscape, creating and perpetuating spatial inequality and racial segregation in this nation (Massey and Denton 1993; Wilson 1987). Scholars of poverty and residential mobility have long been interested in how the choices of low-income families interact with structural barriers to create and reproduce high-poverty and racially segregated neighborhoods. This paper considers an essential tension between structure, policy, and individual choice in the question of residential mobility: what forces operate to reconcentrate poverty in the modern metropolis? On the one hand, research has focused on the structural-ecological forces that push and pull urban dwellers into different residential locations, creating residential flows between certain types of neighborhoods (Sampson and Sharkey 2008; Sampson 2012; Zorbaugh 1929). On the other, researchers have considered how the selection mechanisms of preferences and decision-making act to disperse residents into neighborhoods of their choosing (Mayer and Jencks 1989). However, both of these explanatory focuses ignore a critical intermediary force, the landlord. Recent work has revealed that landlords have power to affect residential outcomes and the reproduction of poverty through eviction (Desmond 2012). However, we know little about landlords' role in sorting residents at the neighborhood level. In their role as gatekeepers, landlords affect sorting processes on a simple and fundamental level: every renter who wants a home must go through a landlord. In this article I demonstrate that landlord practices interact with and shape structural forces and residents' preferences alike, constituting an understudied mechanism through which people are sorted across urban space.

To illuminate the juncture where policy, preferences, and landlord practices meet, I consider the recent transformation in housing policy over the past two decades, which has brought about the dissolution of large-scale public housing and the shift to tenant-based housing subsidies. In the wake of

public housing, needy residents were given vouchers to move into the private housing market, with the expectation that as the poor shifted into the private housing market and exercised more autonomy over where they lived they would experience positive outcomes and we would observe a deconcentration of poverty. Though these vouchers can be used anywhere, voucher holders are now reconcentrating in neighborhoods with moderate to high poverty rates, with important differences by race (Devine 2003; Orr et al. 2003; Schwartz 2010). The voucher program was meant to provide families with a means to move to better neighborhoods, but instead poverty concentration and racial segregation are being reproduced. Why don't low-income families move to better neighborhoods when given the opportunity to do so? Voucher theoretically provide renters have viable alternative residential opportunities, providing a unique scenario in which to observe how landlords may operate as an intervening force in residential outcomes.

In this paper I examine how landlord practices contribute to selection processes that sort the urban poor into different neighborhood environments. I take Baltimore as my case study, a city with one of the highest rates of voucher use in the country (ACS 2010, HUD 2009). Contextual factors such as Baltimore's housing landscape, the economic climate, available housing policy options, and a particular set of challenges in the local rental market including rent collection, high turnover rates, and high vacancy rates in disadvantaged neighborhoods, have made the voucher program more popular among landlords, increasing competition to attract and retain voucher tenants. Landlords have responded by structuring their businesses in strategic ways. I argue that these strategies are linked to residential sorting patterns through a three-step process: first, the process of selection, whereby landlords use targeted recruitment tactics to favor voucher tenants; second, a matching process where landlords cherry-pick the lower-end voucher tenants and match them to hard-to-rent units; and third, the selective retention of tenants that do not have the means to leave. Across all three stages I find that race and geography are salient categories for understanding how selection and sorting processes

operate through landlord practices. Taken together, such tactics result in a strategic balkanization of the rental housing market, serving as a powerful mechanism that sorts and trap voucher holders where they can be most profitable to landlords – which happen to be the very neighborhoods policymakers would like to provide them with the opportunity to leave. The voucher case demonstrates the ways in which landlord practices can intervene to pervert the process of residential choice, revealing the limits of a market-based solution to a complicated and entrenched social problem.

### **Transformation in Housing Policy**

In this paper I consider how landlords engage with the Department of Housing and Urban Development's (HUD) Housing Voucher Choice (HCV) program, formerly called "Section 8." In recent years, federal housing policy has shifted away from public housing towards a system that is increasingly reliant on tenant-based subsidies meant to facilitate low-income renters' access to low-poverty neighborhoods (Turner and Kingsley 2008). American housing policy has undergone a major shift in the past few decades: out of the five million households across the country that federal housing programs now assist, over half are now housed in privately owned properties (Schwartz 2010).<sup>1</sup> The HCV program has been expanded and now serves 2.2 million low income households nationwide (CBPP 2012).<sup>2</sup>

The voucher makes up the difference between what a needy household can afford and the cost of a unit in the private market. The price of the unit is set at a maximum of Fair Market Rent (FMR), which is defined as the 40<sup>th</sup> percentile of area median rent, adjusted for bedroom size (Schwartz 2010).<sup>3</sup> Families earning up to 80 percent of the area median income qualify, and are responsible for paying 30

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<sup>1</sup> Since 1992, the number of public housing units in Baltimore has significantly diminished while the number of HCV units has increased almost two-fold, from 5,966 units to 11,700 (Jacobson 2007). In 2009, HCVs made up 9.88 percent of the rental market in Baltimore (HUD 2009). In the U.S. there has been an increase of 450,000 vouchers since 1995 (CBPP 2012; Schwartz 2010).

<sup>2</sup> Though only one in four eligible families receives housing aid, HUD's programs nevertheless reach a non-trivial portion of the poor (Turner and Kingsley 2008).

<sup>3</sup> There are two important stipulations: 1) the QHWRRA allows housing authorities to set payment standards between 90 and 120 percent of FMR under certain circumstances, 2) The FMR was raised to the 50<sup>th</sup> percentile in the 39 most expensive housing markets in the country in 2001 (Schwartz 2010).

percent of their adjusted household income in rent.<sup>4</sup> The voucher covers the remaining portion of rent, and is paid directly to the landlord. One goal of the program is to relieve poverty concentration, and the voucher is designed to give recipients access to a wide range of neighborhoods, including many low-poverty resource-rich neighborhoods.

However, even though a voucher can be used in any neighborhood with an affordable unit, research shows that voucher holders are concentrating in neighborhoods with moderate to high poverty rates (Devine 2003; Orr et al. 2003; Schwartz 2010). Further, there are differences by race: black voucher holders live in poorer and more segregated neighborhoods than white voucher holders (Devine 2003; Pendall 2000). Across both groups, voucher holders are no less likely to live in minority neighborhoods than unassisted low-income renters (Basolo and Nguyen 2005; Devine 2003; Schwartz 2010; Turner 1998). The HCV program was meant to provide families with a means to move to better neighborhoods, but instead, poverty concentration and residential segregation are being reproduced. This raises an important puzzle: if poor families seek to achieve mobility through neighborhood attainment (Sampson 2012), and residential preferences show that both blacks and whites would be open to more integration than currently exists (Charles 2003; Krysan 2011; Schelling 1971), why then do voucher holders not end up in more affluent and integrated neighborhoods when they are provided the opportunity to do so?

### **Residential Decisions: Families in the Housing Voucher Choice Program**

Past research has focused on the role of policy implementation in determining where voucher holders end up (Edin, DeLuca, and Owens 2012; Pendall 2000; Varady and Walker 2003). Much research on this demand-side of the equation has considered voucher holder preferences, residential behaviors, decision-making patterns, mobility experiences and perceived obstacles (Boyd et al. 2010; DeLuca,

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<sup>4</sup> Since the Quality Housing and Work Responsibility Act (QHWRA) in 1998, if a voucher holder chooses to live in a more expensive unit they must independently pay for rent beyond the FMR, though this cannot exceed 40 percent of the resident's income (Schwartz 2010).



Garboden, and Rosenblatt 2013; Edin et al. 2012; Pashup et al. 2005; Rosenblatt and DeLuca 2012; Varady and Walker 2003). Numerous scholars investigate the complex search process, considering how voucher holders' decision-making interacts with housing policy to explain the disproportionate concentration in poor and minority neighborhoods. This research reveals myriad obstacles to successful lease-up, including tight rental markets, discrimination, bureaucratic delays, limited experience with the program, household size, health issues (Pashup et al. 2005), social networks (Boyd 2008), constrained time windows within which to find a new unit (DeLuca et al. 2013), and problems with landlords (Boyd et al. 2010; DeLuca et al. 2013). Other work considers how participants in Baltimore's voucher program make residential decisions, showing that voucher holders feel they could attain better units with more space and more amenities in less advantaged, predominantly African-American neighborhoods (Wood Forthcoming). This research on voucher holder experiences points to the importance of understanding how landlord practices may interfere and operate as a countervailing force to voucher holders' neighborhood attainment.

### **The Role of the Landlord**

Although economic theory presumes housing markets to be perfect and competitive, if we ignore the ways in which landlords may interfere with the competitive market we will not understand their influence on housing outcomes (Gilderbloom 1989). Early work on landlords focused on their role in the urban housing crisis and the problem of deteriorating inner-city slum housing stock, making a strong argument that the landlord is an overlooked, but key component to unraveling the market forces that underlie low-income housing problems (Stegman 1972; Sternlieb 1972). However, forty years later, few researchers have attempted to address this oversight.

Recent research on landlords suggests that they may have profound consequences on residential stability. The high number of evictions in low-income communities cannot fully be explained by tenant characteristics and behavior (Desmond 2012; Hartman and Robinson 2003). Desmond's work

on eviction shows that it is a much more prevalent phenomenon than previously accounted for, and an important contributor to residential instability and the reproduction of poverty in low-income populations, especially in female-headed households (Desmond 2012). (Whereas Desmond's work focuses on eviction as a method of selecting tenants "out," this study considers the processes through which landlords select tenants "in"). There is further evidence that landlords can destabilize households through "soft eviction" techniques by creating unsustainable living environments or manipulating Housing Quality Standards (HQS) inspections<sup>5</sup> (Edin et al. 2012; Stegman 1972). More research is needed in these areas to understand exactly how these mechanisms operate from the landlord's perspective and what consequences they may have for the concentration of poverty.

Beyond the question of residential stability, landlords may play a key role in selection processes on a neighborhood level. There has been a recent turn in the study of neighborhood effects to study selection processes in neighborhoods in their own right (Sampson and Sharkey 2008; Sampson 2012). Landlord practices constitute an understudied mechanism through which people are sorted into neighborhoods, reproducing concentrated poverty. Yet there is almost no research specifically examining how landlords make decisions about desirable tenant characteristics and we have much to learn about how tenants are selected and then sorted within a landlord's rental portfolio.

We also know little about why, and under what circumstances, landlords participate in the Housing Choice Voucher program. What we do know suggests that many landlords do not find it in their interest, and refuse to accept families with HCV vouchers even though this is illegal in many jurisdictions (Pashup et al. 2005; Tegeler, Cunningham, and Turner 2005).<sup>6</sup> This confers enormous power to define

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<sup>5</sup> A set of minimum criteria set by HUD, evaluated in a yearly inspection, in order to ensure the health and safety of program participants.

<sup>6</sup> SOI laws have been adopted at the city, county, and state levels; currently, only ten states have SOI laws, as well as a number of counties and cities. See (Tegeler, Cunningham, and Turner 2005) for a list of all SOI laws.

where voucher families can and cannot live (Johnson-Spratt 1998).<sup>7</sup> Above and beyond discrimination, evidence suggests that there may be administrative and procedural investments that deter landlords' participation in the HCV program (DeLuca et al. 2013; Turner, Popkin, and Cunningham 1999). Several studies have pointed to the role of Fair Market Rent (FMR) in providing a disincentive for landlords to rent to voucher holders in affluent areas, given that they may easily find other qualified tenants who can afford to pay with no special procedures; on the flipside, there may be incentives for landlords to rent to voucher holders in more disadvantaged areas (Collinson and Ganong 2013; DeLuca et al. 2013). This points to a gaping hole in our understanding of how landlords make decisions about which properties and in which neighborhoods to rent to voucher holders.

In short, in order to understand why voucher holders end up in the neighborhoods they do, we must look beyond both the preferences and behaviors of those who are *seeking* housing – voucher holders themselves – as well as the structural factors of the housing market and the operation of the HCV program, to focus on the those who are *supplying* housing – the landlords – and their role as gatekeepers, intervening between structure and preference. I contribute to a burgeoning discussion on how landlords can affect residential stability and neighborhood attainment by considering the key moments of *who* gets selected, and *where* they get sorted.

## **DATA AND METHODS**

In 2011, I moved into a one-bedroom apartment in Park Heights, a neighborhood in Northwest Baltimore with an above-average voucher holder population, moderate poverty, and high residential instability. Park Heights has six census tracts, in which the voucher rate varies from 5.67 percent of the

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<sup>7</sup> The reasons for this may be twofold. First, substantial evidence documents landlord discrimination based on a social stigma associated with voucher program participants, both racial and behavioral (Freeman 2012; Turner, Popkin, and Cunningham 1999; Turner and Ross 2005; Yinger 1995). Second, a study investigating whether SOI laws affect voucher holder locational outcomes finds significant impacts on poverty concentration as well as small but significant impacts on minority concentration associated with the implementation of these laws (Freeman and Li 2012). Further, Freeman finds substantial evidence that SOI laws affect the experience of voucher holders; in particular he finds that they are associated with higher voucher utilization rates (Freeman 2012).

occupied rental units at the lower end, to 22.7 percent in the more concentrated areas, with the average for the neighborhood at 12 percent; in comparison, HCVs make up 9.88 percent of the rental market in Baltimore city (HUD 2009). These rates of concentration are some of highest rates in the city (HUD 2009), and among under 2 percent of HCV neighborhoods nationwide (Devine 2003).

Park Heights has a moderate poverty rate, typical of the types of neighborhoods to which voucher holders tend to move (Galster 2005; Orr et al. 2003). In 2010, 25.3 percent of Park Heights families lived below the poverty line, as compared with 16.5 percent in Baltimore (ACS 2010). Despite its poverty rate, Park Heights has a large population of homeowners, many of whom were the pioneering working-class black families who bought homes in the neighborhood in the late 1960s and 1970s, as the neighborhood's predominantly Jewish population was moving out.<sup>8</sup> In recent years there has been a new shift. Small declines in homeownership suggest that the pioneers of the neighborhood are passing on and their families are either renting or selling their homes. It is these homes that are often bought and managed by entrepreneurial landlords who are eager to recruit voucher holders to the neighborhood, whose rates have increased inversely.

The vacancy rate in Park Heights is near 20 percent, well above the Baltimore average of 16 percent, which is still quite high compared to other large cities in the U.S. (ACS 2010). Block faces are peppered with empty holes where homes have been torn down and tall grasses are left to fill in the spaces between the houses. Some of those left standing are occupied, while others have caved-in roofs through which have trees sprouted. Bright red "X" symbols marking many structures are an indication to the fire department that the home is structurally unsafe, and should be left to burn in the case of fire. It is not uncommon on these smaller streets to see memorials where residents have left flowers, notes,

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<sup>8</sup> Homeowners 48 percent of occupied units in Park Heights, just above the Baltimore average of 45 percent (ACS 2010). The neighborhood has experienced a population shift from 95 percent white in 1960 to 81 percent black in 1970, and over 95 percent black thereafter (ACS 2010).

candles, teddy bears, or balloons to commemorate the loss of a loved one in a shooting or violent altercation.

### **Data collection**

During the fifteen months of living and conducting fieldwork in Park Heights, I became deeply embedded in local events with residents and landlords. I met and conducted ethnographic fieldwork and in-depth interviews with 102 residents, including voucher holders, unassisted renters, homeowners, and landlords. Living and working in this neighborhood provided me with a baseline familiarity through which I was able to form connections with residents and landlords and interpret much of what I heard and saw related to tenancy and landlording. Throughout this paper, I draw primarily on data from the landlord sample, but also bring in data from the thousands of hours that I spent with residents, especially the subsample of twenty-six voucher holders.

The sampling strategy for the landlord sample was devised to incorporate as much heterogeneity as possible, including both small, self-employed landlords, as well the biggest companies in the Baltimore rental market. I recruited a portion of the landlord sample through contacts I had made in my ethnographic work, and another portion through more formal means. I drew a random selection of landlords from all online listings for units in Park Heights, posted from June to September 2011 on the website [www.gosection8.com](http://www.gosection8.com), the source of rental listings to which HCV renters are directed by the Housing Authority of Baltimore City (HABC). For those recruited through the random draw, I contacted the individual associated with each listing by phone, using the telephone number listed in the advertisement or provided in the referral. If this person was the landlord or property manager in charge of that property, I invited him or her to participate in a study regarding the experiences of landlords in

Baltimore city.<sup>9</sup> I arranged an interview, assured confidentiality,<sup>10</sup> and offered compensation.<sup>11</sup> This technique generated a high degree of cooperation: over 80 percent agreed to meet with me.

Through a series of visits and unstructured observations over a span of fifteen months, these landlords came to willingly let me into their world and trust me as a confidant with whom they could share the frustrations, joys, and daily struggles of their work. I spent approximately 300 hours with twenty landlord participants, including roughly 250 hours ethnographically observing them, meeting with each between one and five times,<sup>12</sup> and observing them informally on many other occasions throughout my fieldwork. In each of these visits, I observed landlords conduct daily business. I accompanied them on twelve tours of properties with prospective tenants and twenty-five tours of properties under renovation or maintenance calls, observed six evictions, and observed firsthand the physical conditions and neighborhood contexts of the units themselves on these visits. I also accompanied landlords on eight visits to the HABC for lease-signings and other official meetings with tenants. These informal interactions provided opportunities to discuss a number of open-ended topics related to their business, as well as to observe how events played out on the ground. Twelve landlords volunteered access to records of various kinds, such as rental applications, logs of maintenance requests and rent payments, evictions, and inspection reports.

I also conducted interviews with landlords. Initial interviews lasted between one and three hours, with the average interview being two hours long, and took place in the landlords' offices, in empty rental units, or while riding around on a visit. In the initial interview, a set of predetermined topics was always covered, although the exact wording, order, and additional topics followed the flow of

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<sup>9</sup> All participants in the landlord sample are property owners, though some also act as property managers for other property owners; all respondents act as the key decision maker for a given unit.

<sup>10</sup> To protect the identity of participants, all names, company names, and addresses are pseudonyms.

<sup>11</sup> About one-third of the landlords initially did not want to accept payment, though I remunerated every participant with the 50 dollars and suggested that they could use it in some way for the benefit of their tenants if they preferred.

<sup>12</sup> Of the twenty landlords, I conducted ethnographic observation and interviews with sixteen, and interviews-only with the other four. Of the sixteen that I ethnographically observed, in addition to the interview, I met with 4 of them once, 2 twice, 3 three times, 1 four times, and 6 landlords five times.

the conversation. Each landlord was asked to tell the whole story of how he or she became a landlord, to describe all aspects of the job, and to address a range of topics pertaining to tenant selection, property acquisition, and the HCV program. All interviews were recorded and transcribed,<sup>13</sup> and after each day in the field I spent several hours every night recording detailed field notes describing the interactions and activities in which I participated and observed.<sup>14</sup> In this way, I was able to allow hypotheses to emerge inductively from the data, while also systematically identifying and revealing the prevalence of various practices hypothesized to be important.<sup>15</sup>

The targeted-random sampling method produced a sample of twenty landlords that spans the range of types of HCV landlords, and also represents a significant portion of the units rented through the HCV program in Baltimore. This includes management personnel at the three largest rental agencies in the city, several large tenant placement agencies who also own property, and two well known local landlords who have played a role shaping policy and legislation related to the HCV program. Many of these landlords set precedents for smaller companies and individuals who rent to voucher holders.

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<sup>13</sup> One landlord requested not to be recorded, but agreed to be directly quoted. Written notes were taken.

<sup>14</sup> This data was loaded into the qualitative data analysis software Atlas.ti, and coded both inductively and deductively. A list of the forty codes used for analysis is available upon request.

<sup>15</sup> I also relied heavily on my experiences from the field as an ethnographer, and my own knowledge of how people and places were connected. Some of the most important insights from this paper were revealed during an interaction I witnessed or was a part of that illuminated a process that had been obscured in the interview.

**Table 1: Landlords**

	HCV*	Race	Gender	Size / Type	Total** Units	Voucher Units	Percent Voucher
<b>Tyrone</b>	Y	Black	Male	Mid	84	40	48%
<b>Pas. Lewis</b>	Y	Black	Male	Large	550	400	73%
<b>Morgan</b>	Y	Black	Female	Small	5	4	80%
<b>Jill</b>	Y	Black	Female	Large	120	100	83%
<b>Oscar</b>	Y	Black	Male	Small	25	15	60%
<b>Randall</b>	Y	Black	Male	Small	4	4	100%
<b>Jake</b>	Y	Black	Male	Small	5	3	60%
<b>Lamar</b>	Y	Black	Male	Small	4	0	0%
<b>Noah</b>	Y	White	Male	Mid	80	40	50%
<b>Abe</b>	Y	White	Male	Mid	83	11	13%
<b>David</b>	Y	White	Male	Mid	85	75	88%
<b>Thomas</b>	N	White	Male	Mid	90	0	0%
<b>Jason</b>	Y	White	Male	Mid	90	68	76%
<b>Alex</b>	Y	White	Male	Large	130	50	38%
<b>Larry</b>	Y	White	Male	Mid	90	54	60%
<b>Ryan</b>	Y	White	Male	Large	150	100	67%
<b>Mark</b>	Y	White	Male	Large	400	350	88%
<b>Hiram</b>	Y	White	Male	Large	620	100	16%
<b>Kevin</b>	Y	White	Male	Large	800	520	65%
<b>Albert</b>	Y	White	Male	Large	300	50	17%
<b>Total</b>					<b>3715</b>	<b>1684</b> ***	
<b>Average</b>							<b>54%</b>

\*HCV: "Y" indicates the landlord does accept vouchers, though may not have any currently

\*\* Total units includes those rented and owned

\*\*\* The total voucher count subtracts duplicates that are owned by one landlord and managed by another.

All landlord respondents own one or more rental units, though some are also property managers, and I observed them in this capacity as well. Sixteen out of twenty landlords in the sample are open to, or prefer renting through the HCV program; four landlords no longer accept *new* voucher holders as a policy.<sup>16</sup> Thirteen landlords rent 50 percent or more of their units through the HCV program. Nineteen landlords rent at least one property in Park Heights, and eight rent the majority of their properties in Park Heights, while the other twelve have properties spread throughout Baltimore city. Two of the landlords are female. Eight are non-Hispanic African-American, and twelve are non-

<sup>16</sup> Though they do not accept new voucher tenants, they all have units that are currently occupied by voucher tenants, except for one, who used to but no longer does.



Hispanic white. Five landlords have small businesses, owning or managing between one and thirty properties; seven have mid-sized business, between thirty and one-hundred properties; eight landlords have large businesses, owning or managing over one-hundred properties. Together, these individuals and companies own and manage over 3,000 units in Baltimore city, over 1,600 of which are rented to voucher holders, meaning they control over 14 percent of the units rented through the HCV program at the time of the study.<sup>17</sup>

## **FINDINGS**

### **Baltimore and the appeal of voucher tenants**

The landlords in this sample face a common set of circumstances and challenges: vacancies, turnover, early lease termination, rent collection, and property damage. In recent years, the HCV program has become increasingly attractive to landlords. Historically there has been a great deal of stigma surrounding the program, and landlords have often preferred to avoid renting to voucher tenants. Many of the older, more experienced landlords cite familiar stereotypes of voucher holders as noisy, dirty, discourteous neighbors, and troublesome tenants. However, evolving HCV policies, coupled with the financial crisis of 2008 and the subsequent changes to Baltimore's housing landscape, mean that the HCV program now offers a set of solutions to problems surrounding rent collection and turnover.

Eighteen out of twenty landlords in this study report that rent collection is a huge problem, which is substantiated by the high rent burdens in Baltimore. The median household income for renters in Baltimore city is \$25,000, and a quarter of all renters earned \$9,600 or less. The means that an affordable monthly rent (30 percent of income) for the median renter would be \$694, and for renters in

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<sup>17</sup> In 2009 11,834 units were rented to voucher holders in Baltimore city (HUD 2009). By compiling the total number of units that the landlords control, which is 1634 (the sum of units owned and managed, subtracting duplicates), I calculate that they control 14.23 percent of all units rented to voucher holders in Baltimore city.

the lowest income quartile, it would be just \$240 per month.<sup>18</sup> Yet the average gross rent in Baltimore is \$856 per month (ACS 2010).<sup>19</sup> In Park Heights the average gross rent is \$710, and 28 percent of renters pay more than 50 percent of their income in rent, while another 22 percent pay between 30 and 49 percent (ACS 2010). It is not surprising that landlords cannot always collect rent from their tenants: many low-income renters in Baltimore simply cannot afford market rents, and in one landlord's words: "there's no recourse against if you don't [pay] so when you're struggling to survive, "fuck the landlord!" Many landlords go so far as to say that they simply cannot make a living renting to low-income market tenants, because they spend so much time and energy collecting rent, taking tenants to rent-court, and processing evictions for non-payment. Though this may be an exaggeration, it is clear that they have a strong incentive to find ways to make rental payments more reliable.

Seventeen out of twenty landlords in this study demonstrate a strong preference for voucher tenants because they recognize the economic advantages reaped from a tenant whose rental payments are in majority issued directly and dependably from the housing authority. As Tyrone remarks: "A lot of owners like voucher tenants because the rent is guaranteed. It's going to be in your account between the 1<sup>st</sup> and the 5<sup>th</sup>. You don't have to worry about chasing any money." This accords with the remarks of other landlords who report having trouble collecting rent on time from market tenants.

These circumstances have led many landlords to convert their properties to rent specifically to voucher holders. David, a young, white property manager who works with many local landlords and also owns some of his own units, has been working in the real estate business for the past ten years. He explains that before 2008, he and his colleagues "were mostly doing 'flips,' as they called them in those days... When the market was high and everything, people were paying a lot of money for properties so there was a lot to be made in the rehab side of things, and then as the market started going down, the rentals started becoming more stable... So we started building up a rental portfolio." Mark, a young

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<sup>18</sup> American Housing Survey, Baltimore Metro data, 2007.

<sup>19</sup> Gross rent is the amount of the contract rent plus the average monthly cost of utilities, if paid by renter.

white man who is part-owner in one of the bigger real estate companies, Reservoir Properties, explains that after doing an analysis of the company's rental portfolio in 2007, they realized that the HCV program was a very profitable way of doing business in the changing economic landscape. In the span of a year, the company went from 15 percent voucher units to 85 percent voucher units: "We literally just vacated everyone and ... we just said "Hey, we're not renewing your lease and it's time to get out," and we just did like fifteen to twenty houses a month... turned the whole portfolio over and then marketed exclusively to Section 8." Smaller independent landlords like Noah changed their strategies around the same time. Noah is a white man in his late forties who comes from a conservative Jewish family, and took over the family business in 1988 from his uncle and cousin, who had about thirty properties and never accepted voucher tenants. Against his family's advice, Noah began accepting vouchers in 2006, and within a year he had converted almost half of his units to rent through the HCV program.

Landlords report that that HCV program offers them powerful tools to combat some of these persistent problems of rent collection and turnover. It is for this reason that many landlords have a strong preference for renting to voucher holders, leading them to convert their business towards targeting voucher holders, and implementing the program in strategic ways.

#### *The comparative advantage of vouchers*

Not only does renting through the voucher program provide a rent that is paid reliably, there is also evidence that landlords can charge more for a unit rented through the voucher program than they would be able to obtain on the open market. Rent reasonableness for a given unit is officially determined through a two-step process where rent for the unit is compared to rents for similar unassisted units nearby (HUD 2001). Yet, I find evidence that landlords may be able to manipulate the

rent reasonableness determination and charge more for a voucher unit than for a similar unit on the private market.<sup>20</sup>

When I met with one local landlord, Jake, we sat on the front porch of the four-bedroom home he was in the process of renovating. The home was located on a quiet street of an area in Park Heights largely populated by homeowners, but with a reputation for crime and break-ins. Jake wanted to rent the home for \$1500 per month, but he was certain that he could not get this much from a market rate tenant on this block. “I mean you can’t go ask a person for 1,500 dollars knowing they have a regular job... something like this [house], you have to stay within the budget that somebody can afford. Now most [market-rate tenants] I’ve been talking to can afford anywhere from like 700 to 900. That’s what they’re willing to pay for rent.” Jake was pleased that morning because he had just found a voucher holder tenant and negotiated the rent at \$1500. This is the primary reason that Jake seeks voucher-holding tenants. Fifteen out of the twenty landlords in the sample reported that that they can get as much as a couple hundred dollars more per month by renting through the voucher program. Jason, a white landlord in his forties, who learned the business from an expert in HCV rentals, explains that when you ask for a certain amount of rent when negotiating the contract with HUD, there is room for negotiation:

You request a rent. They’ll come back and say, “Well, we can’t give you that but we’ll give you this.” And you can choose to accept it or deny it... You ask over - and it can be way over - but if you ask under they’re going to give you under...If I do get a Section 8 tenant, depending on the bedroom size I may ask for 1300, 1350 and see where they come back in, knowing that they’ll probably come lower than that...A market tenant would probably be around 900... *and* that’s a whole 900 you have to collect. That’s the difference.

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<sup>20</sup> Criteria for comparison include location, quality, size, unit type, and age of the unit, and secondly, amenities, housing services, maintenance, and utilities the owner must provide under the lease. Though many of these criteria are fixed characteristics, I find that landlords have more discretion than previously thought. Not only can they make decisions about what sorts of amenities to include, but they can also alter seemingly fixed characteristics, such as the number of bedrooms, through renovations and other alterations such as counting a den as a bedroom.

The ability to collect a higher rent on a voucher unit is contingent on where the unit is located. In many poor neighborhoods where it is difficult to attract tenants, landlords are obliged to lower their asking rents for market-rate tenants in order to fill units and accommodate the incomes of the local population. But the HCV rents are based on FMR for a much larger geographic area, and therefore may indeed be higher than other similar houses on the block or in the neighborhood. Therefore, a landlord can often earn more rent by finding an HCV tenant than by renting through the open market.

*The voucher business model: Concentrated property acquisition and economies of scale*

Landlords make strategic decisions throughout the rental process in the interest of their business. At every step of the way – from property acquisition, to recruitment and selection criteria, managing relations with tenants, maintenance and renovation, and rent collection – these decisions can have an important impact on which voucher holders end up in which properties and on how long they stay.

Many landlords acquired their properties before the housing market crash, with the intent to sell. But others have acquired their properties more recently, for use not as investment properties, but rather as rentals that will generate cash revenue. In this case, landlords often have strategies around what kinds of properties to buy, and where to buy them. Due to financial and administrative constraints, many landlords who accept vouchers find it most useful to leverage economies of scale; once landlords learn the intricacies of the HCV rules and regulations, they maximize their investment by converting their entire business into one that caters to the HCV market. Landlords achieve this by acquiring units in clusters, renovating at the same time, advertising in the same way, and setting up inspections for the same day. It may be in the landlords' best interest to concentrate their properties in a limited geographic region.

For example, David's company used to buy houses primarily in order to sell them, but in the past several years with the economic downturn they have been renting them. Thirty out of David's eighty-

five properties are located in just one neighborhood in Baltimore’s Belair-Edison area. This type of clustering is common among the landlords in the sample. Though not all landlords cluster their properties in the *same* neighborhood, it is common for them to cluster in the same *types* of neighborhoods – those where there is property available at the right price, and where the right type of investment can be made. For landlords who know they will rent a particular property through the HCV program before they even buy it, learning about how acquisition decisions are made is especially important, because these choices form the basis for the array of rental options available to voucher holders. The geographic concentration of properties may serve as a mechanism through which landlords contribute to the concentration of voucher use in disadvantaged neighborhoods.

Landlords also create economies of scale by hiring tenant placement agencies and management companies who have experience dealing with special problems such as rent court and other legal issues. Morgan is a thirty-five year-old African-American woman who runs a management company that contracts with several of the larger rental companies to “put out fires,” as Morgan puts it, dealing with a multitude of tricky problems such as rent collection, rent court, eviction, and tenant management issues involving damage and repairs, infestations, hoarding, and more. All of these specialized activities are often more efficiently outsourced to companies with expertise in these areas. This also means that many of the techniques discussed below are widely disseminated through companies like Morgan’s, who have contact with a wide range of landlords across the city.

Another way that landlords pool resources is to partner with other landlords. For example, some prefer not to hire a company to represent them in court, where they would risk sending someone who does not understand what is at stake for them. Ryan is a seasoned landlord specializes in HCV rentals. He owns over 150 properties in Southeast Baltimore, and prides himself on his business model, which is optimized to cater to the HCV market. He explains that he and a “circle” of four other landlords are business partners, each members of the other’s company. Ryan explains that when more than one of

the partners needs to go to rent court on the same day, one of them can go and act as a proxy for the others. This helps from an efficiency standpoint, but also because they need business help from people who are trained, and who may even have a personal stake in the outcome.

Ryan sets up his business with his business partners to ensure that renting to voucher holders – a process fraught with red tape and complicated administrative procedures – runs as smoothly as possible. Ryan has personally trained each of his partners in his business model. These practices of outsourcing, pooling resources, and apprenticeship between landlords have important implications for the voucher program; when a method is found to be successful, this practice may be quickly diffused among landlords and companies through these practices.

### **Selection of tenants**

The moment of tenant selection is a key moment in the process through which landlords affect where residents end up living. This process can occur in a passive way, where landlords are contacted by interested tenants who have seen their advertisements on the Internet, in the voucher office, or locally. It can also occur in a more active way. Landlords rely on specific criteria to select certain tenants, and engage in targeted recruitment for these types of residents. This selection process is a key part of how landlords minimize the two main challenges they face: turnover, and rent collection. The selection criteria have important implications for who ends up where.

#### *Selection criteria: The ideal tenant*

Despite the overwhelming preference for voucher holders, and the financial motivation to fill the unit as soon as possible, landlords do have preferences regarding the ideal tenant. Ryan has learned that it pays to look for certain characteristics in a tenant: “We’re going to take the cleanest, best tenant possible, versus just taking the first pulse that walks through the door... I want one single person to walk through the door that has [a] one-bedroom [voucher] and no children and no family... They’re not going to wreck your house.” Other landlords, too, express a desire for smaller families, single men or women

without partners. But larger families come with higher value vouchers, as Ryan explains: “when I first started, we were always looking for the [families with] bigger vouchers and [more] bedrooms, because more money. But the house was destroyed.” Noah echoes this tension: he wants to find a family, “but it’s not the young twenty-something with four kids, it’s the later years with a couple of kids; a little bit older... It’s been my experience that the younger single mothers with multiple children aren’t quite as focused on what they need to do to maintain the property.”

What looks at first glance like a mess of contradictory preferences, turns out to have a simple explanation. Watching landlords interview and select potential tenants, it became clear that the ideal tenant *varies* depending on one key factor: the property. When Noah had an open one-bedroom unit in a rough area of Park Heights, I observed him interview three potential tenants before picking one: He finally settled on a thirty-two year-old man with schizophrenia. I asked him why he was willing to accept a single man. He told me: “If it’s a lower-level one-bedroom then I’m looking for a NED, a non-elderly disabled person... The perfect tenant depends on the property.” The general rule of thumb was best expressed by Pastor Lewis: “The ideal tenant is this: ... the fewest amount of people in the house, with the highest amount of yield,” which of course, depends on the property. This contingent matching process of tenant to unit is key to understanding how landlords’ preferences operate to sort tenants among units.

Credit history, residential references, and criminal history are three criteria upon which landlords can rely to screen tenants during the rental process in order to select for the characteristics of their ideal tenant for a given property. Of the three criteria, landlords are most interested in residential history: 1) how long a tenant stayed at the previous home, and 2) their relationship with the landlord.

David explains:

How many years have they been in a property, how often they change and why? In our experience if they had an issue in the last property after a year, they’re going to have an issue with me. It’s not so much the landlord, it’s the tenant. If they have mice everywhere they go, that were just too bad to treat, clearly it’s them. So rental history is definitely a big one and we



speaking to the landlord. The landlord says “Yeah, we got along fine. I’m sorry they had to leave.” I’m more open to that. If the landlord is like “Yeah, they were horrible to deal with,” and the tenant is like, “The landlord is horrible to deal with,” I’m going to shy away.

Landlords are trying to find tenants who will give them little trouble, but they are also trying to find tenants who are likely to stay in the unit for as long as possible; the latter is often more important than the former, and the screening criteria are used strategically to select for tenants who are most likely to stay.

The majority of the landlords (thirteen out of twenty) use voucher status as a proxy for both criminal background checks as well as credit checks. Noah skips the screening step entirely, saving time:

If it’s a voucher I don’t check for anything... I could care less. Get the utility in your name, get the BG&E, electric and gas in your name and your rent’s paid for by the housing. Otherwise, I really don’t care... So you missed a rent or something like that, fine. But I’m going with a voucher so it kind of doesn’t matter.

David finds criminal background checks to be especially irrelevant on single-family homes “because the other neighbors are not my tenants, if they have an issue with them, that’s up to the police. That’s out of my control. In multi-family we are a lot more particular.” Since most of a voucher tenant’s rent is likely to be paid through the HCV program, these background checks are not particularly useful. In fact, there are some advantages to renting to a tenant who has difficulty getting accepted by another landlord who may employ more rigid screening techniques: some landlords reported that tenants who have stains on their criminal, residential, or credit histories are 1) less likely to be picky about where the unit is located, and 2) less likely to want to move, aiding the landlord in avoiding turnover costs.

### *Targeted Recruitment*

The tenant selection process is filtered in a myriad of ways related to the strategies that landlords use to find tenants. Landlord tactics stack the deck so that before a tenant even considers the range of possibilities, their choice has been circumscribed and channeled. Though a voucher holder can theoretically use their voucher in any affordable unit, the Housing Authority of Baltimore City (HABC) directs all voucher holders to the privately owned website [www.GoSection8.com](http://www.GoSection8.com) to find available units.

This single clearinghouse could theoretically function as a powerful search tool to help voucher holders find a unit that best fits their needs, there are several reasons why this is not necessarily the case. The website does not constitute a “master list” of all available properties, since the properties listed on this website are only the ones that landlords choose to advertise.<sup>21</sup> Properties are not necessarily updated or removed after they are outdated. This means that at any given time, the properties on the site that are still available are likely to be the ones landlords have not been able to rent to other tenants. Landlords’ manners of using the site therefore constitute an important intermediary step in this selection process.

Landlords have concerted strategies for finding the type of tenants they want, through targeted recruitment tactics. Many landlords actively recruit tenants outside of the website. Inside the voucher office there is a waiting room with a table on which landlords leave fliers with listings for available units. Some of the bigger companies have boxes with their company’s name marked on the outside of the box, so that their fliers always have a visible place on the table. Further, many landlords go to the Baltimore Housing office and directly recruit tenants outside the building. David explains his recruitment strategy:

[I] kind of just hang out, [on] voucher day... they give out the new vouchers. They have a debriefing with the tenants. They give them the new voucher packets, so [there] is just a flood of tenant placement people. Even when I’m there for other issues sitting around the waiting room and talking to tenants I get phone numbers and give out a phone number and [recruit] that way.

Voucher holders without access to a computer or Internet, and those who do not have the computer literacy skills to utilize [gosection8.com](http://gosection8.com), are more susceptible to learning about available properties from the landlords who are doing direct recruitment at the HCV office. Since landlords are more likely to market certain types of properties in this way – for example, for properties that they are having trouble renting –voucher holders with less resources will be more likely to end up in these types of units. Indeed, the landlords in this study employ these targeted recruitment tactics most often with units in

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<sup>21</sup> Even in jurisdictions where the list may be more complete, voucher holders are limited to the neighborhoods in which landlords are choosing to market their units specifically to voucher holders. DeLuca et al. find that 182 out of 191 listed properties were in mid- to high-poverty areas and located almost entirely in highly segregated neighborhoods (DeLuca, Garboden, and Rosenblatt 2013:281).

disadvantaged neighborhoods that they are having trouble filling. This is an important way in which voucher holders are internally sorted within the voucher market, limiting access to certain types of units and neighborhoods for a segment of the voucher population. This runs counter to the idea of the program, which was meant to provide tenants with the ability to choose landlords rather than the other way around.

### **Geographic Matching: “A tenant for every house”**

In addition to tenant characteristics, property characteristics also matter in the sorting process. Landlords engage in a process of matching tenant to geography, including unit and neighborhood. Landlords have a range of properties in various types of neighborhoods, some of which are distinctly harder to rent than others. This leads them to employ targeted recruitment tactics in order to attract tenants to hard-to rent units. Oscar highlights the key to the strategy:

The thing is you don't need a lot of help when it's a good area. The owner will sit back and wait for calls himself ... If he in that area it's a no-brainer. Somebody's going to say, “Oh, man, I want that.” But with me, in the bad area, that's when it's hard. But you got to understand that everyone needs somewhere to live. It's a tenant for every house. You've just got to find the right tenant.

This means that landlords actually make strategic decisions about what type of tenant will be most likely to settle for a unit in a rough area, and how best to attract them.

### *Enticements: Building a better mousetrap*

In some neighborhoods – in particular in disadvantaged, resource-poor, or high-crime neighborhoods – landlords have difficulty renting units to any type of tenant. Therefore, it is common to compensate for these factors by taking special measures to make the units attractive and rentable in order to attract a desirable tenant. For example, Tyrone says he can capitalize on a property that is still under renovation in order to “lock down” the tenant: “You can ... put the tenant in a position where they are in control. So you come into a room and say, “What color do you want this room?” And they

feel like now it belongs to them, so it makes them want the property even more. It makes them do the things they need to do to qualify for the property and then we rent it a lot faster.”

Other landlords, too, use upscale amenities and renovations to attract tenants to units located in neighborhoods they might not otherwise consider. Mark drove me to one of his units located in a rough area of East Baltimore. He gave me a tour of several of the company’s homes on the block that have all been gut-renovated with hardwood floors, new carpeting upstairs, new kitchens with upscale appliances, finished basements, and the tenants’ choice of paint colors. He explains: “Our experience has been you have to do this to get someone to move to a neighborhood that looks like this ...this is towards the nicer end of what we deliver ... you have to do a ridiculous product in order to get a Section 8 voucher ... to really want to live there.” These measures can be selectively employed to recruit and attract voucher tenants who might otherwise to use their voucher in a better neighborhood.

Even with these enticements, it can be difficult to rent properties in certain neighborhoods. Several of the larger companies engage the services of tenant placement agencies that do the work of targeting and recruiting voucher tenants for these hard-to-rent units. Jim Lewis, a former pastor, is a fifty-five year-old African-American man who runs a very large tenant placement agency, and works with the biggest rental agencies in the city. Pastor Lewis is clean-shaven, wears wide-rimmed tortoise-shell glasses, and often dresses in brightly colored checkered button-down shirts. He is passionate about his work, and prides himself on his ability to place tenants in difficult-to-rent units faster than any other tenant placement agent he knows. He explains: “It depends on where their property is. If their property in Park Heights – I’m just trying to find somebody. I don’t care who that body is ... Park Heights, Cherry Hill, and Brooklyn all have the worst reputation in Baltimore city ... So it’s not easy necessarily placing tenants in those areas.” Park Heights is a particularly stigmatized neighborhood where people are often reluctant to rent: “A lot of Park Heights blocks is one of those kind of where... the first thing you’d say – because people call me and they say ‘What you got?’ I say, ‘I got this gorgeous house in Park Heights.’

[They say,] ‘What else you got?’” Pastor Lewis describes one property that he has in Park Heights that has been beautifully renovated, but it is “on the worst block ... Awful, awful, awful ... A bunch of board-ups... But [the landlord] had made this nice house. I mean beautiful house. And another property manager had it and he couldn’t get it rented. The guy called me, I got it rented in about three days.” Pastor Lewis has several tactics that he uses to rent these types of properties.

Tenant placement agents like Pastor Lewis ask permission from landlords to offer additional enticements to tenants in order to fill hard-to-rent units, especially if they want to attract voucher holders: “I tell owners ... look, you want to get your place rented. Okay. All right, now, this girl is on Section 8, okay? Her annual income is \$6,000 a year. For real. You want a \$1,000 security deposit? You want one sixth of her annual income.” Pastor Lewis often advises landlords that waiving the security deposit on an apartment in an unattractive neighborhood can help it to rent more quickly.

One afternoon in Alex’s rental office, I watched him speak with a young woman, Malia, in her mid-twenties with an infant in tow, who had a two-bedroom voucher and was considering moving into the building. After visiting the two-bedroom apartment and discussing the rent, which would be 600 dollars a month, it was clear that she was still on the fence. Her voucher would go up to 900 dollars per month, so it was unclear why she was even considering this relatively small apartment, which was technically a one-bedroom with a den. The landlord Alex, asked her if she worked, and when she said she was still receiving WIC for the baby, and her only additional income was a few hundred dollars in TANF, he nodded knowingly, and offered to waive the 600 dollar security deposit. She looked relieved, and a few hours later signed on the dotted line. Alex told me that he often has to take special measures to attract voucher tenants: “I bend over backwards for these programs and these tenants. I mean that’s why my other two buildings are full of Section 8.” The security deposit is not usually covered by the housing voucher, so waiving the deposit acts as a particular enticement to voucher tenants for whom it would be very difficult to come up with a sum that is equivalent to one-sixth of their annual income.

Alex also offers other types of incentives that are especially enticing to voucher holders with very little money. Behind the one-hundred-unit property that Alex owns is the former site of the swimming pool that was built as part of the complex in the late sixties. It was closed and filled in with cement years ago, but in the weed-filled empty lot Alex now stores discarded furniture from evicted residents, which he often offers as an incentive to prospective tenants who do not have enough money to furnish their apartments. Reservoir Properties, one of the larger companies, offers cash bonuses to voucher tenants after the first month of occupancy.

Some landlords target certain segments within the HCV market. Mark, at Reservoir Properties, says that his company prefers the “higher-end” voucher holders, and they make choices about where to acquire properties, and how to renovate them in accordance. In contrast, landlords such as Ryan, Jason, Larry, and Noah admit that they target the “lower-end” of the voucher market. They are open to tenants that might be less desirable to other landlords, and therefore do not routinely use background checks, credit checks, or residential histories. In some cases they even go out of their way to attract these tenants, who may be more likely to accept a unit in an undesirable neighborhood. When landlords have difficulty attracting voucher holders to a given unit or neighborhood, there are further techniques that can be used. Pastor Lewis employs a very particular strategy when showing voucher holders a prospective unit. Lewis picks up families at their homes, and drives them himself to see available units:

We'll take the tenants around. My tenant placement service is built upon this ... How I got it rented was, I showed the girl the inside of the house ... She didn't want to go, I said look, this owner ... wants me to show his house... after that I'll take you to any other house that you want to see. She said, “Well, okay” ... So she agreed to go in and see the house ... Well, when we got [there] – and this happens too on a bad block ... the ladies will be like “I ain't getting out [of the car] here. Are you crazy?” And this was one of those kind of blocks.

But Lewis convinces the voucher holder to see the unit, and he shuttles them directly in the door of the newly renovated home. This tactic effectively prevents prospective tenants from exploring the surrounding neighborhood, and emphasizes the quality of the unit over the neighborhood. Once the prospective tenant gets in the door, it is much easier to negotiate because the home is beautifully

renovated with lots of amenities. The landlord “did a beautiful \$74,000 rehab. Central air, the house look like anything that you might walk in in the suburbs on the inside of the house, so, it’s beautiful... It’s like, if you build a better mousetrap, you know how they say that.” In other words, he lures the tenant into a home with sparkling new renovations, and before they know what they have gotten themselves into, the lease is signed. The financial investment in the home is rewarded by the ability to attract an HCV tenant, which often brings a premium above the amount of rent that could have been charged to a market tenant.

There is an interaction between geography and certain tenant characteristics, in particular, race. Though it is not clear how the racial background of a potential tenant may affect a landlord’s decision of whether or not to rent to them, it plays a clearer role in *where* a landlord is likely to show a tenant homes. Pastor Lewis admits to racial steering:

Now, I know – this may be discrimination and I must openly admit that I may discriminate but I won’t take a white client and put her right down in the middle of Park Heights. There’s not very many in the war zone, no, because they get out for safety. But now ... when we place whites, it’s whites on Section 8, and we [do] get whites, but I’ll try to place them in a more safer type neighborhood, if I have a white I won’t try to place a white down in the middle of the war zone. It wouldn’t – you can call it discrimination, but to me, it just wouldn’t be right.

Lewis’s attitude resonates with much of the literature on racial steering. Whether the steering is based on discrimination or on a practical approach to renting the property as quickly as possible to the tenant most likely to accept it remains to be seen. Either explanation though, points to in a powerful and overt racial sorting process that reinforces segregation across neighborhoods.

### **Selective retention through the threat of voucher loss**

#### *The “teeth” of the program*

Landlords have many ways of getting desirable tenants to stay in units they know they will have a hard time finding a new tenant for, ranging from enticements and incentives, to threats of voucher loss and financial entrapment. Despite his minimalist business model and renovation strategies, Ryan finds it to be in his interest to make small, targeted investments that “give them a reason to stay,”

incentivizing the extension of his renters' tenure.

I give some tenants incentives to stay like [apartment] #517 and #519. They both came up on their lease renewals, and I had a good deal with Best Buy on stainless appliances. And I sent an offer out to [re-sign] for two or three years, this is our re-sign bonus. And we gave them brand new stainless steel stove and fridge that was theirs to keep... if you have a great tenant, and they don't really want to move, and they're up in the air, and you give them a reason to stay... I'll spend \$1000 on new stainless steel fridge and stove. Why would I not do that to keep them another two [years]?

But when incentives don't work, there are more insidious ways for landlords to get what they want.

Many landlords explain that they can use the rules – or the “teeth” – of the HCV program to keep their tenants' behavior in line, or to hold on to desirable tenants. These “teeth” are based on some of the newer rules and regulations embedded in the HCV program, which may explain in part why the program is much more popular with landlords now than it used to be. Ryan explains the power of the voucher:

There's only one [way to hold tenants accountable] ... The only thing about Section 8 is that you have to be in compliance to have your voucher. If you're not in compliance, you can set up a hearing and lose your voucher. So that means you've got to pay your rent. You've got to have utilities. You've got to pass your inspections.

Here, Ryan identifies the main reasons for which a family would not be able to move without the loss of their voucher: owing the landlord rent money, utility money, or maintenance or repair fees. The threat of voucher loss can weigh heavily on a family. As Noah explains, “It's a big threat. If there's 16,000 people that are waiting for a voucher in Baltimore ... that's a pretty big incentive ... I would be scared.”

The threat of voucher loss can also be used to affect tenants' behavior. One of Oscar's tenants, a thirty-year-old woman named Marie, lives in one of his single-family homes with her mother and two children. This home is located on a street with a lot of homeowners who have lived there for over forty years. Oscar likes Marie, but has had some complaints from neighbors in recent months, and is close to getting in trouble with the police. On the way to her house one day, he briefed me on the situation: “The city called me up and said, ‘Do you own a property on Georgia Ave?’ I said, ‘Yes.’ They said, ‘Well, we have a concern from a lot of homeowners over there that this is a nuisance house.’ They said, ‘Take care of it before we take care of it.’” Oscar was torn because he knows Marie is a single mom, and by



and large she has been a good tenant, paying her rent on time. He explained, “It’s not so much her, it’s the people that she associates with. She got a lot of guys that maybe up to no good selling drugs, that know her, that’s always sitting on the steps. She may not be doing anything but you get it by association.”

As we approached the home, just as Oscar had predicted, Marie was sitting on the front stoop with a young woman and three men. There was music playing, and they were talking and fishing crabs out of bucket. Oscar approached the group and said, “Look, you can’t sit here.” He pulled Marie aside and said in a low voice: “We got to straighten this out. I could find another tenant, but then you’ll have to get another voucher ... If you could just settle down.” On the way back to his office, he explained to me what was actually at stake: “That’s the stipulations. You can’t have any drug activity in your house. You can’t be hanging around. It’s one of those things where she could lose her voucher.” Oscar did not kick Marie out, which would have caused her to lose her voucher. But that is because his threat worked: Marie knew that if she did not change her behavior, Oscar could report her to the voucher office, and not only would she lose her voucher, she would also likely be evicted when she would inevitably have difficulty paying rent. This type of threat resonates with what we know about how landlords use the threat of eviction to achieve behavioral modification (Desmond and Valdez 2012).

The so-called “teeth” of the HCV program can help landlords combat one of the biggest challenges they face: frequent moves. In Ryan’s words: “Every tenant wants to move all the time. That is the one bad thing about Section 8... Got mad at the neighbor, mad at the boyfriend. Wants to move because she wants a new house. Just – there’s no reason for it... They all want to move, all the time.” Whether or not tenants “want to move all the time,” it is true that turnover incurs costs for landlords. Every time a tenant moves, expenses include repainting, re-carpeting, and also losing valuable time and money looking for a new tenant. Given the high vacancy rates in Park Heights its is a significant concern.

Therefore, landlords employ various strategies to attenuate the movement of some voucher

holders out of their properties, particularly tenants whom they deem to be “good tenants,” by exploiting the intricacies of the voucher system.<sup>22</sup> The HCV program does not allow a tenant to be issued a new voucher to move if any money is owed to the landlord. Alex explains how the system has changed in recent years to give landlords more recourse:

Now Section 8 is a little more refined... because if you have a problem with a tenant, you have somebody to go speak to. There’s a lady - Miss Watkins - at Section 8, sweetheart, works with you. If these people try to even decide to move out, they have to be caught up. In other words they can’t owe a water bill, they can’t owe back rent or they don’t give them a new voucher - they can’t go. So they worked it out and if they wreck the apartment and you file against them like a lawsuit or something and they can’t get another voucher until they settle up with you.

Alex is not alone in finding it helpful to have someone to turn to at the HABC voucher office who can help him keep tenants’ behavior in line with threat of voucher loss.

*Responsibility, indebtedness, and legal tactics for retention*

The inspection process is a central moment at which the interests of landlords intersect with those of the tenants, and is a battleground where length of residence may be negotiated. When approved units fail subsequent inspections, tenants must find and move to an alternative approved home within the prescribed time period. When the property owner is cited for a violation, this may give the tenant the right to break the lease and be issued a new voucher to move. Many landlords describe the challenge of holding on to a tenant as a constant “battle” against tenants who seem to always want to move. Ryan is particularly passionate about this problem:

Some tenants will abuse the system to get that voucher to move. When they’re ready to go, they don’t care what they owe, what they signed, they’re ready to go, and they’re going to go to every venue they can. Call every office, do this, do that. And we don’t back down, bottom line. We’re standing our ground, we’re not giving in. We will fight you tooth and nail.

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<sup>22</sup> On the other side of the coin, some landlords employ strategies to push certain tenants out of their units if they are deemed “bad tenants,” from whom they fear property damage or legal problems. For these tenants, even small lapses in rental payment result in immediate eviction filings. The responsiveness to repair requests can also be employed to catalyze turnover, creating an unsuitable living environment and eventual failure of HQS inspections. Eviction is a powerful tool that landlords have at their disposal. In this paper I focus more on retention techniques. For more on eviction, see Desmond (2012).

Thus, landlords develop strategies in order to deal with inspectors and demonstrate that their properties are in good condition. If the inspection determines that there are no grounds on which to break the lease, the tenant cannot be issued a voucher to move, and the landlord “wins.” Landlords fight inspection citations as a means of holding on to the tenant and avoiding turnover costs.

Some landlords take these disputes to the next level, using the legal system to combat tenants’ attempts to move. Ryan specializes in waging these disputes in the courtroom. On his wall, he has a framed copy of the court decision with which he was involved that determined a landlord is not responsible for rodent infestations under certain conditions:

[The rules] used to be gray... I’m making them right... I’m done playing that game. The rat used to be a big go-to [for tenants trying to break a lease]. You don’t hear about it anymore, because they know that it’s been put to the test and won. Anything we do, anything that gets done, anything that happens, photographs. You can’t deny photographs, so when somebody wants to say “rats,” no problem! I guarantee you I’ve got six or eight pictures from prior that show the process of how this tenant is.

In order to provide legal evidence to assign responsibility, landlords like Ryan meticulously record service calls and visits with photographs and written documentation. If the landlord can document that 1) he exterminated before the tenant moved in, and 2) the tenant has a history of leaving food in the kitchen, failing to remove trash, or not mowing the lawn, then the landlord is not responsible for any rat infestation that appears. Ryan is very proud of this win because now a tenant can never use rats as the basis for a request to move.

Landlords use the stipulations of the HCV program, for example calling for a spot inspection to determine responsibility for damage, as tools or “sticks.” When a tenant is responsible for damage to the home, they are also responsible for fixing the damage. Many landlords prefer to do the work themselves, and charge the tenant for it. Ryan’s policy is not uncommon: “We want our houses fixed our way. We don’t want you to bring some guy in that’s going to cut his arm off in our house and try and fix your stuff, so our policy is that if you break something we’ll fix it. We’re only going to bill you what it cost us.” But there are other reasons why a landlord would want to do the repairs himself. Noah

explains:

The stick is - I can call up for a spot inspection ... I show up and I see there's a giant hole in the side of the, you know, I'm like, 'What happened?' 'My boyfriend put his head through the wall last night.' Oh great, 'HABC, please go inspect property 123 Main Street; there's a problem inside. I think the tenants are destroying the place.' They go and inspect it. Sure enough it's not a maintenance issue; it's destructive behavior... So the stick is, they can come out and inspect. Now I'm still responsible for the damage, I cannot have a hole in the wall with somebody living there or whatever it is. But if it's determined that it's behavioral and not maintenance, the voucher can be pulled. Once a voucher is pulled, if they can't pay the rent, then I go through the eviction process like any other tenant.

If the landlord repairs a problem that the tenant created, then the tenant owes him money. Through this strategy, landlords like Ryan count on tenants being unable to move if they owe money:

If they owe money for damages, they can't move until they make good on it. The old way, they used to be able to just pack up move, and be irresponsible ... Essentially, it's not really that you're holding them ... [it's] that they're accountable ... that glitch got fixed. So now a tenant has to be 100 percent current before they move.

Landlords feel this is a vast improvement on the old system, because they so frequently have to make repairs and fix damages that the tenant has incurred. Together, these policies can have the effect of holding tenants in a living situation that they may be trying to escape. Though both the tenants and the landlords are using the inspection process and legal system as tools in the "struggle" over who leaves and when, the landlords come prepared, this is their job, and they have far more resources. It is not a fair fight.

#### *Rent Collection: A Game of Chicken*

Another means through which landlords address the challenge of rental portion collection is through rent court. Some landlords take their tenants to rent court every month even for small sums.

Even though it costs more in rent court fees than they recoup, landlords like Mark say they do this on principle:

So we're going to spend \$33 in rent court to take you to court for \$100? But it's a training issue for us... so we're just playing chicken. We're just letting you know how we're going to play ball and we know we have ...the really nice house, and it's in a nice area, so we just say, "No, you have to pay your \$100 portion. I'm not going to let it slide. I know I'm getting \$1200 for Section 8 but I'm getting your \$100 just 'cause that's how we're going to run this ship, like it's going to

be tight like I don't want to hear any stories ... You have a \$100 portion that Section 8 says you have to pay and so we'll get right up to eviction and it will be over [a] \$100 freaking thing, and they just think we're bluffing ... That's fine, we'll do this every month if you want ... you're not going to lose your voucher, and so I'm going to win this game of chicken.

But other landlords have a different strategy, allowing these small sums to build up over time. Ryan does not file a claim in rent court until a tenant owes him at least \$500 or \$600. He says it costs him \$50 just to get the paperwork, and tenants so often pay late that it's better to wait. In addition, there are other advantages that he does not directly refer to, though they are clear. As he stated at other times, a tenant cannot leave if they owe him money. This holds true for Ryan's attitude about eviction as well.

Four months ago [a tenant] just stopped paying her portion. She has a \$400-a-month portion. Hasn't paid in the last four months, so I went to rent court, got the judgment. What's going on? Going through a tough time, but she's been with me seven years. So it's not like I'm going to evict her over four bad months. Section 8 pays a larger portion, \$800 or \$900 or something like that ... Look, sometimes they get in jams, and at tax time, they'll make right on it ... Do I evict somebody over \$400, \$800, \$1200, go fix up the house, re-rent the house, get a new tenant ... How long do you wait? You still are getting something. You're getting \$900 out of \$1300, and you've been getting \$1300 for the last seven years, and she's been golden, a great tenant ... I just think it's a bad business model to evict somebody for \$1200 and destroy her whole life, because when I evict her she loses her voucher. Then her kids are homeless. I'm not going to do that as a human being, and I'm not going to do it as a businessperson. Because it's bad business.

Ryan is delicately interweaving several rationales. On the one hand, "as a human being," he claims he does not want to be responsible for the tenant and her family being put out on the street. In addition, it is clear that Ryan likes this "model" tenant and has had a positive experience with her over the seven years she has rented from him. Finally, Ryan articulates that from a business perspective, evicting a good tenant is not profitable in the long term. It is in his financial interest to keep tenants for as long as possible in order to minimize transition costs, so this is one of the tactics devised to keep the tenant in the unit even when they want to leave. Mark is very familiar with this type of strategy, though he is disdainful of it:

They'll just kind of game the Section 8 system back to the tenant because ... they'll take the low rate tenant, but then they'll keep them there because if they bang up the house they'll threaten them out. They are just very aggressive ... if someone owes them money or if someone doesn't pay their \$100 portion ... [they] would let them not pay and then hold that over their head so when they say, "I want to leave," "No, you owe me \$1500," and ... they are never coming up

with \$1500. They've never seen \$1500, I mean they barely have any income ... He just lets them [not pay] and then uses it against them so that they can't move 'cause ... they're not released.

This practice of allowing debt to accrue as a means of increasing tenure may serve as a broader mechanism that prevents voucher tenants from leaving undesirable living situations and possibly moving on to better homes and neighborhoods. It also has the potential effect of retaining the most disadvantaged voucher holders – those behind on their rent – in some of the worst units, in the worst neighborhoods.

## **DISCUSSION**

In this paper I examine how landlord practices contribute to selection processes that sort the urban poor into different neighborhood environments. Recent changes in the Baltimore housing market have made the voucher program more attractive to landlords, who have responded by structuring their businesses around the program. I find that that these strategies are linked to residential sorting patterns through three steps: selection, matching, and selective retention. Across all three stages I argue that race and geography structure how decisions that have repercussions for residential sorting are made.

### **Selection: Recruitment Reversal**

Landlords find it in their interest to rent to voucher holders, and findings also suggest that landlords may be collecting more money for properties rented to voucher holders than for those rented to market tenants. Targeted recruitment tactics involve recruiting outside of the voucher office, and offering incentives to which more disadvantaged tenants will be more susceptible. Even within the voucher population, certain tenants are more vulnerable to landlords' targeted recruitment tactics because they 1) lack the education or resources to properly use the website to make an informed choice, 2) lack the transportation resources to visit multiple homes before making a decision, or 3) are in a dire residential circumstances and have limited time to conduct a full housing search.

## The Matching Process

Tenants must meet a minimum standard, which may vary by landlord, but also by property; some tenants are more appropriate for certain types of units in certain neighborhoods. Landlords make strategic decisions about which tenants will be most likely to settle for a unit in a rough area, and how best to attract them. Landlords' preferences emerged during interviews, but there was no clear identification of what makes the universal "ideal tenant" across all contexts. It was only through fieldwork, as I watched landlords receive calls and visits from prospective tenants and carefully pick which properties to show them and in what order, that Oscar's statement "there's a tenant for every home" took on its full meaning. Landlords have an array of properties, and also a list of prospective tenants. They are trying to satisfy their customer by finding them a home they will be interested in, and at the same time trying to fill as many of their units as possible with tenants who are likely to stay. In a city with a soft rental market like Baltimore here landlords often have vacancies, it is not surprising that landlords have quite a bit of opportunity to shift residents around within their properties. Landlords engage in a matching game, sorting residents into optimal units in order to minimize vacancies and maximize profit.

Further, evidence suggests that the lower-end voucher holders are those who have less power – based on one or more of several criteria: 1) level of resources (time, money, education) that would allow them to make more informed choices; 2) race: landlords reserve units in better areas for whites, so they pre-emptively place blacks in more disadvantaged neighborhoods. Some landlords market properties specifically toward this "lower-end," or less advantaged, segment of the voucher market. Tenants who have bad credit histories, unfavorable residential references, or criminal records have fewer options about where to live, and are more likely to accept the first unit a landlord is willing to offer them. Voucher holders who have little money saved up for a security deposit are more likely to accept a unit if the landlord offers to waive it. Those who have only lived in rental units with rodent infestations,

dysfunctional kitchens, or persistent water leaks are more susceptible to the allure of a newly renovated kitchen or the offer of a dishwasher. Those with few resources learning about new and different neighborhoods are more likely to be swayed by the physical features of the unit than by the less tangible characteristics of the neighborhood. Landlords capitalize on these fragilities, attracting the tenants they want by “building a better mousetrap.” These tactics channel voucher holders into units where they have vacancies, which are often located in neighborhoods already on a downward trajectory.

Previous research clearly shows that black voucher holders live in much poorer and more segregated neighborhoods than white voucher holders (Devine 2003; Pendall 2000), but whether or not landlords make explicit distinctions according to race, as distinguished from socioeconomic background, is a question for further empirical research. Results from this study do not show race to be a salient trait on the basis of which landlords *select* a tenant, but it is relevant to the *matching* of tenant to property.<sup>23</sup> In other words, I find no evidence that a landlord would turn away a black voucher holder, but I find clear evidence that the interplay between the race of the voucher holder and the characteristics of the neighborhood do inform landlords’ actions. Landlords place black voucher holders in particular types of neighborhoods, i.e. those where whites do not want to live. For example, Pastor Lewis admits that he does not place white renters in poor, black, high-crime neighborhoods. Given that few of these landlords’ units are located in predominantly white neighborhoods, if tenant placement agents like Pastor Lewis are prioritizing the placement of white voucher holders in those neighborhoods, they are *de facto* unable to place black tenants in such neighborhoods. This may be one explanation for the disparate outcomes we see for black and white voucher holders in the quantitative research.<sup>24</sup>

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<sup>23</sup> The results show little explicit mention of race by landlords in their strategies; it is rare to discuss how the racial background of a tenant plays a role in selection. Certainly, this type of discrimination is taboo, and landlords may not have been willing to discuss such views with me. It may also be that because over 90 percent of voucher holders in Baltimore are black, race cannot be used as a criteria of selection (HUD 2009).

<sup>24</sup> The data presented here are well suited to investigating the mechanisms through which black voucher holders are disproportionately channeled into disadvantaged, predominantly African American neighborhoods. However, sample constraints make the data less suited to identifying how landlords with properties in affluent white



## **Selective Retention: Leveraging the Voucher**

The selective retention of tenants is a key mechanism through which landlords can affect residential flows. Previous research has demonstrated that eviction is a means through which landlords selectively purge residents (Desmond 2012). Similarly, I find evidence that the process of *retention* can play an important role. Once the tenant is acquired, landlords may undertake efforts not only to rid themselves of certain tenants, but also to selectively hold on to desirable tenants, notably, those with a voucher. Strategies of retention operate through subtle tactics of threat, intimidation, and financial indebtedness. These occur through 1) inspections, and 2) legal battles in the courtroom. Further, landlords imagine the rental process to be characterized by a struggle between landlord and tenant, in which the voucher is in jeopardy, and can be used as a tool to manipulate behavior. Landlords have superior access to information and resources, and know the rules of the game. In contrast, many voucher holders are not aware of their own bargaining power, and do not have the resources to employ it effectively. These retention tactics effectively trap many voucher holders in units in disadvantaged neighborhoods, and because landlords' tactics are more effective at holding on to tenants who have few other options, there are important repercussions for *which* voucher holders are more susceptible to retention.

## **Policy Implications**

Taken together, the landlords in this sample represent a significant portion – over 14 percent – of the HCV units in Baltimore City. If landlord implementations of the HCV program are preventing

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neighborhoods may be actively preventing blacks from accessing these homes. Qualitative in-depth fieldwork focusing specifically on landlords with properties in these “opportunity” areas is warranted in order to better understand whether and how this type of active discrimination may be taking place. It is not known, for example, if landlords are actively keeping blacks out because of direct discrimination, a desire to cater to the discriminatory preferences of their existing tenants, or if there is a more indirect sorting process at work, whereby landlords are merely showing these properties to white families first, based on a calculation that they will not want to live in a black neighborhood. Future research should focus on systematically disentangling how landlords market properties in neighborhoods with different racial and economic compositions, to voucher holders of different backgrounds.

voucher holders from accessing new and better neighborhoods, researchers and policymakers need to know more about this process, how it operates, and how to fix it.

Much of the policy debate around the HCV program centers around Source of Income (SOI) protection laws, and whether or not they should be more widespread to prevent discrimination in more affluent communities against voucher holders, which is often a proxy for racial discrimination (Freeman and Li 2012; Freeman 2012). But there are important policy issues to be considered among landlords who do rent to voucher holders. If landlords' strategic use of the voucher program involves 1) selecting certain types of tenants for their rental portfolios, 2) sorting certain tenants into certain properties and types of neighborhoods within their portfolios to optimize returns, and 3) selectively retaining tenants through methods of entrapment, policymakers ought to take notice. By actively shaping residents' choices and sorting them into certain types of neighborhoods, landlord practices operate in direct contradiction to the idea that the voucher program should be providing tenants with access to new neighborhoods.

There are several policy options that could be used to address these problems. Better information and counseling for families without Internet access, transportation for housing searches, and security deposit assistance would all minimize the effect of the landlord's targeted recruitment tactics. It is essential for families to be informed of their rights as tenants so they can report necessary repairs or request to move without fear of losing their voucher. Another potential area of intervention is in the definition of Fair Market Rent. New research has investigated whether changes in voucher price-ceilings result in better housing for voucher holders, finding that more generous vouchers cause landlords to raise prices on tenants, but have only small impacts on unit quality and none on neighborhood quality. Findings also show that when FMR is defined at the zip code level rather than at the metro level, voucher holders move to better neighborhoods with no additional costs (Collinson and

Ganong 2013). This research has important implications for the impact that landlords may have on the cost-effectiveness of voucher administration, which should be of great interest to policymakers.

We need to understand how landlords engage with the voucher program if we want to most effectively leverage housing policy to provide mobility opportunities for low-income families. The sorting processes revealed here should be understood as *unintended* consequences of the voucher program. This research does not suggest that the HCV program is responsible for the racial and economic sorting in which landlords may engage. Nor does it suggest that eradicating such behaviors on the part of landlords would solve the problems of concentrated poverty and segregation. Rather, I argue that it is important to investigate the unique mechanisms through which landlords' implementation of voucher policies may contribute to reconcentration. Creators of housing policy may or may not want the HCV program to function explicitly as a tool for desegregation and the deconcentration of poverty; however, in its role as an expanding program to house the poor, they should be made aware of the ways in which landlord practices intervene to circumvent and shape residential choices in ways that undermine agency, recreating sorting patterns that the program was designed to uproot. A clearer understanding of these mechanisms can help policymakers better design a program that can truly offer low-income renters the opportunity to move to neighborhoods of their choosing.

## **Conclusion**

Scholars of the city contend that the patterned flow of people in and out of geographic regions of the city constitutes an important dimension of urban inequality, and yet we have much to learn about the selection processes through which individuals come to live in the places they do. The shift in American housing policy in the last two decades towards individual subsidies has been touted as a way to let the private market solve the problem of concentrated poverty – in which federal housing policy has long been historically complicit – by providing opportunities for poor families to move to neighborhoods of their choosing. However, without studying the intermediary role that landlords play in

sorting processes, we miss an important mechanism through which residential choices are shaped. Rather than providing low-income families with the opportunity to make informed decisions about what neighborhood would be best for them, the whole system has been turned on its head. Instead of neighborhoods being selected by tenants, tenants are being selected and recruited by landlords, who have perverse incentives to attract and then sort tenants into the units and neighborhoods where they will be most profitable. Designed to facilitate the mobility of low-income households, the HCV program has in some cases done the opposite. In this scenario, supply actually creates demand: the effect of landlord practices is to shape, create, and constrain residential choice. This reversal illuminates a mechanism in processes of residential sorting and selection that are fundamental to urban sociology. The set of landlord practices described here becomes a powerful sorting instrument that sends the most disadvantaged voucher holders into some of the worst neighborhoods, thus reproducing spatial inequality and reconcentrating poverty.

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