EXECUTIVE SUMMARY

THIRD ANNUAL REPORT

of the

HOUSING ASSISTANCE SUPPLY EXPERIMENT

Sponsored by

The Office of Policy Development and Research
U.S. Department of Housing and Urban Development

October 1975 — September 1976

R-2151/1-HUD
February 1977

Rand
SANTA MONICA, CA. 90406

ERRATUM

R-2151/1-HUD THIRD ANNUAL REPORT OF THE HOUSING ASSISTANCE SUPPLY EXPERIMENT (EXECUTIVE SUMMARY), October 1975 - September 1976, February 1977

p. 5, line 7: Change 224,000 to 240,000

Thank you

PUBLICATIONS DEPARTMENT

Rand

SANTA MONICA, CA. 90406

The research reported here was performed pursuant to Contract No. H-1789 with the Office of Policy Development and Research, U.S. Department of Housing and Urban Development. Statements and conclusions in this report are those of Rand's research staff and do not necessarily reflect the views of the sponsoring agency.

Published by The Rand Corporation

EXECUTIVE
SUMMARY

THIRD ANNUAL REPORT

of the

HOUSING ASSISTANCE SUPPLY EXPERIMENT

Sponsored by

The Office of Policy Development and Research
U.S. Department of Housing and Urban Development

October 1975 — September 1976

R-2151/1-HUD
February 1977

Rand
SANTA MONICA, CA. 90406

PREFACE

The following pages summarize a report prepared for the Office of Policy Development and Research, U.S. Department of Housing and Urban Development (HUD). The report describes the progress of the Housing Assistance Supply Experiment (HASE) during its third year of field operations, October 1975 through September 1976, and summarizes experimental findings to date.

The full report (R-2151-HUD) is available from The Rand Corporation, HUD, or the National Technical Information Service.

CONTENTS

THIRD ANNUAL REPORT OF THE HOUSING ASSISTANCE SUPPLY EXPERIMENT

The Housing Assistance Supply Experiment is one among several elements of the Experimental Housing Allowance Program undertaken by the Office of Policy Development and Research, U.S. Department of Housing and Urban Development (HUD). The program is designed to help HUD and the Congress decide whether a national program of direct cash assistance to low-income households is a feasible and desirable way to help them secure decent housing in a suitable living environment; and if so, to help determine the best terms and conditions for such assistance and the most efficient and appropriate methods for administering a nationwide program.

As part of this program, the Supply Experiment addresses issues of market and community response to housing allowances. It entails operating a fullscale allowance program in each of two metropolitan areas, chosen for strong contrasts in their housing markets, for ten years; and monitoring both program operations and market responses for about five years. The communities selected for the experiment are Brown County, Wisconsin (whose central city is Green Bay), and St. Joseph County, Indiana (whose central city is South Bend).

THE HOUSING ALLOWANCE PROGRAM

The allowance program is open to all families and elderly single persons in these jurisdictions that are unable to afford the standard cost of adequate housing on the local market without spending more than a fourth of their adjusted gross incomes. Each enrolled household receives monthly cash payments equal to the "housing gap" thus calculated, provided that the housing unit it occupies meets minimum standards of decency, safety, and sanitation.

Both renters and homeowners may participate in the program, and participants may change tenure or place of residence (within the program jurisdiction) without loss of benefits. Participating renters are responsible for locating suitable housing, negotiating with landlords over rent and conditions of occupancy, paying the rent, and seeing that their dwellings are maintained to program standards. Participating owners are entirely responsible for negotiating purchases and mortgage financing, meeting their obligations to lenders, and maintaining their properties to program standards.

In short, the experimental allowance program provides cash assistance that enables each participant to afford decent, safe, and sanitary housing, on condition that he find such housing in the private market and see that its quality is maintained during his occupancy. Thus, the program relies heavily on the participant's initiative and on normal market processes. The amount of the allowance is usually much less than, and does not vary with, actual housing expenditures. Since the marginal dollar spent ordinarily comes out of the participant's nonallowance resources, he has a motive to seek the best bargain he can find on the local market.

The program is funded by a ten-year annual contributions contract (ACC) between HUD and a local housing authority at each site. That authority in turn delegates program operations to a nonprofit corporation established by Rand at each site, the housing allowance office (HAO). The HAO enrolls eligible applicants, evaluates their housing, and disburses payments.

THE RESEARCH PROGRAM

The experimental allowance program is designed to simulate a permanent national program in its effects on the local housing market and the community. These effects are monitored principally through an annual cycle of field surveys addressed to a marketwide sample of residential properties, once before the program begins and for about five years thereafter.

Each year Rand, through its fieldwork subcontractors, observes changes in each such property (and in its neighborhood) and interviews the owner and the occupants. From landlords of rental properties, these interviews seek (among other items) a detailed account of property financing and property income, expenses, repairs, and improvements for the preceding year. Tenants and homeowners are queried at length about the characteristics of their housing, the elements of its cost, and their feelings about their housing and neighborhoods. They are also asked about previous changes of residence and the associated circumstances. Landlords, tenants, and homeowners are all asked to give their views on the experimental allowance program and its local effects. (Those interviewed include both program participants and nonparticipants, the latter predominating.)

The data gathered from these surveys, from HAO records, and from other sources will be used to analyze the effects of the program. The research is directed primarily at four clusters of issues bearing on the merits and optimal design of a national allowance program:

- *Supply responsiveness.* How will the suppliers of housing services—landlords, developers, and homeowners—react when allowance recipients attempt to increase their housing consumption? Specifically, what mix of price increases and housing improvements will result? How long will these responses take to work themselves out to a steady state? How will the responses differ by market sector?
- *Behavior of market intermediaries and indirect suppliers.* How will mortgage lenders, insurance companies, and real estate brokers respond to an allowance program? Will their policies help or hinder the attempts of allowance recipients to obtain better housing and those of landlords to improve their properties? What happens to the availability, price, and quality of building services and of repair and remodeling services? What seem to be the reasons for changes in institutional or industrial policies?
- *Residential mobility and neighborhood change.* In their attempts to find better housing (or better neighborhoods), will many allowance recipients relocate within the metropolitan area? What factors influence their decisions to move or to stay? What types of neighborhoods will the movers seek and succeed in entering? Do moves by allowance recipients set in motion a chain of moves by nonrecipients—either into neighborhoods vacated by recipients or out of neighborhoods into which recipients have moved?
- *Effects on nonparticipants.* How will households not receiving housing allowances—particularly those whose incomes are within or just above the range of eligibility—be affected by the program? Specifically, will the increased housing demands of allowance recipients cause an increase in housing prices for nonrecipients? Whether or not such price increases occur, will nonrecipients perceive personal hardships or benefits from the program? How will they perceive and react to allowance-stimulated neighborhood changes?

PROGRESS THROUGH SEPTEMBER 1976

Formal planning for the Supply Experiment began in April 1972. The following 18 months were spent principally on selecting sites, detailing the research design, and working out the legal problems and administrative arrangements for the experimental allowance program. Both the research and program designs were approved by HUD in October 1973, though the latter did not surmount its last legal hurdle until February 1974.

Brown County was chosen as the first experimental site late in 1972, and onsite preparations for both fieldwork and program operations began there early in 1973. Because of difficulties in obtaining approvals from suburban governments, St. Joseph County was not designated as the second site until April 1974, and even then the program was limited to South Bend. (Subsequently, all jurisdictions in the county joined the program.) In general, events in St. Joseph County lag behind those in Brown County by six months to a year.

The Housing Allowance Programs

Open enrollment in Brown County's program began in June 1974. In St. Joseph County, three months of limited invitational enrollment preceded the general enrollment that began in April 1975. Thus, at the end of September 1976, the program had been fully operative for 27 months in Brown County and 18 months in St. Joseph County. The number of applicant households and their present statuses are as follows:

	Brown County	St. Joseph County	Total
Applications	10,434	14,432	24,866
Total ever enrolled	5,438	6,322	11,760
Terminations	1,843	1,619	3,462
Currently enrolled	3,595	4,703	8,298
Currently receiving payments	3,015	3,541	6,556

The larger numbers for St. Joseph County partly reflect its larger population of eligible households (15,500 to 17,000 vs. 8,000 to 11,000 in Brown County), and partly that the HAO there had a larger staff than in Brown County, and so could enroll applicants faster. In both places, enrollment is still growing, despite the numerous terminations that usually reflect increased income.

About 80 percent of those who enroll subsequently comply with the program's housing standards and thus qualify for payments. Though proportions differ in the two sites, overall about half of those assisted are renters and half are homeowners, and about a third are households headed by elderly persons. Currently, the average payment is about $75 monthly and amounts to a fifth of the recipient's nonallowance income. The annual equivalent of all payments made in September 1976 is about $6 million.

The Research Program

As of September 1976, three annual cycles of field surveys had been completed in Brown County and two in St. Joseph County. In the two sites combined, interviews were completed in 1976 with about 1,900 landlords, 4,300 tenants, and 1,100 homeowners.

Records from the baseline surveys (conducted in 1974 in Brown County and in 1975 in St. Joseph County) have been coded, transcribed to machine-readable form, cleaned, audited, and analyzed. Those from the second survey waves in each site are now at various stages of this long data-processing sequence; those from the third wave in Brown County are just entering the sequence.

HAO administrative records for the first two years of program operations in Brown County and the first year in St. Joseph County have been organized into research files and partly analyzed.

We now have enough data from each site to compare the characteristics of the housing markets in which the experiment is being conducted and the way the allowance program has developed in each place. Key findings are summarized below.

Although the main issues of our research agenda can be resolved only through careful analysis of time series, yet to come, we are also able now to report early indicators of the allowance programs' effects on participants and their communities.

HOUSING MARKET AND COMMUNITY CONTRASTS

The two experimental sites were selected for contrasting characteristics that we judged were especially likely to influence the results of a housing allowance program. On the one hand, we sought a contrast between a market with excess demand for housing and a market with excess supply. On the other hand, we sought a contrast between a market undivided by racial or ethnic segregation and a market with segregated minority populations.

Brown and St. Joseph counties were chosen after a thorough canvass of all metropolitan areas in the nation whose populations in 1970 were under 250,000, and after site visits and negotiations with a smaller list of suitable candidates. The limit on metropolitan size reflected resource constraints: The larger the population, the more households would enroll in the allowance program and the more it would cost.

Brown County

In 1974, Brown County had about 170,000 inhabitants (48,000 households). Because of rapid growth in employment and population, the county has had a persistently tight housing market despite considerable new construction. The rental market is dominated by properties with two to four dwellings, one of which is often occupied by the owner; there are few large rental properties. Because the population is racially homogeneous, the market is unsegregated.

St. Joseph County

In 1975, St. Joseph County had about 224,000 inhabitants (76,000 households). Manufacturing employment has declined sharply since World War II, resulting in population losses first from South Bend and now from the county as a whole. The central city has a large surplus of deteriorating housing, and suburban vacancy rates are rising. The rental inventory is equally divided between single-family houses (once owner-occupied), small multiple dwellings, and large new suburban developments of garden apartments and townhouses.

About 21,000 blacks and 2,000 Chicanos live in St. Joseph County. Nearly all the blacks live in South Bend, where they constitute 18 percent of all households. Generally, the neighborhoods with the largest black populations are also those in which housing conditions are poorest and property values are lowest.

Housing Submarkets

Housing submarkets in both counties are distinguished by their distinctive vacancy and turnover processes.

In Brown County, the rental market is divided by type and age of structure and by rent level. In 1973, vacancy rates for different submarkets varied from 2.5 to 6.5 percent, annual turnover varied from 27 to 60 moveouts per 100 units, and average vacancy duration varied from 3.0 to 9.5 weeks.

In St. Joseph County, rental submarkets are better defined by type of structure and location of property, and all vacancy and turnover measures are larger than in Brown County. In 1974, vacancy rates for different submarkets ranged from 6.9 to 13.7 percent, annual turnover varied from 38 to 64 moveouts per 100 units, and average vacancy duration varied from 6.7 to 13.9 weeks.

Property Values and Rents

The market values of both owner-occupied homes and rental dwellings are about 50 percent higher in Brown than in St. Joseph County. Our analysis shows that the value of rental properties in both counties has risen considerably since about 1960, due to general price inflation. But "real" value, expressed in constant dollars, has behaved quite differently in the two places.

In Brown County, real value did not change significantly over the 13-year period ending with 1973, indicating a longrun equilibrium in the housing market there—a running balance between supply and demand (even though both were changing) at a price of about $11,000 per unit in 1973 dollars.

In St. Joseph County, real value dropped by nearly 19 percent between 1961 and 1971, from $9,050 to $7,470 per unit in 1974 dollars. Subsequently, the average value rose slightly, to about $7,700 in 1974. The long decline surely reflects the county's population changes during that period—both local redistribution and overall loss—which combined to leave a price-depressing surplus of housing in the urban core. Indeed, properties in central South Bend lost 24 percent of their value in constant dollars over the 13-year period ending with 1974, while those elsewhere in the county lost only 4 percent.

Despite the sharp differences in property values, rents in the two sites are about the same for comparable dwellings. But because of the higher vacancy rates in St. Joseph County, net rental revenue is lower there than in Brown County.

Contrasts in Consumer Choices

In both counties, newly formed households usually begin by renting. By midway through the household life cycle (older couples with children), 95 percent are homeowners. Elderly couples and widows or widowers often sell their homes and move into rented quarters.

Because of the relatively low prices of single-family homes in St. Joseph County, many households at the margin between owning and renting have chosen the former. For example, only 6.5 percent of all young single household heads in Brown County are homeowners, but over 39 percent of the corresponding group in St. Joseph County own their homes. In Brown County, two-fifths of all elderly single heads are renters; in St. Joseph County, only a fifth are renters.

Implications for the Supply Experiment

Our baseline survey data powerfully confirm the initial appraisals of housing market and community characteristics that led to the selection of Brown and St. Joseph counties as contrasting experimental sites.

Brown County does have a growing population and flourishing economy that have kept vacancy rates low and housing prices high despite substantial amounts of new construction in recent years. Neither systematic data nor reports from local observers give salience to racial or neighborhood differences as factors in Brown County's housing market. Urban neighborhoods are usually well mixed as to age, cost, and condition of dwellings, so that only a few of the oldest areas seem at all endangered by a general loss of amenity. Housing problems tend to be those of specific dwellings and specific households, not neighborhoods.

St. Joseph County, on the other hand, combines the problems of racial segregation and neighborhood decline. Its substantial minority of low-income blacks lives almost entirely in South Bend, most of them in a few neighborhoods of that city whose housing is either generally deteriorated or worse. White ethnic groups also tend to form neighborhood settlements, so that the housing market is sharply divided along racial lines and, less strongly, along ethnic lines. Much of recent residential construction has been on the urban fringe—very large developments whose dwellings are uniform as to age, cost, and condition; the older neighborhoods have changed mostly by demolition of dilapidated homes. Thus, housing problems in St. Joseph County tend to be associated with specific neighborhoods and definable types of households.

These differences are reflected in allowance program development. Because property values are low in St. Joseph County, more low-income households there are

homeowners, and homeowners make up a larger share of program participants than in Brown County. Because St. Joseph County's blacks have much lower incomes than whites, they are heavily represented among enrollees. Because St. Joseph County's housing is in worse condition, the dwellings of program applicants more often need repairs to qualify them for occupancy by allowance recipients. Because there are more vacant dwellings in St. Joseph County, those enrolled in the program do more moving than in Brown County. Again, because property values are low, more program participants have changed from renters to homeowners with the aid of their allowances.

CONTRASTS IN PROGRAM DEVELOPMENT

The findings summarized below are based on analysis of program records for the first two years of open enrollment in Brown County (ending in June 1976), but for only the first nine months in St. Joseph County (ending in December 1975). Thus, trends and patterns in program development are much less firm for St. Joseph County than for Brown County; but less precise program data through September 1976 generally confirm the differences between the sites that are noted below.

Participation and Client Characteristics

After 24 months of open enrollment in Brown County, about 42 percent of all eligible households were enrolled in the program, and we judge that the composition of the client population had stabilized. Enrollment in St. Joseph County was at first limited to the residents of South Bend and only gradually extended to the remainder of the county. In December 1975, about 21 percent of all eligible households were enrolled, but subsequent enrollment from suburban jurisdictions seemed likely to modify the composition of the client population.

Participation rates (number enrolled divided by number eligible) in both sites have been higher for renters than for homeowners and higher for younger household heads than for older ones. However, 40 percent of those enrolled in Brown County and 50 percent in St. Joseph County were homeowners; 36 percent of those enrolled in Brown County and 29 percent in St. Joseph County were elderly couples and elderly single persons.

The financial problems that make a family eligible for assistance occur most often among young couples and single women who have young children to care for but who are not well established as earners; and among older couples and single survivors who are no longer able to work. These four types of households account for over 85 percent both of those who are eligible and of those who have enrolled in each site.

Young childless couples and couples with older children, though common in the populations of our sites, are rarely eligible.

In both counties, enrollees tend to come from the lower range of eligible incomes, where allowance entitlements are larger. However, the incomes of both eligible and enrolled households are much lower in St. Joseph County. Thus, for households of three to four persons, the median adjusted gross income of enrollees in Brown County was $4,300, as compared with $2,600 in St. Joseph County.

Income differences are clearly related to the presence in St. Joseph County of a large population of low-income black households. Blacks account for 10 percent of the county's households, 16 percent of all eligible households, and (in December 1975) 41 percent of all enrolled households. Subsequent enrollment from suburban jurisdictions (where few blacks live) had reduced the last figure to 31 percent in September 1976.

Benefits to Participants

Allowance benefits are based on household income and the standard cost of adequate housing in each site. In Brown County, the benefit schedule was increased by about 15 percent in April 1976 to compensate for inflation in fuel and utility costs since the program began. The initial benefit standards, based on housing costs for September 1974, were still in effect in St. Joseph County at the end of the first program year. They were increased by about 10 percent in September 1976.

Over time, average monthly payments have changed not only because of changes in benefit schedules but because the average incomes and household sizes of participants have changed as their numbers increased. The figures given below for each site bridge the changes in benefit schedules, but also reflect changes in the composition of the client populations:

	Brown County		St. Joseph County	
	September 1975	September 1976	December 1975	September 1976
Homeowners	$54	$67	$59	$67
Renters	61	76	89	93
All participants	58	72	71	78

The larger benefits for renters, especially in St. Joseph County, reflect their lower incomes. Typically, benefits added 13 to 20 percent to the gross incomes of homeowner participants, the amounts varying irregularly with household size; and 21 to 46 percent to the incomes of renters, the largest figures being for households of two to four persons in St. Joseph County.

Participant Housing Expenses

When they enrolled, nearly all participants were spending more than a fourth of their adjusted gross incomes for housing. Their allowance benefits generally amounted to between 40 and 60 percent of their preenrollment housing expenditures.

After enrollment, some increased their expenditures substantially, others not at all. Those whose housing expenses jumped sharply were nearly all families that moved to larger or better homes or who had been living rent free on the charity of relatives or friends. Those who did not move rarely increased their outlays by much more than was needed to cover the increased costs of fuel and utilities—even though they or their landlords often made repairs to bring the dwellings up to program standards.

At the end of the second program year in Brown County, most participants, both homeowners and renters, were spending within 10 or 15 percent of the standard cost of adequate housing. At the end of the first year in St. Joseph County, renters tended to spend more and homeowners less than the standard cost. Homeowner expenses, as we calculate them, are low in St. Joseph County because home values are low there.

Improvements in Participant Housing

An enrolled household receives allowance payments only while it occupies a dwelling that meets program standards of size and quality. The rule is enforced by periodic onsite evaluations of each dwelling.

In Brown County, about half of all preenrollment homes, whether rented or owned, have failed their first evaluations. The failure rate has been even higher in St. Joseph County, where two-thirds of all rented dwellings and well over half of all owner-occupied homes failed during the first year.

The causes of failure are varied, including hazardous conditions inside or around the dwelling, inadequate kitchens or bathrooms, and inadequate space or privacy. The most common cause for failure in both sites was an interior stairway that lacked a handrail; but there were many instances of defective electrical, plumbing, or heating systems, poor ventilation, broken windows, and so on. About 10 percent of the dwellings evaluated in Brown County and 20 percent in St. Joseph County were either too small for the enrollee's family or lacked adequate interior privacy.

Obtaining Certified Housing

If a preenrollment dwelling passes its initial evaluation, payments to the occupant begin as soon as certification formalities are completed. If it fails, the enrollee has three choices. He can arrange for its repair, move to an acceptable dwelling, or forego the allowance to which he would otherwise be entitled. These decisions and the enrollee's success in executing them are the main determinants of how the allowance program affects housing quality.

At the end of the second program year in Brown County, 69 percent of all enrollees had obtained certification of their preenrollment dwellings, but 26 percent had first to repair them. Nine percent moved to another acceptable dwelling, some moving even though their preenrollment homes were acceptable. Fourteen percent had dropped out of the program without ever obtaining a certified dwelling; 8 percent were still enrolled and presumably still actively seeking acceptable housing.

The experiences of homeowners and renters differed. Relatively more homeowners than renters were able to obtain certification of their preenrollment homes without repair, relatively more homeowners repaired their homes, and relatively fewer homeowners moved. About 83 percent of all homeowner enrollees obtained certified housing, as compared with 76 percent of all renter enrollees.

The data for St. Joseph County's first year are less clear as to outcomes because they are dominated by very recent enrollments—households who have yet to repair, move, or drop out. Limited data for September 1976 suggest that the eventual outcomes will be much like those for Brown County.

Repairs and Improvements

Enrollees' efforts to secure certified housing were directly responsible for repairs to nearly 1,500 dwellings in Brown County through June 1976 and to about 850 in St. Joseph County through December 1975. By the end of September 1976, the two-site total had passed 3,900 dwellings repaired prior to certification, plus several hundred more that were found defective during annual reevaluations and were subsequently repaired.

In addition to repairing their homes in order to qualify them for certification, many participants living in certified dwellings used their allowances to pay for other repairs and improvements. As yet, we cannot distinguish those actions that would have been taken even without the allowances, but we may later be able to estimate the allowance-induced portion by comparing repair actions of program participants with those of nonparticipants.

Repair actions and their costs are reported to the HAO housing evaluators. Because owners and occupants of the repaired dwellings did most of the work themselves, the out-of-pocket costs were low—about $12 per dwelling for failed-unit repairs in St. Joseph County during the first half of 1976. Voluntary repairs between annual reevaluations were more expensive, about $275 for homeowners and $47 for renters. (Corresponding figures for Brown County were 15 to 20 percent less.) Failed-unit repairs in both sites tend to be "quick fixes" of critical defects, while more of the subsequent voluntary repairs are durable improvements, more often requiring paid professional labor.

Enrollees living in rented dwellings say that they made 40 to 50 percent of all the reported repairs to their dwellings and paid the (small) out-of-pocket costs for a fourth to a third of these repairs.

EARLY INDICATORS OF MARKET EFFECTS

When the Supply Experiment was being planned, there were many disparate views of its probable effects on the housing markets and communities in which it would operate.

A common theme was the danger of early catastrophes, such as program-induced escalation of rents and speculation in real estate, rapid turnover of neighborhoods as program participants moved and prompted others to move in turn, and hostility towards the program from those who did not benefit.

Opinion was divided as to longer run consequences. Some foresaw the revival of deteriorating neighborhoods, others expected few visible changes. Some thought the program would hasten the residential integration of minorities, others expected it to reinforce segregation. Some doubted that a substantial improvement in participants' housing was possible without new construction, except at the expense of nonparticipants.

At this juncture, we are able to say unequivocally that the predictions of front-end catastrophe were wrong. In neither site has there been a major disturbance of the market or of neighborhood settlement patterns, and in both sites the program is generally approved—at least as a worthwhile experiment—by public officials, civic leaders, landlords, real estate brokers, mortgage lenders, and most citizens who know of it. In St. Joseph County, where only South Bend was initially willing to participate, all eight of the remaining incorporated municipalities and the county government have since joined.

The other side of the coin is that the program so far has not dramatically affected the communities' housing expenditures; the amount of housing construction and home repair; neighborhood quality; the policies of landlords, mortgage lenders, or realtors; the degree of residential segregation; or tenure arrangements. Rather, it has provided specific benefits to participants with little effect on anyone else.

The participants have benefited in two ways. First, their financial burdens have been eased by allowance payments. When they enrolled, nearly all were spending more than a fourth of their income for housing; many spent as much as 40 to 50 percent. Now, only the poorest among participants spend more than a fourth of their nonallowance income for housing. Second, about a third are occupying better housing, sometimes acquired by moving but more often by repairing their homes to meet program standards.

Perhaps the most reassuring finding about market effects is that in Brown County's tight housing market, an open-enrollment allowance progam could be introduced without visible effect on rents or home prices. We have completed a thorough study of rent changes in the county since the program began, and find that they have risen by no more than was needed to compensate for the rising prices of fuel and utilities. If anything, renters in the allowance program have been less affected by inflation than the market as a whole has.

A second important finding is that the repairs needed to qualify substandard dwellings for occupancy by program participants are not generally expensive enough to require special front-end financing, even though many hazardous conditions are remedied. The main reason is that homeowners, landlords, and tenants have done most of the necessary work, hiring contractors only for major jobs.

Over time, program participants should gain confidence in the reliability of allowance payments and may venture more on housing improvements that are desirable but not mandatory. As enrollment grows, so will the program effects. We note various indications of supportive community change—city-sponsored housing rehabilitation and home repair programs, landlords advertising that their vacant units meet HAO standards, lenders and realtors taking note of participants' new resources. But we cannot yet say how these trends will work out.

In short, we think the program has so far been modestly successful in meeting its main objectives: enabling participants to afford decent, safe, and sanitary housing without unreasonably scrimping on other forms of consumption. Community benefits—visible neighborhood improvement, residential integration of minorities—are more elusive. The program may or may not have these effects. If so, they will come slowly.