

# **Section 8 Tenant-Based Housing Assistance: A Look Back After 30 Years**

**March 2000**



## PREFACE

The year 2000 marks the 30th anniversary of the creation of the Housing Allowance Experiment, HUD's first program of tenant-based rental housing assistance and the precursor of the Section 8 tenant-based housing assistance program. Thus, this is an appropriate time to examine the Section 8 tenant-based program, consider its numerous accomplishments, and discuss changes we have made or plan to make that will result in a program that is even stronger and more responsive to low-income Americans in need of housing assistance.

The Section 8 tenant-based rental assistance is a critical tool that helps to meet the Department's central mission of providing decent, safe, and affordable housing. As this report shows, the program is particularly well-suited to reducing the number of families with worst case needs for housing assistance—a number that has continued to rise even during this period of unprecedented economic expansion. The Section 8 tenant-based program is successfully serving a large variety of types of families. Of the 1.4 million families currently being served, 64 percent are families with children, 15 percent are elderly families or individuals, and 13 percent are persons with disabilities. HUD research has shown that success rates in using tenant-based assistance are almost equally high no matter the racial or ethnic group, the age or disability status, or the primary source of income.

A concern has been raised that Section 8 tenant-based assistance results in “horizontal poverty,” or clustering of Section 8 recipients in large numbers in low-income neighborhoods, where their living conditions are no better than if they were living in public housing. As demonstrated in this report, research does not support this -- Section 8 tenant-based assistance recipients compare well with all rental households on several measures, including living in census tracts with median household incomes below \$10,000, less than 30 percent poverty, and less than 10 percent minority households. In addition, families with Section 8 assistance are

much less concentrated than those in public housing, and the families who move to suburban areas do the best.

The President's budget for FY2001 includes funds for 120,000 new vouchers. We have also requested a \$50 million Voucher Success Fund that will permit local Public Housing Agencies (PHAs) to provide counseling, security deposits, and other forms of support to make Section 8 tenant-based assistance an even better program. We look forward to working with the Congress and the PHAs in assuring that the next 30 years see an even better Section 8 program.

## SECTION 8 TENANT-BASED HOUSING ASSISTANCE: A LOOK BACK AFTER 30 YEARS

### EXECUTIVE SUMMARY

#### ***Background***

The year 2000 is the 30th anniversary of the creation of tenant-based rental housing assistance. From the Experimental Housing Allowance Program in 1970, through the consolidation of the Section 8 certificate and voucher programs in the Quality Housing and Work Responsibility Act of 1998, and up until today, the history of tenant-based housing subsidy for low-income renters has been one of growth, refinement, and responsiveness in meeting the needs of low-income families and individuals.

Section 8 tenant-based rental assistance is a critical tool that helps to meet the Department's central mission of providing decent, safe, and affordable housing. In the Housing Act of 1949, Congress declared the Nation's housing policy to be, "the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family." The Section 8 program is an indispensable means of helping to achieve this goal. In addition, the program is particularly well-suited to reducing the number of families with worst case needs for housing assistance—a number that has continued to rise even during this period of unprecedented economic expansion. In FY99, Congress appropriated funding for 50,000 new vouchers—a significant legislative achievement that was improved upon in the following year when funds were added for an additional 60,000 new vouchers. The President's budget for FY2001 builds upon these recent successes by including funds for 120,000 new vouchers. The Administration is committed to working with Congress to enact this much-needed funding to provide assistance for those American families with the most dire needs.

Section 8 has proven to be both effective and cost-efficient. It provides families choice in where they live and in how much they pay to live there. It is

administratively less burdensome for Public Housing Agencies (PHAs), who do not have direct management responsibility for the units occupied by recipients. It is well-accepted because it is less costly to subsidize a family with tenant-based Section 8 assistance than it is to construct and operate a new unit of deeply subsidized assisted housing, thus permitting more persons to be served.

Section 8 tenant-based assistance has also proven to be an important housing resource for meeting many specific and important public purposes. The flexibility of the program design makes it the perfect tool for a wide variety of critical housing needs such as relocating residents of foreclosed properties, providing for the Family Unification program, and assisting non-elderly persons with disabilities who are affected by the designation of a public housing development for occupancy only by elderly persons.

### ***Program Design***

*Residential choice and mobility* permits families to live in any neighborhood or in any community they want if they can find a housing unit that is affordable under the rules of the program, that meets Housing Quality Standards, and that has an owner willing to participate in the program.

The *subsidy scheme is flexible* enough to help a family move to its chosen location. The Fair Market Rent is set at the 40th percentile of the local rental market for standard-quality existing units, based on new leases commenced in the previous year. Exception rent procedures offer PHAs flexibility in setting local payment standards.

The *fee structure* for reimbursing PHAs for the cost of operating a Section 8 program is flexible enough to permit pay for landlord outreach and modest amounts of tenant counseling. This ensures that program participants make their location decisions based on maximum information and that sufficient choice of housing units exists to permit them to implement the decision.

Tenant *selection and occupancy policies* permit landlords and PHAs to examine an applicant's history, including criminal background, to ensure selection of a responsible tenant. HUD's One Strike provisions give PHAs power to deny admission or to terminate assistance to individuals with a history of use or abuse of drugs or alcohol, or of criminal behavior.

PHAs may *sanction both bad tenants and bad landlords*. A PHA may determine not to renew a Housing Assistance Payment contract with an owner who refuses to terminate a tenant for these reasons. Owners with a history of non-compliance with Housing Quality Standards or failure to meet State or local housing codes may also be denied participation in the program.

HUD's *Section 8 Management Assessment Program* (SEMAP), which measures a PHA's management performance in 14 key areas of the Section 8 program, is an important new feature in ensuring the success and the acceptance of the Section 8 program. Performance on such responsibilities as Housing Quality Standards inspections and verification of tenant income are examples of indicators that are important to the viability of the local Section 8 program.

### ***Program Performance***

The Section 8 tenant-based program is successfully serving a large variety of types of families. Of the 1.4 million families currently being served, 64 percent are families with children, 15 percent are elderly families or individuals, and 13 percent are persons with disabilities. HUD research has shown that success rates in using tenant-based assistance are almost equally high no matter the racial or ethnic group, the age or disability status, or the primary source of income. While the success rate for non-minority families in a 1994 study was 89 percent, it was 87 percent for black families, 92 percent for Hispanics, and 89 percent for others. Similarly, the national success rate for single parents with children was 90 percent; it was 86 percent for the elderly and 89 percent for single persons with disabilities.

**Section 8 Mobility**

One of the key advantages of the Section 8 tenant-based program is the greater decisionmaking authority provided to families in choosing where to live. Current research provides strong evidence that Section 8 has been very successful in providing voucher holders with increased mobility. A concern has been raised that Section 8 tenant-based assistance results in “horizontal poverty,” or clustering of Section 8 recipients in large numbers in low-income neighborhoods, where their living conditions are no better than if they were living in public housing. Research does not show this and instead shows that Section 8 tenant-based assistance recipients compare well with all rental households on several measures, including living in census tracts with median household incomes below \$10,000, less than 30 percent poverty, and less than 10 percent minority households. In addition, families with Section 8 assistance are much less concentrated than those in public housing, and the families who move to suburban areas do the best.

Often, where a concern is raised, Section 8 may erroneously be cited as the cause. In St. Louis, for example, there were few Section 8 families in the neighborhood about which people complained. In Boston, neighborhood problems were not caused by Section 8 households, as initially charged. In Fairfax County, Virginia, the concentrations of Section 8 households reflected the location of affordable rental housing in the county.

Properly used, Section 8 program design features can help avoid concentration of Section 8 recipients in particular neighborhoods. Residential choice and mobility mean that a family may choose to move to a low-poverty neighborhood or to an area of low minority concentration. Flexibility in the subsidy determination helps maximize participant choice by ensuring that if the rents are higher in these neighborhoods of low concentration the program will be able to help them move there. Tenant selection and occupancy policies provide the tools to avoid potential problem tenants or to respond to them where they exist.



### ***Recent HUD Actions***

HUD has implemented *stronger program monitoring and enforcement* of all its programs, including Section 8. The Section 8 Management Assessment Program will permit the Department to identify and work with PHAs with serious Section 8 program problems and will also allow us to identify weaknesses that could turn into problems without attention. HUD understands the need for *technical assistance* to PHAs to help them improve their local programs, including meeting the goals of mobility and deconcentration. A series of Section 8 technical assistance efforts has begun, and HUD has plans for more. HUD also believes that it has a responsibility to continue its *policy analysis, research, and dissemination* efforts. Thus, the Department has a large number of research projects underway that will contribute to the continued improvement of the program.

The Department looks forward to continued program success and is committed to ensuring that success with strong monitoring and constant consideration for the need for program improvement. In recent years, Congress and the Administration have worked together to enact major legislative and programmatic changes in the program, while providing funding to expand the number of families served. The President's budget for FY2001 builds upon this successful track record by including funding for 120,000 new vouchers. We look forward to continued cooperation with Congress in ensuring a strong future for the program.

## INTRODUCTION

The year 2000 marks the 30th anniversary of the creation of tenant-based rental housing assistance. In the Housing and Urban Development Act of 1970, the Congress directed HUD to “undertake on an experimental basis a program to demonstrate the feasibility of providing families of low income with housing allowances to assist them in obtaining rental housing of their choice in existing standard housing units.” Just as it is appropriate for people reaching a milestone birthday or anniversary to take stock of their accomplishments and consider, and perhaps redefine, their goals for the future, we believe that it is a good time for the Department to do the same thing. In addition, this anniversary provides an opportunity for the Department to be responsive to Congressional inquiries requesting the latest information on the operations of the program. Thus, we have prepared this paper to examine the Section 8 tenant-based program, consider its numerous accomplishments, and discuss changes we have made or plan to make that will result in a program that is even stronger and more responsive to low-income Americans in need of housing assistance.

### ***Background***

From the creation of the Experimental Housing Allowance Program in 1970, through the consolidation of the Section 8 certificate and voucher programs in the Quality Housing and Work Responsibility Act (QHWRA) of 1998, and up until today, the 30-year history of tenant-based housing subsidy for low-income renters has been one of growth, refinement, and responsiveness in meeting the needs of a wide range of low-income families and individuals. From the original 12-site experiment serving a total of 30,000 households, to a national Section 8 tenant-based assistance program currently serving 1.4 million households<sup>1</sup>, we have seen three decades of change, and of broad support for tenant-based housing assistance as an important tool in meeting this Nation’s need for affordable housing.

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<sup>1</sup> In fiscal years 1999 and 2000, an additional 110,000 vouchers were funded. The FY99 units have been awarded to PHAs and are currently being issued to families. The FY2000 units will be awarded to PHAs later this year.

Section 8 has proven to be both effective and cost-efficient. It is effective for recipients because it provides choice in where they live and in how much they pay to live there. It is well-accepted because it is less costly to subsidize a family with tenant-based Section 8 assistance than it is to construct and operate a new unit of deeply subsidized assisted housing, thus permitting more persons to be served. Section 8 is also a practical program because, as a family's income increases, its subsidy decreases until the point where 30 percent of income equals the Fair Market Rent (FMR). At that point, the family may continue to occupy its housing unit, but the subsidy is available to serve another family. This contrasts with public housing, where a family may choose to continue to pay 30 percent of income and occupy a unit even when its income is sufficient to pay market rent and move elsewhere.

While there have been criticisms of the Section 8 program, they have not tended to focus on the philosophy of tenant-based assistance or on accusations of fraud, waste, or abuse in the program. Many criticisms related to problems in estimations of need for funds that led to the build-up of unneeded and unexpended funds. The Department worked diligently to correct these budget and accounting problems. New policies have been implemented to address these issues.<sup>2</sup>

In this report we present a short history of the program, explore the reasons for the program's growth, describe the design elements that contribute to the program's success, and discuss some concerns that have been raised about the program and how the Department is addressing them. In particular, we will address three related issues: Is the policy of using tenant-based assistance to deconcentrate public housing beneficial to the lives of the families who participate and the neighborhoods involved? Have there been instances where Section 8 recipients end up clustered in particular neighborhoods, and does the clustering of program recipients have negative impacts on the health of those neighborhoods? Are there

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<sup>2</sup> The Department has made two changes to the Section 8 program to eliminate the build-up problem. They are contained in 24 CFR Part 982, published in the *Federal Register* on October 21, 1999. Renewals will now be calculated by looking at the actual cost for the most recent available fiscal year and adjusting the cost by an inflation factor based upon rent inflation in the local housing market. In addition, HUD is now authorized to reallocate assistance from PHAs that under-utilize their Section 8 tenant-based assistance to PHAs that can and will be able to use the funds.

truly neighborhood problems caused or exacerbated by the way the Section 8 program is operated?

Both families and neighborhoods are well served by our deconcentration policy. Nearly all of the instances of clustering that occur reflect patterns of concentration that would exist absent the Section 8 assistance, and neighborhood problems directly related to the Section 8 program are extremely rare, if they exist at all. However, we must be sure to understand the underlying causes of any complaints against the program and address them by identifying and implementing solutions.

## ***History***

### *The Experimental Housing Allowance Program*

In response to the Congressional directive to undertake an experimental housing allowance program, HUD designed a set of experiments to answer four questions:

- How many families will make use of allowance payments?
- What kind of housing will they choose, and in what neighborhoods?
- How will housing markets respond to the demand created by additional purchasing power?
- How and at what cost might an allowance program be administered?

In many ways, these four questions are as relevant to our concerns about the Section 8 tenant-based program today as they were in the early 1970s. To answer the questions, a three-part Housing Allowance Experiment design was created:

- The Demand Experiment examined how many eligible households actually took part in the program, how they used the money, and what factors affected their participation;
- The Supply Experiment examined the impact of the program on housing markets, including impacts on housing price and neighborhoods; and
- The Administrative Agency Experiment examined administration of a housing allowance and the costs of administration.

A few of the findings of the Experiment are of particular interest to the ultimate design of the Section 8 tenant-based assistance program and to this paper:

- Payments had to be tied to housing standards to ensure that households would live in standard housing;
- Housing allowances had minimal impact on the decision to move. Mobility and location choices were based on ties to relatives, neighborhoods, friends, workplaces, and schools. Families who moved went to slightly better neighborhoods;
- Housing allowances did not affect the price of housing; they did not increase rents by creating more effective demand for rental housing; and
- Housing allowances did help preserve the supply of existing standard housing by stimulating repairs and maintenance of units that did not initially meet the program standards and by requiring annual inspections of housing units (U. S. Department of Housing and Urban Development 1980).

#### *The Housing Certificate Program*

By 1974, Congress was convinced that tenant-based housing assistance was a viable alternative to public housing and, in the Housing and Community

Development Act of 1974, it amended the Housing Act of 1937 by adding Section 8, which created a tenant-based housing assistance program, commonly referred to at the time as “Section 8 Existing.” This name differentiated it from “Section 8 New,” another portion of the Section 8 program that was used to subsidize new construction, substantial rehabilitation, or moderate rehabilitation by committing rental assistance to some or all of the units involved.

The Section 8 Existing program served lower-income families, introduced the concept of FMRs, and permitted exception rents<sup>3</sup>. The tenant payment was set at 15 or 25 percent of income, taking into consideration the income of the family, the number of minor children in the household, and medical or other unusual expenses. This percent of income was later raised to 30 percent of income. Generally, families could not rent above the FMR established by HUD for the locality. Thirty percent of families assisted had to be very-low-income families at the time of initial renting of a unit. The legislation made it clear that the “selection of tenants...shall be the function of the owner....” Properties had to be maintained at Housing Quality Standards set by the Department.

### *The Housing Voucher Program*

By 1983, Congress accepted HUD’s proposal that more flexibility in tenant-based assistance was appropriate and created the Voucher Demonstration in the Housing and Urban-Rural Recovery Act of 1983. In the Housing and Community Development Act of 1987, the Congress replaced the voucher demonstration with a permanent voucher program.

Two important features of the voucher program responded to the desire to provide more flexibility:

- Vouchers were to make up the difference between a payment standard based on the FMR and 30 percent of the family’s adjusted income. A family with a voucher could choose to rent a more expensive unit, thus widening its housing choice.

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<sup>3</sup> Exception rents are rent standards above the published FMRs.

While the subsidy was capped by the payment standard, a family could decide to pay the additional costs. If a family rented at less than the payment standard, it would keep some or all of the savings.

- Portability, the ability to use the voucher in a jurisdiction other than that where the issuing PHA operates, was a new program feature. Over time, portability was extended to the certificate program as well. It was also expanded so that now a family may use its voucher to live in any jurisdiction in the country that operates a Section 8 tenant-based program. Portability has proven to be an important tool in helping families move to neighborhoods offering better services, better environments, and better opportunities for moving to self-sufficiency.

#### *Merger of the Certificate and Voucher Programs*

In 1998, the Department and Congress reached agreement that an important element in the reinvention of HUD and its programs was the streamlining of the Section 8 certificate and voucher programs into a single program with a single set of regulations. This would simplify the program for the Department, local administrators, and participating families. No longer would there be two different programs with two sets of rules. The 1998 Public Housing Reform Act authorized this merger, permitting completion of Section 8 consolidation efforts that the Department had begun through rulemaking. The merged program continues the voucher program policy of permitting a family to rent above the payment standard (but subject to a limitation that the family cannot pay more than 40 percent of their income for rent), retains Housing Quality Standards, and permits portability to any jurisdiction administering a Section 8 program. The merger also helped streamline program rules by eliminating the so-called “take one, take all,” “endless lease,” and 90-day notification for lease termination provisions contained in the previous law. In addition, while maintaining the policy that tenant screening and selection is the responsibility of the landlord, it permits PHAs to screen prospective tenants as well. It also requires that leases contain language providing that tenancy may be terminated for criminal activity.





### ***Program Growth***

From 30,000 households participating in the Experimental Housing Allowance Program to the 1.4 million families served by the Section 8 tenant-based program today, the program has experienced tremendous growth not just in size, but in importance and acceptance as an appropriate method for providing housing assistance to very-low-income families.

From the passage of the 1974 Act through FY94, year after year Congress renewed funding for previously issued certificates and vouchers and enacted incremental housing certificates. Through 1980, over 600,000 certificates were provided, and by 1994 the total of certificates and vouchers had climbed to 1.4 million. With enactment of the Fiscal Year 1995 Rescissions Act (Public Law 104-19), the Congress stopped providing incremental tenant-based assistance, though it did continue to renew expiring certificates and vouchers. Secretary Cuomo underscored the need for further expansion of the program and, as part of the negotiations on the Fiscal Year 1999 VA-HUD Appropriations Act, which included the QHWRA, Congress began to once again fund incremental tenant-based housing assistance. As part of the Fiscal Year 1999 VA-HUD Appropriations Act, after 4 years with no new incremental Section 8 units Congress provided 50,000 new vouchers to be competitively awarded to support families making the transition from welfare to work. In FY2000 another 60,000 units were provided that were not directed to a particular housing purpose or clientele, but rather will be competitively awarded to PHAs through a Notice of Funding Availability after funds are first allocated to HUD's field offices through a needs-based fair share formula.

**Table 1: Units of Incremental Section 8 Tenant-Based Assistance Enacted<sup>4</sup>, Fiscal Years 1975–2000<sup>5</sup>**

Fiscal Year	Certificates	Vouchers	Total	Cumulative Total
1975–1980	624,604		624,604	
1981	55,800		55,800	680,404
1982	23,314		23,314	703,718
1983	61,220		61,220	768,938
1984	56,000	15,000	71,000	835,938
1985	37,500	38,500	76,000	911,928
1986	31,203	35,449	66,652	978,590
1987	10,000	50,000	60,000	1,038,590
1988	10,000	44,915	54,915	1,092,505
1989	18,000	47,000	65,000	1,158,505
1990	31,951	23,005	54,956	1,213,461
1991	30,997	25,850	56,847	1,270,308
1992	25,905	25,000	50,905	1,321,213
1993	19,840	19,249	39,089	1,350,302
1994			39,703 <sup>6</sup>	1,390,005
1995			0	1,390,005
1996			0	1,390,005
1997			0	1,390,005
1998			0	1,390,005
1999		50,000	50,000	1,440,005
2000		60,000	60,000	1,500,005

Section 8 tenant-based assistance has also proven to be an important housing resource for meeting many specific and important public purposes. The flexibility of the program design makes it the perfect tool for a wide variety of critical housing needs. Examples include using Section 8 to relocate residents of foreclosed properties or properties that are discontinuing Section 8 project-based assistance; to relocate and provide replacement housing for public housing units that are demolished or disposed of; for the Family Unification program; for witness relocation; or to assist non-elderly persons with disabilities who are affected by the designation of a public housing development for occupancy only by elderly persons. During the 4 years when the Congress approved no incremental certificates or vouchers, there were appropriations for such specified purposes.<sup>7</sup>

<sup>4</sup> This table does not include any non-incremental certificates and vouchers provided for special purposes during fiscal years 1995 to 1998 because they were not incremental vouchers.

<sup>5</sup> These numbers are estimates; the Congress appropriated a dollar amount for certificates and vouchers, and the Department has estimated how many families that amount served.

<sup>6</sup> In FY94, Congress combined the funds for certificates and vouchers into a single appropriation for Incremental Rental Assistance.

<sup>7</sup> These units were not counted as incremental assistance because they did not add additional families to the total universe of HUD-assisted families.

### ***Program Design Elements***

The tenant-based Section 8 program has a number of design elements that make it attractive for families and for PHAs alike:

The hallmark of the Section 8 program is *residential choice and mobility*. Families may choose to live in any neighborhood or in any community they want if they can find a housing unit that is affordable under the rules of the program, that meets Housing Quality Standards, and that has an owner willing to participate in the program. This permits a family to make a housing selection based upon any number of factors including access to employment or transportation; the quality of the schools; the characteristics of the housing or the neighborhood; or nearness to family, friends, church, or other community facilities or services. Families may rent in place, move across town, or go to another city or State to find the housing that best meets their needs. This is a choice that is not available in place-based subsidy programs.

The *subsidy scheme is flexible* enough to help a family move to its chosen location. The FMR is set at the 40th percentile of the local rental market for standard quality existing units, based on new leases commenced in the previous year. On average, about one-half of the rental stock in an area may, in fact, fall within this range.

Because the market areas in which FMRs are set are fairly large, rents will, in fact, vary greatly across the area. Thus, two features of the program are particularly important: (1) local flexibility in establishing payment standards; and (2) local flexibility in conducting rent reasonableness tests to account for variations in market rents within local jurisdictions.

*Local Payment Standards:* PHAs have complained that FMRs are too low for their areas and lag behind changes in local market conditions. These problems are

likely to occur in areas where rents have recently increased at an unusual rate and in higher cost submarkets of metropolitan areas. Following enactment of the Public Housing Reform Act of 1998, PHAs have more control over local payment standards and may respond on their own to changing conditions. PHAs may set the local payment standard between 90 and 110 percent of FMR and may vary the payment standard by neighborhood as long as they remain within the 90–110 percent range. Thus, the payment standard provisions allow the PHA to adapt to variations in its housing market. This flexibility also means that a family could be assisted to lease a unit with a higher rent in a more expensive neighborhood that might not otherwise be available to program participants. In some circumstances, PHAs may obtain permission from their field office to go to 120 percent of FMR for a designated part of the FMR area and may ask for this exception rent for all units in the subarea or for units of a given size. Justifications can include difficulty finding housing or finding housing outside areas of high poverty. A PHA may appeal to HUD Headquarters for an even higher adjustment for its entire jurisdiction if, in addition to the justifications required to go to 120 percent of FMR, these higher rents are needed to prevent financial hardship and are supported by a statistically representative rental housing survey. The Department has approved over 400 FMR exceptions to date, up from about 130 just 4 years ago.

*Local Rent Reasonableness Tests:* Because there are wide variations in rents across a housing market, the potential exists for using a payment standard that is too high for a particular submarket and paying more than a unit is actually worth. Thus, a PHA must perform a rent reasonableness test to ensure that the rent on a unit is in keeping with the rent for comparable units in the neighborhood. Without such restraints on rent, landlords could be paid more by Section 8 tenants than they would receive from other families renting without assistance. This could create a temptation for landlords to be less diligent in tenant screening in order to secure high-paying Section 8 tenants. It could also lead to a situation where a landlord with a Section 8 tenant maximizes profit from these high rents by neglecting maintenance on the assumption that the tenant would not complain and risk losing the unit. In effect, the rent reasonableness test should prevent the landlord from milking a property and then selling it once he has made his money from it.

The *fee structure* for reimbursing PHAs for the cost of operating a Section 8 program is flexible enough to permit paying the cost of providing landlord outreach and modest amounts of tenant counseling. This helps ensure that program participants make their location decisions based on maximum information and that sufficient choice of housing units exists to permit them to implement the decision. PHAs can establish counseling programs to assist very-low-income families who live in areas of high concentration of poverty to move to areas with greater income diversity. These programs provide information about housing options in neighborhoods throughout the metropolitan area.

Tenant *selection and occupancy policies* play an important role. Historically, legal responsibility for screening of potential families for the tenant-based program has been the responsibility of the landlord. Landlords may examine an applicant's history of rent payment and other matters that will help ensure that the applicant will be a responsible tenant. Criminal background checks are permissible. With the passage of the 1998 Act, PHAs have been authorized to screen applicants for the program. In the case of small landlords, PHAs may have better resources to check potential tenants' criminal histories, and their ability to do so may attract more landlords into the program. In addition, PHAs play a role in determining program admission and continued assistance. Under HUD's One Strike provisions, PHAs have the power to deny admission or to terminate assistance to individuals with a history of use or abuse of drugs or alcohol, or of criminal behavior that interferes with the peaceful enjoyment of the premises by other residents.

PHAs have the ability to *sanction both bad tenants and bad landlords*. Landlords must include language in their leases that establishes the right to terminate tenancy for drug-related or violent criminal activity or for activity engaged in by the tenant or his or her household, guests, or any other person under his or her control if that behavior threatens the health, safety, or right to peaceful enjoyment of the premises by other tenants, the owner or manager, or persons in the immediate vicinity. A PHA may determine not to renew a Housing Assistance Payment contract with an owner who refuses to terminate a tenant for these reasons. In addition, owners with

a history of non-compliance with Housing Quality Standards or failure to meet State or local housing codes may also be denied participation in the program.

HUD's *Section 8 Management Assessment Program* (SEMAP), which measures a PHA's management performance in 14 key areas of the Section 8 program, is an important new feature in ensuring the success and the acceptance of the Section 8 program.<sup>8</sup> Performance on such responsibilities as Housing Quality Standards inspections and verification of tenant income are examples of indicators that are important to the viability of the local Section 8 program.

### ***The Need for Housing Assistance***

As Secretary Cuomo fought for the continued funding of Section 8 vouchers, he relied on HUD's Worst Case Needs analyses of American Housing Survey data. The data show that 5.4 million very-low-income renter households are in need of housing assistance because they live in housing with severe physical problems, pay more than 50 percent of their incomes for rent, or both. Even as America's economy has experienced unprecedented, sustained growth, the need for housing assistance has not declined.

In almost every case (94 percent), households with worst case needs are faced with high rent burdens. This is true whether the household is headed by an elderly person or a person with disabilities, or is a family with children present. Severe rent burden is the only housing problem facing 77 percent of all families with worst case needs. These families live in adequate, uncrowded housing, so Section 8 assistance alone would solve their worst case housing need, with no need to add to the supply of affordable housing.

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<sup>8</sup> The fourteen key indicators in SEMAP include: Selection from the Waiting List; Rent Reasonableness; Determination of Adjusted Income; Utility Allowance Schedule; HQS Quality Control Inspections; HQS Enforcement; Expanding Housing Opportunities (including deconcentration); FMR Limit and Payment Standard; Annual Reexaminations; Correct Tenant Rent Calculations; Pre-Contract HQS Inspections; Annual HQS Inspections; Lease-Up; and Family Self-Sufficiency (FSS) Enrollment and Escrow Accounts.

In addition, in a HUD *Issue Brief* published in 1995 (U.S. Department of Housing and Urban Development, 1995a), the Department documented the availability of housing at or below the FMR. In the 10 metropolitan areas considered in this report, at least 40 percent of all two-bedroom units had rents at or below the FMR. These units were widely disbursed, accounting for at least 30 percent of the rental stock in over two-thirds of residential tracts. Thus, affordable housing is available, but without assistance families with worst case needs for housing simply cannot afford it. It is this problem of affordability, caused by lagging incomes and high housing costs, that faces the overwhelming majority of families in need of housing assistance. This is the very problem that vouchers are designed to solve.

Further analysis of who these families with worst case needs are and why they need housing assistance is instructive because it underscores the need for assistance and dispels many of the myths about such families.

- Almost 1.2 million households with worst case needs consist of single elderly individuals or elderly couples with no children present in the household. Elderly households overwhelmingly receive Social Security, yet more than one-half of them have incomes below the poverty line, and 74 percent have incomes below 30 percent of area median.
- Over 2 million families with children have worst case needs for housing. While as many as 44 percent receive Temporary Assistance to Needy Families or Supplemental Security Income (SSI), one-half have earnings as their main source of income; yet 84 percent have incomes below the poverty line and 80 percent have incomes less than 30 percent of area median.

The need for incremental assistance is also underscored by the size of the waiting lists for the Section 8 program and public housing. There is a national average time on the waiting list of 11 months for public housing and 28 months for Section 8 vouchers, but in large cities the wait is much, much longer. In New York City a family must wait 8 years for public housing and, in Washington, D.C. or Cleveland, 5 years. In New York City or Washington, the wait for Section 8 is 8

years; in Los Angeles it is 10 years. The combined waiting lists in Chicago alone could consume all 60,000 vouchers appropriated in FY2000 (U.S. Department of Housing and Urban Development, March 1999). Multi-year waiting lists discourage families from applying, and this results in an underestimation of the number of interested applicants.

### ***Comparing Subsidy Costs***

In considering the future growth of the Section 8 program, cost represents an important issue. In 1995, HUD's Office of Policy Development and Research (PD&R) examined the cost of a certificate in metro areas where public housing is located and calculated the costs for certificates for the public housing population, taking into account family sizes (U.S. Department of Housing and Urban Development, 1995b). The paper compared these costs to the sum of public housing operating subsidy, modernization, and drug elimination grants. The study concluded that the marginal cost of public housing was more expensive by as much as \$41 per occupied unit per month (i.e., public housing is more expensive even if construction costs are ignored). This difference in cost reflected the need to undertake deferred maintenance and modernization of the aging public housing stock and to address issues such as drug activity and crime around densely concentrated developments. The Department believes that assisted housing construction is far more expensive than Section 8 tenant-based assistance and has not considered such construction a cost-effective alternative for several years. The major exception is for meeting the needs of special populations such as the elderly or persons with disabilities. In these cases, project-based assistance can provide special accommodations and services that would not be available in existing rental housing.

PD&R is currently working on a revised analysis of the relative costs of Section 8 tenant-based assistance and other HUD subsidy programs. When completed, this study should aid policymakers in making effective decisions with regard to how best to serve the greatest number of eligible recipients in an effective and cost-efficient manner.



### ***Program Performance***

The Section 8 program is successfully serving a large variety of types of families. Of the 1.4 million families currently being served, 64 percent are families with children, 15 percent are elderly families or individuals, and 13 percent are persons with disabilities. The families receiving Section 8 assistance are 40 percent white, 41 percent black, 16 percent Hispanic, 2 percent Asian, and 1 percent Native American. Forty-six percent of the families with children have their primary income from wages, 36 percent from public assistance, and the remainder from Social Security, SSI, and pensions. Families with tenant-based assistance are very poor; their median income is \$8,663. While families with children have a slightly larger median income of \$9,654, as we have seen, less than one-half of them have their primary income from wages, and even among families who do work, average income is only \$14,657.<sup>9</sup>

In 1987, HUD-sponsored research on the Freestanding Housing Voucher Demonstration (U.S. Department of Housing and Urban Development, 1987) showed that the overall success rates at 18 of the 20 Housing Voucher Demonstration sites were almost identical for certificate and voucher holders—61 percent for voucher holders and 60 percent for certificate holders. These represented an increase over a success rate of 45 percent identified in a 1979 report on the certificate program. Success rates fell below 50 percent in the two markets with the lowest vacancy rates, but exceeded 70 percent in seven of the other markets. Success rates were highest for families in better pre-program housing, families with higher pre-program rents (another indicator of housing quality), and families who did not intend to move. This means that families who rented in place had the highest success rates. Because white families and the elderly had the best pre-program housing units, they had the highest success rates.

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<sup>9</sup> Data are from HUD's Multifamily Tenant Characteristics System (MTCS), as of October 1999.

In 1994, HUD published a report on utilization of the Section 8 certificate and voucher programs (U.S. Department of Housing and Urban Development, 1994). Overall, the study found that 87 percent of a national sample of enrollees successfully obtained housing with their tenant-based assistance (when excluding performance data for New York City). While this was a marked improvement over the results of the two previous studies described above, the researchers were unable to fully account for the increase in success rates. To some extent, these results may be caused by the tightness or looseness of the housing rental market at the time of data collection. Section 8 directors in the study sites believed that this was a factor, but the evidence on vacancy rates in these sites does not completely support this perception. Because of some concerns that current tight housing markets may be leading to success rates lower than those in the 1994 study, HUD is currently conducting a new utilization study.

As interesting as the national success rate is the breakdown of success in renting by demographic characteristics. Here, too, results of the 1994 study are impressive. Success rates are almost equally high no matter the racial or ethnic group, the age or disability status, or the primary source of income. While the success rate for non-minority families in the national sample was 89 percent, it was 87 percent for black families, 92 percent for Hispanics, and 89 percent for others. Similarly, the national success rate for single parents with children was 90 percent; it was 86 percent for the elderly and 89 percent for single persons with disabilities. Only when a family needed a larger unit, with three or more bedrooms, did success rates start to decline. Such families had an 84 percent success rate compared to a 91 percent success for families who needed two bedrooms.

This study examined some of the factors leading to success. Overall, having a disability or working lowered success, probably because they affect the ability to search. Needing a large unit also lowered success. Families with a high FMR relative to income, and thus a high expected subsidy, or with better pre-program housing were more likely to succeed. Families who succeeded by moving did so after a lot of effort; on average they looked at nine units before finding one to rent with Section 8 assistance.

These findings offer much to think about when contemplating how to maintain or improve upon the program's success. How does one overcome the problems of a housing search for a person with a disability or a person with a job whose time for search is limited? How does a program reach out to owners of larger units to accommodate large families? How can the program be made attractive to landlords currently housing low-income families who would prefer to rent in place? The National Low Income Housing Coalition (Maney and Crowley, 1999) surveyed Section 8 administrators about success rates and learned that they actually have very little information on turn-back rates and the ratio of certificates and vouchers issued to those used. The administrators did not keep track of why Section 8 was not used, yet they listed low FMRs/payment standards and personal problems of the families as the most frequent reasons why families did not succeed. Thus, it is especially important that HUD's new voucher utilization study not only examine recent utilization rates but also make recommendations for a system in which voucher success rates can be checked on an ongoing basis. HUD has proposed a revision to Form 50058 (used to collect basic information on residents of public housing and certificate and voucher holders) to collect information on the dates of issuance and expiration of each voucher issued. Subject to OMB approval, collection of such data should begin in late summer 2000 and will permit estimation of voucher success rates, by PHA, on an ongoing basis.

### ***Section 8 Concentration and Neighborhood Impacts***

Discussions of urban problems often focus on a concentration of poverty in a neighborhood as a cause of a host of urban ills including crime, joblessness, teen parenthood, and substance abuse. For this reason, high-rise public housing has come under much criticism because of its density and concentration of low-income families.

Thus, the use of Section 8 vouchers to help families move from neighborhoods of concentrated poverty and social ills, including concentrated and

distressed public housing developments, is a policy that can help improve both the lives of families and the future of neighborhoods. For example, results from the Gautreaux program in Chicago offer some encouraging results. Adult members of families who moved to the suburbs with help from the program had higher employment rates and their children were more likely to succeed in school and go on to college (U. S. Department of Housing and Urban Development, April 1995).

One concern that has been raised about the use of Section 8 tenant-based assistance is that it leads to “horizontal poverty.” Critics say that Section 8 recipients are clustered or concentrated in large numbers in low-income neighborhoods, where their living conditions are no better than if they were living in public housing. However, research does not support these conclusions.

Section 8 tenant-based assistance recipients compare well with all rental households on several measures (Newman and Schnare):

- 2.3 percent live in census tracts with median household incomes below \$10,000 (versus 2.9 percent for all rental households);
- 85.3 percent live in tracts with less than 30 percent poverty (versus 87.5 percent for all rental households); and
- 44 percent live in tracts with tracts with less than 10 percent minority households (versus 47.6 percent for all rental households).

When discussing the range of housing programs, Newman and Schnare conclude, “*The one hopeful note in this analysis relates to the certificate and voucher programs, which appear to reduce the probability that families will live in the most economically and socially distressed areas. Even though demographic profiles of certificate and voucher households have some similar features to those of public housing residents, certificate and voucher units are rarely found in areas with extremely low incomes, high unemployment rates, or high concentrations of minority households. Nor are they found in neighborhoods with a high concentration of assisted housing.*” Newman and Schnare go

on to say that there is little evidence that the tenant-based Section 8 program encourages moves into middle and upper class neighborhoods. This is not surprising, however, in light of the limits placed on FMRs.

The conclusion that Section 8 vouchers overall have not led to concentrations of poverty is further supported by a recent analysis of 1998 data from HUD's Multifamily Tenant Characteristics System (Khadduri, Shroder, and Steffen), which showed that only 9 percent of recipients of tenant-based assistance live in census tracts where 40 percent or more of the households are poor. Almost three times as many, or 24 percent, live in neighborhoods where less than 10 percent of households are poor.

HUD is currently conducting an analysis of Section 8 clusters—neighborhoods where Section 8 participants are represented at two or more times their expected rate, given the available share of affordable rental housing in the neighborhood. In looking at preliminary data, some facts of general interest appear:

- About 80 percent of Section 8 units are in urban Metropolitan Statistical Areas (MSAs) as defined by the Census; about 60 percent of the units in MSAs are in central cities.
- Over one-third of all Section 8 participants live in the 50 largest MSAs.
- Section 8 participants are found in about 80 percent of MSA neighborhoods with affordable housing in both central cities and suburbs.

In this context, we see that families with Section 8 assistance are much less concentrated than those in public housing, and the families who move to suburban areas do the best of all. The data show the following:

- Fewer than 100,000 households, representing under 20 percent of households living in MSAs, live in census tracts with poverty rates of 30 percent or more. In central cities, this figure is 30 percent; in suburbs it is only 5 percent.
- On the whole, Section 8 participants live in tracts that are neither high-poverty nor low-poverty. About 15 percent of central city participants live in census tracts with less than 10 percent poverty, but over one-half of suburban participants live in such tracts.
- Section 8 participants are more likely to live in tracts with minority concentration. Almost two-thirds of central city participants, but less than one-fourth of suburban participants live in tracts that are at least 50 percent minority.
- Section 8 participants do tend to cluster in relatively few neighborhoods within the 50 largest MSAs. About 45 percent of all participating families rent in about 20 percent of tracts where affordable housing is found.

In many cities where there were complaints about the program, Section 8 was not really an issue but rather a scapegoat. In St. Louis, there were few Section 8 families in the neighborhood about which people complained. Similarly, in Boston, the Mayor's Committee on Subsidized Housing concluded that, while there were neighborhood problems, they were not caused by Section 8 households. In Fairfax County, Virginia, a review of the concentrations of Section 8 households showed that their location reflected the location of affordable rental housing in the county. Race and class also can be complicating factors. The head of Philadelphia's Human Relations Commission has said, "When people say, 'I have a complaint about a Section 8 tenant,' I can't recall a situation where it has not been a person of color."

Few communities where there have been complaints of over-concentration or neighborhood decline have in fact had a "Section 8 problem." And it is even rarer for the problem to be caused by the Section 8 recipients themselves. The Patterson Park neighborhood of Baltimore is one location that did experience dislocation as a result of a combination of factors, including an unexpected influx of vouchers.

Several factors contributed to both the level of concentration and the changes in neighborhood quality. There was a large degree of speculation in the neighborhood that changed its character from homeownership to primarily rental. The speculators were buying properties and renting them exclusively to Section 8 households because the PHA was not doing a good job of determining rent reasonableness. Thus, an owner could charge a higher rent to a Section 8 family than he might otherwise receive in the market. In this case, HUD responded to the problem by sending a team to review the program. After determining the nature of the problem, HUD advised the PHA on corrective actions to address the problem. In Boston and Philadelphia, landlord behavior was also contributing to concerns about Section 8 properties (Turner, Popkin, and Cunningham, forthcoming).

Any consideration of Section 8 clustering must recognize the role played by choice, which is one of the hallmarks of the tenant-based program. Section 8 participants choose to live close to families, friends, churches, services, and familiar environs. They worry about starting over in new neighborhoods. They may have fears of not being welcomed in white neighborhoods if they are members of a minority group. As part of an assessment of desegregation cases, focus groups were held with families in eight cities around the country. Many of the families expressed concerns about potential discrimination if they were to move. They also had concerns about lack of transportation or services in suburban neighborhoods (Popkin, Galster, Temkin, Herbig, Levy, and Richer). Focus groups with residents of public housing in Chicago conducted by the Urban Institute (cited in Turner, Popkin, and Cunningham) revealed misinformation and concern about deconcentration efforts. Many of the focus group participants were suspicious of the efforts to move them from the city. Concerns were expressed by a number of respondents that such efforts were part of a plan to reclaim the city for white families by moving black families out. Kurt Schmoke, the former mayor of Baltimore, expressed a similar concern that the city is stigmatized by efforts to help families move to the suburbs in search of a better quality of life.

Another criticism of the Section 8 program is that the presence of Section 8 families in a neighborhood has an adverse impact on measures of neighborhood

quality, including real estate values. A recent study in *Housing Policy Debate* looked at this question (Galster, Tatian, and Smith). This analysis of single-family home sales from 1991 to 1995 found that in neighborhoods with a small number (five to eight) of Section 8 sites, prices within 500 feet of a Section 8 property were actually higher than prices before the family moved into the neighborhood. These positive changes occurred in higher-valued, appreciating, predominantly white neighborhoods. When they found negative impacts, they tended to be in vulnerable neighborhoods with low- to moderate-value homes that had already declined in real value. In Baltimore, this happened in racially mixed or predominantly black neighborhoods.

### ***Program Design Features Address Concentration and Neighborhood Health Issues***

HUD has responded to concerns about Section 8 concentration and the impact of Section 8 on neighborhood health, both by implementing improved design features in the program and by focusing its research and evaluation efforts on the subject. Many of the Section 8 program design features described earlier in this paper are important to any effort to avoid concentration of Section 8 recipients in particular neighborhoods, especially in neighborhoods with high concentrations of poverty. Others are useful in ensuring that there are no negative impacts on a neighborhood when Section 8 recipients live there. Residential choice and mobility mean that a family may choose to move to a low-poverty neighborhood or to an area of low minority concentration. Flexibility in the subsidy determination should help maximize participant choice by ensuring that, if the rents are higher in these neighborhoods of low concentration, the program will be able to help them move there. Tenant selection and occupancy policies provide the tools to avoid potential problem tenants or to respond to them where they exist. Overall, HUD's efforts to address concentration have proven to be effective.

Another recent improvement in the program specifically aimed at reducing or avoiding concentration is contained in the new Section 8 Management



Assessment Program, which is aimed at measuring and improving local administration of the program. One of the 14 key indicators on which PHAs will be scored specifically examines PHA policies and practices for encouraging participation by owners located outside areas of minority or poverty concentration and for informing participants of their full range of locational choices. To score well on this measure, a PHA must not just have a written policy but must have taken actions to implement it. To underscore HUD's concern for deconcentration, PHAs in metropolitan FMR areas may earn a SEMAP bonus if:

- One-half or more of all Section 8 families with children assisted by the PHA in the last year live in low-poverty areas; or
- The percent of families who moved into low-poverty tracts in the last year was at least 2 percent higher than the number of all Section 8 families with children in low-poverty tracts last year; or
- The percent of Section 8 families with children who moved to low-poverty census tracts over the previous 2 years is at least 2 percentage points higher than the percent of all Section 8 families with children who lived in low-poverty tracts at the end of the next to last year.

### ***Landlord Participation***

*U.S. Housing Market Conditions* (U.S. Department of Housing and Urban Development, February 1997) reported on information about the Section 8 tenant-based program collected in the Property Owners and Managers Survey (POMS) conducted for HUD by the U.S. Bureau of the Census. The results of the survey are interesting when one considers how best to expand housing opportunities for Section 8 recipients.

Knowledge of HUD's Section 8 program among landlords is not as widespread as one might expect. Only about one in six owners of single-family

rental units is very familiar with the program, and the percent of single-family homeowners not familiar with the program is higher among the owners of affordable units than among owners of more expensive units. Owners of multifamily rental properties are much more aware of the program, with over two-thirds of these owners either very familiar or somewhat familiar. Multifamily owners' awareness of the program is about the same for those with affordable units as for those with more expensive units.

About six out of seven owners of single-family rental units reported that they had not received any inquiries from prospective Section 8 tenants. Owners of multifamily rental units more often received some inquiries, with only 4 out of 10 reporting that they received no inquiries in the past 6 months.

Owners of affordable rental units were more likely to report that they would accept Section 8 tenants. Owners of both affordable and more expensive rental units who reported that they would not accept Section 8 tenants most often cited three reasons: potential problems with tenants, too many regulations, and too much paperwork.

Owners of affordable single-family rental units had a slight tendency to be less familiar with Section 8 and to receive fewer inquiries than owners of more expensive units, but they were more likely to accept Section 8 tenants than owners of more expensive single-family rental units. Owners of affordable units in multifamily rental properties were at least as familiar with the Section 8 program and were more willing to accept Section 8 tenants than owners of the more expensive multifamily rental properties.

This report suggests that much work remains to be done on landlord outreach. Recent legislative changes, including streamlining program rules; merging the voucher and certificate programs; and eliminating the "take one, take all," "endless lease," and 90-day notice for lease termination should help encourage greater landlord participation. However, more needs to be done. More landlords, especially owners of single-family units, must be educated about the program. Just

as importantly, they must be convinced to participate. PHAs must work to overcome the barriers that landlords see by improving program operation in order to recruit and retain landlords and in order to make housing available in a larger number of neighborhoods.

### ***Encouraging Mobility and Deconcentration***

The Department has given much attention to the issues of mobility counseling as a way of encouraging families to make informed choices about where to live and to rationally make use of the mobility feature of the Section 8 program. A number of efforts have been developed to examine how best to offer this type of assistance. A recent Urban Institute report that arose out of a national conference on assisted housing mobility provides a valuable description of HUD's mobility programs and a report of their status (Turner and Williams). The programs considered include litigation programs (including the Gautreaux Program in Chicago), Moving to Opportunity, Regional Opportunity Counseling, and Public Housing Vacancy Consolidation. They are described in more detail in Appendix 1.

Turner and Williams drew several lessons from the experiences of HUD's mobility programs:

- All mobility programs appear to include three basic types of support for program participants: initial briefings and assessments, direct assistance with housing search, and post move follow-up services. There was agreement on the importance of including all three components.
- Program operators must have an understanding of the local housing market and the availability of housing at rents that are affordable to Section 8 participants, and a knowledge of landlords willing to participate in the program, especially those in the neighborhoods most desirable for achieving deconcentration.
- Community support for the program is essential. PHAs must be proactive in ensuring that any fears within the community are addressed head-on and that problems are dealt with quickly if they do arise.

HUD's HOPE VI public housing revitalization program is building upon the lessons learned from all of these efforts. The large amount of demolition at HOPE VI sites and other distressed public housing developments means thousands of families

will have to be relocated, either temporarily or permanently, into the private rental market using Section 8 vouchers. Because the Department's goal is to help families succeed economically and socially, relocation guidelines are being prepared that will stress four principles: the need for adequate up-front planning and resident notification, resident involvement in the planning activities, maximum opportunity for residents to improve the quality of their lives, and the coordinated delivery of community and supportive services to help each family succeed. HOPE VI is sponsoring a monitoring effort to track all of the families affected by that program, so HUD will be able to generate data with which to answer questions about how successful the relocation efforts are. In addition, these guidelines and monitoring efforts will be put to use in tracking families affected by other demolition and relocation efforts.

The Department believes that recent improvements in the Section 8 program, together with additional changes being implemented or under consideration, will further reduce and prevent concentration and will help ensure that the neighborhoods in which Section 8 recipients reside remain healthy, attractive places to live. These changes are described later in this paper in a discussion of "Where Does the Section 8 Program Go From Here?"

### ***Ongoing Section 8 Research***

HUD's interest in the Section 8 program and its concern for correcting problems, improving administration, and responding to changing conditions is reflected in the large volume of research that it is sponsoring on the program. These projects are described in Appendix 2. Much of the research, such as the Quality Control Study, is aimed at the general improvement of the operation of the program. However, some of the research projects described in Appendix 2 relate directly to the deconcentration and neighborhood impact concerns examined in this paper. These include a study of Section 8 Location Patterns and Neighborhood Impacts and a new Study on Section 8 Voucher Success Rates. Whether addressing the

deconcentration and neighborhood impact issues directly or indirectly, all of the projects have the potential to have some impact on the problems.

### ***Deconcentration Tracking Capabilities***

HUD's Offices of PD&R and Public and Indian Housing (PIH) have been working closely to improve the level of reporting to and the quality of data in the Multifamily Tenant Characteristics System (MTCS). They have also been working to ensure that PHAs will be able to make use of the data for their own tracking and analysis purposes. PD&R is preparing a set of reports that will provide a PHA with information for the PHA as a whole and for separate census tracts in which the Section 8 program operates. The reports will show the number of participating families with children, the poverty rate of the tract where they live, whether they were previously assisted or are new participants, and the percent of households in the tract receiving tenant-based assistance. The PHA will also be able determine if families with assistance are moving to or living in the same tracts as public housing or other HUD-assisted housing. The reports will also be able to show the extent of participation by landlords, including the number of landlords in the program and the size of the landlords' Section 8 portfolios.

The MTCS data just described will be available in tabular format. In addition, PD&R has also developed the capacity to transfer this data into mapping software packages so that the data can be displayed visually. PD&R staff are currently preparing a guidebook for PHAs to enable them to use the data in this same manner. Examples of this mapping capacity are included here. These maps of the Baltimore and Philadelphia areas show, by census tract, the location of public housing and Section 8, the location of units renting below FMR, the level of minority concentration, and the rate of poverty. A brief examination of these maps shows:

- While Section 8 recipients tend to be more concentrated in areas with large numbers of affordable housing units, they are in fact widely scattered in the metropolitan area, including in areas where there are relatively fewer units that are affordable at the FMR.

- Section 8 recipients are far more dispersed than residents of public housing.
- Section 8 units are far more likely than public housing to be located in areas with low concentrations of poverty.
- Section 8 units are more likely to be in areas of low minority concentration than public housing, but here the difference is not as large as when looking at concentrations of poverty.

PD&R is also exploring the possibility of using MTCS data to evaluate the effectiveness of local PHA use of rent reasonableness tests to effectively respond to local market variations. In doing so, our aim is to be able to compare program rents to market rents for the same tract from Census data to see if there are anomalies in the Section 8 rents when compared to other rents in the tract.

### ***Where Does the Section 8 Program Go From Here?***

As this paper demonstrates, HUD is confident that the Section 8 program is fundamentally sound. It has proven its ability to help a large and very diverse population of participants locate and occupy housing that is decent, safe, and sanitary, and that is located in a variety of urban and suburban neighborhoods. It has helped participants move to areas of low concentrations of poverty or minority families. It has expanded not just in size, but in scope, adding features such as mobility, and helps meet the needs of special populations such as non-elderly persons with disabilities and families served by the Family Unification Program (primarily families in crisis who have lost their children because of their housing conditions).

As this report makes clear, there are areas of the program's operation that can and should be addressed. HUD is committed to addressing the remaining issues identified in this report and to implementing additional refinements to prevent problems from arising in the future.

HUD has implemented *stronger program monitoring and enforcement* of all of its programs, including Section 8. The development of SEMAP, which combines self-reporting with on-site auditing, will permit the Department to identify and work with PHAs with serious Section 8 program problems and will also allow us to identify weaknesses which could turn into problems without attention. If a PHA has a deficiency on a SEMAP indicator, it must take corrective action within 45 days of notification by HUD. Failure to correct a deficiency within this time may result in a requirement to report to HUD on the corrective action it will take. If a PHA's overall SEMAP score is below 60 out of a possible 100 points, it will be declared troubled and must submit a corrective action plan. Failure to correct deficiencies can result in default of the Annual Contributions Contract.

The Senate Appropriations Committee report for the VA-HUD-Independent Agencies Appropriations Act for Fiscal Year 2000 (Public Law 106-74) contained language directing HUD to conduct an analysis of whether the Section 8 tenant-



based program could be run more cost-effectively and efficiently if other public and public-private entities were allowed to compete in administering the program and if smaller jurisdictions were consolidated into larger regional or State jurisdictions for administering Section 8. HUD has prepared a report to the Committee with a proposal for conducting a competition for the administration of troubled Section 8 programs. The Department recommended an approach that will rely on the SEMAP system for determining which PHAs are candidates for competing out to other entities including other, more efficient, PHAs. This approach may help to relieve some of the concerns, reported by Maney and Crowley, that landlords expressed their frustration in dealing with multiple PHAs in their areas, which discouraged them from participating in the program.

HUD's FY2001 budget proposal includes a request for \$50 million for a *Voucher Success Fund*. The fund will permit PHAs to take actions to overcome local barriers to the successful use of Section 8. Barriers to program utilization, as well as impediments to mobility and deconcentration, may be addressed by the fund, which will be able to go further than the counseling that may currently be paid for from the Section 8 fee. Better mobility education programs for participants, more outreach to new landlords, a revolving loan fund for security deposits, transportation programs to take participants to view new neighborhoods, and neighborhood outreach programs are all examples of efforts that PHAs might not now be able to afford but that could be done with these funds.

HUD understands the need for *technical assistance* to PHAs to help them improve their local programs, including meeting the goals of mobility and deconcentration. Maney and Crowley described a lack of connection between program administrators and the practical knowledge collected by researchers and fellow practitioners. HUD understands this concern and has been actively engaged in efforts to facilitate the exchange of knowledge and the provision of technical assistance. *Learning from Each Other* (U.S. Department of Housing and Urban Development, 1996) offers case studies documenting practical ways to improve program administration through such efforts as streamlining income verification, improving HQS inspections, and obtaining better data for conducting rent

reasonableness tests. In the summer of 1998, the Department held its first national summit meeting on the tenant-based Section 8 program. Issues of mobility, community relations, landlord outreach, and participant counseling were all featured, as were sessions on FMRs, exception rents, and rent reasonableness. Among the proposals discussed at the conference that could further improve the program and expand choice for participants were: improving the use of local rent reasonableness tests; providing additional landlord outreach, training and education; providing second-move and post-move counseling; and creating partnerships with local housing and community development corporations, faith-based organizations and regional organizations. This summer HUD will sponsor a major conference for PHAs at which the Section 8 program will figure prominently. In addition, technical assistance has begun for the PHAs with welfare-to-work voucher programs and is continuing for the Regional Opportunity Counseling and HOPE VI programs. In each of these cases, issues of mobility and deconcentration are central to successful program implementation and are being included in training and technical assistance efforts.

HUD also believes that it has a responsibility to continue its *policy analysis, research, and dissemination* efforts. This past summer, the Department sponsored a roundtable discussion on Section 8 hosted by the Urban Institute. Some of the discussion focused on new evidence, such as the maps of Baltimore and Philadelphia referred to earlier in this report, of the program's operations, which indicates the program has worked effectively to reduce concentration of poverty. As shown by the evidence presented in this report, Section 8 tenant-based assistance recipients compare well with all rental households on several measures, including living in census tracts with median household incomes below \$10,000, less than 30 percent poverty, and less than 10 percent minority households. In addition, families with Section 8 assistance are much less concentrated than those in public housing, and the families who move to suburban areas do the best of all.

Clearly, tremendous progress has been made in recent years to improve the operations of the program, including efforts to help families with Section 8 assistance move to better neighborhoods with less concentration of poverty and to

ensure the program is placed on a sound foundation for the future. In particular, the recent evidence discussed in this report supports the contention that the program has worked successfully to reduce concentration. Nevertheless, as this report makes clear, there are additional issues that merit further research and improvement of the program. It is clear that ongoing review of the program through program monitoring and evaluation and further research will greatly contribute to HUD's continuing efforts to ensure the program continues its record of outstanding performance well into the future. HUD is committed to working closely with the Congress, program participants, PHAs, State and local housing organizations, and other stakeholders throughout this ongoing process.

## APPENDIX 1

### HUD PROGRAMS TO ENCOURAGE MOBILITY AND DECONCENTRATION

*Litigation programs*—There are thirteen such programs around the country. The best known, the Gautreaux Program in Chicago, is over 20 years old. These programs include a special allocation of Section 8 as well as funding for mobility counseling and housing search assistance. They are restricted to minority households living in public housing or eligible for low-income housing assistance. The Urban Institute reported 1996 results with placement rates of ranging from 23–59 percent and costs for family placed from \$659–\$3366 (Turner and Williams).

*Moving to Opportunity (MTO)*—Gautreaux served as the model for a five-site HUD demonstration program to test the effectiveness of mobility assistance and the impact of moving on families' educational and employment outcomes. Here, too, the sites received allocations of Section 8 and funds for counseling. Eligibility is limited to families with children in public or assisted housing in high-poverty, central city neighborhoods. Families may only use the Section 8 assistance to move to low-poverty neighborhoods, and their performance will be examined next to both comparison and control families. Placement rates were 34–62 percent, and costs per family placement were \$2246–\$3315. A recent HUD report on the program (U. S. Department of Housing and Urban Development, September 1999) shows that MTO families were much more likely than comparison families to move to low-poverty neighborhoods, an early indication that the mobility counseling is working.

*Regional Opportunity Counseling Program (ROC)*—ROC was designed not just to encourage greater mobility and choice, but also to foster regional collaboration in implementing the Section 8 program in urban areas. The 16 ROC program sites received no special allocations of Section 8, but have HUD funds for counseling. They serve new recipients or current recipients who wish to move. In each site, a collaborative (of the central city PHA, a nonprofit counseling organization, and nearby suburban PHAs) was formed to ensure that mobility will work smoothly.

*Public Housing Vacancy Consolidation* programs at 15 PHAs provide Section 8 assistance and mobility assistance to public housing residents living in developments scheduled for demolition. Participants are urged, but not required, to use the Section 8 in neighborhoods of low-minority and low-poverty concentration. These programs have high placement rates, ranging from 66–100 percent, because all of the families must be relocated. The 1996 cost per family placed ranged from \$600 to \$1000.

## APPENDIX 2

### ONGOING HUD SECTION 8 RESEARCH

#### *Quality Control Study*

The Department conducts a biennial Quality Control for Rental Assistance Subsidy Determination (QC Study) to improve the accuracy of its assisted housing subsidy payments. Using a nationally representative sample of all public housing and Section 8 units, it conducts tenant interviews and file reviews to determine the type, severity, and cost of errors. This information is used to design and implement corrective actions. One facet of the QC Study is an examination of rent reasonableness that looks at the extent to which higher-than-market rents are being paid and the existence of and adherence to PHA rent reasonableness policies. The study includes the use of local appraisers, who will estimate the market value of 400 of the 750 units included in the rent reasonableness study.

#### *Uses of Discretionary Authority in the Section 8 Program*

The Department has relatively little information on the policies established by housing agencies administering the Section 8 tenant-based program. Legislative changes in 1996 and 1998 have provided greater discretion to PHAs than previously. The purposes of this study are to document HA policies and provide a reasonably clear understanding of PHA priorities with respect to tenant selection, management of the waiting list, occupancy standards, housing opportunities, and setting of rent levels and payment standard. As discussed in this paper, many of these issues are important factors in ensuring deconcentration of Section 8 recipients. As part of this project, PD&R staff have also provided advice and support to PIH so that HUD will be able to collect such information on an ongoing basis as part of the new PHA Plan process.

#### *Assessing Impacts of QHWRA*

This is a proposed two-stage study that will identify potential impacts of the Public Housing Reform Act on the admission and occupancy of low-income and extremely-low-income families. The first stage of the study is a brief report on changes in the composition of admissions to both the public housing and Section 8 multifamily assisted programs. The second stage will explore possible impacts of PHA discretionary policies by analyzing participant data from the Multifamily Tenant Characteristics System (MTCS). While a critical issue is to examine changes in income for families continuing to reside in public housing, the study will also provide insight into the use of admission and occupancy policies to ensure that Section 8 participants do not turn out to be problem tenants. This work is a follow-up to the FY1999 study, “The Uses of Discretionary Authority in the Public Housing Program.”

#### *Picture of Subsidized Households*

The “Picture” series of reports provides a unique resource on assisted housing program participants to HUD staff, researchers, and the public. HUD USER, the information resource of the Office of Policy Development and Research, makes available both hard copy reports and public-use, summary files of data that allow users to view, analyze, and map data on the participants of HUD’s assisted housing programs. Files and reports are available for public housing for 1993, and for all HUD programs for 1996 to 1998. Work is underway now on the 1999 edition of this publication. PHAs are able to use this data to analyze locational patterns in their own jurisdictions

#### *Section 8 Location Patterns and Neighborhood Impacts*

This study is the most directly relevant to deconcentration and neighborhood impacts. It will test various assumptions about the Section 8 program and its impacts on families and neighborhoods. The study will provide a national profile of Section 8 participants, identify neighborhood clustering within the program, describe Section 8 program activity within poverty-concentrated neighborhoods, examine whether Section 8 participants cluster in neighborhoods where other HUD-

assisted housing is located, and examine potential impacts on participating families and neighborhoods. As part of this project, PD&R staff have also provided in-house support to PIH to develop a deconcentration measure and other indicators for Section 8 certificate and voucher locations, and they have successfully completed work on a deconcentration report guideline that will permit field staff to work with MTCS data to identify program concentrations. PD&R has recently received an analysis using this methodology done by the HUD Office in Ohio. They examined the concentration of the Section 8 program in the State to help them understand where to focus their efforts on deconcentration. We expect many other field offices to take advantage of the methodology for similar purposes.

#### *Study on Section 8 Voucher Success Rates*

The purpose of the study is to calculate the latest success rates of Section 8 voucher holders, both nationally and by PHA. The success rate is defined as the percentage of families who are provided vouchers and are able to lease a housing unit, within 60 to 120 days, that meets all program requirements. The study will compare rates according to the demographics of the voucher holder (for example, by race and ethnicity). It will examine the relationship between market tightness and success rates in non-rural areas. The study will also do a qualitative assessment of the reason for success or failure in rural areas. The contractor will also advise HUD about developing a system for regular monitoring of voucher success rates without relying on future studies like this one. Understanding reasons for success in various markets will help refine Section 8 mobility efforts.

#### *Strategies that Enhance Community Relations in Tenant-Based Section 8 Programs.*

As the tenant-based Section 8 program has grown to be the Department's largest housing assistance program, the issue of neighborhood relations also has grown. Rightly or wrongly, neighborhood decline and crime and disorder are often attributed to the presence of Section 8 tenants in the neighborhood. This research is a first attempt to understand the causes of this image problem and to suggest responses that may be effective in promoting good relations between the program



and the residents of the neighborhoods it serves. This research project will develop case studies of Section 8 problem situations. It will collect information to describe the origins of problems and on PHA strategies that have proven effective in working through community opposition to Section 8. The contractor will study a sample of these conflict situations, identifying elements of both the problem and subsequent resolution.

### *HOPE VI Baselines*

PD&R staff are working with PIH to develop baselines of tenant data characteristics for the projects approved for funding under HOPE VI. The study will identify families residing in HOPE VI projects at the time of grant approval through use of archived MTCS files from the original time period, and then match on Social Security Number of the head of household data in the current files of the MTCS or TRACS systems. For families still receiving HUD assistance and reported to one of these systems, trend data can be provided on income, source of income, poverty rate and minority rate of neighborhood, and other socioeconomic data. This will allow us to learn lessons about deconcentration from HOPE VI that we can apply to the Section 8 program as a whole. Report formats are also being developed for use within PIH automated systems to ensure that tenant tracking and reporting can be done on an ongoing basis.

### *Welfare-to-Work Voucher Program Evaluation*

The Welfare-to-Work Voucher Program was mandated by Congress in HUD's Fiscal Year 1999 Appropriations Act. Its purpose is to provide tenant-based rental assistance that will help eligible families make the transition from welfare to work. This Congressionally-mandated evaluation will determine the effects of tenant-based housing assistance on the ability of low-income families to obtain or retain employment. An experimental group will be given Welfare-to-Work vouchers; a control group will not. Participants of both groups will be tracked over time to ascertain whether housing assistance affected their ability to obtain or retain

jobs. Issues of mobility and location will be important to this evaluation and will be studied as a part of it.

*Moving to Opportunity (MTO) Demonstration*

This controlled research experiment was authorized by Congress in 1992. It involved families living in public and assisted housing developments in high-poverty neighborhoods. The families were randomly assigned to one of three study groups: the MTO group, who got Section 8 vouchers they could use only in low-poverty neighborhoods; the Section 8 control group, who got Section 8 vouchers they could use anywhere; and the in-place control group, who got no Section 8 assistance. There are five sites: Baltimore, Boston, Chicago, Los Angeles, and New York. The demonstration is fully implemented. HUD is continuing to track the families to see where they located and to see what difference location made in terms of employment, earnings, education, and other measures of social and economic well-being.



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