Reforming the Inspections Process
A Necessary Step for a Stronger Housing Choice Voucher Program

Michael Stegman
URBAN INSTITUTE
March 2024

Dennis Shea
BIPARTISAN POLICY CENTER
ABOUT THE URBAN INSTITUTE

The Urban Institute is a nonprofit research organization that provides data and evidence to help advance upward mobility and equity. We are a trusted source for changemakers who seek to strengthen decisionmaking, create inclusive economic growth, and improve the well-being of families and communities. For more than 50 years, Urban has delivered facts that inspire solutions—and this remains our charge today.
# Contents

**Acknowledgments**  iv

**Reforming the Inspections Process**  1
- The Positive Trend in the Condition of America’s Rental Housing  2
- A Brief History of Housing Quality Standards in Tenant-Based Rental Assistance  4
- Critiques of the Inspection Regime  11
- Removing Barriers to Greater Landlord Participation  13
- Final Thoughts  19

**Notes**  22

**References**  24

**About the Authors**  26

**Statement of Independence**  27
Acknowledgments

This report was funded by the J. Ronald Terwilliger Center for Housing Policy at the Bipartisan Policy Center. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, the Bipartisan Policy Center, their trustees, or their funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute’s funding principles is available at urban.org/fundingprinciples.

The authors wish to thank Owen Minott, associate director of housing and infrastructure at the Bipartisan Policy Center, for his assistance in the preparation of this report.
Reforming the Inspections Process

The Housing Choice Voucher (HCV) Program is our nation’s most important housing assistance program, helping more than 2.3 million low-income families affordably rent homes in the private market. But the program’s effectiveness and reach are constrained by several significant challenges, including falling landlord participation, extended housing search periods, and declining voucher holder success rates. These challenges have been slowly building. About 40 percent of voucher holders cannot find an eligible unit with a willing landlord,¹ “more than 5,000 landlords left the HCV program every year between 2010 and 2020,”² and in some cities more than 70 percent of landlords refuse to rent to voucher holders (Cunningham et al. 2018). At a Bipartisan Policy Center event in 2023, a panel of senior US Department of Housing and Urban Development (HUD) officials attributed the low participation rate among landlords primarily to the perceived burdens of program requirements that HUD and the public housing agencies (PHAs) impose upon them.³

HUD’s multifaceted response to these HCV program challenges includes in-house program analyses and agency-sponsored third-party research (Garboden et al. 2018).⁴ The response also involves discussions with sponsors and potential funders of guaranteed basic income pilots now under way across the country with the aim of expanding their portfolios to include demonstrations of direct rental assistance.⁵ Delivering HCV aid directly to the voucher holder instead of the landlord would significantly reduce the role of PHAs, a perceived bottleneck discouraging landlord participation. These kinds of tests could build upon the direct delivery of various types of financial support the federal government delivered to households in response to the COVID-19 pandemic emergency.

Most facets of the HCV program are under serious scrutiny inside and outside HUD in attempts to find cost-effective ways to reverse the current program trajectory. Specifically, the role of HUD’s national housing quality standards (HQS) and its complementary inspection and enforcement regime are commonly cited as primary barriers to greater landlord participation. But we could find no comprehensive analysis of these twin components of the HCV program to help program managers and policymakers fix their problems.

HUD tacitly acknowledged there were long-standing problems with HQS when it replaced the HQS regime that was developed in 1995 with new housing quality requirements that took effect for the HCV program in 2023 and will go into effect for other HUD programs in 2024.⁶ But HUD left the legacy HCV program inspection and enforcement regime associated with the obsolete HQS system largely intact. We think this is a mistake.
This report seeks answers to several critical questions, the most important being whether the current inspection and enforcement regime is still necessary. Citing program histories and historical data on the conditions of America’s rental housing, we conclude it is not necessary, and we offer several alternative approaches. Rent burdens today are far more pressing than inadequate housing. HUD defines households with “worst case housing needs” as very low–income renter households who do not receive rental assistance and pay more than half of their income for rent, live in severely inadequate conditions, or both. In 2021, less than 3 percent of households with worst-case housing needs qualified because of inadequate housing quality, while most qualified because of severe rent burdens (Alvarez and Steffen 2023). In higher-opportunity neighborhoods, the percentage of very low–income households who have worst-case housing needs because of inadequate housing quality is even lower.

The remainder of this report is divided into five parts. We start with a historical analysis of the vastly improving physical condition of the nation’s rental housing stock, which should prompt a reevaluation of the existing inspection regime. We then discuss the evolution of HQS in the various iterations of federal tenant-based rental assistance (TBRA), beginning with the experimental housing allowance program (EHAP) in the 1970s to the present-day HCV program. We then undertake a similar exercise with respect to inspection and enforcement processes over time. We then note critiques of the inspection regime by government and nongovernmental experts. We conclude with our recommendations for policy consideration. Although there is a strong argument that in-person inspections are an anachronism, we provide a fuller set of policy options short of doing away with inspections entirely as ways to streamline operations and expand landlord participation.

We authored this report for an audience that has more than passing knowledge of how the HCV program works. For those needing more background, several reports we cite and include in our references at the end of the report contain excellent discussions of program rules and operations.

The Positive Trend in the Condition of America’s Rental Housing

When considering changes Congress and HUD could make to HQS and their enforcement regime to reverse the decline in landlord participation in the HCV program, it is helpful to keep in mind key data on the condition of America’s rental housing stock. The top line is that conditions have dramatically improved since the dawn of TBRA half a century ago. Unbundling the housing quality data provides added insights, which we discuss in this section.
Physical Inadequacies Steeply Decline and Then Stabilize

The 1950 Census of Housing reported that 38 percent of America’s rental stock was either dilapidated or lacked complete plumbing or bathing facilities (US Census Bureau 1953). About 50 years later, “12 percent of renters lived in housing that had facilities problems (e.g., deficient plumbing, kitchen, or heating) or was structurally inadequate,” which declined further to just 7 percent in 2015 (Kingsley 2017, 5).

Noting that the Census Bureau’s definition of “physical adequacy is complex, with any 1 of 14 different situations resulting in the classification of a unit as having severe physical problems,” researchers Federick J. Eggers and Fouad Moumen (2013, v) concluded in a report for HUD that, according to this measure, “very few American housing units have serious physical problems.” In each of the three years they studied (2005, 2007, and 2009), Eggers and Moumen (2013) found the percentage of occupied housing units that were severely inadequate to be less than 2 percent. Using the same metric, a more recent Joint Center for Housing Studies analysis found similar results, with 2 percent of the rental stock being severely inadequate in 2019 and 5 percent judged to be moderately inadequate (JCHS 2022). Importantly, the share of renter households living in severely inadequate units fell 31 percent between 2001 and 2021 (Alvarez and Steffen 2023).

Conditions Are More Problematic for Some Groups and Places

Between 1974 and 1989, the proportion of very low-income (earning less than 50 percent of the area median income) family and elderly renters living alone with severely inadequate units dropped from 11 percent to 4 percent (PD&R 1991). For all extremely low-income renters (earning less than 30 percent of the area median income), both assisted and unassisted, 4 percent lived in severely inadequate units in 2021, compared with 2.4 percent of all renter households, regardless of income (Alvarez and Steffen 2023).

Also, in 2021, 4 percent of very low-income renters in central cities lived in severely inadequate units, compared with 1.9 percent of very low-income suburban renters (Alvarez and Steffen 2023). This difference, combined with HUD’s interest in encouraging greater use of vouchers in higher-opportunity neighborhoods and greater landlord participation in these places, might suggest different inspection regimes for different types of markets.
Severe Physical Problems Are Not Persistent

Another important attribute of the rental stock is its dynamic nature. Eggers and Moumen (2013) concluded that the incidence of housing problems in the assisted stock that persist for two years is very low and repairs appear to be made promptly. Of the relatively few units with severe physical problems in 2005 or 2007 and that remained occupied in the next survey, they found “more than 80 percent were adequate in the next survey and less than 12 percent were still severely inadequate” (Eggers and Moumen 2013, v). These results suggest that existing HQS are effective in ensuring physically adequate housing for assisted housing residents and lend support to a shift to biennial inspections of properties in the Housing Choice Voucher Program.

A Brief History of Housing Quality Standards in Tenant-Based Rental Assistance

More than 40 years ago, a rigorous test of alternative program designs found that conditioning receipt of federal TBRA payments on a tenant’s private-market rental unit meeting even modest HQS would significantly reduce overall participation rates among income-eligible households (Lowry 1982). Notwithstanding this historical fact, generations of policymakers and program variations have embraced an HQS standard because of the view that the fundamental purpose of rental assistance is to enable low-income households to improve the quality of their housing beyond what they could afford in the private market, absent the federal subsidy.

In 1998, Congress brought together the variations in the Section 8 program to create housing choice vouchers, importing existing HQS (Hunt, Schulhof, and Holmquist 1998). By law, under the merged program, housing units would have to meet HUD-specified HQS. Alternatively, local housing authorities could substitute local housing codes or higher quality standards, as long as the former would significantly increase housing choices without threatening occupant health or safety and, in the case of the latter, would not severely restrict housing choice (§545: §8[0][8][B]) (Hunt, Schulhof, and Holmquist 1998).

Inspections and an enforcement regime always follow HQS. As we discuss here and in the following section, the relationships between HQS and inspection requirements are intertwined in a complex set of statutory and regulatory provisions, making modernization and streamlining a policymaker’s nightmare (OGC 2019, 137–39).
BOX 1
Ten Statutory and Regulatory Authorities on HQS and Inspections in the HCV Program

- Initial and recurring inspections are required by law, while applicable HQS are set by the secretary of housing and urban development by regulation.
- The HUD secretary may set HQS equal to, or more stringent than, the applicable local housing code.
- PHAs may set their own HQS that exceed those established by the HUD secretary.
- By law, no housing assistance payments shall be made to a landlord until an initial inspection determines that a unit meets applicable HQS.
- If a failed inspection is for non-life-threatening conditions (as defined by the secretary), housing assistance payments can be made while conditions are being corrected but will be halted if noncompliance is not corrected within 30 days of inspection. When corrected, a PHA may resume payments and use any withheld payments relating to the noncompliance period to make up for lost payments.
- By law, PHAs must make inspections not less often than biennially during the term of the housing assistance payments contract.
- For interim inspections, upon notification to the PHA by a voucher tenant or by a government official that the dwelling does not comply with HQS, the PHA shall inspect the unit within 24 hours for a life-threatening condition (as determined by the secretary) or otherwise within a reasonable time frame (as determined by the secretary).
- For PHAs with fewer than 1,250 vouchers, the initial inspection shall be conducted within 15 days of request by either the voucher holder or the landlord. For larger PHAs, the initial inspection shall be completed within a reasonable period defined by the PHA, with inspection performance factored into HUD’s evaluation of the PHA’s overall performance.
- By regulation, PHAs can allow landlords to verify that they have fixed items that failed during an HQS inspection by sending photographic evidence of the correction to the PHA, thereby eliminating a reinspection.
- HUD’s new inspection regime—the National Standards for the Physical Inspection of Real Estate (NSPIRE), adopted by regulation for vouchers effective in 2023—preserved many items included in HQS, but the focus of NSPIRE is on the condition of dwelling units and prioritizing resident health and safety. A major change between NSPIRE and HQS is that the NSPIRE final rule removed the “Site and Neighborhood” requirement.


For example, the prohibition of any voucher payment to a landlord until an initial inspection determines that a unit meets applicable HQS is set in law, as is the timing of recurring inspections. Congress delegated to HUD what those standards should be and the time allowed for landlords to correct non-life-threatening conditions, while requiring by law that life-threatening conditions be corrected within 24 hours (OGC 2019).

The rich policy literature on barriers to landlord participation in the HCV program and tenant success rates often treats HQS as a “black box,” while analyzing in more granular ways how the HQS enforcement regime impairs program effectiveness (Finkel and Buron 2001). The remainder of this section digs more deeply into the origins and composition of HQS in TBRA, which date back to the housing allowance experiments Congress authorized in 1970 and HUD carried out more than 40 years ago.7

The Experimental Housing Allowance Program

The debate around the optimal design for TBRA and the role of minimum HQS dates back more than half a century, when Congress authorized HUD to design and implement an EHAP in 1970. Between 1973 and 1979, HUD tested two versions of housing allowances in randomized controlled experiments. The first version, which HUD called the housing gap plan, required households to occupy housing that met specified minimum standards as a condition of receiving payments equaling the difference between the average local cost of modest standard housing and 25 percent of household income. The second version, which we call the percentage-of-rent plan, did not establish minimum standards but offered eligible households rebates equal to some percentage of their gross monthly rent, with tested rebates ranging between 20 and 60 percent of monthly rent.8

The housing allowance under the housing gap plan’s minimum standards design required initial and annual inspections to ensure that plumbing and kitchen facilities met certain specifications, while roofs, ceilings, and walls were in good repair (Rosen 1985). The percentage-of-rent plan carried no minimum standards, under the theory that a rent rebate of sufficient size would create an incentive for the tenant household to improve housing quality on its own without the added administrative cost burden of an inspection regime.9

Although about half of tenants subject to the minimum standards design were initially living in dwellings that did not meet quality standards, they could meet program standards without much increase in expenditures. Specifically, their housing defects were mostly minor health and safety hazards, rather than major structural defects or lack of basic domestic equipment. Repairs were usually made by the tenants themselves, their friends, or their landlords, rather than by professional contractors. The average cost of repairing a failed dwelling was about $100 ($713 today). Among those who had to repair or move to qualify for payments, about two-thirds did so and one-third dropped out of the program (Lowry 1982).

As policymakers consider how to improve voucher use and landlord participation rates in today’s HCV program, which adopted a variant of the minimum program standard design from EHAP, they should keep in mind how the overall condition of the nation’s rental housing stock has significantly improved over the past 50 years.

**Section 23 Leasing**

EHAP was HUD’s first and most significant effort to rigorously measure the impacts of HQS on receipt of TBRA, but it is not the first HUD program to impose HQS on privately owned, existing rental properties as a condition of making them available to low-income households. Congress created the Section 23 leased housing program in 1965, which permitted local PHAs to expand their inventories by leasing privately owned units and properties and subletting them to income-eligible low-income families (NHLP, n.d.). When the leased housing program was replaced with the Section 8 housing program in 1974, all Section 23 projects were required to be converted to Section 8 properties as well.

Section 23 projects had to meet a wide range of minimum HQS (HUD, n.d.-a). All dwelling units eligible for leasing had to have (1) the exterior and interior of the building in good condition, with (2) the dwelling containing adequate sanitary facilities; (3) heating, lighting, and ventilation had to be satisfactory; and, (4) except where authorized as congregate housing, adequate private cooking facilities had to be available. Unlike EHAP, Section 23 units included broader neighborhood standards, including (5) being free of characteristics seriously detrimental to family life. (6) Substandard dwellings or other undesirable elements were not permitted to predominate unless a concerted program was in progress to upgrade the neighborhood, of which leasing was a part. Also, the dwelling (7) had to be accessible to public transportation, schools, churches, and stores and (8) comply with all local standards and building code requirements.
Section 8 Existing Housing

The Housing Act of 1974 created the Section 8 program, a forerunner of the HCV program (GAO 1979). In its original form, Section 8 provided monthly assistance payments to owners of new or substantially rehabilitated rental units that were then rented to families with incomes up to 80 percent of the local area median at an income-based rent (McCarty, Perl, and Jones 2019). The law also provided local PHAs the authority to enter rental assistance payment contracts for existing, private-market units that met specified HQS. For cost and related issues, Congress terminated Section 8 assistance for new and rehabilitated housing in 1983, leaving Section 8 a tenant-based rental certificate program for existing private-market units (McCarty, Perl, and Jones 2019). The same law also created a new demonstration program that tested a more flexible variation of the certificate program, called housing vouchers, which permitted families to pay more than 30 percent of their incomes in rent for housing that cost more than the prevailing HUD payment standard. Congress authorized the voucher program in the Housing and Community Development Act of 1987 (HUD, n.d.-b).

Housing Quality Standards in the Voucher Program

About a decade later, as part of the Clinton administration’s “reinventing government” initiative, HUD and Congress agreed to streamline the Section 8 certificate and voucher programs into a single program called the Housing Choice Voucher Program that would have a single set of regulations, including applicable HQS (at 24 C.F.R. 882) (HUD 2000). For 30 years after consolidation, the HQS protocol for vouchers has defined “standard housing” through a series of performance requirements pertaining to 13 specific dwelling, site, and neighborhood dimensions (HUD, n.d.-c).

The full complement of standards is in chapter 10 of HUD’s HCV handbook (HUD, n.d.-c), but here is a selection of performance requirements associated with each dimension:\(^1\)

1. Sanitary facilities
   - The bathroom must be in a private room within the residence.
   - The bathroom must contain a flushing toilet, a shower or tub, and a sink.
   - The shower or tub and the sink must have functioning hot and cold water.

2. Food preparation and refuse disposal
   - The unit must have an oven and a stove or a range. A microwave oven can be substituted.
   - The unit must have a kitchen sink with hot and cold water and a proper sink trap.
3. Space and security
   » The unit must have a living room, a kitchen, and a bathroom.
   » Any doors or windows that are accessible from the outside must be able to be locked.

4. Thermal environment
   » The heating system must safely provide heat to each room. The local PHA will determine what temperature is considered adequate during each month of the year.
   » The cooling system must safely cool each room.

5. Illumination and electricity
   » The living room and each bedroom must have at least one window.
   » The kitchen must have at least one working outlet.
   » The living room and each bedroom must each have at least two working outlets.

6. Structure and materials
   » All ceilings, walls, and floors must not show any signs of bulging or buckling and must not contain large holes.
   » The roof must be structurally sound.
   » Handrails are required when there are four or more steps.

7. Interior air quality
   » Bathrooms must have a window that can be opened or must have other adequate ventilation.
   » The unit must be free from dangerous pollutants, such as carbon monoxide.

8. Water supply
   » The water supply must be free from contamination.
   » Plumbing pipes and fixtures must be free from leaks.

9. Lead-based paint
   » Units constructed before 1978 must be free from lead-based paint hazards.
   » There must be no chipping, cracking, or peeling paint or other hazards.
10. Access
   » There must be two ways to exit the unit. A fire escape is considered an alternate means of exit.
   » The fire escape or other emergency exit cannot be blocked.

11. Site and neighborhood
    » There must not be excessive noise or trash accumulation in the neighborhood.
    » There must not be an abnormal amount of air pollution.

12. Sanitary conditions
    » There must not be a rodent or vermin infestation.

13. Smoke detectors
    » There must be at least one working smoke detector on each level of the unit, including the basement. Local codes may have stricter requirements, such as placing a smoke detector outside of each bedroom.
    » All smoke detectors must be operational.

**The Transition to NSPIRE**

Dissatisfaction among stakeholders in the HQS protocols has built up over the years for several reasons, including their broad scope, the subjective nature of selected performance criteria, the tenuous relationship to health and safety, the inconsistent assessment by individual inspectors within a given PHA and across PHAs, and the fact that different HQS and inspection regimes evaluate housing quality through differing standards, protocols, and frequencies.\(^{12}\)

Prompted by Congress, HUD began an exercise to update HQS “to reflect current advances in home inspections and the modernization of standards for health and safety threats in homes today” and to clarify and streamline “inspection processes for PHAs and inspectors while increasing owners’ and tenants’ access to detailed information about their homes” (HUD, n.d.-d, 1). This near-decade-long process led to the introduction of a new housing quality and enforcement regime: the National Standards for the Physical Inspection of Real Estate (NSPIRE). NSPIRE went into effect for the voucher program in October 2023 and will be rolled out for other HUD programs in 2024 (HUD, n.d.-d).
According to HUD, NSPIRE inspection standards and scoring methodology reflect NSPIRE’s goals of focusing on resident health and safety over curb appeal, with life-threatening and severe deficiencies inside units resulting in more scoring impact than those outside the units. HUD believes that NSPIRE will transform “how HUD manages the quality of affordable housing units with stronger standards, better inspections, greater insights, and healthier and safer homes for residents,” by

- prioritizing health, safety, and functional defects over appearance;
- focusing on the areas where residents spend the most time (i.e., their units);
- improving sampling and providing a more accurate score for property conditions;
- improving compliance monitoring and enforcement for failing scores;
- aligning inspection standards across all HUD-assisted properties; and
- incorporating resident feedback regarding unit condition.

Under NSPIRE, life-threatening deficiencies must be corrected within 24 hours after notice has been provided to the landlord. All non-life-threatening deficiencies, or severe and moderate deficiencies, must be corrected within 30 days (or by a PHA-approved extension date) after such notice has been provided. There are some deficiencies considered low that, even if present in the HCV program, will result in a pass and would be noted by the inspector only for information purposes. If an identified deficiency (life threatening, severe, or moderate) is not corrected within the required time, the PHA must initiate Housing Assistance Payment (HAP) Contract enforcement, which can include withholding or abatement of assistance payments, terminations, or relocations.

HUD believes that under NSPIRE’s final rule, “HCV landlords can expect the new model to address some of their previous concerns by increasing inspection consistency through an objective set of standards and prioritizing health, safety, and functional defects over appearance” (HUD, n.d.-e, 1).

Critiques of the Inspection Regime

Throughout the 50-year history of TBRA delivered to households in private-market housing, numerous government audits, HUD-sponsored research, and independent studies have documented shortcomings with the then-prevailing HQS and associated inspection and enforcement regimes. One example is a damning 1979 GAO program audit that found more than 40 percent of the Section 8 housing certificate units it sampled had substandard conditions, “which violated housing quality standards and/or endangered the life, safety, or welfare of the occupants or the public” (GAO 1979, ii).
Among other program weaknesses, GAO found federal HQS that were not always clear and comprehensive, inadequate PHA inspection and approval practices, and HUD management’s failure to take full responsibility and accountability for ensuring housing quality (GAO 1979).

Concerns about HQS, their interpretation, and inconsistent application across HCV units in the same PHA and across markets and programs persist, as HUD’s 2023–24 transition to the new NSPIRE protocol attests. That said, recent HCV research tends to focus more on financial factors and perceived inspection-related, bureaucratic challenges that discourage landlord participation. By its nature, “the inspection process creates friction and delays for landlords because of the time it takes to schedule and complete the inspection and make any repairs, and the landlord has to keep the unit vacant in the meantime” (Goodman, Kaul, and Stegman 2022, 3).

Goodman, Kaul, and Stegman (2022, 3) further note anecdotal evidence that the “time from rental application to move-in can take four to six weeks for units rented to voucher recipients compared with just two weeks for households without vouchers,” which translates to at least two weeks of net lost rental income. In fact, the process might be somewhat less efficient than that, according to a HUD study of voucher success rates.

Though dated, the Finkel and Buron (2001) study is the only one we could find that breaks down the voucher process timeline into two parts: (1) the time it takes a voucher recipient to find a suitable unit and (2) the time it takes for the PHA to complete the back end of the process, which includes the scheduling and completion of inspections and the time it takes to approve and execute a lease for an HQS-qualifying unit that would start assistance payments flowing.

For this report, we focus on the back-end timeline because the length of the search process has no effect on the economics of any specific landlord. The landlord’s clock starts ticking when a voucher holder requests an inspection and runs through lease approval from the PHA, during which time the unit remains vacant, resulting in the potential loss of rental income.

The amount of potential lost income is suggested in the data. For successful voucher holders who leased their unit after one inspection, it took about three weeks to complete the back-end process, with the inspection completed in about two weeks and the lease approval process taking an additional week. This results in a loss of about three weeks of rental income (Finkel and Buron 2001). If multiple inspections were required for the unit to become HQS compliant, this added another 2.5 weeks to the back-end timeline, extending the loss in rental income to more than five weeks, or about 10 percent of gross rental income for the year (Finkel and Buron 2001).
A more recent study also views the landlord decision within a cost-benefit context, focusing on financial factors relating to faster occupancy and rent payment by nonvoucher tenants (Garboden and Rosen 2018). Still other studies emphasize “programmatic, regulatory, and administrative processes more generally that discourage landlord participation that [they believe] ‘adds to the unexpected, actual, and perceived costs borne by landlords’” (Edin, DeLuca, and Owens 2012). More to the point, an important HUD study concluded that inspections (including costs associated with repairs and time associated with inspections) are the most important reason for nonparticipation among landlords (Garboden et al. 2018).

Removing Barriers to Greater Landlord Participation

Change comes neither swiftly nor linearly to the vast federal rental housing bureaucracy. A case in point is NSPIRE, HUD’s new inspection protocol, whose intent is to move inspections “to a system that prioritizes health, safety, and functional defects over appearance to produce inspection results that better reflect the true physical condition of a property.” NSPIRE was in the works for several years, and to lay the necessary groundwork for its rollout, HUD “performed more than 2,300 demonstration inspections at multifamily properties and more than 9,200 demonstration inspections at voucher units.”

Aside from the obvious efficiencies inherent in deploying a single inspection protocol across most HUD rental programs, it is too early to conjecture about the impacts the new system might have on landlord participation. But it is not premature to suggest that a more targeted inspection regime like NSPIRE, with its emphasis on health and safety and life-threatening defects, is a move in the right direction and more consistent with serving greater numbers of eligible households through an expanded HCV program. That said, given that the HCV program already faces declining landlord acceptance, it seems a more expansive program might require an even greater diminution in the role of HQS and their intrusive enforcement mechanisms, rather than just a more targeted inspections regime such as NSPIRE.

This final section of our report presents a “split screen” perspective on the future of TBRA: one led by HUD’s intellectual leadership in the Office of Policy Development and Research (PD&R) and the other by the program office responsible for running the HCV program. The centerpiece of the former is a long-term vision of an expanded HCV program that could be compromised by the smothering effects of PHA bureaucracies that discourage landlord participation. This perspective is informed by three ongoing policy conversations among HUD’s intellectual leadership that could upend more than 40 years
of TBRA policies. On the second screen, we see more incremental, operational reforms aimed at improving HCV program operations that fall within existing policy frameworks. We discuss both policy approaches below.

**Screen One: The Three Policy Strands**

The more expansive policy vision recognizes that the current inspection regime that demands every single HCV unit be inspected before a lease can be executed and payments begin flowing is akin to using a bazooka to kill a gnat, as just 4 out of every 100 very low-income central city renters and fewer than 2 out of every 100 very low-income suburban renters live in severely inadequate units (Alvarez and Steffen 2023). Given HUD’s interest in encouraging greater voucher use and landlord participation in higher-opportunity neighborhoods, different initial and recurring inspection regimes for different types of markets may be warranted. Additionally, serious thought should be given to replacing existing inspection regimes with tenant and landlord self-certification that a unit meets HQS, complemented by a beefed-up audit program of unannounced inspections.

**LESSONS FROM THE HOUSING ALLOWANCE EXPERIMENTS**

EHAP reports of decades past offer invaluable policy lessons. EHAP tested two models of housing allowances: (1) a housing gap plan, which “offered to pay eligible households the difference between the average local cost of modest standard housing and some fraction of household income if they found housing that met program requirements” and (2) a percentage-of-rent plan, which offered households rebates equal to some fraction of their gross monthly rent, the rationale being that “receiving such a rebate would create an incentive to improve the quality of [participants’] housing” without the baggage of heavy-handed HQS and inspections.

Congress eventually adopted a variation of the housing gap plan for the voucher program because the primary goal of TBRA was to improve housing conditions for recipients. But comparing participation rates across the two formulas highlighted the trade-off between “how many families could successfully get a benefit from the program and the number of program requirements associated with receiving the benefit.” While not improving recipient housing quality, 84 percent of percentage-of-rent families that were offered an allowance received one. In contrast, the participation rate for the housing gap plans was just half that of the percentage-of-rent plan, though minimum quality standards and inspections did end up inducing “25 percent of the assigned households to improve their housing quality.”
HUD’S STAKEHOLDERS NOW INCLUDE UNIVERSAL BASIC INCOME ADVOCATES

Absent minimum HQS (and associated inspections) that are set above prevailing local housing codes, TBRA becomes less a quality-enhancing housing program than a much-needed affordability tool. Such a tool is more akin to the growing number of local miniprograms and pilots across the country that have garnered PD&R’s attention by testing “ways in which unconditional cash is providing people the opportunity, freedom, and resilience to build financial security.”

What drew interest in these efforts were insights gained from the flexible designs of several federal pandemic-era emergency programs, including emergency rental assistance, which made payments directly to households rather than to landlords. HUD has taken an interest in these direct cash payment approaches and their underlying philosophy of consumer empowerment. PD&R is following initial findings from pilots such as the Denver Basic Income Project, whose 820 unhoused participants were split into three groups—one receiving 12 monthly payments of $1,000, a second receiving a one-time payment of $6,500 and then 11 monthly payments of $500, and a third (i.e., the comparison group) receiving 12 monthly payments of $50. Initial results showed “more participants surveyed from all payment groups are living in rented or owned homes than at the beginning of the study, fewer participants are sleeping outside and fewer are utilizing public health services, including emergency rooms.” This brings us to the third strand influencing PD&R’s long-term vision for a substantially enlarged housing voucher program.

DIRECT RENTAL ASSISTANCE DEMONSTRATION

Declining landlord participation in the HCV program was a major factor in PD&R’s decision to engage a broad range of stakeholders, “including philanthropy, guaranteed income advocacy groups, tenant advocates, and the private sector,” to help develop the idea of “providing rental assistance directly to the eligible household, rather than to their landlord to streamline the assistance process and enable more low-income renters to benefit from the program.” A goal of the demonstration would be to learn whether providing the full voucher subsidy directly to eligible renters would sufficiently limit “interactions between the landlord and PHA” to encourage greater uptake by landlords (PD&R, n.d.).

Notably, there would be no HAP contract between the landlord and the PHA in a direct rental assistance program, thereby saving time and money. But, most relevant to this report, according to PD&R, in one design option, “the tenant would bear primary responsibility for inspecting the unit and assessing housing quality using a PHA provided checklist. After the tenant moves into a unit, the PHA could coordinate with the tenant to arrange a remote video inspection or conduct a full in-person inspection” (PD&R, n.d., 1).
Screen Two: Operational Efforts to Address Landlord Concerns

The other side of the split screen features a less lofty and more pragmatic policy vision for housing choice vouchers. HUD’s interest in encouraging greater voucher use and landlord participation in higher-opportunity neighborhoods warrants an evaluation of different inspection regimes and frequency of inspections for different types of markets. Furthermore, policymakers should consider replacing initial and recurring inspections with a tenant and landlord self-certification that a unit meets HQS backed up by a beefed-up audit program of unannounced inspections.

Although replacing inspections may be a step too far, there has been a flurry of more modest state-sponsored, HUD-initiated, and PHA-specific actions over the past decade aimed to help staunch the loss and reverse the falloff in landlord participation. Most actions taken to date do not focus on inspections, but some do. For example, in 2014, HUD gave PHAs the authority to conduct inspections biennially instead of annually, and in 2016, Congress “authorized HUD to allow PHAs the discretion, under certain circumstances, to approve units for lease up before passing an inspection” (Finkel and Buron 2001). These authorizations should be followed up with implementing regulations.

RECENT EFFORTS TO ADDRESS LANDLORD CONCERNS

A bipartisan Senate proposal to address landlord concerns, the Choice in Affordable Housing Act (S. 1820), was introduced in May 2021 and was referred to the Senate Banking Committee, which held a hearing on the measure a month later. Although no further action has been taken on the legislation, S. 1820 contained some worthwhile incentives to increase landlord participation in the HCV program. The bill would offer a financial bonus to PHAs that retain a dedicated landlord liaison on staff to manage PHA-landlord issues and disputes, signing bonuses to landlords in low-poverty areas, and security deposit assistance to protect against damages. To reduce inspection delays, the bill would allow units to meet voucher inspection requirements if they have been inspected in the past year under another program’s auspices, such as the low-income housing tax credit.

Along these same lines, Oregon and Washington have developed a Housing Choice Landlord Guarantee program that reimburses landlords up to $5,000 for damages caused by an HCV tenant that exceed normal wear and tear.

At the local level, the Dallas Housing Authority is among the first to use artificial intelligence to optimize the inspection process. A platform called Bob.AI “lets clients and landlords complete submissions and inspections online to speed things along. Beyond that, tenants can search for vacancies, while landlords or property owners can publish vacancies on the platform for free,
potentially reaching thousands of qualified renters each day.” According to program officials, the first weeks of deployment “have seen this tool effectively reduce 3–4 days from the process.”

Similarly, the Universal Residential Inspection Form, created by Matrix Rental Solutions and powered by automated intelligence, could streamline the inspection process through a standardized checklist and expedited scheduling.

INSPECTION REFORMS USING FLEXIBILITIES AVAILABLE UNDER THE MOVING TO WORK DEMONSTRATION PROGRAM

Some housing authorities that are part of HUD’s Moving to Work (MTW) demonstration program are using flexibilities allowed under the MTW program to streamline and otherwise optimize the inspection process. These housing authorities have implemented activities that allow them to

- “perform HQS inspections on all units, or a percentage of units, annually, biennially, or triennially disregarding the date on which the HAP was executed,
- eliminate the third-party inspection requirement on units owned or managed by the PHA, and
- allow owners to self-certify that minor, non-life threatening HQS insufficiencies have been corrected which can expedite the leasing process” (HUD 2020b).

The King County Housing Authority (KCHA) in Washington has used its MTW flexibilities to optimize inspections processes that enables the “alignment of inspection of multiple units in the same geographic location.” It does this by allowing “the release of HAP payments when a unit fails an HQS inspection due to minor deficiencies” and by “geographically clustering inspections to reduce repeat trips to the same neighborhood or building by accepting annual inspections completed eight to 20 months after initial inspection” (KCHA 2021, 48). The KCHA also piloted a risk-based “inspection model that places well-maintained, multi-family apartment complexes on a biennial inspection schedule. After closely monitoring the outcomes from the risk-based inspection pilot, KCHA decided to expand the program and move all units in multi-family apartment complexes to a biennial inspection schedule” (48).

Under its MTW authorities during the COVID-19 emergency, the Delaware State Housing Authority (DSHA) developed a self-certification statement for both initial inspections and reinspections for HCV participants “for the landlord and tenant to sign advising that the unit meets Housing Quality Standards (new Move-ins) and that all necessary repairs have been completed (annual/special inspections...).” Along with self-certification, landlords are required “to submit at least 10 photographs via email showing all living spaces, appliances, HVAC and hot water equipment, safety, and security
(including smoke detectors).” DSHA developed a separate checklist “for new move-ins completed by the landlord and reviewed via a conference call” (DSHA 2023, 50).

A RANDOMIZED CONTROLLED TRIAL WITH A GOLD-PLATED LANDLORD ENGAGEMENT STRATEGY

Finally, new research has refined and replicated the impressive findings from HUD’s original Moving to Opportunity experimental studies that confirmed “children’s outcomes in adulthood vary substantially across neighborhoods and that moving to lower-poverty, higher-opportunity neighborhoods earlier in childhood improves children’s outcomes significantly” (Chetty, Hendren, and Katz 2016). Between April 2018 and March 2020, Bergman and coauthors (2023) conducted a two-phase randomized controlled trial with 712 low-income families receiving housing vouchers, implemented in collaboration with the Seattle and King County housing authorities.

The sample consisted of low-income families with a child younger than 15 who received a housing choice voucher in the Seattle and King County area, which provided $1,540 per month in rental assistance, on average (Bergman et al. 2023). The study included proactive landlord recruitment and engagement as well as preinspection processes to maximize opportunities for families selected into the program to use their vouchers to move to areas of opportunity.34

Regarding landlord engagement, mobility counselors, called “navigators,” recruited prospective landlords, “often by searching local online rental listings for units in opportunity areas” (Bergman et al. 2023, 11). They also educated landlords about the program and “discussed their ability to expedite the lease-up process by streamlining paperwork and quickly conducting inspections themselves,” since the navigators were PHA trained and certified as HUD HQS inspectors (11). Connections with landlords were "an important source of listings for families, accounting for 47% of the moves to opportunity neighborhoods in the treatment group" (12).

Finally, “landlords were also offered a damage mitigation insurance fund for any damages not covered by the tenant’s security deposit incurred within the first 18 months after the start of the lease (up to a limit of $2,000). Many landlords reported being reassured by the availability of these funds, although the funds were used to a very limited extent in practice: there were only two claims (of $2,000 each) filed as part of the program (out of 178 total units leased in high-opportunity areas during the two phases of the experiment)” (12).
Final Thoughts

Improvements in Rental Housing Conditions Require a Lighter Inspections Touch

Just 4 out of every 100 very low-income central city renters and fewer than 2 out of every 100 very low-income suburban renters live in severely inadequate units (Alvarez and Steffen 2023). Yet the current HCV inspection regime demands that every single HCV unit be inspected before a lease can be executed and rental assistance payments can begin flowing. At a minimum, given HUD’s interest in encouraging greater voucher use in higher-opportunity neighborhoods and encouraging greater landlord participation in these places, HUD should consider adopting different initial and recurring inspection regimes for different types of markets. At the other end of the spectrum, serious thought should be given to replacing the existing inspection regime with landlord and tenant self-certifications and checklists affirming that units meet health and safety requirements that can be backed up by a strengthened PHA-conducted audit program of unannounced inspections.

The Housing Choice Voucher Program might consider adopting a variation of the certifications that apply to Federal Housing Administration (FHA)–approved lenders. An annual certification attests that at the corporate level, the lender has not been subject to a suspension, debarment, or license revocation or found guilty of similar behavior during the prior year (HUD 2020a). A second, loan-level certification stipulates that the loan for which the lender seeks FHA insurance “is of an acceptable risk level to the FHA.” If the loan ultimately defaults, the lender can file a claim on the loan with the FHA, but in the course of reviewing the claim, if the FHA determines “that the loan file contains an error,” it may require the lender to reimburse or indemnify it for the cost of the claim.

HUD Should Consider Compiling a Housing Choice Voucher Inspection Database

The insights we have about HCV program operations, causes of lengthening search periods, and declining landlord acceptance rates are the result of HUD-sponsored research, consultations, and periodic independent academic studies. Despite these efforts, we have neither point-in-time nor ongoing data showing the number and percentage of HCV units that fail an initial or recurring inspection. This is a major shortcoming because HUD would likely think differently about the inspection process if, for example, 20 percent of units failed their initial inspection versus 1 percent. Similarly, different HUD responses would be called for if the incidence of failed inspections was broadly spread across PHAs of various sizes and geographies, as opposed to being highly concentrated among a small subset. For these reasons, we think HUD should develop a searchable, PHA-level inspections database.
using historical inspections data going back to the start of the HCV program in 1998 to the present and should extend that database going forward under the new NSPIRE inspections regime.

**Make the Most of Any Direct Rental Assistance Pilots by Testing Alternative Inspection Regimes**

Finally, HUD lawyers have determined that the agency lacks statutory authority to use existing appropriated funds to provide direct payments to HCV recipients, which is why it is looking to the philanthropic community and guaranteed income demonstration sponsors to design and execute direct rental assistance pilots. Although playing no direct role in this process, PD&R is investing intellectual energy into helping think through with others what the parameters of direct rental assistance pilots might look like, with an emphasis on how streamlining the HCV inspection process might enable more low-income renters to benefit from the program.

Should HUD end up not directly sponsoring its own direct rental assistance initiative, we would urge those who do to enlarge “treatment group” samples and perhaps even recruit additional sites to enable program sponsors to incorporate inspection reforms into their direct rental assistance design. Taking this step would provide valuable insights into how best to reform the current inspection regime so that it is not a significant factor in impeding the growth and effectiveness of TBRA.

**When Weighing Policy Options, Preponderance of Benefits Should Rule**

Much has been written about the power imbalance between tenants and their landlords. Absent a rigorous inspection regime, some might argue that fear of retaliation might discourage some HCV residents from reporting serious health and safety violations to their landlord or PHA, with potential dire consequences. We acknowledge and respect this concern. In response, we make the following points. The very low incidence of life-threatening conditions in the HCV market translates to an even smaller share of HCV households in such housing who may be harmed by virtue of their not filing a complaint to their landlord or PHA. But this possibility must be weighed against the likelihood that the kinds of inspection reforms we suggest could stem the decline of landlord participation, shorten housing search processes, and enable a significant share of the 40 percent of households who must return their unused voucher to their PHA because they could not find a unit to secure affordable housing in a suitable location to find housing.
All policy options require trade-offs, and we would argue that in the case of undertaking serious inspection reforms or maintaining the status quo, the preponderance of benefits favors taking the kinds of actions we suggest.
Notes


5 McCabe and Shroyer, “Creating a Direct Rental Assistance Demonstration.”


9 Richardson, "Blast from the Past.”


16 Monocchio, “Implementation of National Standards.”

Simon and Cushman, "HUD Enters New Era."

Richardson, "Blast from the Past."

Richardson, "Blast from the Past."

Richardson, "Blast from the Past."


Berg, "Denver Basic Income Project Releases Data."

McCabe and Shroyer, "Creating a Direct Rental Assistance Demonstration."


See the website for the Moving to Work demonstration at https://www.hud.gov/mtw.

Although just 14 percent of metropolitan families with children using vouchers across the nation live in low-poverty neighborhoods, 25 percent of metropolitan voucher–affordable rental units are located in low-poverty neighborhoods.


Goodwin, “FHA Announces Final Revisions.”

McCabe and Shroyer, “Creating a Direct Rental Assistance Demonstration.”
References


———. n.d.-e. "NSPIRE Standards to Replace HQs for HCV Inspections." Washington, DC: HUD.


KCHA (King County Housing Authority). 2021. *Moving to Work Annual Report FY 2021.* Seattle: KCHA.


About the Authors

**Michael Stegman** is a nonresident fellow at the Urban Institute, a visiting professor at Duke University’s Sanford School of Public Policy, and distinguished professor emeritus and founding chair of the department of public policy at the University of North Carolina at Chapel Hill. Previously, he was senior policy adviser for housing in the Obama White House at the National Economic Council, after serving three years as counselor to the secretary of the US Treasury for housing finance policy. As a top housing policy adviser, he coordinated administration policies on housing finance reform, access to credit, and other housing issues. Previously, he served as assistant secretary for policy development and research at the US Department of Housing and Urban Development (HUD) in the Clinton administration and was deputy assistant secretary for research at HUD under former president Jimmy Carter. Stegman serves on the advisory board of Home Partners of America and has previously held nonresident fellow positions at the Milken Institute, the Joint Center for Housing Studies of Harvard University, the Center for Household Financial Stability at the St. Louis Federal Reserve Bank, the Center for Community Capital at the University of North Carolina at Chapel Hill, and the Bipartisan Policy Center. Stegman has a BA in political science from Brooklyn College and an MCP and PhD in city planning from the University of Pennsylvania.

**Dennis C. Shea** is executive director of the J. Ronald Terwilliger Center for Housing Policy. His past work with the Bipartisan Policy Center (BPC) includes serving as a consultant to the BPC’s blue-ribbon Housing Commission and its Senior Health and Housing Task Force. He contributed to two landmark reports, *Housing America’s Future: New Directions for National Policy* and *Healthy Aging Begins at Home*. During the George W. Bush administration, Shea was assistant secretary for policy development and research at the US Department of Housing and Urban Development. Immediately before joining the BPC, Shea was deputy US trade representative and US ambassador to the World Trade Organization in Geneva, Switzerland. Shea received an AB in government, an AM in history, and a JD from Harvard University.
STATEMENT OF INDEPENDENCE

The Urban Institute strives to meet the highest standards of integrity and quality in its research and analyses and in the evidence-based policy recommendations offered by its researchers and experts. We believe that operating consistent with the values of independence, rigor, and transparency is essential to maintaining those standards. As an organization, the Urban Institute does not take positions on issues, but it does empower and support its experts in sharing their own evidence-based views and policy recommendations that have been shaped by scholarship. Funders do not determine our research findings or the insights and recommendations of our experts. Urban scholars and experts are expected to be objective and follow the evidence wherever it may lead.