

## **Peer Review of Highly Influential Scientific Assessments**

An Information Quality Bulletin of the Office of Management and Budget, dated December 16, 2004, and published in the Federal Register on January 14, 2005 (pages 2664-2677), required federal agencies to conduct a “peer review” of “influential and highly influential scientific information,” as those terms are defined in the Bulletin, prior to dissemination to the public.

The *Small Area Fair Market Rent Demonstration Evaluation* study sponsored by the U.S. Department of Housing and Urban Development, Office of Policy Development and Research (PD&R), may constitute “influential scientific information,” under the terms of the Bulletin.

In accordance with the previously described guidelines, PD&R asked one urban planner who is an expert in assisted housing programs and markets (Dr. Kirk McClure), one ethnographer who is an expert in assisted housing (Dr. Susan Clampet-Lundquist), and one economist who is an expert in assisted housing markets (Dr. Edgar Olsen), to review the draft of the *Small Area Fair Market Rent Demonstration Evaluation Final Report*.

PD&R asked the three peer reviewers to address the following concerns when reviewing the draft final report:

1. Provide an assessment of the data and methodology used in this program evaluation, including identification of specific deficiencies of the methodology, if any.
2. Provide an assessment of the primary and secondary data evaluated in this study and whether data are used appropriately to support the conclusions of the study.
3. Review the conclusions drawn from the study results and determine if these results provide support for any policy directive.

The Abt Associates team made edits to the Final Report based on these peer review comments as well as other comments provided by HUD. The three peer review comments are listed on the following pages.

## **Peer Review of Sponsored Research**

for

The United States Department of Housing and Urban Development  
Office of Policy Development and Research

Review of

### **Small Area Fair Market Rent Demonstration Evaluation**

Draft Final Report, May 31, 2018

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Review prepared by

**Kirk McClure**, Ph.D.

Professor

Urban Planning Program

School of Public Affairs and Administration

University of Kansas

1460 Jayhawk Blvd., 203 Snow Hall

Lawrence, Kansas 66045

785.864.3888

[mcclure@ku.edu](mailto:mcclure@ku.edu)

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## **Review of Small Area Fair Market Rent Demonstration Evaluation Final Report**

### **Purpose of the Evaluation**

The Small Area Fair Market Rent Demonstration Evaluation examined whether and to what extent the shift from metropolitan-wide Fair Market Rents (FMRs) to Small Area Fair Market Rents (SAFMRs) helped provide better access to areas of high opportunity for households participating in the Housing Choice Voucher (HCV) program. The evaluation also examined how this alternative approach to setting ceiling rents affected HCV holders and landlords, as well as HCV subsidy and administrative costs.

### **Background on the Evaluation**

The use of SAFMRs allows the Public Housing Agencies (PHAs) who administer the HCV program to:

- 1.) Increase maximum allowable rents paid for participating housing who locate in ZIP Codes where rents are higher than the metropolitan-wide average, and
- 2.) Decrease HCV subsidies in ZIP Codes where rents are lower.

This study evaluates the impact of using SAFMRs on tenants, landlords and the PHAs for seven PHAs individually and as a group.

Five public housing agencies were in the SAFMR demonstration program, which ended September 30, 2016. These PHAs included Chattanooga, Cook County, Laredo, Long Beach, and Mamaroneck. All of the PHAs in the Dallas metropolitan area have been using SAFMRs as a result of a 2010 court settlement. Two PHAs in the Dallas, Texas metropolitan area, the cities of Dallas and Plano, agreed to participate and were included in this study. As a result, there are a total of seven PHAs in the study.

The U. S. Department of Housing and Urban Development (HUD) is now working with 24 PHAs in the implementation of SAFMRs. These 24 markets include Dallas, thus there are 23 new PHAs implementing the SAFMR program.

### **Evaluation of the Study**

#### ***Overall Evaluation***

The study is well-organized and well-designed. The study is well organized in that it examines both quantitative data for all of the PHAs in the study as well as qualitative data from participants in all markets, including households, landlords, and PHA staff members. The analysis of these quantitative and qualitative data is presented in an eight-chapter report with technical appendices. The study is well designed in that it incorporates into the analysis changes found over time in household location patterns (before-and-after comparison) as well as the differences in changes in household location patterns between participating PHAs and non-participating PHAs (comparison of differences between control and experimental markets).

The study clearly identifies the basic research question asking whether or not the SAFMR program helps HCV households gain better access to high opportunity neighborhoods than does the program with FMRs set at the metropolitan area. The answer seems to be that the SAFMR does help households gain better access to high-opportunity neighborhoods. The scale of this is non-trivial; for the PHAs studied, the percentage of households already in the HCV program who choose to move to higher-rent ZIP codes increased from 19 percent before the SAFMR program was implemented to 31 percent after, a 12-percentage point increase. The study recognizes that the results from the PHAs studied may not be generalizable to other markets, which means that the results can suggest what could be expected from

expansion of the SAFMR program to a larger scale, but the results cannot be predicted with a high level of accuracy.

***Assessment of the data and methodology used in this program evaluation, including identification of specific deficiencies of the methodology, if any***  
***Were the data appropriate?***

The goal of the research is to establish the effectiveness of the SAFMR program. The authors recognize that the actual performance of the program may fall short of all that is desired because of market constraints. The market constraints may limit the potential for the SAFMR program to achieve its objectives. With this recognition, the data collected identify the potential for the SAFMR program to change the number of units with rents at levels affordable to HCV households and the number and share of these units in high-opportunity neighborhoods. The data collected for this study calibrate the potential for change (the counts of units offered at rents below the SAFMR) and the actual change (the difference in number of HCV households who locate in these high-opportunity neighborhoods before and after implementation of the SAFMR program).

A sub-question for this research concerns the extent to which implementation of the SAFMR program would affect the costs of the program. Would the increased costs of housing HCV households in higher-rent ZIP codes be offset by lower costs of housing HCV households in lower-rent ZIP codes? The authors assembled the necessary data to establish the fiscal impact of the SAFMR program. These data include subsidy expenditures as well as administrative expenses. These data are important to estimate the budgetary impact of the program.

The authors recognize that landlord participation is crucial to the success of the HCV program and to revising the program through the SAFMR adjustments to the program. The research appropriately gathers information on both landlord awareness of the adjustments as well as their responses to the adjustments.

Finally, the authors understand that, for the SAFMR program to work effectively, the staff of the PHAs who implement the program must be able to administer the program without great burden. The research interviewed PHA staff personnel to gain direct input from the people running the program.

***Was the methodology appropriate?***

With any experiment, it is necessary to have a control group against which the behavior of the experimental program is compared. The authors assembled a set of comparison PHAs that did not participate in the SAFMR program for this purpose. The comparison group of PHAs was large and well chosen which validate the comparison between the experimental and control groups.

The authors went beyond comparisons between the experimental and control PHA samples. The authors estimated differences-in-differences regression models to determine the extent to which SAFMRs affected HCV holders' location outcomes after controlling for time trends, for variation in household composition, and other household characteristics.

The study did not limit itself to just quantitative analysis of household location patterns. The authors conducted two site visits to each of the seven SAFMR program PHAs. The visits included interviews with PHA staff members, with participating HCV households, and with local landlords. These interviews generated very valuable qualitative data on how the individuals involved in the SAFMR program learned about and interacted with the program.

The analysis, in nearly all respects, follows conventional research norms. Possibly the study attempts to reach beyond the capacity of the data in a few areas. For example, the study states, “However, because available resources allowed only one PHA per cluster [of PHAs by size] to be included in the demonstration, there is not enough statistical power to support analysis as a *cluster random controlled trial* design.” (Appendix, p. 192.) This statement recognizes the limitations of the data, but the analysis—especially the regression modeling—makes some attempts to extract more information from the analysis than the data are prepared to give.

The rules of statistical significance are not absolute, but they are generally accepted. If a coefficient is not statistically significant at least at the .05 level of probability, the sign and/or the scale of the coefficient cannot be distinguished from zero and should not be treated as different from zero.

### ***Assessment of the primary and secondary data evaluated in this study and whether the data is sufficient and used appropriately to support the conclusions of the study***

#### ***Were the primary and secondary data appropriate to the task?***

The study gained access to household level records of the participating HCV households over time. For each participating household, the study was able to determine the geographic location where the household resided at various points in time. All locations within the PHA’s market were divided between higher-rent ZIP codes, lower-rent ZIP codes or moderate-rent ZIP codes. The time series nature of the data permit comparison of locations before and after implementation of the SAFMR program. Data were collected for both PHAs that participated in the SAFMR program and for a large number of PHAs with comparable housing market conditions that did not participate in the SAFMR program.

#### ***Are data sufficient to support conclusions?***

The quantitative data for this study are limited. There are seven participating PHAs. With only seven markets to examine, the study cannot access enough data to fully understand the influence of all of the variables that impact the success or failures of the SAFMR program. It is clear that market size influences program outcomes. It is clear that the variation in rents between areas within a market influences program outcome. Variation in PHAs administrative decisions (such as setting the payment standard) influence program outcomes. There are many variables that influence program outcomes, and a study of seven markets cannot provide precise answers on the extent to which these variables drive the results.

The study does a good job of providing answers to the research questions within the constraints of the data available. At a very basic level, the study performs very valuable analysis of the data to answer the fundamental research questions on the implementation of the SAFMR program.

#### ***Were data used appropriately to support the conclusions?***

The study adopts a procedure used by many researchers (including myself) to identify the level of opportunity in a neighborhood. The study builds a composite index for each location from four indicators: the incidence of poverty among the population, the quality of the schools, the access to jobs, and the environmental hazards present. Early research on neighborhood opportunity focused too much on poverty level alone. The Moving to Opportunity program defined high-opportunity using only the single criterion of poverty level among the population in the census tract. It is now generally agreed that the single criterion of poverty is insufficient and that other factors should be included. The authors of the SAFMR report recognized this consensus by adopting the approach of building a composite index. At present there are three problems that researchers on neighborhood quality are tackling.

First, access to jobs may not be a good indicator of neighborhood opportunity level. (See Lens, M. and Gabbe, C. J. (2017.) Employment proximity and outcomes for Moving to Opportunity families. *Journal of Urban Affairs* 39(4): 547-562.) Lens and Gabbe find that living in close proximity to jobs has little to do with landing a job for an HCV household. Interestingly, the SAFMR study contributes to this line of research. Exhibit 4-12 (p. 55) indicates that there is little influence of job proximity on the share of units below the applicable FMR or SAFMR. This would suggest that opportunity indexes should not include proximity to jobs.

Second, the MTO experiment demonstrated that freedom from exposure to crime was an important objective among participating households. Unfortunately, neighborhood level crime data that can be compared across jurisdictions do not seem to be available. The FBI warns against using the Uniform Crime Reporting (UCR) data beyond the scale of a single city. (See: <https://ucr.fbi.gov/a-word-about-ucr-data>.) The authors of the SAFMR study recognize this problem. (It was mentioned in footnote 4 on page 6.) The absence of crime data from neighborhood opportunity indexes is a problem across neighborhood level research, and this study is no exception. Unfortunately, a solution may not be readily available. Studies are being published using data that describe a subset of tracts. (See: Lens, M. C., Ellen, I. G., and O'Regan, K. (2011.) Neighborhood Crime Exposure Among Housing Choice Voucher Households. HUD.) This approach would limit the analysis to just those locations for which crime data have been assembled and normalized which may not cover many SAFMR markets.

Third, the study's index of neighborhood opportunity uses the Environmental Protection Agency's Environmental Health Hazard Index (EHHI). This index is provided by HUD to communities so that they can prepare their Affirmatively Furthering Fair Housing plans. The EHHI is itself an index of the incidence of multiple hazards including carcinogenic, respiratory and neurological threats. This index is being used to distinguish between neighborhoods within a city when it may not be accurate at that level. The index may work well to distinguish the quality of air between two metropolitan areas in different regions, but it is doubtful that it can distinguish between the health hazard levels of two neighborhoods within a single city. The EPA even warns against its use at the neighborhood level. (See <https://www.epa.gov/national-air-toxics-assessment/nata-limitations>.) Yet, this is how it is being used.

As with the crime data, a ready substitute for the EHHI does not seem to be available. Again, this study makes an interesting, if hard to interpret, contribution to this line of analysis. Exhibit 4-12 (p. 55) indicates a rising (rather than a flat) share of units available below the SAFMR and a flat (rather than declining) share of units under the metropolitan FMR as environmental quality increases.

With these cautions in mind, the efforts to build neighborhood opportunity indexes all seem arrive at one common conclusion, which is that measures of opportunity are highly correlated. This is true for the index built for this study. (See Exhibit 4-9, p. 51.) This means that neighborhoods tend to be evaluated consistently along a continuum from high-opportunity to distress independent of criteria used to form the composite index. It is doubtful that there would be any meaningful change in the results reported in this study with adjustments in the criteria used to build the neighborhood opportunity index. Unfortunately, as research on neighborhood opportunity indexes progresses, the index in this study will come under some criticism.

***Assessment of the conclusions drawn from the study results and how these results may provide support for any policy directive.***

***Were the conclusions drawn appropriate to the task?***

Concerning the scale of the gain in units in the higher-rent ZIP code areas to the loss of units in the lower-rent ZIP code areas, the study concludes that:

1. As expected, SAFMRs increased the pool of units potentially available to HCV holders that rent below the applicable FMR in higher-rent ZIP Codes and reduced the pool in lower-rent ZIP Codes.
2. However, for the SAFMR PHAs as a whole, the increase in units with rents below the applicable FMR in higher-rent ZIP Codes did not fully offset the decrease in the number of units in the lower-rent and moderate-rent ZIP Codes, resulting in a net loss of units potentially available to HCV holders overall.
3. In general, if fewer rental units are in higher-rent ZIP Codes than in lower-rent ZIP Codes, there will be fewer units with rents below SAFMRs than below the metropolitan area FMR.
4. Relative to lower-rent ZIP Codes, the higher-rent ZIP Codes offer higher opportunity to residents on all measures studied, which include lower poverty, higher school proficiency, higher job proximity, and higher environmental quality.

These conclusions are substantiated well with the data and provide clear and direct answers to the fundamental research question.

Concerning the HCV location decisions, the study concludes that:

1. The share of HCV households who lived in higher-rent ZIP codes increased from 17 percent prior to the SAFMR program to 22 percent after (a five-percentage point shift), but there was no change in the control PHA markets at 14 percent.
2. Households with children increase their share in higher-rent areas by 9 percentage points, but there was no change among disabled or senior households.
3. Among households already in the HCV program prior to the adoption of the SAFMR program, almost one-third those who moved chose to relocate into a higher-rent ZIP Code. No similar trend was observed in the comparison PHAs.

There may be minor problems with some of the conclusions. In the Executive Summary (page v.), the study states, “Differences-in-differences regression results suggest that new HCV holders following implementation of SAFMRs were more likely to move to higher-opportunity ZIP Codes. (This result is suggestive because, while the coefficient is in the right direction, it is not statistically significant).” If the coefficient is not statistically significant, it means that the direction of the relationship as well as the scale of the relationship cannot be distinguished from zero. Thus, the statement stretches beyond the reliable reach of the model’s estimations.

Concerning program costs and rents, average per-unit payment standards at SAFMR PHAs decreased moderately (by 2 percent) in inflation-adjusted (real) terms. This 2 percent drop was the net effect of a significant decline from 2010 to 2015 and a rebound from 2015 to 2017. Payment standards are the maximum amount of subsidy each participating household can receive. The payment standard is determined by the PHA which sets the standard as the FMR multiplied by the payment standard factor. This factor normally ranges from .90 to 1.10.

Housing Assistance Payments (HAPs) are the payments made to landlords. These payments are calculated as the contract rent plus allowances for any utilities not included in the contract rent minus the tenant’s contribution toward rent. The tenant’s contribution is normally 30 percent of adjusted gross income, but if the tenant chooses a rental unit with rent that exceeds the FMR, this contribution can go as high as 40 percent as long as it does not exceed the permitted payment standard. HAPs seem to have followed the behavior of payment standards, decreasing from 2010 to 2015 and rising from 2015 to 2017. The comparison PHAs followed the same pattern but smaller variations over time.

Again, the conclusions stretch a little beyond the statistical reliability. On page vi., the text describes change of HAP payments in the lower-rent ZIP codes. The statement is that an increase of 2 percent was experienced but that it was not statistically significant. If the change is not statistically significant, it is somewhat misleading to describe its scale or its direction.

Concerning costs to the PHAs, the study finds that PHAs suffered costs to adapt software to handle ZIP code level payment standards. The conclusion was the PHA staff seem to find the increased costs justified in order to obtain the benefits of access to high-opportunity neighborhoods for the HCV households

Concerning actions by HCV households, the study finds that households decide to move or stay in place for many reasons with access to high-opportunity neighborhoods one among many factors. Concerning the impact of SAFMRs on landlords, about one-half of the landlords were familiar with the SAFMR program prior to the interview. Among the PHAs examined, only Long Beach made extensive efforts to recruit landlords into the program. About one-half of landlords reported making rent concessions to assist HCV households. These qualitative results are particularly valuable as they suggest directions for future improvements to the SAFMR program.

***Do the conclusions support the policy directives?***

Large scale quantitative studies all have problems with distilling large amounts of data into readily understandable concepts. Correctly, we are in an era concerned with “data visualization” to accomplish this purpose. This study did a particularly good job of designing a chart that explains the effects of the SAFMR program on the number of units available under the allowed FMRs for both the metropolitan FMRs and the SAFMRs. Exhibit 2-1 is a particularly ingenious data visualization. It provides a good illustration of the theory lying behind the SAFMR program. It is a little complex, but this is unavoidable given the complexity of the concept. Once mastered, the chart explains a great deal to the reader about how well the SAFMR program performs in an individual market. This illustration is redrawn many times throughout the study using data from each of the SAFMR PHAs’ markets. These charts are very useful and informative tests of how well the SAFMR theory works in real housing markets.

The ability to generalize from a small sample is always difficult. The study includes seven PHAs. The study references work by the NYU Furman Center (2018) which examines the 24 markets with PHAs implementing the SAFMR program. It is interesting to note that there are some differences between the studies, including the net change in the number of rental units with rents below the SAFMRs compared to rental units below the metropolitan FMRs. The current study found a small decline in the number of units; the NYU Furman study found a slight increase. These differences do not indicate errors in either study. Rather, they indicate that housing markets vary considerably leading to different outcomes. The different housing market conditions, and program responses to these conditions, can lead to different outcomes making it extremely difficult to generalize the results of this study up to a national scale.

# **Review of Small Area Fair Market Rent Demonstration Evaluation Final Report for the U.S. Department of Housing and Urban Development**

Susan Clampet-Lundquist, Ph.D.  
Saint Joseph's University  
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The main point of this evaluation is to determine “whether and to what extent providing higher subsidies in ZIP Codes where rents are higher and lower subsidies in ZIP Codes where rents are lower – helps HCV holders to better access areas of opportunity” (p.3). To that end, this report is very comprehensive and careful in the conclusions that it draws from the analysis. I’m going to arrange my comments by sections.

## Executive Summary

Given the level of detail in the report, it is understandable why the executive summary also contains a good deal of detail. Yet in general, I’m not sure the details about change between 2010 – 2015 and change between 2015 – 2017 are needed in the executive summary, unless there is a particular reason to highlight a finding that is different than the interim report. The details about timing are in the report and I’m not sure they are needed here.

For key concerns, such as a change in payment standards relative to comparison PHAs, increase in HCV holder rent contributions relative to comparison PHAs, and net reduction in units available, I think it would be helpful to highlight a sentence here and there, either by bolding or putting it clearly at the beginning of the bullet point. For example, the bottom line about average per-unit payment standards declining moderately between 2010 – 2017 for SAFMR PHAs and increasing 1% for comparison PHAs gets lost in the details of change between 2010 – 2015, etc. Another cost-related finding from the report that should be highlighted, given that one of the driving forces behind this is expanding opportunities for children and youth, is that HAP costs overall for families with children in SAFMR PHAs did not increase from 2010 to 2017.

Are policy and practice implications out of the purview of this report? I didn’t see a conclusion section that summed findings up in this way. Is it possible to include a few bullet points in the executive summary that draw from the findings and integrate the various data points together? For example, it appears that there are clear implications for a need for refining practice and policy for different household sub-groups. In terms of rent contributions and moves to higher-opportunity areas, it seems that families with children are able to benefit from SAFMR in ways that households with disabilities or seniors are not. Figuring out how to be more fine-tuned in terms of HAP contributions and location counseling could be beneficial to households with limitations at the same time as benefiting households that have the ability to move into opportunity areas.

## Section 1

The authors gave a clear explanation for the motivation for the demonstration. However, they may want to add a brief (paragraph-long) rationale as to why it may matter for a low-income family to be able to live in a high-opportunity area. Theoretical assumptions are offered in the first paragraph in the section but there is research that indicates the outcomes of this as well which could be cited here. This research includes but is not limited to Chetty, Hendren, & Katz’s (2015) long-term

analysis of those who moved with MTO before they were 13, Massey et al.'s (2013) study of the Ethel Lawrence Homes, and Schwartz's (2010) examination of inclusionary zoning in Montgomery County, MD.

On the top of p. 5, it states "We will interview landlords and residents in Phase 2 of our research." This sounds like a holdover from the interim report and should be put in past tense.

I think it would be useful to clarify that the Cook County Housing Authority is for suburban Cook County and does not include Chicago. Somewhere in the report – either in the text or appendices – it would be useful to have a map that showed the boundaries of the focal housing authorities (not the comparison PHAs).

This section offered a clear outline of the substance of the chapters.

### Section 2

The hypothesized impacts were quite clear and organized.

### Section 3

I had some questions about the recruitment of tenants and landlords for interviews that could be clarified in this section. The authors state that they used HUD administrative data to generate a sample of households that would meet the criteria that they were looking for in terms of household characteristics and moving histories. Was this a purposive sample within categories of people who met those criteria or a random stratified sample? While there is nothing to do about this at this point, I think that a larger sample should have been drawn of families who were living in a higher-rent ZIP code. Although it is important to hear from households who did not move to higher-rent ZIP codes, only 15 households out of 59 can speak to their experiences of living in and moving to a higher-rent ZIP code, yet this is one of the key objectives of the demonstration.

I don't understand why data are missing on key variables for characteristics of HCV holders. I have the impression that these are in-person interviews, so I'm not sure if these were simply questions that went un-asked? In Exhibit 3-2, there are 9 "unknowns" for employment status, 9 "unknowns" for household makeup, 10 "unknowns" for race and ethnicity. In addition, there are 8 unknowns for evaluation subgroup, but wasn't this used to generate the sample, so wouldn't this be known from the HUD admin data?

At the bottom of p. 31, data from a crime index is included. I'm assuming that this was considered at one time and ultimately not included, since I see no mention of it elsewhere. So this reference should be deleted. I'm curious, though, about why no data about crime are included. I'm assuming that it was too difficult to obtain at the geographic level you needed in a consistent way? The authors may want to make a note of that, simply because community violence can limit opportunities for families.

On p. 34, the authors describe the ZIP Code Opportunity Index Categories. I think that the second and third bullet points should be switched. The second bullet point defines ZIP Codes with an opportunity value above 75 as being moderate-opportunity ZIP codes. The third bullet point defines ZIP Codes with opportunity values between 25 and 75 as higher-opportunity ZIP Codes. Later in the report, these categories are used correctly, so I think it's just an error outlining the categories here.

On p. 35, the sentence beginning with “Are focus” should be “Our focus”.

#### Section 4

Exhibit 4-1: the number of rental units in the higher-rent ZIP Code for Dallas seems to be missing a digit.

This significant point about fewer units being available under SAFMR vs. FMR for these PHAs is a key point that the authors raise in a variety of ways throughout the report. It’s a concern for an otherwise thoughtful policy innovation.

The authors clearly note that an objective has been achieved with SAFMR by increasing units in areas with more opportunities.

#### Section 5

The authors were wise to carefully choose a comparison set of PHAs so that changes in where HCV holders were living could more likely be attributed to the SAFMR demonstration. Furthermore, they were appropriately cautious in drawing conclusions from this comparison on several occasions. One example is on p. 62 where they pointed out that HCV holders had lower rents relative to the metro areas in the SAFMR PHAs relative to the comparison PHAs.

Moreover, their use of three different types of HCV holders more finely delineated how different types of households responded to the demonstration. This is particularly helpful in terms of implications for practice and policy expansion. For example, would it be possible to have a policy wherein those who are elderly or have a disability have the option to remain with a metropolitan-level FMR framework of HAP standards so they can more likely remain in a low-rent ZIP Code which may be more convenient in terms of transit and services?

Exhibit 5-5 causes me to consider, if this demonstration is expanded, whether metro areas like Mamaroneck may not need SAFMR to get people to higher-rent ZIP codes. There was no significant change (partially due to sample size) in the share of HCV holders in higher-rent ZIPs – it was already nearly 2/3 of all HCV holders in 2010. Perhaps a takeaway from this evaluation (which I didn’t see clearly in the executive summary) could be implications about which PHAs may be more \*prime\* for this type of intervention. For some, like Mamaroneck, they may be doing fine at offering a range of opportunities for HCV holders already. Others, like Long Beach, may have such restricted rental units that this intervention will only reduce units available in low-rent ZIPs.

I appreciate that the authors distinguished between HCV holders in high-rent ZIPs and high-opportunity ZIPs since, as in Cook County, they don’t always perfectly overlap.

Some explanation for the extra neighborhood variables (introduced on p. 83) would be useful. For example, given the focus of this evaluation on opportunity, it would make sense to cite some research that indicates how, in the U.S., resource allocation across metropolitan areas frequently falls along historical racialized spatial patterns. I’m also not sure how to interpret the neighborhood measure of the share of households that have children. Could the authors be more explicit about why this is included?

On p. 90, there is a word error in the sentence that begins with “This share is statistically significantly different at the .01 level.”

In the notes under Exhibit 5-20, the descriptions for the significance notations are confusing. The asterisks are used to compare SAFMR PHAs pre vs. Comparison PHAs pre, SAFMR PHAs post vs. Comparison PHAs post, and Comparison PHAs vs. Comparison PHAs post. I would suggest a different style of notation for the very last comparison.

In Exhibit 5-24, I think the main variable name in a row is incorrect. I think that Post SAFMR (2012 – 2017) is supposed to be Post SAFMR (2013-2017).

### Section 6

Exhibit 6-1 – how is the neighborhood type unknown? This seems inconsistent with the descriptor table in Section 3, unless these respondents are included in the Multiple Moves category.

Generally, qualitative researchers try to incorporate quotes from the interviews within the text, rather than isolating them. These quotes are meant to highlight a finding or expand understanding on a point, using the words of a respondent. Ideally, they can be contextualized to offer more depth, such as on p. 113, where the quote about the location could have added more meaning within the text if the HCV holder had been described a little more such as, whether there were children in the household, etc. The boxes on p. 123 and p. 124 really needed to be integrated better. On p. 118, there is more detail needed to contextualize the quote from Mamaroneck.

The finding (on pp. 114 – 115) about HCV holders who were seniors or who had disabilities staying in low-rent ZIPS to be close to resources and providers but incurring higher rents could hopefully be pulled out a little more in terms of policy implications in creating an exception clause for them in SAFMR areas.

I hope that these findings can be instructive to HUD and PHA about not missing the chance to capitalize on the SAFMR demonstration’s possibilities to move people to areas that are more opportunity-rich. It seems like no additional money was offered to PHA staff to have substantial counseling and guidance for HCV holders to learn about the expanded housing options in more affluent areas, nor to recruit landlords in these new areas. For example, the finding on people who are homeless being more likely to move to lower-opportunity neighborhoods may indicate that they simply chose those areas because they fit what they needed in terms of cost and transit, or that they weren’t aware of the range of other neighborhoods in which they could use the voucher or didn’t have the transportation to get around to look at them. In addition, on p. 121, the authors note the difficulties that HCV holders reported on their search process in higher-rent neighborhoods and difficulty finding landlords. An example of a more intensive approach to assist families is with the Baltimore Mobility Program and with counseling that the Housing Authority of Baltimore City offered for families in the Moving to Opportunity program. Staff drove families around neighborhoods to see properties, expanding the areas where they searched for properties. Moreover, there was targeted recruitment of landlords in areas that were more affluent.

The finding of the lack of awareness of the policy by two-thirds of the stayers is instructive in understanding why they may be staying, if they are unaware of expanded options – could indicate the need for more awareness and that PHAs may assume more understanding than is actually existing among those HCV holders pre-SAFMR.

It would be useful, throughout the HCV holder findings section, to note interesting distinctions, even though the sample is small. Throughout the quantitative findings, variation was found between HCV holders with children and HCV holders who were seniors or who had disabilities. This was done in some ways with the findings about schools, but it would also be helpful in terms of policy and practice to see if there were differences with positive or negative perceptions of SAFMRs (noted at the bottom of p. 119), and other topics.

This report is organized well with each section focused on a given topic. However, at times, I found it would have been helpful to have a small piece of data from another section integrated into a previous section. This came up for me in Section 6 with the discussion of increased costs. While this is covered extensively in Section 8, some amount of information can be duplicated here to offer context. Here are three examples:

- On the top of p. 120, HCV holders discuss the rent increase in low-rent ZIPs. A sentence about the average rent increase or subsidy decrease (this could be put in percentage terms, to standardize across the sites) for the low-opportunity or low-rent ZIPs would have been helpful here for perspective.

- On the bottom of p. 121, the authors note that some tenants “reported that the PHA portion of the rent was too low in higher-rent areas, or that their income would not cover the rent in higher-rent areas.” It would be helpful to understand on average, what the household contribution is across the 3 ZIP types.

- On p. 125, when the authors note that landlords were willing to accept lower rents when payment standards declined, it would be helpful to have a sentence that noted, on average, the percent decline in low-rent ZIPs.

There is a word missing in the second bullet point on p. 123.

I understand that the PHAs assisted with constructing the landlord sample, but I find it odd that Exhibit 6-3 shows that 2 never participated in the HCV program.

Adding in the nationwide voucher success rate in the paragraph about Dallas’ decline in success rate on p. 127 would be helpful to put this in perspective.

In general, I would suggest using language like “A PHA official from Mamaroneck noted” rather than “Mamaroneck noted.”

One of the benefits of combining quantitative and qualitative methods is that the research team can use findings from one method to further explore data obtained from another method. Is there a way to bring about this synthesis a little more? One potential area that could offer a policy-relevant line of analysis is to bring together the findings about the significant drop in units in lower-rent ZIP Codes in Dallas and Plano (described in Section 4) with what landlords and PHAs in those areas have to say. In this section, some of the landlords state that the SAFMR estimate did not keep up with gentrification and that the rent standard was simply too low. Could this be expanded on a little more, especially with an eye for policy implications? Another fruitful area for policy-relevant mixed-methods analysis relates to Long Beach, which saw the steepest reduction in units with rents below SAFMR relative to FMR. How did landlords or the PHA in Long Beach address this issue?

## Section 7

I appreciate how the authors provided the context of external factors early in this section.

As I mentioned above, more connection with findings from other sections would be helpful. For example, in the sub-section about education and support for tenants, the authors state that “Most PHAs found that these updates and changes to briefings required only limited effort.” This could explain why there were limited results in terms of awareness, especially among HCV holders who had vouchers before SAFMR. Relatedly, in the next paragraph, all PHAs except Dallas believed that there was no need to have ongoing efforts to educate and support HCV holders. Could the authors insert a sentence or two that connects this perspective with the reality that there is still a lack of awareness or knowledge about how to access more opportunity-rich areas with one’s HCV? There is a rich confluence of data used in this report and there are moments like this where connecting the strands can enrich the findings especially with an eye to policy and practice.

On p. 151, the authors report that most PHAs did not increase the search assistance provided to HCV holders. What is the estimated range of how much this costs per HCV holder for those who did provide this? For example, what is the cost of the Cook County expanded mobility program?

On p. 158, it may be helpful to put the negative impression from Plano and Dallas into perspective by pointing out that their SAFMR policy was involuntary as it followed from a legal settlement.

The quote at the bottom of p. 158 is a good example of integrating a quote from the interviews in the text.

## Section 8

The HAP costs for families with children are higher than the other two sub-groups and higher than the comparison PHAs in 2017. However, and I think this point can be more clearly made, they were higher than the comparison PHAs in 2010 as well, and there is not much more of a percentage difference in 2017. If one of the driving forces behind this SAFMR demonstration is about expanding opportunities for children and youth (and perhaps this should be reiterated here), then it seems like this is happening without extra cost from the PHAs for the SAFMR families with children group (\$839 in 2010 and \$836 in 2017), even though there was an increase for those in higher-rent ZIPs. Additionally, according to Exhibit 8-11, families with children do not seem to be dealing with a much larger burden of cost relative to those in the comparison PHAs in 2017 than they were in 2010 (overall higher in both years, but lower in the higher-rent ZIPs). However, it is a concern that there was a 14% increase in HCV holders’ rent contribution in SAFMR PHAs relative to a 7% increase in comparison PHAs.

# Small Area Fair Market Rent Demonstration Evaluation Final Report

## Peer Review

Edgar O. Olsen

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HUD's Housing Choice Voucher Program is the largest program in the U.S. that provides housing assistance to the poorest individuals and families. The overwhelming majority of voucher recipients are allowed to find their own units in the private market. A key program parameter is the payment standard for households of each size and composition in each locality. Payment standards are established for units with each number of bedrooms, and households of each size and composition are assigned payment standards based on an appropriate number of bedrooms.

The applicable payment standard is important because it determines the maximum subsidy that can be received by a household and the maximum rent that can be paid for a unit when it is initially occupied. If a household occupies a unit renting for the payment standard or less, the tenant pays 30 percent of its adjusted income in rent and the housing authority pays the rest. This provides the voucher recipient with a strong incentive to occupy a unit renting for at least the applicable payment standard. Over this range of rents, occupying a better unit with a higher rent does not require the tenant to cut back on consumption of other goods. If the household occupies a unit renting for exactly the payment standard, the subsidy is the payment standard minus 30 percent of adjusted income. The household is allowed to occupy a unit renting for more than the payment standard but must pay the additional cost. On the initial lease, the maximum rent is the payment standard plus 10% of adjusted income. This insures that the household will not devote more than 40% of its adjusted income to rent. This restriction does not apply beyond the initial lease. A household with a voucher might choose to occupy a unit renting for more than the payment standard if it values better housing or a more desirable neighborhood highly or if it is not worth the effort to find a unit renting for less.

The default payment standards are the so-called Fair Market Rents (FMRs) calculated by HUD each year for units with each number of bedrooms in each area. In most metro areas, FMRs are HUD's estimates of the fortieth percentile of the rents of recently-occupied unsubsidized units that are not newly-built and meet certain minimum housing standards. In some metro areas, they have been at the fiftieth percentile since 2000, but the recent Small Area Fair Market Rent (SAFMR) regulation would phase out this exception. Local public housing agencies (PHAs) are allowed to establish payment standards within 10% of the specified FMR for all voucher recipients or particular types of recipients, including those who choose certain types of neighborhoods.

If all housing authorities in a metro area adopted the FMRs as their payment standards, the housing voucher program would provide a strong incentive for recipients to occupy units with market rents equal to or somewhat greater than the applicable FMR, roughly units with market rents around the local median. Voucher recipients would occupy housing (broadly conceived to include the desirability of the neighborhood) that is better than half of all unsubsidized rental

units.<sup>1</sup> They could occupy units of average desirability in neighborhoods of average desirability among units occupied by renters, they could occupy units of below-average desirability in neighborhoods of above-average desirability, or they could occupy units of above-average desirability in neighborhoods of below-average desirability.

The voucher program creates no incentives that favor better neighborhoods over better housing except that it is easier for voucher recipients to search near their initial locations. Since these locations tend to be in the least desirable neighborhoods, this should lead to a tendency to use their vouchers in below-average neighborhoods. Results in the report reflect this tendency (Exhibit 5-1), though they don't support extreme views about it. In the comparison public housing authorities prior to the demonstration, 26% of voucher recipients lived in lower-rent ZIP codes, 61% in moderate-rent ZIP codes, and 13% in higher-rent ZIP codes. The percentage of all renters in these areas was not reported. In the jurisdictions of the seven PHAs that later implemented SAFMRs, 39% of voucher recipients and only 29% of all renters lived in lower-rent ZIP codes prior to the demonstration and 17% of voucher recipients and 25% of all renters lived in higher-rent ZIP codes.

Some argue that voucher recipients and especially the children in their households would be better served by living in better neighborhoods even at the expense of other goods and services. Though rarely stated explicitly, this argument seems to be based on the belief that the decision makers in some of these families undervalue the benefits of a better neighborhood for themselves or their children. Some advocates may be especially concerned about the children in these households and think that the interests of the children would be better served by incentivizing their parents to use vouchers in better neighborhoods.

The SAFMR Demonstration was designed to estimate some effects of a reform that attempts to incentivize voucher recipients to live in better neighborhoods. The primary reform would increase the default payment standards (that is, FMRs) in ZIP codes within the jurisdiction of a public housing authority with median rents greater than the metro median and decrease them in ZIP codes with median rents less than the metro median. If the housing authority adopted these default payment standards, the reform would increase the generosity of the voucher subsidy in ZIP codes in the PHA's jurisdiction with median rents greater than the metro median and decrease the subsidy in ZIP codes with median rents less than the metro median.

The Demonstration studied many effects of a particular SAFMR reform, namely, its effects on a measure of the number of dwelling units available to households with housing vouchers, two measures of the desirability of the neighborhood occupied by voucher recipients, the voucher program's average payment standard, housing subsidy, and tenant rent, the average income of voucher recipients, and the average rent paid to landlords. The measure of the number of dwelling units available to households with housing vouchers is the number of units renting for less than the applicable FMR. The measures of the desirability of the neighborhood occupied by voucher recipients are the median rent of its rental units and an index of four neighborhood characteristics (poverty rate, school quality, access to jobs, and environmental quality). In

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<sup>1</sup> Because the average income of renters is about half the average for homeowners, renters tend to live in dwellings and neighborhoods less desirable than homeowners

addition to aggregate results, estimated effects are reported separately for ZIP codes with low, moderate and high median rents, for families with children, a senior member, or a disabled head, for the individual PHA in the treatment group and indeed for all combinations.

Most of the evidence involves comparisons of the difference in the percentage change in an outcome over time between (1) five PHAs that agreed to adopt SAFMRs as a part of the demonstration and two PHAs that had adopted them in settling a lawsuit and (2) 138 PHAs in the clusters from which the treatment PHAs were selected. To get the five treatment PHAs, HUD grouped 248 PHAs with a substantial number of vouchers and meeting other criteria into eight clusters based on their number of vouchers, metro FMR, and percentage of households with a working age head. HUD offered a randomly chosen PHA from each cluster the opportunity to participate until five agreed. (How many refused is not reported.) The clusters represented in the study account for about 25% of all voucher recipients.

The five PHAs that volunteered to participate differ from the other two with respect to the geographical scope of the SAFMRs. In the five, it is limited to the jurisdiction of the PHA. In the other two, SAFMRs applied to the entire metro area. This is relevant because voucher recipients can use the vouchers provided by one PHA in the jurisdiction of another PHA. About 10% of voucher recipients do that each year.

In addition to assembling substantial empirical evidence for systematic analysis, members of the study team interviewed program administrators about the extra work involved with SAFMRs and other matters and voucher recipients and landlords at each treatment site to learn about any problems that they encountered with SAFMRs.

Practical considerations hindered the achievement of precise unbiased estimation of the effects for the reform studied. Although not stated explicitly, the demonstration seems to be intended to produce unbiased national estimates of the effects of a SAFMR reform that requires all PHAs in some metro areas to use SAFMRs and allows other PHAs to use them in their jurisdictions. The demonstration had treatment PHAs in both categories, and the primary results are reported for the two groups combined but not each group separately. The recent SAFMR regulations involve this type of reform. Since Dallas was the only metro area with metro-wide SAFMRs, the study had to rely on PHAs in this metro area to represent the first type of reform. The effects in other metro areas that would be required to use SAFMRs might be very different. For practical reasons, the other treatment group consisted of a small number of PHAs that volunteered to participate. PHAs were asked to participate in random order but could decline the invitation. If the PHAs that volunteered are the PHAs that would have voluntarily adopted SAFMRs under a national reform, this procedure would have produced a random sample of the relevant population. Otherwise, the procedure would almost surely produce biased estimates on average. Finally, the small number of PHAs would affect the precision of the estimates. Despite these concerns, I think that the sample selection procedures were appropriate given the constraints.

The report provides a wealth of information about the effects of the particular SAFMR reforms studied. It contains thousands of empirical results and hypothesis tests and lengthy discussions of the results of the interviews. Unfortunately, its executive summary does not attempt to

summarize or characterize the results, and the report contains no concluding chapter. The main conclusions are sprinkled throughout the report. This review cannot possibly touch on all of the results reported. I'll characterize what I consider to be the most important results and offer reactions to a few and thoughts about their policy relevance.

In my opinion, the most important results concern the effect of SAFMRs on locational choices. Because SAFMR increase voucher subsidies to households that choose ZIP codes with higher than average median rents and reduce subsidies to households that choose ZIP codes with lower than average median rents, there is a strong theoretical presumption that they will induce more households to choose the former and fewer to choose the latter. The results support that conclusion. The effect is larger for new voucher recipients and existing voucher recipients who move but still modest. It is larger for households with children than households with a senior member or disabled head. For the latter groups, the effect is too small to detect with much confidence. Since higher median rent in a ZIP code might be due to better housing rather than a more desirable neighborhood, the report studies the effect of SAFMRs on an index of the desirability of the neighborhood chosen by the voucher recipient. The results are similar to the results based on the median rent of the ZIP code. I conclude that the SAFMRs tested will produce effects in the direction intended but not dramatic effects even in the long run.

The evidence about how the SAFMR reform increases voucher recipient access to housing is much less important in part because the measure of accessible is problematic and in part because accessibility is only one determinant of the outcomes of interest. The measure of accessibility used in the study is the number of units renting for no more than the FMR. This measure has the virtue of ease of implementation, but it differs substantially from the reality of access. The units that are accessible to a voucher recipient are units whose owner is willing to participate in the voucher program, that currently meet the program's minimum housing standards or whose owner is willing to repair them to meet the standards, and that rent for no more than the applicable payment standard plus 10% of the recipient's adjusted income. For voucher recipients searching for a unit, it would be limited to vacant units meeting these criteria. Attempting to implement this definition of accessibility would be extremely difficult, and in my judgment, not worth the effort because the number of accessible units in various locations is only one of the determinants of the outcomes of interest and not necessarily the most important.

If we wanted to know how SAFMRs affect the difficulty of using housing vouchers, the obvious measure is the voucher success rate, that is, the fraction of households offered vouchers who use them within the allotted time. I don't know why the study did not analyze the effect of the reform on the success rate, but I don't regard this as a shortcoming of much significance. The study provides good evidence on the primary outcome of interest actual neighborhood choices, and the interviews with voucher recipients did not reveal any significant problems in using vouchers in SAFMR sites.

The report contains estimates of the effect of SAFMRs on other outcomes that are relevant for assessing the desirability of the reform. To my mind, the most important is the effect on the average housing assistance payment. If SAFMR reform results in an increase in a PHA's average

housing assistance payment, it would lead to a reduction in the number of households served because the PHA has a fixed budget for its voucher program. Because only one in four households with extremely low income receive any housing assistance, this would raise questions about the desirability of the reform.

The effect of SAFMRs on the average housing assistance payment is theoretically ambiguous. If a PHA adopted the SAFMRs as its payment standards, the assistance payment would rise for voucher recipients in some locations and fall for recipients in other locations. The PHA could further alter the geographical pattern of assistance payments substantially by using its discretionary authority to set payment standards within 10% of the FMR. The study finds that in aggregate the seven PHAs in the treatment group increased their payment standards in high-rent ZIP codes and reduced them in low-rent ZIP codes substantially, but the effect of the reform on the average payment standard was minimal. The results for the average housing assistance payment were similar. I conclude that the SAFMR reform studied had little effect on the number of households served.

Like all policy reforms, the reform studied hurts some people. The results indicate that on average households with senior members and households with disabled heads pay higher rents and receive smaller housing assistance payments on their behalf because they are less likely to locate in a high rent ZIP code in response to SAFMR. However, the magnitudes of these effects are modest.

The effects of a SAFMR reform depend on its details. The reforms in the demonstration differ from the recent SAFMR regulations in several respects. For example, these regulations contain many provisions that would reduce or delay reductions in the subsidy in low rent ZIP codes compared with the rent reform studied. This would certainly lead to more households remaining in these areas and perhaps higher average assistance payments. That said, the demonstration provides the best evidence currently available about many effects of SAFMRs applied within the jurisdictions of individual PHAs and some effects of SAFMRs applied throughout a metro area.