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Case Studies of the Conversion of Project-Based Assistance to Tenant-Based Assistance

Final Report

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Case Studies of the Conversion of Project-Based Assistance to Tenant-Based Assistance

Final Report

Prepared for:
U.S. Department of Housing and Urban Development
Office of Policy Development and Research

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Foreword

Since the 1970s, the U.S. Department of Housing and Urban Development (HUD) has been working with the private sector through loan assistance programs and other types of agreements with the aim of providing safe, decent, affordable housing for low- and moderate-income households. These arrangements have proved quite successful but, after some 25 years, are beginning to expire or to reach the point where landlords are able to pay off loans early. In addition, the presence of healthy rental markets has convinced some landlords that it would be more profitable to leave ("opt out") the project-based Section 8 Program with its rent limitations. When a landlord chooses to stop accepting project-based assistance, HUD provides eligible tenants with Section 8 rental vouchers, i.e., tenant-based assistance. Households with Section 8 vouchers may continue to rent units in their original development or are free to find rental housing elsewhere. The study, whose findings are presented in this report, was prompted by HUD's concern that households enmeshed in the conversion from project-based to tenant-based assistance might have difficulties in finding affordable housing in the open market.

This report, "Case Studies of the Conversion of Project-Based Assistance to Tenant-Based Assistance," describes the experiences of residents who were given tenant-based assistance when the owners of their developments pre-paid their mortgages and/or chose to "opt out" of project-based assistance. Our study indicates that, in a vast majority of cases, tenants successfully found affordable housing, using their newly-acquired Section 8 vouchers. Often, they remained in their original development.

HUD's commitment with respect to providing affordable housing for low- and moderate-income households is stronger than ever. We at HUD are continually re-examining our programs to see that the assistance that we provide measures up to our commitments. We hope that you find this report interesting and informative.

Susan M. Wachter
Assistant Secretary for Policy
Development and Research

Acknowledgments

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At Abt Associates, several staff members played important roles in this task order. Dr. Judith Feins provided thoughtful and constructive technical review throughout the project. Matthew Stokes compiled the tenant characteristics data base, and, with support from Karen Rich, performed careful analyses of data from the tenant survey and secondary data sources. Michele Robinson produced the report. We thank them all for their diligent efforts.

Table of Contents

Executive Summary 1
1. The Context for Conversions 2
    1.1 HUD Assistance for Privately-owned Multifamily Housing 2
    1.2 Prepayment of a HUD-Assisted Mortgage 4
    1.3 Opt-out of an Expiring Section 8 Contract 6
    1.4 Issuance of Tenant-based Assistance 7
2. Overview of the Research Design 7
    2.1 Selection of Case Study Properties 8
    2.2 Field Visits to Case Study Properties 11
    2.3 Telephone Survey of Voucher Recipients 11
3. Key Findings 11
4. Summary and Suggestions for Further Research 17
5. Organization of the Case Studies 20

Overview of the Boston Metropolitan Area 21
Huron Towers, Cambridge 23
I. Background on the Property 23
II. Implementation of Vouchering-out 25
III. Outcomes of Vouchering-out 29
IV. Summary of Findings 34

Weymouth Commons East, Weymouth 35
I. Background on the Property 35
II. Implementation of Vouchering-out 38
III. Outcomes of Vouchering-out 41
IV. Summary of Findings 47

1550 Beacon, Brookline 49
I. Background on the Property 49
II. Implementation of Vouchering-out 52
III. Outcomes of Vouchering-out 54
IV. Summary of Findings 56

Overview of Bloomington, Indiana 57
Oakdale Square Apartments 59
I. Background on the Property 59
II. Implementation of Vouchering-out 63
III. Outcomes of Vouchering-out 67
IV. Summary of Findings 75

Orchard Glen....77
I. Background on the Property....77
II. Implementation of Vouchering-Out....81
III. Outcomes of Vouchering-out....84
IV. Summary of Findings....90

Overview of Dallas, Texas....93
El Capitan Apartments....95
I. Background on the Property....95
II. Implementation of Vouchering-out....98
III. Outcomes of Vouchering-out....100
IV. Summary of Findings....106

Leigh Ann Apartments....107
I. Background on the Property....107
II. Implementation of Vouchering-out....112
III. Outcomes of Vouchering-out....113
IV. Summary of Findings....120

Park Lane Terrace Apartments....123
I. Background on the Property....123
II. Implementation of Vouchering-out....126
III. Outcomes of Vouchering-out....128
IV. Summary of Findings....135

St. Francis Square Apartments....137
I. Background on the Property....137
II. Implementation of Vouchering-out....139
III. Outcomes of Vouchering-out....142
IV. Summary of Findings....148

Overview of Seattle-Tacoma Region Study Areas....151
Tacoma....151
Snohomish County....152

1416 & 1419 Apartments....155
I. Background on the Property....155
II. Implementation of Vouchering-out....157
III. Outcomes of Vouchering-out....160
IV. Summary of Findings....163

Swan Creek 165
I. Background on the Property 165
II. Implementation of Vouchering-out 168
III. Outcomes of Vouchering-out 169
IV. Summary of Findings 175

Tall Firs 177
I. Background on the Property 177
II. Implementation of Vouchering-out 180
III. Outcomes of Vouchering-out 181
IV. Summary of Findings 186

Appendix A: Study Approach and Data Collection Methods A-1
Case Study Site Selection A-1
Case Study Data Collection A-3
Survey Methods and Results A-3
Discussion of Survey Response Rates A-10

Appendix B: Household Survey B-1

Executive Summary

Across the United States, change is coming to some of the privately-owned rental housing developments that provide homes for low- and moderate-income households. Project-based assistance to these properties is being converted to tenant-based assistance. This report presents 12 case studies documenting conversions from project-based to tenant-based assistance in privately-owned developments funded under several programs sponsored by the U.S. Department of Housing and Urban Development (HUD).[1]

At HUD's request, the properties selected for this exploratory study fall into two categories: owner "opt-outs" of expiring project-based Section 8 contracts; and owner prepayments of HUD-insured or -assisted mortgages. Some properties fall into both categories. Eligible low-income households in these properties have been offered tenant-based Section 8 Rental Assistance (generally in the form of Section 8 vouchers) with the choice to either remain at the property or move elsewhere.

The goals of this research project were to:

- Describe the characteristics and situations of the developments that are converting;
- Identify factors that influence the decision of households receiving vouchers on whether to stay or move from developments that convert; and
- Describe outcomes for vouchered-out tenants (both movers and stayers), such as housing and neighborhood satisfaction and changes in rent.

The case studies presented here describe the conversion from project-based to tenant-based assistance from the perspectives of all the key parties involved: the HUD State or Area offices; the owners; the local public housing agencies that are now administering the tenant-based rental assistance; and the residents who received vouchers.

This Executive Summary is organized as follows: Section 1 briefly describes why and how conversions happen and provides a glossary of key terms. Section 2 provides an overview of the study design, and Section 3 presents key findings. Section 4 provides a summary and suggestions for future research. Section 5 describes the organization of the report and its appendices.

1 The study has been conducted for HUD's Office of Policy Development and Research under HUD Contract C-OPC-5964, Task Order 9.

1. The Context for Conversions

The developments included in this study were selected for the research because the owners of the properties were either 1) opting out of an expiring project-based Section 8 contract; or 2) prepaying a HUD-assisted mortgage; or 3) both opting out and prepaying a mortgage. This section briefly describes the contexts for opt-outs and prepayments and introduces some of the terms and concepts used in the case studies. Key definitions are presented in Exhibit ES-1.

1.1 HUD Assistance for Privately-owned Multifamily Housing

The properties described in this study were built with HUD support under the following programs: Section 221(d)(3), Section 221(d)(4), Section 236, Section 231, and the Section 8 New Construction program. Some of the properties built under the 221(d)(3) or (4) and 236 programs also received HUD assistance through project-based Section 8 rental assistance contracts. These programs are described briefly below.

During the 1960s and 1970s, HUD's Section 221(d)(3) and Section 236 programs provided assistance to private developers of multifamily rental housing for low- and moderate-income renters.[2] HUD's ***Section 221(d)(3) Below Market Interest Rate (BMIR) program*** was authorized in the Housing Act of 1961 to enable private lenders to originate mortgages on rental housing developments at an interest rate below the prevailing market rates. The lenders could then sell these mortgages to the Federal National Mortgage Association (Fannie Mae) at a price based on full market rates. Roughly 143,000 units were produced under the program, which was meant to serve families whose incomes were too high for public housing but too low to afford private-market rents. Currently the program serves households with incomes of up to 95 percent of the area median income.

The Housing Act of 1968 created another mechanism for private owners to receive government assistance in exchange for providing affordable housing. Under this program, known as the ***Section 236 program***, a developer arranged a mortgage loan at market interest rates but was only required to pay 1 percent interest, the difference being made up by government payments to the lender. The program serves households with incomes of up to 80 percent of the area median income. Approximately 427,000 HUD-insured units were produced under the Section 236 program.

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2 The program descriptions presented here are summarized from *Preventing the Disappearance of Low Income Housing, The Report of the National Low Income Housing Preservation Commission*; Washington: 1988, pp. 16-20. The unit counts come from Finkel, et al., *Final Report, Status of HUD-Insured (or Held) Multifamily Rental Housing in 1995*, May 1999.

Exhibit ES-1
Definitions of Key Terms

Assisted housing: Refers to the inventory of properties developed under a variety of HUD programs, including the Section 236, Section 221(d)(3), and Section 8 New Construction programs.

Project-based assistance: Refers to housing assistance delivered under HUD programs that linked a subsidy to a property in exchange for the owners' agreement to rent some or all of the housing units to low-income tenants. Also known as **property-based assistance** or **development-based assistance**.

Tenant-based assistance: Refers to rental assistance delivered under the Section 8 program, which provides qualifying households with a rent subsidy they can use to rent housing they find in the private market. Also known as **household-based** assistance.

Conversion: The process of changing the mechanism of assistance from project-based to tenant-based assistance. This change occurs when an owner chooses to prepay and/or opt out. Eligible low-income households may apply for tenant-based assistance (usually in the form of a Section 8 voucher), which they may use to lease in place or move.

Opt-out: Refers to the choice available to owners of properties with an expiring property-based Section 8 contract. They may choose not to renew the contract; that is, they opt out of renewing.

Prepayment: Refers to the choice available to some owners of Section 221(d)(3) and Section 236 properties. They may elect to pay the balance of their HUD-assisted mortgages early. Sixty (60) days following prepayment, owners who prepay may raise rents at the property without restriction.

Termination of mortgage insurance: Refers to lenders' option, at owner's request, to cancel the mortgage insurance on a Section 236 or 221(d)(3) BMIR mortgage. The interest reduction payments end and the loan is no longer FHA-insured. The lender must agree to the termination of insurance.

Enhanced voucher: When an owner prepays a HUD-assisted mortgage and raises rents at the property, qualifying low-income families whose rent would exceed 30 percent of income are eligible for enhanced vouchers. Under the conditions of the enhanced voucher, if the new rents meet a rent reasonableness test based on market comparables, the payment standard is set at the level of the newly increased rents. The household thus receives a higher, or enhanced, subsidy than if the same household moved. Also known as **preservation vouchers** or **sticky vouchers**.

In both programs, minimum and maximum rents were set by HUD based on levels sufficient to cover operating costs, limited returns to investors, and debt service. The mortgages issued were typically 40-year mortgages, but under their terms for-profit owners became eligible to ***prepay*** the mortgage (that is, pay the remainder of the loan and be released from the mortgage lien) after 20 years. Nonprofit owners are not eligible for prepayment.

Despite the mortgage interest subsidies and rent restrictions in place at these properties, some units were still not affordable for very-low-income tenants. Beginning in 1965, Section 221(d)(3) properties became eligible for Rent Supplement contracts, which made up the difference between actual rents charged and 30 percent of household adjusted income for very-low-income tenants. This additional assistance effectively deepened the subsidy to reach more families with lower incomes. Similar rent subsidies were provided to Section 236 properties. Later, most of these contracts were converted to ***Loan Management Set-Aside (LMSA)*** contracts under the Section 8 program. These contracts could cover some or all units in a property. On average, LMSA assistance covers 80 percent of units in a property.[3] The units not covered by LMSA contracts continued to be governed by the Section 236 or 221(d)(3) limits on income eligibility and rents. As described in Section 1.3 below, almost all of these Section 8 LMSA contracts to provide project-based Section 8 assistance are now expiring.

The ***Section 8 New Construction/Substantial Rehabilitation*** program was implemented under Section 8 of the Housing Act of 1974. Under this program, private developers constructed or rehabilitated housing that was then rented to lower income tenants, who pay 30 percent of their incomes for rent. These properties are typically insured under the Section 221(d)(4) program, which provided mortgage insurance to for-profit developers. In contrast to the Section 221(d)(3) and 236 programs, there was no mortgage interest subsidy for these properties. Instead, the subsidy to the owner was in the form of a 20-year rental assistance contract, typically for all the units in the property. Compared to the Section 236 and 221(d)(3) properties, the properties developed under the Section 8 New Construction/Substantial Rehabilitation program are somewhat newer and received higher subsidies. The 20-year Section 8 contracts on New Construction properties have recently begun to expire.

In this report, we refer to all units produced under the 221(d)(3) BMIR or 236 programs or covered by Section 8 contracts as "assisted units." The specific units covered by Section 8 contracts (either LMSA or New Construction) are termed "Section 8 units." Properties that may convert from project-based to tenant-based assistance may be classified according to:

- Whether all or some of the units are ***assisted,*** that is, whether they are covered by a mortgage interest subsidy under Section 221(d)(3) or Section 236; *and*

- Whether all, some, or none of these assisted units are covered by Section 8 LMSA contracts; *or*

- Whether the property received Section 8 New Construction assistance.

1.2 Prepayment of a HUD-Assisted Mortgage

As noted above, the mortgages issued under the 221(d)(3) and 236 programs were typically 40-year mortgages, but under their terms many owners became eligible to ***prepay*** the mortgage (that is, pay the remainder of the loan and be released from the mortgage lien) after

3 Finkel, Meryl, et al; *Status of HUD-Insured (or Held) Multifamily Rental Housing in 1995, Final Report*, U.S. Department of Housing and Urban Development; Washington, D.C.; May 1999.

20 years. Because of concerns that a sizeable portion of the assisted housing stock could be lost due to prepayments, Congressional action in the late 1980s temporarily suspended the owners' right to prepay, but it was reinstated in 1996.[4]

Owners who choose to prepay give up their subsidized mortgage interest rate. But, in exchange, they can raise rents above the maximum levels imposed by the Section 221(d)(3) and 236 programs. During the period that the properties in this study converted from project-based to tenant-based assistance (1997 and 1998), owners who chose to prepay were subject to the following requirements:[5]

- Owners could not raise rents for 60 days after prepayment;

- If rents were increased, both assisted and unassisted residents in the property could be eligible for a tenant-based ***enhanced voucher***. In these cases, if the new rents met a rent reasonableness test, the voucher payment standard was raised to the level of the newly increased rent. Thus if the tenant stayed at the property, the household would receive a higher (or enhanced) subsidy than if the same household moved elsewhere.

  To be eligible for an enhanced voucher, families had to meet two criteria: the household had to be income-eligible on the date of prepayment; and—due to a rent increase by the owner—the family would have to pay more than 30 percent of monthly adjusted income for rent unless Section 8 tenant-based assistance was provided to them.

  To meet the income eligibility requirements for tenant-based assistance, the family must be either: a low-income family (including very-low-income families); a moderate-income elderly or disabled family; or a moderate-income family residing in a low-vacancy area (as determined by HUD).[6]

- A household receiving an enhanced voucher had to pay no less for rent than the amount it was paying at the time of the owner's prepayment.[7]

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4 The Emergency Low-Income Housing Preservation Act of 1987 (ELIHPA) and the Low-Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRHA) limited the owners' ability to prepay. The Housing Opportunity Program Extension Act of FY1996 and the FY1996 Appropriations Act reinstated owners' right to prepay the mortgage.

5 Sources: HUD/PIH Notice 98-19 and Housing Preservation Letter 97-4; HUD/PIH Notice 99-16.

6 A low-income family is a family whose annual income does not exceed 80 percent of the HUD-determined median income for the area, with adjustments for smaller and larger families. A moderate-income family is a family whose income is above 80 percent of median but does not exceed 95 percent of area median income.

7 This policy was in place at the time the properties in this study converted. As described in the case study on Huron Towers, it created a hardship for some families whose incomes decreased after prepayment (e.g., due to loss of employment, retirement, or death of a spouse). The FY99 Appropriations Act changed the policy to require that if a household's income decreased by a "significant extent" after prepayment, the household contribution to rent be the greater of 1) the percentage of income paid before

Owners of HUD-assisted properties may also have the option to simply terminate the mortgage insurance on the mortgage without prepaying, although this action occurs less frequently than prepayment. The property is no longer insured by FHA and no longer carries the low mortgage interest rate offered under the Section 236 and 221(d)(3) BMIR programs. The reason this occurs relatively infrequently is that the owner must obtain the lender's agreement to allow the termination; lenders may hesitate to permit the termination because they would give up their ability to seek recourse from HUD if the owner defaults.

1.3 Opt-out of an Expiring Section 8 Contract

Owners of Section 221(d)(3) and 236 properties that have expiring Section 8 LMSA contracts and owners of Section 8 New Construction properties may choose to opt out of their project-based Section 8 contracts—that is, not renew them. According to a recent HUD report,[8] opt-outs are becoming increasingly common:

- In 1998 more than 17,000 subsidized units in over 300 properties left the project-based Section 8 program, more than three times the total of the year before.
- During the next 5 years, two-thirds of all project-based Section 8 contracts will expire, totaling almost 14,000 properties containing 1 million subsidized housing units.
- In 44 States, more than half of the project-based Section 8 units will have their contracts expiring in the next 5 years.

Owners who prepay may choose to time the prepayment to coincide with the Section 8 contract expiration. Income-eligible tenants in these properties are eligible for the enhanced vouchers described above. Alternatively, some owners choose to opt out but do not prepay at the same time. This may be because the property has not yet reached the 20-year anniversary of the mortgage, because the owner is not eligible for prepayment, or because the property is not in sufficiently sound financial condition for the owner to refinance the mortgage. Households that were assisted under these project-based contracts may be offered for tenant-based assistance. But, under current law, they receive regular (rather than enhanced) Section 8 vouchers when the owner opts out.[9]

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prepayment or 2) 30 percent of adjusted household income. In PIH Notice 99-16 (issued March 12, 1999), HUD interprets the words "significant extent" to mean a decrease of at least 15 percent from the gross family income on the date of prepayment.

8 *Opting In: Renewing America's Commitment to Affordable Housing*; U.S. Department of Housing and Urban Development; April 1999.

9 HUD has expressed support for legislation to extend enhanced vouchers to opt-out properties.

Owners of properties developed under the Section 8 New Construction Program may also opt out of expiring Section 8 contracts; eligible households in these properties may also apply for regular (not enhanced) vouchers.

1.4 Issuance of Tenant-based Assistance

When a rental property undergoes conversion, current programs guide the provision of tenant-based assistance. When an owner decides to prepay or opt out, the key steps in the process of issuing tenant-based assistance for both opt-outs and prepayments are as follows:

1. The owner notifies the local HUD office of the decision to opt out and/or prepay and sends tenant notification letters to affected households.

2. The property owner or manager provides the local HUD office with a list of tenants who are potentially eligible for tenant-based assistance, based on household size and income.

3. Based on this list, the local HUD office requests an allocation of vouchers on behalf of the designated local housing agency that will administer the vouchers.

4. HUD Headquarters processes the request and authorizes the local HUD office to issue the vouchers.

5. Information meetings are held for affected households who must decide whether to apply for assistance. The local housing agency conducts eligibility reviews, income certifications, and unit inspections for the residents who apply for and receive vouchers.

6. For households that find an approved unit, the housing agency leases up the household and makes monthly housing assistance payments to the unit's owner.

2. Overview of the Research Design

This exploratory research on the conversion from project-based to tenant-based assistance involved three key steps: design and case study property selection; field visits; and a survey of households that received vouchers as a result of the conversions. The study was initially envisioned to be a prospective look at conversions; that is, the research team would select properties for study that were ready to convert but had not yet done so. This approach proved infeasible because information on properties that were ready to convert could not be obtained far enough in advance to accommodate the needs of the study. Instead, a retrospective study was designed, as described briefly below.[10]

2.1 Selection of Case Study Properties

The properties examined in this study are not a nationally representative sample of properties that have converted from project-based to tenant-based assistance. Rather, they were chosen purposively to include a diverse set of properties and communities.[11] Summary information on the 12 study properties (located in 4 metropolitan areas across the country) appears in Exhibit ES-2.

Although the number of properties is small, this set of study properties offers geographic diversity (including smaller and larger cities as well as locations across the country), a mix of elderly-only and family-elderly occupancy, and both larger and smaller properties. Two of the properties are high-rise buildings, and the remainder are walk-up or garden-style apartment complexes. Most of the developments are in communities with strong overall housing markets, but two properties are in the relatively soft market of Tacoma, Washington. In addition, several properties are located in neighborhoods with somewhat weaker markets within a strong metropolitan market.

The properties also represent a variety of types of HUD assistance, including Section 236 and 221(d)(3) properties, both with and without HUD insurance. Some of the properties had Section 8 LMSA contracts covering some or all units, while others did not. Some owners both opted out and prepaid; others opted out but did not prepay, either because they were ineligible for prepayment or for other reasons.

Although we were able to achieve some diversity in the study properties, it is important to note that we actually had relatively little choice. The study was conducted early in the "history" of opt-outs and prepayments. There were only five metropolitan areas with enough prepayments or opt-outs (at least two) to meet the needs of the study; four of these metropolitan areas were selected. Further, these are some of the earliest eligible properties and thus may be atypical of the overall project-based stock that may convert. Most of the properties are older, HUD-insured properties with a relatively low average proportion of units covered by Section 8 contracts; three properties had no Section 8 contracts at all. As time goes on, more of the new Section 8 New Construction properties will become eligible to opt out.

10 For further discussion of the study design process, see Finkel, Meryl, et al, Case Studies of the Conversion of Development-based Assistance to Household-based Assistance, Revised Research Design (Cambridge, MA), May 1, 1998.

11 Site selection and data collection methods are described in more detail in Appendix A.

Exhibit ES-2
Summary of Case Study Property Characteristics

Property Name	HUD Program(s)	Total Units	Assisted Units[a]	Section 8 Units	Occupancy Type	Owner Action	Maximum # Units Eligible for Vouchers[b]	Vouchers Issued	Housing Agency
Boston									
Huron Towers	Sect. 236; HUD-insured; LMSA	248	248	122	Family	Prepayment and opt-out	248	213	Cambridge Housing Authority
Weymouth Commons	Sect. 221(d)(4); HUD-insured; Section 8 NC	198	108	108	Family	Opt-out	108	66	Metropolitan Boston Housing Partnership
1550 Beacon	Sect. 236; not HUD-insured	180	120	No Sect. 8 Contract	Elderly	Prepayment	120	118	Brookline Housing Authority
Bloomington, IN									
Oakdale Square	Sect. 236; HUD-insured; LMSA	200	200	87	Family	Prepayment and opt-out	200	105	Bloomington Housing Authority
Orchard Glen	Sect. 236 Cooperative; HUD-insured; LMSA	350	350	91	Family	Opt-out (nonprofit owner—ineligible for prepayment)	91	43	Bloomington Housing Authority
Dallas									
El Capitan	Sect. 236; HUD-insured; LMSA	150	150	75	Family	Opt-out; prepaid after data collection was completed	75	70	Mesquite Housing Office
Leigh Ann Apartments	Sect. 236; HUD-insured; LMSA	256	226	152	Family	Opt-out on 50 units;[c] plans to prepay	50	45	Dallas Housing Authority
Park Lane Terrace	Sect. 221(d)(3) BMIR; HUD-insured	152	152	No Sect. 8 Contract	Family	Prepayment	152	28	Dallas Housing Authority

Exhibit ES-2
Summary of Case Study Property Characteristics

Property Name	HUD Program(s)	Total Units	Assisted Units[a]	Section 8 Units	Occupancy Type	Owner Action	Maximum # Units Eligible for Vouchers[b]	Vouchers Issued	Housing Agency
St. Francis Square	Sect. 236; HUD-insured	200	200	No Sect. 8 Contract	Family	Prepayment	200	49	Mesquite Housing Office
Seattle/Tacoma									
1416 & 1419 Apartments	Sect. 221(d)(3)MR; HUD-insured; LMSA	145	145	145	Elderly/ Disabled	Opt-out (nonprofit owner—ineligible for prepayment)	145	113	Tacoma Housing Authority
Swan Creek Apartments	Sect. 236; HUD-insured; LMSA	80	80	56	Family	Opt-out; plans to prepay	56	51	Tacoma Housing Authority
Tall Firs	Sect. 8 New Construction; Section 231; HUD-insured	40	40	40	Elderly	Opt-out	40	38	Snohomish County Housing Authority
Totals		2199	2019	876			1485	941	

a Total units produced under Section 236 or 221(d)(3) and/or units covered by Section 8 contracts.

b For prepayment properties, this is the total number of assisted units covered by the 236 or 221(d)(3) mortgage. For opt-out properties, this is the total number of units covered by the expiring contract(s).

c A second LMSA contract covering 102 units had not yet expired at the time of the field visit.

2.2 Field Visits to Case Study Properties

Field visits to the 12 properties were conducted by the research team in the summer of 1998. During each field visit, the researchers met with staff from HUD State or Area offices and local housing agencies that were involved in the conversions at the study properties. Interviews were conducted with owner representatives, management staff, and resident leaders. The researchers toured the properties and the surrounding neighborhoods. They also held discussions with representatives of City government to obtain their perspectives on the conversions and to collect general information on the community and its housing market. The field visits were the primary source of information on the conversion process at each property. Updated information on the status of the conversions was obtained by telephone in late 1998 and early 1999.

2.3 Telephone Survey of Voucher Recipients

In March and April 1999 a telephone survey of households that received vouchers was conducted to learn more about tenants' reasons for leasing in place or moving elsewhere, and about their post-conversion satisfaction with their housing and neighborhoods.[1] The survey data also enable this study to examine patterns of movement by residents after receiving tenant-based assistance.

3. Key Findings

This section cites key findings related to the research questions posed by HUD for this exploratory research. It is important to reiterate that the sample of study properties was selected for its breadth rather than its representation.

What are the characteristics of properties that convert? As noted above, the properties selected for study represent a variety of types of properties, subsidy mechanisms, and owners. The circumstances of the conversions in the study properties are similarly varied. Owners' actions and the expected outcomes of the conversion may be described under one of the following scenarios:

Scenario 1: Prepayment Only (No Section 8 Contract). Under this scenario, the owner of a Section 221(d)(3) BMIR or Section 236 property with no Section 8 LMSA assistance chooses to prepay the mortgage. Because it is a prepayment, enhanced vouchers would be provided to income-eligible tenants who apply for tenant-based assistance. Once the prepayment occurred, there would be no further project-based restrictions on rent or income eligibility for new tenants. In addition, under current regulations there are no provisions for any increase in the payment standard for voucher-holders to accommodate future rent increases. Voucher-holders would have to decide whether to stay at the development and pay the increase themselves, or move elsewhere.

1 The response rate for the telephone survey was 56 percent. A description of survey procedures and a discussion of response rates are included in Appendix A.

Three of the study properties—1550 Beacon Street, Park Lane Terrace, and St. Francis Square—fall into this category. There were no Section 8 contracts on these properties. The owners of Park Lane Terrace and St. Francis Square had assisted mortgages covering all of their developments' units. In the case of 1550 Beacon, 120 of the development's 180 units were covered by the HUD-assisted mortgage.

Scenario 2: Prepayment and Opt-out of Expiring LMSA Contract(s). Under this scenario, the owner of a Section 221(d)(3) BMIR or Section 236 property that *does* have Section 8 assistance chooses both to opt out and prepay. The Section 8 contract(s) may cover all units in the property, or only a portion of the units. In either case, because the owner is prepaying, enhanced vouchers would be provided to all eligible households.

Two of the study properties—Huron Towers[2] and Oakdale Square—fall in this category. In both cases, only some of the units were covered by LMSA contracts. In Huron Towers, approximately half the units were Section 8-assisted, while at Oakdale Square 43 percent of the units were covered by Section 8 contracts. These proportions of Section 8 units are low, compared to the 80 percent of units typically assisted by Section 8 in Section 236 and 221(d)(3) properties.

Scenario 3: Opt-out Only (without Prepayment). Opt-outs without prepayment may occur in properties in which all units are Section 8-assisted or in properties where only some units are covered by Section 8 assistance. Because there is no prepayment, the following important conditions are in effect:

- Regular Section 8 vouchers (rather than enhanced vouchers) would be issued, but only to eligible households that were covered by the Section 8 contract(s) and that apply for tenant-based assistance.

- In Section 236 and 221(d)(3) BMIR properties, any units that were not covered by the Section 8 contracts would continue to have the rent and income eligibility restrictions that govern those programs.

- In a Section 8 New Construction property, the Section 8 contract is the only mechanism for limiting income eligibility and rents; once the owner opts out, there are no restrictions on rents or income eligibility for new tenants.

Among the study properties, two were not eligible for prepayment because the owner is a nonprofit entity. Orchard Glen, a cooperative developed under Section 236, is owned by its nonprofit Board of Directors and resident/shareholders. The Board elected to opt out of the Section 8 contracts covering 91 of the developments 350 units. Rents and income eligibility for the remaining units continue to be governed by the Section 236 program rules. A second

2 The owner of Huron Towers initially terminated the mortgage insurance on the property and subsequently prepaid. For the purposes of this discussion, we characterize it as a prepayment.

development, 1416/1419 Apartments (also owned by a nonprofit entity), opted out of the Section 8 contracts that covered all 145 units in the development.

The owners of three additional properties—El Capitan Apartments, Leigh Ann Apartments, and Swan Creek—all opted out of Section 8 contracts covering a portion of their developments' units. The two owners[3] indicated they intend to prepay in the future. But, unless and until prepayment occurs, the remaining units continue to be governed by the rent and income eligibility requirements of the mortgage interest subsidy programs.

The final two study properties were built under the Section 8 New Construction program. Tall Firs was insured under Section 231, a mortgage insurance program specifically for elderly housing. All 40 of the development's units were covered by a Section 8 contract; regular vouchers were issued to income-eligible households that applied.

At Weymouth Commons East, a property insured under the Section 221(d)(4) program, only a portion of the units (108 units out of a total of 198) were covered by the Section 8 New Construction contracts, while the remainder had no restrictions on rent or income eligibility. Only income-eligible households living in the assisted units could apply for the regular vouchers allocated to the property at opt-out. The remaining units were—and continue to be—leased at market rents, and there are no income eligibility requirements for admission to these units.

Additional findings related to the circumstances and characteristics of the properties that convert include the following:

Among the owners of properties assisted under Section 221(d)(3) or 236 programs, all who were eligible to prepay either had prepaid already or indicated they intended to do so. All of these owners believed there was (or would be) sufficient demand for their units at full market rents to allow them to raise rents and gain financially by doing so; they pursued conversion as a business opportunity. Further, some owners indicated that, from the time the housing was first built, it was always their intention to prepay the mortgage when the property became eligible.

It is important to note that both owners of developments occupied primarily by the elderly indicated they would not increase voucher recipients' rents above the payment standard, thus keeping the units affordable for the elderly voucher-holders who stayed at the property. Both developments are in good condition and are located in markets where higher-income tenants would likely be willing to pay substantially higher rents for the units. However, these owners have decided not to take actions that would displace low-income elderly residents.

The decision to convert was not exclusively a financial one in all cases. ***At least one-third of the owner representatives told the research team that their actions were motivated in part***

3 El Capitan and Leigh Ann Apartments are owned by the same owner.

by frustration with Congressional actions (such as the earlier moratorium on prepayments) and HUD policies (such as those limiting rent increases) that they thought were overly restrictive and unfair to property owners. These owners simply did not want to have to deal with HUD any longer. ***In two other cases, HUD had warned owners that their contracts might not be renewed because of lack of compliance with HUD requirements at their properties.*** For these owners, conversion was an opportunity to leave the program voluntarily before being required to leave by HUD. Voucher recipients had the choice to stay in the building, which would not have been the case if HUD terminated the contract. Vouchers would have been offered in the case of such an enforcement action, but the recipients would have to move elsewhere.

What are residents' responses to notice of the conversion? For properties eligible for conversion at the time these owners decided to convert, HUD required owners to notify residents 1 year in advance that the property was eligible for conversion, even if the owner had not yet decided whether conversion would be pursued. If the owner decided to pursue conversion, a second tenant notice, 90 to 120 days prior to the contract expiration or prepayment, was required.

In most sites, the initial notification reportedly frightened residents who thought they would be displaced. Some of these residents appear to have moved before vouchers were issued, although it was not possible to document the extent of such moves, nor do we have any information on what happened to these households. One result, however, was that ***the number of vouchers issued at a given property tends to be less than the number of units covered under the project-based assistance.*** There are also other reasons that the number of vouchers issued may be less than the number of assisted units, including:

- Vacancies in affected units at the time of conversion (vouchers were generally not issued for vacant units);

- Income-eligible households staying in the development but not applying for a voucher; and/or

- Households determined ineligible by the local housing authority because of a prior crime- or drug-related eviction from public housing or the tenant-based Section 8 program.

In the case studies we have documented the reasons for any disparities in the voucher counts to the extent feasible, but it was not always possible to reconcile all the numbers.

To what extent do residents move or stay? Very few voucher recipients moved immediately when vouchers were issued. ***Of the 941 voucher recipients in the 12 study properties, housing authority staff reported that only 70 households (7 percent) moved immediately when they received their vouchers***. The telephone survey for this research was conducted approximately 1 to 2 years after conversion, depending on the property. Among survey respondents (who totaled 330), 12 percent had moved when vouchers were issued, and an additional 8 percent had leased in place but moved later.

Why do residents stay or move? Respondents to the telephone survey of voucher recipients were asked whether, at the point they were notified that vouchers would be issued, they wanted to stay at the study property or move. Three-quarters of the survey respondents said they wanted to stay at the study property. ***The most commonly-cited reasons for staying were that the voucher recipients liked their apartments (35 percent), that they considered their apartments to be "home" (22 percent), and that the property was convenient to services (23 percent).***[4] During the field visits, local respondents noted that younger households were more likely to move than elderly households. The survey findings support these anecdotal reports: ***only 6 percent of elderly heads of household moved, while 16 percent of non-elderly heads of household moved initially.***

The remaining ***25 percent of survey respondents indicated that they wanted to move*** when they learned vouchers would be issued. ***The reasons cited included poor management (32 percent), poor maintenance and upkeep (27 percent), and crime (20 percent).***[5]

What was the housing search experience of movers? One of HUD's concerns regarding conversions is that, in strong housing markets where affordable housing is scarce, voucher recipients who want to move may have limited choices. Most of the properties in this study are in housing markets that were characterized as strong, according to local respondents interviewed during the field visits.

Although the number of telephone survey respondents who spent any time looking for an alternative house or apartment was small (78 respondents), these respondents confirm that they found the search was difficult. About half thought they had "very little" choice of units, and two-thirds found the search either "somewhat difficult" or "very difficult." The types of problems encountered in the search included high rents (26 percent) and difficulty finding an appropriate unit (14 percent). When asked specifically about landlords' willingness to accept the Section 8 voucher, 40 percent of the survey respondents who searched said landlord reluctance to accept the voucher was a "major problem." It is interesting to note that housing authority staff in several sites noted that voucher recipients had little time to search for alternative housing, yet few survey respondents mentioned that lack of time to search was a problem.

Receiving a tenant-based voucher offers residents who are not happy with their housing or their neighborhood the opportunity to seek housing elsewhere. ***Survey respondents reported fairly wide-ranging searches: 44 percent of the 78 respondents who searched reported they looked in the immediate neighborhood surrounding their development; 41 percent looked in the surrounding neighborhoods; 67 percent looked in other parts of the city; and 44***

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4 Source: Telephone Survey of voucher recipients; 243 respondents indicated at least one reason for wanting to stay. (Multiple responses were permitted.)

5 Source: Telephone Survey of voucher recipients: 81 respondents indicated at least one reason for wanting to move. (Multiple responses were permitted.)

percent looked in the suburbs around the city. According to survey respondents, local housing agency staff often offered some assistance to voucher recipients, including lists of potential units and help calculating the rent the family could afford. In two of the Dallas properties in particular, survey respondents reported that the housing agency also assisted them in identifying neighborhoods for search.[6]

What are the characteristics of destination neighborhoods? Of the 64 survey respondents who indicated they moved, 9 reported they leased up in the same neighborhood in which their development is located, while 54 said they moved to a different neighborhood.[7] The new addresses provided by these movers were geocoded and linked to HUD and Census data to obtain information on the characteristics of the neighborhoods where movers are living.[8] The following discussion describes the characteristics of the destination neighborhoods for movers.

For the most part, movers who left the study property's neighborhood did not cluster in the same new neighborhoods. Nineteen respondents relocated to other nearby towns, and three moved out of the State. Those who remained in the city where they were originally living were typically scattered across the town, with only a slight preference for staying near the development neighborhood.

While the kinds of destination neighborhoods varied greatly, some trends are apparent. ***Most respondents moved to neighborhoods with poverty rates lower than or equal to those of the census tracts they left.*** Bloomington, Indiana was the exception to this trend, with many residents moving to higher-poverty tracts. Most respondents also moved to census tracts with lower proportions of minority households. For some, when the tract in which the development was located had a very large minority population, the shift was dramatic. But even at developments in tracts with very small minority populations, respondents moved to tracts with equivalent or even smaller minority populations. Incomes for assisted households were typically lower in the respondents' new neighborhoods, even though in some cases median incomes were higher in the census tract as a whole.

How satisfied are voucher recipients with their post-conversion housing and neighborhoods? Roughly half of all the voucher recipients surveyed said they were very satisfied both with their housing and with their neighborhood at the time of the survey, as shown in Exhibit ES-3. For the analysis of the relative satisfaction of movers and stayers, the households that moved when vouchers were issued were pooled with those who moved later to form the category "All movers" in the exhibit. Despite this pooling of movers, the total number of movers is still small. In some properties there were only a few movers; thus these numbers should be viewed with some caution.

6 As described in the case studies on Leigh Ann Apartments and Park Lane Terrace, the Dallas Housing Authority (the administering agency for the vouchers for these properties) offers extensive search assistance to all of the agency's Section 8 program participants.

7 One respondent declined to respond to this question.

8 Sources: HUD's Pictures of Subsidized Households database and 1990 Census data.

Movers were somewhat more likely to be very satisfied with their new ***housing*** at the time of the survey (64 percent of the 64 movers) compared to stayers (53 percent of the 266 stayers), although the difference is not statistically significant. As described in the case studies, the owners of several of the conversion properties have invested substantially in renovations at their properties. In at least three properties, the conversions also coincided with increased efforts to evict problem tenants. Thus, stayers' satisfaction levels may reflect increased satisfaction resulting from unit upgrades and increased amenities at the property as well as the improved living environment resulting from the eviction of problem tenants.

The differences between movers' and stayers' ratings of their satisfaction with their neighborhoods, however, are significant: 67 percent of movers are very satisfied with their neighborhoods, and 78 percent are more satisfied with their current neighborhoods than with the neighborhood in which the study property is located. This is true even though, as reported in the final row of the Exhibit ES-3, most of the movers reported they pay more in rent now than they did when they lived at the study properties. At least half of the respondents who moved to new neighborhoods rated the quality of schools and the safety of the neighborhood as better than their old neighborhood, and three-quarters said the new neighborhood offers a better environment for raising children.

Administrative data provided by the housing authorities seem to confirm that movers have higher rent burdens. The average rent burden for movers is 38 percent of adjusted income, while stayers' average rent burden is 30 percent of adjusted income. It is important to note, however, that rent and/or income data were missing for roughly one-third of the movers. In addition, rent burdens varied substantially across properties, as described in the case studies.

4. Summary and Suggestions for Further Research

The findings from this study indicate that most voucher recipients leased in place and were still living in the conversion property 1 to 2 years later. Of those who moved, most indicated they wanted to move because of dissatisfaction with the conversion property due to poor management, poor maintenance and upkeep, and/or unsafe neighborhoods. The movers reported they are happier with their new neighborhoods even though they have higher housing costs.

An important issue raised by this research is that the number of vouchers issued to tenants in the study properties was far lower than the number of units affected by the opt-out and/or prepayment. This has significant implications for the maintenance of the size of the assisted housing programs and the process by which HUD estimates the need for vouchers; the number of units affected by the opt-out or prepayment does not seem to be a reliable indicator of the number of vouchers that will be issued. Exhibit ES-4 summarizes the voucher counts.

Exhibit ES-3
Housing and Neighborhood Satisfaction
Voucher Recipients at All Study Properties Combined

	Total	Stayers	All movers
Total households	330	266	64
Housing satisfaction (current)			
Very satisfied [a]	55%	53%	64%
Somewhat satisfied	26	26	27
Somewhat dissatisfied	13	15	6
Very dissatisfied	5	6	2
Neighborhood satisfaction (current)			
Very satisfied [a] **	55%	52%	67%
Somewhat satisfied	29	30	27
Somewhat dissatisfied	9	9	6
Very dissatisfied	6	8	0
Housing satisfaction compared to pre-conversion unit			
More satisfied [a] **	47%	39%	78%
About as satisfied	34	39	14
Less satisfied	18	20	6
Don't know/refused	1	1	2
Change in rent[b]	N=274	N=231	N=43
Pay more [a] **	43%	39%	63%
Pay same amount	22	25	9
Pay less	31	32	26
Don't know/refused	3	3	2

a Significance testing conducted: * = significant at $p < .05$; ** = significant at $p < .01$.

b Excludes 56 households who are no longer receiving Section 8 assistance.

Source: Telephone Survey of Voucher Recipients (N=330)

Exhibit ES-4
Summary of Unit Counts for Study Properties

Total Units in Properties	2,199
Assisted Units in Properties[a]	2,019
Units Potentially Eligible for Vouchers[b]	1,485
Vouchers Allocated for Properties[c]	1,094
Vouchers Issued in Properties[d]	941
Vouchers Allocated as Percent of Assisted Units[e]	57%
Vouchers Allocated as Percent of Units Potentially Eligible for Vouchers	74%
Vouchers Issued as Percent of Allocated	86%
Vouchers Issued as Percent of Units Potentially Eligible	63%

a Total units produced under Section 236 or 221(d)(3) and/or units covered by Section 8 contracts.

b The number of units we expect will be affected by the owner's action. For prepayment properties, this is the number of units covered by the Section 221(d)(3) or 236 mortgage. For opt-out properties (without prepayment), this is the number of units covered by the expiring Section 8 contract(s) (it excludes contracts that have not expired yet). After the opt-out, the development would still have restricted eligibility and rents as specified under those programs.

c Number of vouchers allocated by HUD based on owner's estimate of the number of eligible households. This number would exclude vacancies and households the owner's records indicated would not be eligible for tenant-based assistance.

d Number of households that were found eligible and received vouchers, based on housing authority records.

e The owner of Leigh Ann Apartments opted out of 1 contract, covering 50 units, in September 1997. A second contract, covering 102 units, has not yet expired. These 102 units have been excluded from the base of "assisted units" in calculating percentages.

Local observers reported that one reason for the attrition from units potentially eligible for vouchers to vouchers allocated, and from vouchers allocated to vouchers issued, was that some residents of assisted units were ineligible for vouchers because their household incomes were too high to qualify for tenant-based assistance. In addition, some potentially eligible households do not apply for tenant-based assistance. In fact, some of these households may no longer be living in the development by the time vouchers are issued. One of the challenges of this study was that it involved a retrospective look at events initiated as long as 2 years before the data collection began. The initial notifications to conversion property residents were sent 1 year prior to the conversion date, but vouchers were not actually issued until the final months before the conversion date. A significant part of the story of these conversions happened before vouchers were issued, but it was difficult to document residents' actions in the months before issuance. The survey results from this study reflect only the motivations and outcomes for tenants who were issued vouchers, not those of households who were not.

The best way to avoid this problem would be to conduct a prospective study, ideally beginning at the point the owner first indicates an intention to convert. Such a design could allow baseline interviews with tenants living in assisted units in the building. This would allow HUD to better document the decisions of all the property's low-income residents, rather than only those who receive vouchers. If household tracking information (such as secondary contact information) were collected at the time, it might improve response rates in a follow-up survey conducted after vouchers are issued. This approach also has limitations, however, because an owner must notify residents that the property is ***eligible for*** conversion, even if the owner has not decided to convert. In order for data collection to be efficient, HUD would need to be reasonably certain the conversion would proceed.

5. Organization of the Case Studies

The remainder of this report is organized by metropolitan area. The set of case studies for each metropolitan area is preceded by a brief overview of the metropolitan area, including descriptions of the area's demographics and housing market. The case studies for that metropolitan area follow the overview. Appendix A provides a summary of data collection activities including survey procedures and response rates. The survey instrument appears in Appendix B.

Overview of the Boston Metropolitan Area

For this study, we selected three properties in the Boston MSA, in three different cities: Cambridge, Brookline, and Weymouth, Massachusetts. Cambridge lies across the Charles river from Boston and is home to Harvard University and MIT, Brookline is a relatively wealthy community bordering Boston on the west, and Weymouth is a middle-class town located twelve miles south of Boston on the coast. Cambridge and Brookline are both highly desirable communities connected to Boston by the public rail system, with large numbers of students and extremely tight housing markets. Weymouth is a stable South Shore bedroom community located at the intersection of two major highways linking the city directly to Boston. All three cities are predominantly residential suburbs of Boston and are part of the greater Boston housing market.

With an economy based largely on the service sector, in particular high-tech and financial services firms, the Boston MSA boasts one of the lowest unemployment rates of any major metro area in the U.S.: 2.2 percent at the end of 1998. In addition, the median family income of $49,265 is relatively high compared to other MSAs. Bolstered by its strong economy, the Boston area housing market is one of the tightest in the country. The vacancy rate for rental units was 2 percent at the end of 1998, well below the national average of around 8 percent.[1] Rents rose by about 5 percent in 1998, continuing an increase that has lasted for several years. Area FMRs for 1998 were $697 for a one-bedroom apartment and $874 for a two-bedroom. All three study properties are located in areas where HUD has approved exception rents of up to 120 percent of FMR.

The rise in rents has been particularly marked in three communities where local rent control restrictions ended in 1994—Boston, Cambridge, and Brookline. In Cambridge, for example, overall median rents increased 36 percent from the end of 1994 through mid-1997. However, median rents of previously rent-controlled units rose 54 percent over the same 2.5-year period. The rents rose most dramatically for those units that turned over after rent control: the median rents of decontrolled units with new tenants increased 85 percent over the same period.[2]

During the late 1980s, more new housing was produced in the City of Boston than in any other U.S. city of comparable size: 17,760 new units were added between 1984 and 1995. Some 8,030 units of assisted housing were developed, of which almost half were sponsored by the City.[3] The decline of the Boston real estate housing market starting in the late 1980s made housing development more difficult through about 1992, but the market has been rising

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1 Michael Baker, "Multifamily Housing Market: Northeast Region", *Multifamily Trends*, Spring 1999.

2 *Cambridge Rental Housing Study: Impacts of the Termination of Rent Control*, Presented to the Cambridge Community Development Department by Atlanta Marketing Research in collaboration with Cambridge Economic Research, January 21, 1998.

3 Boston Consolidated Plan for 1995.

steadily since 1993. The number of new construction permits for multifamily housing in the greater Boston MSA increased by roughly 1,500 (43 percent) from 1997 to 1998, and the Boston area experienced significant multifamily construction activity in 1998. A total of 539 new units were built in Cambridge, a particularly active market where developers are targeting young professionals.

Despite the fairly high production of rental units, there remains an acute shortage of affordable units in Boston and the surrounding suburbs. Local observers all described a shortage of good-quality affordable housing. The City of Boston noted in its 1995 Consolidated Plan that "to meet the needs of Boston's renter households with 'worst case needs,' it would take more than one-third of the $2.8 billion in incremental Section 8 rental assistance allocated for the entire nation."

Preservation of affordable housing is considered a critically important issue in the greater Boston area. According to a 1997 draft report by the Boston-based Citizens Housing and Planning Association, over 100 Section 8 projects in the City of Boston alone were eligible for conversion between 1995 and 2000. Thus, the threat to the supply of affordable housing may be considerable, given the tight housing market in the Boston area.

Huron Towers, Cambridge

I. Background on the Property

Huron Towers (now called 700 Huron Avenue) is a 248-unit high-rise family building located at 700 Huron Avenue in Cambridge, MA. Built in 1973, the property was a HUD-insured, Section 236 development and had two Section 8 Loan Management Set Aside (LMSA) contracts, one expiring August 31, 1997, and the other expiring October 31, 1997. The owner terminated mortgage insurance and opted out of the two Section 8 contracts. Thus, Huron Towers falls under Scenario 2 (see pp. 11-13), with enhanced vouchers issued for all eligible residents. Together, the two contracts cover just under half the development (125 units). Like the other Boston properties, Huron Towers had a relatively small proportion of its units covered by Section 8.

The owner is First Realty Management, one of the earliest developers of Section 221(d)(3) and Section 236 properties and a large owner of HUD-insured properties in the Northeast. The president of First Realty Management was involved in negotiating the terms of the Emergency Low-Income Housing Preservation Act (ELIHPA) and was previously president of the National Assisted Housing Managers Association (NAHMA). A summary of property characteristics appears in Exhibit 1.

Exhibit 1
PROPERTY CHARACTERISTICS:
Huron Towers

Property Name	Huron Towers
Property Location	700 Huron Avenue, Cambridge
Total Number of Units	248
Section of Act	236
Total Number of Assisted Units	248
Number of Section 8 Units	125
HUD-Insured	Yes
Section 8 Expiration Date	Termination of mortgage insurance: 7/1/97 S.8 contracts: 8/31/97 and 10/31/97
Reason for Vouchering-out	Termination of mortgage insurance; opt-out
Type of Vouchers Received	Enhanced

The site visit to 700 Huron Avenue for this study was conducted in July 1998. It included interviews with the owner, the site manager, and staff from the Cambridge Housing Authority, the City of Cambridge Community Development Department, and the Boston

Area HUD Office. A telephone survey of 60 voucher recipients was conducted in March and April 1999, with a total of 38 residents responding.[1]

Reasons for Vouchering-out. The owner terminated the mortgage insurance on Huron Towers on July 1, 1997 and opted out of renewing the two Section 8 contracts. He timed the termination of mortgage insurance to coincide with the expiration of the Section 8 contracts, and he was in the process of refinancing the property at the time of the site visit in July 1998. The owner's motivation for terminating mortgage insurance and opting out of the Section 8 contracts was financial. The property is a valuable asset in a prime location in a very tight market (the vacancy rate in Cambridge is 1 percent). While property values and rents throughout the greater Boston metropolitan area have risen in the 1990s, Cambridge rents have risen even more dramatically since the end of local rent control restrictions in 1994. Pre-conversion contract rents at the property were 72 percent of exception rents for a one-bedroom apartment, 63 percent for a two-bedroom, and 56 percent for a three-bedroom. By terminating mortgage insurance and opting out of the Section 8 contracts, the owner is able to reposition the property to take full advantage of high area rents.

Physical and Financial Condition of the Property. The property is a yellow-brick high-rise structure that has one-, two-, and three-bedroom units serving both elderly and family households. The property is in very good physical condition. The building and grounds appeared to be well maintained. During unit inspections conducted by the Cambridge Housing Authority in August 1997, all units passed HQS inspections. Amenities include dishwashers, disposals, laundry facilities, parking, and an intercom system.

The property is located in Cambridge, which (as noted) has one of the tightest housing markets in the greater Boston area. The property is in a desirable location, abutting a public golf course and a pond and convenient to grocery shopping. The neighborhood, defined by the City as Strawberry Hill/Area #13, is a small area bordered by the Town of Belmont to the east, the Town of Watertown to the south, the Boston & Maine Railroad to the east, and Cambridge Highlands to the North. Strawberry Hill has a small but densely populated residential district, with Fresh Pond Reservoir (Cambridge's water supply) making up a large portion of the neighborhood. Most of the neighborhood is characterized by sizable houses and small lots. The immediate neighborhood is approximately 75 percent residential and 25 percent institutional (cemetery, public golf course, school). About 70 percent of the dwellings in the neighborhood are two- or three-family houses, 15 percent are single-family homes, and the balance are equally distributed among townhouses, multifamily buildings of 5 to 10 units, and multifamily buildings of more than 10 units. The vast majority of dwellings are wood construction and are well maintained, with little or no deterioration. A public

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[1] According to the research design for this study, a sample of 60 voucher recipients was selected for the telephone survey in properties where more than 60 vouchers were issued. In properties where fewer than 60 vouchers were issued, all voucher recipients were included in the survey sample. For more information on survey data collection methods, see Appendix A.

housing development not far from 700 Huron Avenue is made up of low-rise buildings on a large site; it is currently undergoing comprehensive redevelopment.

Characteristics of the Tenants. A summary of information on the characteristics of the sample of 60 voucher recipients selected for our study sample is presented in Exhibit 2.[2] As shown, nearly half the residents are elderly, most of the heads of household (62 percent) are females, and 87 percent are unmarried or do not live with their spouse. Just over a quarter of the households (27 percent) have children. Nearly three-quarters (73 percent) are white, and 18 percent are black (non-Hispanic). Four percent are Hispanic, and 4 percent are Asian. Household income among the residents is fairly mixed. About 16 percent have incomes of less than $10,000 per year, and more than a quarter earn more than $30,000 per year, with the remaining half between these two levels. The mean household income was $22,678.

Owner Plans for the Property. The owner plans to turn the building into a "premier luxury apartment building." The property will have a 24-hour concierge, a fitness club, and a state-of-the-art bicycle storage system. Management is completely rehabilitating every unit as it is vacated, and converting each one into a "market" unit. As of July 1998, more than fifty units had been rehabilitated. Management is doing less comprehensive renovations to units that are not turning over, but even these renovations include the installation of new kitchens.

II. Implementation of Vouchering-out

Agencies/Organizations Involved in Vouchering-out. Organizations involved in the vouchering-out process included the Boston HUD Office, the Cambridge Housing Authority (CHA), the owner, the Cambridge Community Development Department, and the Cambridge Economic Opportunity Council (CEOC). The Boston HUD Office's role was to receive notice of termination of mortgage insurance and opting out from the owner, notify the CHA, and request enhanced vouchers from HUD Headquarters. The CHA's role included approving the rents as reasonable, conducting tenant eligibility review and recertification, conducting unit inspections, and issuing vouchers. CHA staff performed eligibility review using tenant income information from the owner and conducted third-party verification of income. This process was essentially the same as the CHA's standard eligibility review and certification process, except that it occurred on-site at the property, and the owner provided tenant income information.

2 We attempted to obtain information on the characteristics of the overall tenant population at Huron Towers, but were unsuccessful. Historical TRACS data from 1995 reflected the characteristics of only 85 households, and tenant characteristics data for Huron Towers are missing entirely from the Picture of Subsidized Households database.

Exhibit 2
CHARACTERISTICS OF VOUCHER RECIPIENTS INCLUDED IN THE TELEPHONE SURVEY
Huron Towers

Characteristic	Percentage of Households
Gender of Head of Household	
Female	62%
Male	38%
Race/Ethnicity of Head of Household	
White, non-Hispanic	73%
Black, non-Hispanic	18%
Hispanic or Latino	4%
Asian or Pacific Islander	4%
American Indian or Alaskan Native	2%
Age of Head of Household	
62 or over	44%
Under 62	56%
Number of Household Members	
1	56%
2-3	31%
4 or more	13%
Number of Children in Household	
0	73%
1-2	25%
3 or more	2%
Spouse Present?	
Yes	13%
No	87%
Handicapped/Disabled Head of Household	
Yes	0%
No	100%
Total Family Income[a]	
< $1,000	2%
$1,000 - 4,999	2%
$5000 - 9,999	13%
$10,000 - 19,999	31%
$20,000 - 29,999	26%
> $30,000	27%
Mean Household Income	$22,678

a Information on sources of household income was not available.
Source: HUD Form 50058 for the sample of 60 voucher recipients selected for the telephone survey.

Note: Figures may not add to 100 percent, due to rounding.

The process for issuing vouchers at Huron Towers was fairly complicated. Although there are 248 units in the building, only 213 vouchers were allocated, because some units were vacant, and some households did not apply for tenant-based assistance because they were over-income. These 213 vouchers included 122 households covered under the Section 8 LMSA contracts, 73 that were not assisted at the time of conversion but were income-eligible, and 18 that had tenant-based vouchers and certificates (2 vouchers and 16 certificates) prior to the conversion. Enhanced vouchers were issued to all eligible residents (including the 2 voucher holders and 16 certificate holders) because the owner terminated the mortgage insurance.

The vouchers for the 18 households that previously had tenant-based assistance were funded as follows: the amount of the voucher up to the FMR was funded by the Office of Public Housing's allocation, while the "enhanced" part of the voucher—the additional amount up to the payment standard—was funded from the Office of Housing's allocation.

The Cambridge Community Development Department tried to preserve Huron Towers before the vouchering-out process began, by urging the owner to reconsider opting out and terminating mortgage insurance. Huron Towers is one of several properties in Cambridge that have prepaid or terminated mortgage insurance or are eligible to do so by 2000, but not all are at risk of conversion. Three properties were preserved under ELIHPA or LIHPRHA and two properties are technically eligible to prepay but are covered by other use restrictions. Two properties are considered by the City to be at very high risk of converting to market rate. The City submitted a Home Rule petition to the state to regulate the rents of Cambridge properties that previously had federal assistance or use restrictions.

The owner of Huron Towers was not interested in any deals with the City that involved use restrictions, and he did not want to sell the property. When the City's preservation efforts failed, the Department hired a full-time preservation tenant organizer from Cambridge Economic Opportunity Council (CEOC), a local advocacy organization, to organize tenants around vouchering-out issues. One of the goals of the tenant organizer was to persuade residents to back the City's Home Rule petition.

Process for Notifying Residents. The owner sent a one-year notice of opting out to residents in August 1996 and met with them frequently thereafter. CHA staff met with residents in the fall of 1996 to explain what its role would be in the process. CHA staff and the owner met with residents in June 1997 to explain in more detail the process of vouchering-out. During the third week of July 1997, the CHA met with residents at the property and conducted eligibility review and certification. CHA staff also answered residents' questions during unit inspections in mid-August.

Resident Response. CHA staff indicated that residents responded to the one-year notice with panic. Many residents did not understand how the vouchers worked. Some believed the vouchers would last only one year. CHA staff said that the CEOC tenant organizer was at times counter-productive, because she told the residents that the vouchers would be good for only one year, even though the CHA told her this would not likely be the case.[3] Some residents moved before getting their voucher, according to CHA staff.

According to the owner, there was at first some fear among residents about rents rising or having to leave. But (he said) because they trusted him, he was able to reassure them. The owner said that the CEOC preservation tenant organizer bred fear and uncertainty, as did staff from the local Congressman's office and the Massachusetts Alliance of HUD Tenants. Among voucher recipients contacted for our telephone survey, most reported they had understood they had a choice to either stay at Huron Towers or move. Of the 38 residents interviewed, 30 said they understood that they had a choice to stay or to move out of Huron Towers with their voucher, 5 said they did not understand, and 3 did not remember.

Assistance Provided to Residents. There was no assistance provided to tenants beyond the standard services provided to all Section 8 recipients served by CHA. However, CHA staff conducted certifications at the property, rather than having residents come to the housing authority office, and they spoke to residents at meetings and during inspections. Of the 38 residents surveyed, 10 said that some assistance was offered, but only 2 actually used the services. These 2 residents said they received help calculating how much rent they could afford to pay, identifying neighborhoods for the housing search, listings of possible rental units, and filling out applications and references.

Summary of Key Events. The key events associated with the conversion at Huron Towers are summarized in Exhibit 3.

Exhibit 3
VOUCHERING-OUT PROCESS
Huron Towers

Date	Event
8/28/96	owner notice of intent to opt out
6/6/97	owner notice of intent to terminate insurance
6/97	HUD office requests vouchers
6/97	CHA meeting with residents
7/1/97	termination of mortgage insurance
7/14/97 - 7/23/97	certification
9/1/97	vouchers issued to first group of residents
11/1/97	vouchers issued to second group of residents

[3] In fact, the funding of all Section 8 tenant-based assistance is subject to annual appropriations.

III. Outcomes of Vouchering-out

Extent of Movers and Stayers. In general, residents have stayed at the development, as it changed from Huron Towers to 700 Huron Avenue. The utilization of vouchers allocated to Huron Towers is summarized in Exhibit 4. Of the 213 enhanced vouchers that were allocated, 173 residents applied for and were deemed eligible for these vouchers. According to CHA staff, some residents had moved prior to receiving their voucher. This may be because some residents believed the vouchers would be valid for only one year and moved before receiving their voucher. Other residents were not eligible for vouchers. Of the 173 vouchers issued to existing residents, 167 leased in place, and 6 moved. Among the stayers, 28 moved to different units because they had been over-housed or underhoused. Of the movers, 4 moved with the voucher, and 2 moved without. The 2 who moved without their voucher did so because they had decreases in their incomes soon after leasing up at Huron Towers and could not afford to pay the same rent they were paying before. (At that time, enhanced vouchers did not have a provision for downwardly adjusting the tenant payment after a significant drop in income.)

Exhibit 4
INITIAL VOUCHER UTILIZATION
Huron Towers

Measure	Frequency
Total assisted units in development	248
Number of vouchers allocated by HUD	213
Number of vouchers issued to original households that applied	173
Number of households that used voucher and stayed in unit	139
Number of households that used voucher and moved to a different unit in same development	28
Number of households that used voucher and moved out of development	4
Number of households that did not use voucher and stayed	0
Number of households that did not use voucher and moved	2

Source: Interviews with Cambridge Housing Authority and Boston HUD Field Office Staff.

By the end of 1998, another 15 residents had moved and 6 had died. Several of the movers bought homes, and some became income-ineligible, according to the property manager. According to the CHA, very few of the delayed movers used their vouchers. These delayed movers were difficult to find for our telephone survey because CHA staff and the property manager had no contact information for most of them. As a result, they are underrepresented in the survey responses.

The telephone survey of voucher recipients was conducted roughly 18 months after the expiration of the Section 8 contracts at Huron Towers. Of the 38 voucher holders interviewed in the telephone survey, 3 moved at the time of conversion, and one more moved at some later point in time. Exhibit 5 shows the extent of movers in the overall sample and among survey respondents.

Exhibit 5
EXTENT OF MOVERS: ALL VOUCHER RECIPIENTS COMPARED TO SURVEY RESPONDENTS
Huron Towers

Moving Status	All Voucher Recipients (N=167)[a]		Survey Respondents (N=38)	
	Number	Percent	Number	Percent
Initial movers	6	3%	3	8%
Delayed movers	15	9%	1	3%
Stayers	146	88%	34	89%
Total	167	100%	38	100%

a Six residents died since conversion.

Source: Administrative records for 167 households from the Cambridge Housing Authority; Telephone Survey of Voucher Recipients (38 respondents).

Characteristics of Movers and Stayers. Nearly half the property's residents were elderly, and these residents were more likely to stay than to move. Two residents who initially leased up at the development and had subsequent decreases in income (due to a retirement and a layoff) moved out without their voucher because they could no longer afford the rent. The few residents who took their voucher and moved elsewhere still have to pay at least the same amount as previously.

The movers tended to be non-elderly families with children. While 56 percent of the residents at Huron Towers were non-elderly, almost all of the movers were non-elderly. Furthermore, while only about a quarter of the residents overall had children, two-thirds of the mover households had children. The distribution of household income among movers was fairly skewed to the higher end, compared to the stayers. Among the seven movers for whom we have income data, two had incomes of less than $1,000, and three had incomes over $30,000. By contrast, nearly half (48 percent) of the stayers had incomes in the middle range, from $5,000 to $30,000.

The average rent burden for both movers and stayers after vouchering-out was 30 percent of adjusted income.

Factors in Decisions to Move or Stay. According to CHA staff and the owner's representative, many residents stayed because they were elderly and had lived at Huron Towers many years. In addition, residents stayed because the enhanced vouchers help people stay. Further, residents had very little time to search for another unit before they had to make a decision about whether or not to lease in place. According to CHA staff who talked with these movers, many of the residents who moved did so to buy a house or to move in with family. None of the movers remained in Cambridge. Several more are planning to move because they fear further rent increases, according to the CHA, although the rent was still equal to the payment standard associated with the enhanced vouchers at the time of lease renewal in 1998. In addition, according to CHA staff, many of the previously assisted residents do not feel welcome at the property anymore as it is being converted to a luxury building.

Respondents to the telephone survey were asked what factors contributed to their decision to move or stay, as summarized in Exhibit 6. First, respondents were asked whether they initially wanted to move or stay when they received notice that vouchers would be issued. Of the 38 residents interviewed, 3 initially wanted to move and 34 initially wanted to stay. Among the 3 who wanted to move, 2 cited concerns about increases in rent. One additional resident had initially wanted to move but stayed because it was difficult to find an available, comparably sized unit for the same rent.

Exhibit 6
REASONS FOR WANTING TO STAY OR MOVE
Huron Towers

Reasons	Frequency	Percent
Reason for Staying (N=34, multiple responses permitted)		
Overall satisfaction with unit	14	41%
Overall satisfaction with the location	12	35%
Safe neighborhood	8	24%
Reasons for Moving (N=3, multiple responses permitted)		
Increases in rent	2	33%
Wanted more space	1	33%
To live closer to family and friends	1	33%

Source: Telephone Survey of Voucher Recipients at Huron Towers (N=38).

Of the 34 who wanted to stay, 14 cited their overall satisfaction with their unit, 12 cited overall satisfaction with the location, and 8 cited the safe neighborhood. Other reasons given for wishing to stay were good maintenance (7), that Huron Towers was considered home (7), and the proximity to services and shopping (7).

In addition to general questions about the factors influencing their decisions to move or stay, survey respondents were asked specifically about the importance of a few key factors. Movers were asked about the importance of wanting to live in a better neighborhood in their decision to move. All 3 of the initial movers indicated that living in a better neighborhood and finding better or more suitable housing were very important in their decision to move.

Search Experience of Those Who Looked for Alternative Housing. Most residents did not search for alternative housing. Of the three survey respondents who reported searching for alternative housing (movers and stayers), one said the search process was very difficult, and two said it was not difficult at all.[4] Two out of the three said they felt they had very little choice in the number of suitable units available. One looked in the same neighborhood, two looked elsewhere in Cambridge, one looked in another city and one looked out of state.[5]

Destination Neighborhoods and Units. Of the 4 survey respondents who indicated they moved, all 4 said they moved to a different neighborhood. The new addresses provided by these movers were geocoded and linked to HUD and Census data to obtain information on the characteristics of the neighborhoods where movers are living.[6] The following discussion describes the characteristics of the destination neighborhoods for movers. It is important to note that because of the small number of movers, it is difficult to make generalizations about the entire population based on their actions.

In the census tract within which Huron Towers is located, HUD data indicate a total of 417 units of assisted housing are available[7]. Of these units, 43 percent are headed by residents 62 years old or over. The average assisted household income is $17,000. The proportion of households with annual incomes of less than $5,000 is only 3 percent, while 35 percent of assisted households earn over $20,000 annually. Census data indicate that 9 percent of the census tract's population is poor. Approximately 18 percent of the tract's households are minority. The median income for the census tract as a whole was $35,000 and the average rent was $577.

The survey respondents who moved to different neighborhoods were distributed among four different cities. One remained in Cambridge, two moved to neighboring communities, and one moved out of state. The three movers who left Cambridge moved to neighborhoods with much higher average annual incomes, ranging from $42,000 to $75,000, and higher average rents.

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4 Only three survey respondents answered this question.

5 Multiple responses were permitted for this question.

6 Sources: HUD's Pictures of Subsidized Housing database and 1990 Census data.

7 1997 data were not available for the Huron Towers census tract; replaced with 1996 data where necessary.

Housing and Neighborhood Satisfaction. Exhibit 7 summarizes Huron Towers voucher recipients' satisfaction with their housing. Overall, 29 of the 38 residents interviewed said they were very satisfied with their current housing situation, and another 7 were somewhat satisfied, while 2 were somewhat dissatisfied. Of the 34 survey respondents who stayed in the development, 26 were very satisfied, and 6 were somewhat satisfied. Of the 4 respondents who moved, all were very satisfied or somewhat satisfied.

Exhibit 7
HOUSING AND NEIGHBORHOOD SATISFACTION
Huron Towers

	Total		Stayers		Movers	
	Number	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Total households	38	100%	34	89%	4	11%
Housing satisfaction						
Very satisfied	29	76%	26	76%	3	75%
Somewhat satisfied	7	18%	6	18%	1	25%
Somewhat dissatisfied	2	5%	2	6%	0	25%
Very dissatisfied	0	0%	0	0%	0	0%
Neighborhood satisfaction						
Very satisfied	34	89%	30	88%	4	100%
Somewhat satisfied	3	8%	3	9%	0	0%
Somewhat dissatisfied	0	0%	0	0%	0	0%
Very dissatisfied	0	0%	0	0%	0	0%
Don't know	1	3%	1	3%	0	0%
Change in rent[a]						
Pay more	18	53%	17	53%	1	50%
Pay same	11	32%	11	34%	0	0%
Pay less	5	15%	4	13%	1	50%

a Excludes four households that are no longer receiving Section 8 assistance.
Source: Telephone Survey of Voucher Recipients (N=38)

Property Impacts. Rents were increased dramatically following conversion to tenant-based assistance at the property. Rent for a one-bedroom apartment jumped from $576 under the project-based contract to $925 under the enhanced voucher. Similarly, rent for a two-bedroom unit rose from $634 under project-based assistance to $1,275 under the enhanced voucher, and three-bedroom rents increased from $704 under project-based assistance to $1,700 under the enhanced voucher.[8] As of May 1999, rents had not exceeded the enhanced payment standard, according to the property manager. However, residents will have to pay any future rent increases. The owner claims that he is currently renting rehabilitated

[8] This compares to 1998 exception rents of $836 for a one-bedroom, $1,048 for a two-bedroom, and $1,310 for a three-bedroom apartment.

apartments to non-voucher holders for up to $1,300 for a one-bedroom, $1,675 for a two-bedroom, and $2,000 for a three-bedroom apartment. According to the owner, the building was fully occupied both before and after conversion.

Another major change to the property is the tenancy. Before conversion, the property's population was fairly diverse in terms of age and race. Post-conversion, the property is being marketed as a premier luxury building, and (according to the CHA) many voucher holders who have stayed so far feel uncomfortable and unwelcome. While more than half the residents are still voucher holders, units are generally being leased to market residents on turnover, which points to a gradual conversion into a higher-end building.

IV. Summary of Findings

This property is a good example of a profit-motivated owner taking advantage of the high rent potential of a property in a prime location and a tight housing market. Before the owner opted out and terminated mortgage insurance, the contract rents at Huron Towers had been only 56 to 72 percent of FMRs. After conversion, the owner anticipates being able to charge market rents of up to $2,000 for a three-bedroom apartment. In this case, residents generally have stayed so far, in large part because nearly half are elderly, and also because the enhanced vouchers help people stay. To the extent rents increase above the payment standard, residents' rent burden will increase. At least two residents have had to move because their incomes went down but their rent stayed the same (due to the minimum rent provision associated with enhanced vouchers in Fiscal Years 1997 and 1998).[9] The expectation of CHA staff is that further rent increases will cause more and more residents to leave, and many have already indicated they plan to move. They may have to move out of the city because of the tight housing market in general and the tighter affordable housing market in particular.

The experience at this property also supports testimony at other properties that the time frame in which vouchering-out must occur is too short: the CHA and the owner note that 60 days is too little time to conduct certifications and inspections and to issue the vouchers and give residents time to search for a new unit if they so choose.

[9] This is no longer true for residents receiving vouchers after November 1, 1998. (See PIH 99-16, March 12, 1999).

Weymouth Commons East, Weymouth

I. Background on the Property

Weymouth Commons East is a 198-unit family development located in Weymouth, MA, a suburb 12 miles south of Boston. Started in 1972, the property was a HUD-insured, Section 221(d)(4) New Construction development and had a single Section 8 contract covering a total of 108 units. The Section 8 contract was a six-stage contract, with each stage having its own effective date and expiration date. Stage 1, encompassing 37 units, expired August 18, 1997. Stages 2 and 3, covering a total of 39 units, expired September 21, 1997. Stages 4, 5, and 6, with a total of 32 units, expired January 31, 1998. With the opt out of this contract, Weymouth Commons East falls under Scenario 3 (see pp. 11-13), which results in the offer of regular vouchers to eligible households previously in Section 8 units. The non-Section 8 units were and remain market units. A summary of property characteristics appears in Exhibit 1.

Exhibit 1
PROPERTY CHARACTERISTICS:
Weymouth Commons East

Property Name	Weymouth Commons East
Property Location	35, 56, and 141 Audubon Street Weymouth, MA
Total Number of Units	198
Section of Act	221(d)(4)
Total Number of Assisted Units	108
Number of Section 8 Units	108
HUD-Insured	Yes
Section 8 Expiration Date	8/18/97; 9/21/97; 1/31/98 (six "stages")
Reason for Vouchering-out	Opt-out
Type of Vouchers Received	Regular

The site visit to Weymouth Commons East was conducted in July 1998. It included an interview with the owner's representative, the site manager, and the contracting agency, Metropolitan Boston Housing Partnership (MBHP), as well as an interview with staff at the HUD Boston Field Office. A telephone survey of a sample of 60 voucher recipients was conducted in March and April 1999, with a total of 36 residents responding.[1]

[1] According to the research design for this study, a sample of 60 voucher recipients was selected for the telephone survey in properties where more than 60 vouchers were issued. In properties where fewer than 60 vouchers were issued, all voucher recipients were included in the survey sample. For more information on survey data collection methods, See Appendix A.

Reasons for Vouchering-out. Weymouth Commons' owner, Corcoran Management, which owns 8,000 units around the country, opted out of the Section 8 contract for financial reasons. The property is located in the South Shore housing market, which is very tight. Because the property already had 90 market-rate units that were commanding very high rents, the owner knew the Section 8 units would command similar rents if he opted out. In fact, some of the Section 8 units were already being rented at market rents; prior to opting out of the Section 8 contract, Greater Boston Legal Services had filed a class action lawsuit against the owner for renting some project-based Section 8 units as market units. The owner also noted that if he had renewed, the new contract rents would have been reduced from the levels before expiration, because they had been above 120 percent of the Fair Market Rent (FMR) for most units.[2]

Physical Condition of the Property. Weymouth Commons East consists of 198 units in three mid-rise elevator buildings and seven clusters of townhouses. The development is part of a larger complex called Weymouth Commons, which is advertised as "luxury apartments" and consists of a total of 563 units in ten mid-rise buildings and additional townhouse clusters. Weymouth Commons East has one of the complex's two swimming pools and tennis courts, as well as a clubhouse where free continental breakfast is served daily. The property is in very good physical condition. Management has made cosmetic improvements to the common areas in the past five years. Building and grounds maintenance appeared to be good, and the units were in good condition.

The property is conveniently located just off Route 3 in Weymouth, a residential suburb twelve miles southeast of Boston. Grocery shopping and other services are nearby, and a shuttle service provides a transportation link to commuter rail service to Boston. The neighborhood surrounding the property is characterized by wood-frame multifamily housing developments and single-family homes of high quality and in good condition.

Characteristics of the Tenants. Weymouth Commons East houses a mix of families and elderly and (as noted earlier) is part of a larger, mostly market-rate, complex marketed as luxury apartments. A summary of information on the characteristics of voucher recipients included in the telephone survey is presented in Exhibit 2. As shown, over three-quarters (77 percent) of the heads of household are female, 83 percent are under the age of 62, and 86 percent are not married or do not live with a spouse. Just over half the households (51 percent) have children. Nearly a third of the heads of household (31 percent) are handicapped or disabled. The tenant information provided by the housing agency generally did not include data on race or ethnicity. However, according to management, the residents are mostly white. Half of the residents (50 percent) earn between $5,000 and $10,000 and nearly a third (32 percent) earn between $10,000 and $20,000, with an overall mean of $11,836.

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2 As of FY98, owners can renew at existing rents if they are not greater than market comparables.

Exhibit 2

CHARACTERISTICS OF VOUCHER RECIPIENTS INCLUDED IN THE TELEPHONE SURVEY

Weymouth Commons East

Characteristic	**Percentage of Households**
Gender of Head of Household	
Female	77%
Male	23%
Race/Ethnicity of Head of Household	
White, non-Hispanic	14%
Black, non-Hispanic	0%
Hispanic or Latino	2%
Asian or Pacific Islander	0%
American Indian or Alaskan Native	0%
Unknown	83%
Age of Head of Household	
62 or over	17%
Under 62	83%
Number of Household Members	
1	38%
2-3	48%
4 or more	14%
Number of Children in Household	
0	49%
1-2	45%
3 or more	6%
Spouse Present?	
Yes	14%
No	86%
Handicapped/Disabled Head of Household	
Yes	31%
No	69%
Total Family Income	
< $1,000	0%
$1,000 - 4,999	2%
$5000 - 9,999	50%
$10,000 - 19,999	32%
$20,000 - 29,999	16%
Mean Household Income	$11,836
Included in Total Family Income	
Wages, salary, tips	35%
Social security or pensions	23%
SSI	31%
Public Assistance	2%

Source: HUD Form 50058 for the 66 voucher recipients.

Note: Figures may not add to 100 percent, due to rounding.

Owner Plans for the Property. Corcoran Management is converting the property into a fully market-rate apartment complex. However, because almost half of Weymouth Commons East was already market-rate (in addition to the seven market-rate buildings in the larger Weymouth Commons complex), and the units and common areas were well maintained, no physical improvements are being done beyond standard repainting and minor renovations to units that are vacated. The owner's representative said there were no other plans for the property.

II. Implementation of Vouchering-out

Agencies/Organizations Involved in Vouchering-out. The organizations involved in the vouchering-out process were the Boston HUD Office, the Massachusetts Department of Housing and Community Development (DHCD), MBHP, Greater Boston Legal Services, and the owner. The Massachusetts Housing Finance Agency (MHFA) was not involved in the process of vouchering-out, although it had been the Section 8 contract administrator on the property. The City of Weymouth was also not involved in the process.

The Boston HUD Office's role was to receive notice of opting out from the owner, select an agency to administer the vouchers, and request vouchers from HUD Headquarters. After the owner gave the 120-day notice, HUD Boston requested 104 regular vouchers from HUD Headquarters. HUD Boston selected the Department of Housing and Community Development (DHCD) to administer the vouchers, because the Weymouth Housing Authority was facing capacity issues at the time. DHCD contracted this role out to MBHP (the nonprofit operator of the state's Section 8 program in metropolitan Boston); this organization's role included approving the new rents as reasonable, conducting eligibility review and certifications, conducting unit inspections, and issuing vouchers. MBHP staff performed eligibility review using tenant income information from the owner and conducted third-party verification of income for tenants whose project-based assistance expired in August or September. (No third-party verification was done for residents affected by the stages expiring in January.) This process was essentially the same as the MBHP standard eligibility review and certification process, except that it occurred on-site at the property, and the owner provided tenant income information.

Greater Boston Legal Services had previously become involved with the property through a class action lawsuit against the owner for under-utilization of the project-based Section 8 subsidy. The lawsuit resulted in a settlement, under which the owner agreed to: reopen the Section 8 waiting list and take new applications in November 1997; lease up to 18 additional units to eligible families under the last three stages of the Section 8 contract (expiring January 31, 1998); reduce the rent for the first three months of leases beginning February 1, 1998; pay $1,000 toward moving expenses; and release residents from the lease in the first year upon 30 days' notice.

There were complications at Weymouth Commons East resulting from the fact that the six stages of the Section 8 contract expired on three different dates. First, there was some confusion as to which units would be affected by each stage. Greater Boston Legal Services raised this issue with HUD and MHFA, noting its concerns about the potential arbitrariness of the owner determining which residents would be affected by each stage. Legal Services attorneys argued that all the affected residents should receive their vouchers at the same time, on February 1, 1998. HUD Boston consulted its legal counsel and determined that the vouchers would be issued in stages. The management company decided that the residents who had been living at the development the longest would be in the group affected by the earliest (August 1997) expiration. MBHP staff said that the management company realized afterwards that this may not have been the best method, for two reasons: these residents, many of whom were elderly, had one month less to seek other housing than those affected by the September expiration; and the payment standard for the August residents was lower than for residents in the two later groups. This is because the payment standard increase effective October 1, 1997, affected only residents who leased up on or after that date. Residents affected by August expirations received vouchers with the old payment standard, while residents affected by the stages expiring in September[3] and January received vouchers with the higher payment standard. Therefore, the residents under the August expiration experienced higher rent burdens than the residents affected by the other stages.

Because of a delay in MBHP receiving a signed copy of the ACC from DHCD, most residents did not actually receive vouchers until December 3, 1997. However, MBHP paid the owner from the time of expiration, so the tenant payment was not affected. Residents who moved received vouchers that MBHP had on hand.

Process for Notifying Residents. The owner sent the required one-year letter and 120-day notice to residents, as well as several other notices in the period before expiration. Together, MBHP staff and management conducted three separate information sessions (one for each expiration date), as well as one-on-one sessions during eligibility review. The representative from Greater Boston Legal Services attended the group sessions. Residents had many questions during the group briefings and individual sessions. Many brought their families to meetings and made numerous follow-up calls to MBHP.

Resident Response. The reaction among residents was fear and confusion, according to MBHP staff. Some residents thought that something could be done to ensure they would continue paying only 30 percent of their income for rent. MBHP staff said that, surprisingly, residents generally did not ask about why they were affected by one expiration date or another, or about the fact that some residents had different payment standards. Residents received another shock in 1998 because rents were going up again, and they are afraid about

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[3] Residents whose assistance expired September 21 leased up October 1 because the vouchers were not valid until October 1 (they were not pro-rated for the days in September).

what will happen in 1999, MBHP staff said. In contrast, the owner's representative said that there was no reaction by residents to the news that the owner would be opting out of the contract.

Among respondents to our telephone survey, 31 of 36 interviewed said they understood they had a choice to stay at the development or move elsewhere with their Section 8 vouchers.

Assistance Provided to Residents. Some counseling was provided to tenants at Weymouth Commons East. MBHP staff met with residents in group briefings and did certifications at the property, rather than having residents come to the housing agency. MBHP staff also provided an hour-and-a-half-long briefing session on mobility. During this meeting, MBHP staff encouraged residents to move because of the anticipated rent increases, and they stressed that the owner would allow residents to break their leases if they found another place.

Twelve of the 36 residents interviewed in the telephone survey said they took advantage of assistance offered by MBHP. The recipients of assistance indicated that the agency helped them calculate how much rent they could afford, provided lists of possible rental units, and helped identify neighborhoods for their housing search. Five residents indicated that the assistance was very important in their decisions on where to look, and eight residents said the assistance was either very or somewhat helpful.

Summary of Key Events. The key events associated with the opt-out at Weymouth Commons East are summarized in Exhibit 3. The owner gave a one-year notice to HUD on August 14, 1996, and gave a 120-day notice on May 19, 1997. On June 26, the Boston HUD Field Office requested 54 regular vouchers for the stages expiring in August and September. Another 18 vouchers were later requested for the stages expiring in January. MBHP staff and management met with residents affected by the August and September expirations on August 6. MBHP staff met with residents affected by the January expiration on February 12, 1998.

Exhibit 3

VOUCHERING-OUT PROCESS

Weymouth Commons East

Date	Event
8/14/96	Owner notice to opt out
5/19/97	Owner 120-day notice to opt out
6/26/97	HUD requested 54 vouchers
7/97	HUD requested 18 additional vouchers
8/6/97	Meeting with residents by MBHP and management
8/31/97	Expiration for 34 units
9/21/97	Expiration for 19 units
12/3/97	50 vouchers issued
1/31/98	Expiration for 18 units
2/12/98	Meeting with residents by MBHP
8/98	16 vouchers issued

III. Outcomes of Vouchering-out

Extent of Movers and Stayers. A total of 72 vouchers were allocated by HUD for the property. This number is far lower than the 108 project-based Section 8 units under contract because some of the Section 8 units were being rented as market rent units at the time of conversion. Of the 72 eligible households in Section 8 units at the time of conversion, a total of 68 households applied for vouchers and 66 received vouchers. (Two who applied were arrested for their involvement in a large heroin operation and did not receive vouchers.) The 66 vouchers include 31 for the August contract expiration, 19 for the September expiration, and 16 for the January expiration.

Of the 66 households that received vouchers, 4 moved initially, according to MBHP. Three of these moved with their vouchers (two moved to nearby towns and one to a western suburb), and one moved into elderly housing. Six under- or over-housed residents moved to appropriately sized units within the development. Two others have died since receiving their vouchers. As of early 1999, another 18 voucher holders had moved.

The initial utilization of vouchers at Weymouth Commons East is summarized in Exhibit 4.

Exhibit 4

INITIAL VOUCHER UTILIZATION

Weymouth Commons East

Measure	Frequency
Total Section 8 units in development	108
Number of vouchers allocated by HUD	72
Number of households that applied for vouchers	68
Number of vouchers issued to original households that applied	66
Number of households that used voucher and stayed in unit	54
Number of households that used voucher and moved to a different unit in same development	6
Number of households that used voucher and moved out of development	3
Number of households that did not use voucher and stayed	0
Number of households that did not use voucher and moved[a]	3

a Includes two residents who died since receiving their voucher.

Source: Interviews with MBHP and Boston Field Office staff.

The telephone survey of voucher recipients was conducted roughly 18 months after the end of the first two Section 8 contracts and 14 months after the end of the third Section 8 contract. Of the 36 voucher holders interviewed in the telephone survey, 2 moved at the time of conversion and another 5 moved at some later point in time. All but one of these delayed movers left Weymouth Commons a year or more after conversion.

Exhibit 5 shows the extent of movers in the overall sample and among survey respondents. The number of movers interviewed is low because of the difficulty in locating residents who moved.

Exhibit 5

EXTENT OF MOVERS: ALL VOUCHER RECIPIENTS COMPARED TO SURVEY RESPONDENTS

Weymouth Commons East

Moving Status	All Voucher Recipients		Survey Respondents	
	Number	Percent	Number	Percent
Initial movers	4	6%	2	6%
Delayed movers	18	30%	5	14%
Stayers	42	64%	29	81%
Total[a]	64	100%	36	100%

a Two of 66 residents have died.

Source: Administrative records for 64 households from MBHP; Telephone Survey of Voucher Recipients (36 respondents).

Characteristics of Movers and Stayers. All four of the residents who moved at the time of vouchering-out were non-elderly, and three were families with children. By contrast, over half the stayers did not have children. The incomes of mover households were somewhat higher than those of stayers. While 56 percent of stayers' incomes were under $10,000, only one of the four movers had an income under $10,000. Rent burdens for both movers and stayers went up considerably. Stayers' post-conversion rent burdens averaged 43 percent, while the average rent burden for movers after vouchering-out was 34 percent of household income.

Factors in Decisions to Move or Stay. The 4 residents who initially moved did so because of concerns about increasing rents or to move closer to other family members, according to MBHP and the owner's representative. Among delayed movers, a primary reason for moving was the increased rent. MHBP staff had predicted that many residents would move after initial lease up, because the rents were scheduled to increase up to 20 percent for one-bedroom apartments, 15 percent for two-bedrooms, and 25 percent for three-bedrooms. However, according to the manager, the 18 who moved subsequently include 4 who moved to senior housing, 2 who were evicted for drug activity, 2 who wanted to be closer to their families, and some who wanted to be closer to the bus line.

Respondents to the telephone survey were asked what factors contributed to their decision to move or stay, as summarized in Exhibit 6. First, respondents were asked whether they initially wanted to move or stay when they received notice that vouchers would be issued. The results from the survey show that, of the 36 residents interviewed, 6 initially wanted to move and 28 initially wanted to stay after they received the notice. Among the 6 who wanted to move, reasons cited were lack of transportation (2), poor management (2), and affordability reasons (1). Among delayed movers, 4 out of 5 cited the increase in rent. An additional 5 residents had initially wanted to move but stayed. Reasons cited included difficulty in finding a place that would accept Section 8, difficulty in finding a suitable unit, and moving costs.

Of the 28 who wanted to stay, 14 cited their overall satisfaction with their unit, 10 cited good maintenance and upkeep of the property, and 9 said they considered Weymouth Commons to be their home. Other reasons given for staying include the safe neighborhood (5), the location (5), and proximity to family and friends (4). One overhoused resident who initially wanted to stay later moved because she was transferred to a smaller unit.

Exhibit 6

REASONS FOR WANTING TO STAY OR MOVE

Weymouth Commons East

Reasons	Frequency	Percent
Reason for Staying (N=28, multiple responses permitted)		
Overall satisfaction with unit	16	57%
Overall satisfaction with the location	10	36%
Safe neighborhood	9	32%
Reasons for Moving (N=6, multiple responses permitted)		
Affordability/Increases in rent	5	71%
Poor management	2	29%
Wanted to be near public transportation	2	29%

Source: Telephone Survey of Voucher Recipients at Weymouth Commons East (N=36).

Search Experience of Those Who Looked for Alternative Housing. In addition to the survey respondents who actually moved, another 11 indicated they spent at least some time searching for a different apartment, with 8 actually visiting other houses or apartments. Among both movers and stayers interviewed, 8 survey respondents went to visit at least one alternative home, and 6 called or drove by at least one prospective house or apartment (including 2 who called or drove by more than 20 units each).

Of the 10 residents surveyed who looked for alternative housing, 8 said that the search was very difficult or somewhat difficult and that they had very little choice in finding other suitable apartments.[4] Five residents interviewed looked in the immediate neighborhood, 7 looked in other neighborhoods of Weymouth, and 5 looked in other cities. High rents and lack of available Section 8 units were the two most commonly cited major problems limiting the housing search. Exhibit 7 summarizes the search experience of movers, as reported by survey respondents.

[4] Only 10 of the 11 survey respondents who looked for alternative housing answered this question.

Exhibit 7
Housing Search Experience
Weymouth Commons East

	Frequency	Percent
Difficulty of search (N=10)		
Very difficult	5	50%
Somewhat difficult	3	30%
Not difficult at all	2	20%
Perceived extent of choice (N=10)		
A lot of choice	0	0%
A fair amount of choice	2	20%
Very little choice	8	80%
Major problems encountered (N=10, multiple responses permitted)		
Finding a place they liked	7	70%
Finding an affordable unit	9	90%
Landlords not accepting Section 8	4	40%
Not knowing how to look	4	40%
Scope of search (N=10, multiple responses permitted)		
Immediate neighborhood	5	50%
Surrounding neighborhood	4	40%
Other parts of city	7	70%
Suburbs of city	6	60%
Other cities	5	50%
Helpfulness of assistance (N=10)		
Very helpful	3	30%
Somewhat helpful	5	50%
Not helpful	1	10%
Don't know	1	10%

Source: Telephone Survey of Voucher Recipients (N=36).

Destination Neighborhoods and Units. Of the 7 survey respondents who indicated they moved, one reported they leased up in the same neighborhood in which Weymouth Commons is located, and 6 said they moved to a different neighborhood. The new addresses provided by these movers were geocoded and linked to HUD and Census data to obtain information on the characteristics of the neighborhoods where movers are living.[5] The following discussion describes the characteristics of the destination neighborhoods for movers.

In the census tract within which Weymouth Commons is located, HUD data indicate that 153 units of assisted housing are available. Census data indicate that only 4 percent of the census tract's population is poor, and approximately 5 percent of the tract's households are minority. The average income in the tract's assisted units was $12,000, and 6% of assisted households

[5] Sources: HUD's Pictures of Subsidized Housing database and 1990 Census data.

earned less than $5,000 per year. Thirty-five percent of assisted households earned the majority of their income from wages, while only 9 percent received a majority of income from welfare.

The survey respondents who moved to different neighborhoods were distributed among 5 Census tracts. Three respondents move to neighboring towns, and one moved to a neighborhood in southern Boston. The remainder stayed in Weymouth, but are not concentrated in any particular neighborhood there. The destination tracts may be characterized as follows: almost all residents remained in neighborhoods with similarly low (single-digit) poverty rates and proportions of minority households. Average income of assisted households was also similar in the new neighborhoods, generally around $11,000. The percentage of households earning most of their income from wages was generally lower in the new neighborhoods, though the Boston census tract featured a much higher percentage. Destination tracts were split between having many more assisted units or many fewer assisted units than the Weymouth Commons tract.

Housing and Neighborhood Satisfaction. In general, the residents interviewed in the telephone survey were either very satisfied or somewhat satisfied with their housing and neighborhoods, as summarized in Exhibit 8. Overall, 17 residents interviewed said they were very satisfied with their housing, and another 13 were somewhat satisfied, while 5 were somewhat dissatisfied and 1 was very dissatisfied. Movers (initial and delayed) were generally more satisfied with their post-conversion housing situation than stayers: none were at all dissatisfied, and 6 out of 7 were very satisfied. Among stayers, 23 of 29 were either very or somewhat satisfied, 5 were somewhat dissatisfied, and 1 was very dissatisfied.

Movers were similarly satisfied with their new neighborhoods: all were very or somewhat satisfied. Among stayers, almost one-quarter were somewhat or very dissatisfied with their neighborhood.

Property Impacts. Initially, rents for a one-bedroom unit decreased from $891 under the HAP to $700, which was equal to the payment standard and $85 less than the rent for a similar market unit at Weymouth Commons. However, at lease renewal one year following conversion, the rent for a one-bedroom unit rose to $850.[6] MBHP said it anticipated rents to rise again substantially the following year.

[6] This compares to a 1998 exception rent of $836.

Exhibit 8
HOUSING AND NEIGHBORHOOD SATISFACTION
Weymouth Commons East

	Total		Stayers		Movers	
Total households	36	100%	29	81%	7	19%
Housing satisfaction						
Very satisfied	17	47%	11	38%	6	86%
Somewhat satisfied	13	36%	12	41%	1	14%
Somewhat dissatisfied	5	14%	5	17%	0	0%
Very dissatisfied	1	3%	1	3%	0	0%
Neighborhood satisfaction						
Very satisfied	18	50%	12	41%	6	86%
Somewhat satisfied	11	31%	10	34%	1	14%
Somewhat dissatisfied	6	17%	6	21%	0	0%
Very dissatisfied	1	3%	1	3%	0	0%
Change in rent[a]						
Pay more	22	69%	19	68%	3	75%
Pay same	3	9%	3	11%	0	0%
Pay less	5	16%	4	14%	1	25%
Don't know	2	6%	2	7%	0	0%

a Excludes four households that no longer receive Section 8 assistance.

Source: Telephone Survey of Voucher Recipients (N=36).

IV. Summary of Findings

Weymouth Commons East is an example of a profit-motivated owner taking advantage of the high rent potential of a property in a good location and a tight housing market. Not surprisingly, over half the original voucher holders have moved. For the residents who have stayed, the rent burden has gone up.

The experience at this property illustrates the complications that can arise when a single property has two or more Section 8 contracts, or a single contract with several stages, and there are two or more expiration dates. First, because of the multiple-stage contracts, the manager said it was unclear who was responsible for determining which residents would be affected by each stage, and how this should be done, since the manager had no way of knowing which units were associated with which contracts. Second, multiple expiration dates can cause confusion among residents and create logistical difficulties for the agency administering the vouchers, as well as for the owner. In this case, an increase in the payment standard affected residents assigned to the stages expiring in September and January but not August.

1550 Beacon, Brookline

I. Background on the Property

1550 Beacon Street is a 180-unit high-rise building for the elderly located at 1550 Beacon Street in Brookline, MA. The property was built in 1973 and financed by the Massachusetts Housing Finance Agency (MHFA) with tax-exempt bonds. Prior to vouchering-out, 120 units out of the 180 were covered by Section 236.[1] With prepayment, 1550 Beacon falls under Scenario 1 (see pp. 11-13), which results in issuance of enhanced vouchers to eligible residents in previously assisted units. The owner, the Stern Group, also owns two other HUD properties in Brookline: 100 Center Plaza (a Section 236 property) and 120 Center Court (a Section 8 building in the process of opting out). The owner prepaid the mortgage on 1550 Beacon on November 1, 1996. A summary of property characteristics appears in Exhibit 1.

Exhibit 1
PROPERTY CHARACTERISTICS:
1550 Beacon

Property Name	1550 Beacon
Property Location	1550 Beacon St., Brookline
Total Number of Units	180
Section of Act	236
Total Number of Assisted Units	120
Number of Section 8 Units	0
HUD-Insured	No
Section 8 Expiration Date	Not applicable
Reason for Vouchering-out	Prepayment
Type of Vouchers Received	Enhanced

The president of the Stern Group indicated that he had planned to prepay the mortgage ever since the property was built. Ownership had anticipated prepaying in 1993, but this was not allowed by HUD at the time, and the owner chose not to participate in ELIHPA or LIHPRHA, the programs that provided preservation incentives for keeping properties affordable.

The site visit to 1550 Beacon for this study was conducted in July 1998. The visit included interviews with the owner (President of the Stern Group), the site manager, and staff from the

[1] The property was not HUD-insured.

Brookline Housing Authority, the Boston HUD Field Office, and the Brookline Community Development Department.

A telephone survey of a sample of 60 voucher recipients was conducted in March and April 1999.[2] A total of 31 residents responded.

Reasons for Vouchering-out. The Stern Group's motivation for prepaying the mortgage was financial. The property is located in a prime real estate area in a tight market. Pre-conversion rents at the property were 46 percent of 1997 exception rents for studio apartments, 56 percent for one-bedroom apartments, and 49 percent for two-bedroom apartments. By prepaying the mortgage, the owner is able to charge two to three times the pre-conversion rents. However, the owner must still retain 25 percent of the units for low-income households (80 percent or less of area median income), under terms of an MHFA-use restriction on the property. In addition, a zoning restriction requires that, if the building ceases to include affordable units, additional parking must be provided.

Physical and Financial Condition of the Property. The property is a concrete block high-rise with studios and one- and two-bedroom apartments serving elderly residents. The owner indicated that no improvements had been made to the subsidized units in the five years before prepayment, although no under-maintenance was apparent, and all units passed HQS inspections during unit inspections. When previously subsidized units are vacated, management is renovating them with new paint, wallpaper, and carpeting. In addition, management has added an exercise facility and library, as well as new lighting in common areas. The property offers several services, such as delivered meals and a nurse and social workers on staff, which management says help it compete with assisted living facilities.

The property is located in Brookline, a highly desirable community that borders Boston to the west. The property is located in Washington Square, just outside of Coolidge Corner, in a sought-after neighborhood within Brookline. Residents are within a short walk of several places of worship, shops, the elder bus service, and public transit. Land use in the immediate neighborhood is approximately 70 percent residential, 15 percent commercial, and 15 percent institutional. About three-quarters of the nearby buildings are pre-war structures, while only about 10 percent were built between 1946 and 1960, and about 15 percent were built since 1960. The vast majority of buildings appear sound, with little or no deterioration.

Characteristics of the Tenants. A summary of information on tenant characteristics of voucher recipients selected for the survey at 1550 Beacon is presented in Exhibit 2. As shown there, nearly all (98 percent) of the residents are elderly, and most (83 percent) of the

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[2] According to the research design for this study, a sample of 60 voucher recipients was selected for the telephone survey in properties where more than 60 vouchers were issued. In properties where fewer than 60 vouchers were issued, all voucher recipients were included in the survey sample. For more information on survey data collection methods, See Appendix A.

heads of household are females. Nearly all (98 percent) are white, and 2 percent are black (non-Hispanic). Fifteen percent of the residents are disabled.

Exhibit 2
CHARACTERISTICS OF VOUCHER RECIPIENTS INCLUDED IN THE TELEPHONE SURVEY
1550 Beacon

Characteristic	Percentage of Households
Gender of Head of Household	
Female	83%
Male	17%
Race/Ethnicity of Head of Household	
White, non-Hispanic	98%
Black, non-Hispanic	2%
Hispanic or Latino	0%
Asian or Pacific Islander	0%
American Indian or Alaskan Native	0%
Age of Head of Household	
62 or over	98%
Under 62	2%
Number of Household Members	
1	88%
2-3	12%
Number of Children in Household	
0	100%
1-2	0%
3 or more	0%
Spouse Present?	
Yes	5%
No	95%
Handicapped/Disabled Head of Household	
Yes	15%
No	85%
Total Family Income	
< $1,000	2%
$1,000 - 4,999	2%
$5000 - 9,999	32%
$10,000 - 19,999	52%
$20,000 - 29,999	12%
> $30,000	2%
Mean Household Income	$13,338
Included in Total Family Income	
Wages, salary, tips	5%
Social security or pensions	90%
SSI	12%
Public Assistance	0%

Source: HUD Form 50058 for the sample of 60 voucher recipients selected for the telephone survey.
Note: Figures may not add to 100 percent, due to rounding.

Owner Plans for the Property. As noted previously, The Stern Group has recently made several improvements to the property, including renovation of units as they are vacated. The owner's representative indicated that, upon turnover, the previously subsidized units are being improved to the level of the market units. The property is being repositioned in the market to compete more effectively with assisted living facilities. It is being marketed as a property into which retirees can move in their early 70s and then stay even when they need the services traditionally offered by an assisted living facility. However, despite the property's marekt potential, the owner has indicated that he will not raise rents above the payment standard for voucher holders.

II. Implementation of Vouchering-out

Agencies/organizations Involved in Vouchering-out. Organizations involved in the vouchering-out process include the Boston HUD Office, the Brookline Housing Authority (BHA), and the owner. The Boston HUD Office's role was to receive notice of prepayment from the owner, notify the BHA, and request enhanced vouchers from HUD Headquarters. The BHA's role included approving the rents as reasonable, conducting eligibility review and certification, conducting unit inspections, and issuing vouchers. The eligibility review and certification process was the same as for regular Section 8 applicants on the waiting list, except that BHA staff conducted it on-site at the property.

A total of 118 vouchers were issued to residents at the property. Because the owner prepaid the mortgage, these vouchers were enhanced vouchers. HUD initially requested 104 enhanced vouchers from HUD Headquarters in July 1996. HUD Boston subsequently requested an additional 14 enhanced vouchers for residents already holding tenant-based vouchers or certificates, for a total of 118 vouchers.

The Brookline Community Development Department was not involved in the process of vouchering-out. A Housing Development Specialist with the department said the City did not attempt to prevent the owner from prepaying, in part because it has a good relationship with the owner, who had donated a vacant lot to the City. As noted earlier, there is a zoning restriction on the property that requires the property remain subsidized unless additional parking is built. However, the City is not actively enforcing any restrictions associated with this zoning. (The owner has no plans to develop additional parking.)

Process for Notifying Residents. The owner said that he started notifying residents of prepayment as early as 1990 through written notices and meetings, as well as the one-year notice, which was sent in June 1996. BHA staff met with the residents in September and October 1996 to explain the vouchering-out process.

Resident Response. The news of prepayment caused some alarm and "quiet apprehension" among residents. Both the owner and BHA staff indicated that there was panic at first, but that management was able to calm residents and assuage their fears because the residents trusted management. BHA staff also noted that the property manager has a very good rapport with the residents and was always available to answer questions. She also maintained good communication with the housing authority, which helped reduce confusion. No residents moved before receiving their voucher.

Among the 31 survey respondents, 21 said they understood they had a choice of staying or moving into another development at the time of vouchering-out, while 6 said they did not understand this. Another 4 said they do not know or do not remember if they understood they had a choice.

Assistance Provided to Residents. No counseling assistance was provided to the residents. However, the BHA conducted eligibility review and certifications at the property so that residents would not have to travel to the housing authority office. In addition, management has social workers on staff to help residents with general concerns and problems. Of the 31 residents surveyed, 6 said that some assistance was offered, but none actually used the services.

Summary of Key Events. The key events associated with the conversion at 1550 Beacon are summarized in Exhibit 3.

Exhibit 3
VOUCHERING-OUT PROCESS
1550 Beacon

Date	Event
6/30/96	Owner notice of intent to prepay
7/2/96	HUD requests 104 vouchers
7/96	HUD requests 14 additional vouchers
9/96-10/96	Meeting with residents
11/1/96	Vouchers issued to residents
11/1/96	Prepayment
1/1/97	Vouchers were valid

III. Outcomes of Vouchering-out

Extent of Movers and Stayers. All 118 of the voucher recipients leased in place. The telephone survey of voucher recipients was conducted roughly two years after the expiration of the Section 8 contracts. Of the 31 voucher holders interviewed in the telephone survey, all had continued to live at 1550 Beacon. Exhibit 4 shows the utilization of vouchers at 1550 Beacon at the time of prepayment.

Exhibit 4
INITIAL VOUCHER UTILIZATION
1550 Beacon

Measure	Frequency
Total assisted units in development	120
Number of households that applied for vouchers	118
Number of vouchers issued to original households that applied	118
Number of households that used voucher and stayed in unit	118
Number of households that used voucher and moved to a different unit in same development	0
Number of households that used voucher and moved out of development	0
Number of households that did not use voucher and stayed	0
Number of households that did not use voucher and moved	0

Source: Interviews with Brookline Housing Authority and Boston HUD Field Office Staff.

Factors in Decisions to Move or Stay. Residents stayed because they were elderly and because they consider the building to be home, according to BHA staff. They are comfortable at the property, because many services are provided and it is in a very convenient and desirable location. In addition, the enhanced vouchers helped people stay. Also, according to the BHA staff, if residents wanted to take their vouchers and lease up elsewhere in Brookline, they would have a difficult time finding an affordable apartment because of the tight housing market in general and the very tight affordable housing market in particular.

Respondents to the telephone survey were asked what factors contributed to their decision to stay, as summarized in Exhibit 5. First, respondents were asked whether they initially wanted to move or stay when they received notice that vouchers would be issued. The results from the survey show that all 31 of the residents interviewed wanted to stay. Fifteen residents cited overall satisfaction with their apartment, 11 cited proximity to services and shopping, and 9 cited the closeness to a support network. Other reasons given were age or disability and the inconvenience of moving (7), the connection with the community and neighbors (6), good maintenance (6), and that 1550 Beacon Street was considered home (5).

Exhibit 5
REASONS FOR WANTING TO STAY
1550 Beacon

	Frequency	Percent
Reason for Staying (multiple responses permitted)		
Overall satisfaction with unit	15	41%
Proximity to services and shopping	11	35%
Proximity to support network	9	24%

Source: Telephone Survey of Voucher Recipients at 1550 Beacon (N=31)

Search Experience of Those Who Looked for Alternative Housing. Although none of the survey respondents moved, two residents interviewed spent at least some time searching for a different apartment and visited at least one other prospective home. Both of these residents said that finding an affordable unit was a major problem, and one said the search was very difficult.

Destination Neighborhoods and Units. No residents from 1550 Beacon moved from the development.

Housing and Neighborhood Satisfaction. Exhibit 6 summarizes the 1550 Beacon voucher recipients' satisfaction with their housing. Overall, 23 of the 31 residents interviewed said they were very satisfied with their current housing situation, and another 6 were somewhat satisfied, while one was very dissatisfied (and one did not answer). Nearly half (14) said they were more satisfied than before the conversion, 15 were just as satisfied, and 1 was less satisfied.

Property Impacts. The major property impact of the transition from project-based assistance has been increased rents; they doubled or even tripled 60 days after prepayment. Rents increased from $332 to $900 for a studio, from $455 to $1,075 for a one-bedroom apartment, and from $491 to $1,550 for a two-bedroom apartment.[3] Rent burden did not change for any of the residents, according to the housing authority, because the enhanced payment standard was set at the level of the post-conversion rents. The average rent burden after vouchering-out was 30 percent of household income. The owner has indicated that he will not raise rents in the future for voucher holders. However, as residents die or move into nursing homes, management is trying to fill these units with residents needing many of the services of

[3] This compares to 1998 exception rents of $744 for a studio, $836 for a one-bedroom, and $1048 for a two-bedroom apartment.

assisted living facilities, and the rents will be much higher. Vacancy rates have increased since the conversion due to the effort to reposition 1550 Beacon in the market to a more service-intensive property better able to compete with assisted living facilities.

Exhibit 6
HOUSING AND NEIGHBORHOOD SATISFACTION
1550 Beacon

	Number	Percent
Total households	31	100%
Housing satisfaction		
Very satisfied	23	74%
Somewhat satisfied	6	19%
Somewhat dissatisfied	0	0%
Very dissatisfied	1	3%
Don't know	1	3%
Neighborhood satisfaction		
Very satisfied	27	87%
Somewhat satisfied	4	13%
Somewhat dissatisfied	0	0%
Very dissatisfied	0	0%
Change in rent		
Pay more	6	19%
Pay same	13	42%
Pay less	2	6%
Declined	3	10%
Don't know	1	3%

Source: Telephone Survey of Voucher Recipients (N=31)

IV. Summary of Findings

This is an example of a property in a tight market and prime location with a profit-motivated owner seeking to take advantage of high rent potential. The owner developed the property knowing that he would prepay the mortgage when the property became eligible. Residents have generally stayed because they are elderly and because they consider the property to be their home, because the enhanced vouchers helped them stay, and because the owner has said he would not raise rents for existing tenants. However, according to the BHA, if voucher holders wanted to take their voucher and lease up elsewhere in Brookline, they would have a difficult time finding an affordable apartment because of the tight housing market in general and tighter affordable housing market in particular. So far, the rent burden of most residents has remained the same. But, residents will have to pay the entirety of any future rent increases, should the owner decide to raise rents above the "enhanced" payment standard.

Overview of Bloomington, Indiana

Bloomington, Indiana is located in south-central Indiana, roughly 60 miles south of Indianapolis. Indiana University dominates the northeast quadrant of the city; about two-thirds of the city's population of 60,000 are either students or affiliated with the university. The area median income as defined by HUD was $40,900 in 1996 and had increased to $44,600 by 1998.

The housing market is considered very tight, with a vacancy rate of approximately 4 percent for rental units and 5 percent for owner-occupied properties. Local observers all described a shortage of good-quality affordable housing. New rental stock is being built, but it tends to cater to higher-income renters and students. There has been limited production of affordable housing in recent years. The Consolidated Plan notes that, as of 1995, only 55 units had been produced with CDBG or HOME funds. In addition, the new production has tended to be on the outskirts of town, due to the shortage of buildable land closer in. The land shortage also contributes, of course, to higher housing costs.

Bloomington's 1995 Consolidated Plan notes that 4 of every 10 renters were living below the poverty line at the time of the 1990 Census. The Plan further estimates that the median rent for Bloomington had increased by 96 percent since that time. Assistance for families with housing cost burdens of greater than 30 percent of income and, to a somewhat lesser extent, cost burdens of more than 50 percent of income, were considered among the City's most urgent priorities. The Bloomington Housing Authority (BHA) manages 312 public housing units in the city, and approximately 800 families have Section 8 certificates or vouchers. The waiting lists for both public housing and Section 8 assistance are closed, due to the large numbers already waiting.

Preservation of affordable housing is considered a critically important issue in Bloomington. According to the 1995 Consolidated Plan, there were 830 units in subsidized complexes in the City of Bloomington. Four properties (including the two that are subjects of this study) totaling 610 units were eligible for conversion between 1995 and 2000. Thus, the threat to the supply of affordable housing is considerable. In addition, the community's early experience with the conversions at Oakdale Square and Orchard Glen posed administrative challenges for the BHA. The new vouchers issued so far have created a significant increase in the size of the voucher program administered by the BHA, from 41 vouchers before to 141 after the conversions. This created an administrative burden for the BHA and strained staff capacity. The problem was compounded when the BHA's Director of Section 8 was named Interim Executive Director of the housing authority (and subsequently permanent Executive Director), requiring her to take on additional responsibilities just as the vouchering-out was occurring. The program size has increased even more since the field visit conducted for this study in June 1998, although the BHA has hired additional staff, somewhat mitigating the strain on agency capacity.

HUD and local observers characterized Bloomington as a community where the voucher payment standard established by BHA is relatively low and the Fair Market Rent (FMR) is relatively high. For example, the FMR for a two-bedroom apartment in FY 1998 was $620, while the voucher payment standard was just $500 (80 percent of the FMR). The Section 8 certificate is thus more attractive to tenants because it offers landlords a higher potential rent while keeping the tenant payment at 30 percent of income. It is less attractive to a resource-conscious housing authority, because the subsidy cost to the housing authority (the difference between 30 percent of household income and the FMR) is typically higher. The HA is able to serve relatively fewer families for a given level of subsidy. By contrast, under the voucher program, the tenant may lease a unit with a rent above the payment standard (if the housing agency determines the rent is reasonable), but that tenant must pay any difference between the payment standard and the actual rent for the unit. The subsidy cost to the housing authority for vouchers is typically lower, allowing the agency to serve more families with a shallower subsidy.[1]

1 The certificate and voucher programs are currently being merged. PHAs will have greater flexibility in setting payment standards so the current differences will disappear.

Oakdale Square Apartments

I. Background on the Property

Oakdale Square Apartments is located at 1655 Oakdale Drive West, just off the state highway that runs along the western edge of Bloomington, Indiana. The 200-unit development is owned by Justus Properties, which is based in Indianapolis. Constructed under HUD's Section 236 program in 1972, the development was considered to be outside the city when it was built, although the city is now expanding in Oakdale's direction. According to a Justus Properties representative, the property was difficult to lease in the first few years because of its somewhat remote location, but by 1975 it was fully leased and considered successful from an occupancy perspective. It was never particularly profitable, however, according to the owner representative. Justus Properties prepaid the mortgage in November 1997. The development had two project-based Section 8 LMSA contracts covering fewer than one-half the development's units.[1] The first contract for 36 units expired at the end of September 1997, and a second contract for 51 units expired in June 1998. The remaining 113 units had been leased under the provisions of the Section 236 program. Thus, Oakdale Square falls under Scenario 2 (see pp. 11-13), which results in the end of all restrictions on rents. A summary of property characteristics appears in Exhibit 1.

Exhibit 1
PROPERTY CHARACTERISTICS
Oakdale Square Apartments

Property Name	Oakdale Square Apartments
Property Location	1655 Oakdale Drive West, Bloomington, IN
Total Number of Units	200
Section of Act	236
Total Number of Assisted Units	200
Number of Section 8 Units	2 contracts: 36 units and 51 units
HUD-Insured	Yes
Section 8 Expiration Date	September 30, 1997 (36 units) July 30, 1998 (51 units)
Reason for Vouchering-out	Prepayment and Opt-out
Type of Vouchers Received	Enhanced

[1] The proportion of Oakdale Square units covered by Section 8 contracts (43 percent) is considerably lower than an average Section 236 property, where an average of 80 percent of the development's units would be covered by Section 8 contracts.

The field visit to the Oakdale Square property for this study took place in June 1998. It included interviews with Indiana HUD State Office staff, housing authority staff, a representative of Justus Properties, and a representative of the City of Bloomington's Community Development Department. A telephone survey of a sample of 60 Oakdale Square voucher recipients was conducted in March and April 1999.[2] Thirty-five respondents completed the survey, including 14 respondents who received vouchers in October 1997 and 21 respondents who received vouchers in June 1998.

Reasons for Vouchering-Out. According to a Justus Properties representative, the owner had long planned to prepay the HUD mortgage, especially since 1986 when owners lost tax shelters that had made it attractive to remain in the program. Justus Properties owns 11 federally subsidized properties in 4 states. The federally subsidized units make up roughly 25 percent of the firm's total stock. In the absence of continued financial incentives to operate assisted housing, Justus Properties elected to prepay Oakdale Square's mortgage as well as two others that will soon be eligible for prepayment (one in Portage and one in Clarksville, Indiana).

Physical and Financial Condition of the Property. Oakdale Square is located off Bloomfield Road, a moderately-traveled state highway. It is set back from the road and is reached by an access road. The development consists of 200 townhouses and flats ranging in size from 1 to 4 bedrooms in approximately 20 2-story buildings of 8-12 units each. The buildings surround a large grassy area created to accommodate high tension wires overhead. There are also two sets of playground equipment and a few picnic tables in the open area. The grounds are well-maintained. The building housing the management office has a meeting room, but there are no other common facilities in the development.

At the time of the field visit in June 1998, Oakdale Square was undergoing its first major renovation since it was constructed. The original Tudor-style stucco exterior was being replaced with siding, and new windows were being installed. Unit interiors were being upgraded as well, with new kitchens, baths, carpet, and paint. The renovated units are attractive; fixtures and finishes appear to be of good quality, although not overly upscale.

The area around Oakdale Square is semi-rural, including wooded land and some older well-maintained single-family homes on large lots. There are three other apartment complexes nearby, and two more are planned or under construction. According to 1990 Census data, 27 percent of the housing in the census tract surrounding Oakdale Square is owner-occupied. Just over 20 percent of the census tract's population is poor, according to the 1990 Census.

[2] According to the research design for this study, a sample of 60 voucher recipients was selected for the survey in properties where more than 60 vouchers were issued. In properties with fewer than 60 vouchers issued, all voucher recipients were included in the survey sample. For more information on survey data collection methods, see Appendix A.

One large parcel near Oakdale Square is zoned for an industrial park but as of June 1998 had not been developed. Somewhat to the detriment of Oakdale's setting, there is a pawn shop located along the access road leading to the development. For recreation, a City-owned sports complex is located across the street and a bicycle park is also nearby. Commercial activity is limited to a WalMart located just to the west of the development. There is some bus service to downtown Bloomington.

Characteristics of the Tenants. The Oakdale Square owner representative reported the development has traditionally housed a mix of young families and elderly tenants. HUD data confirm this characterization of the overall tenant population at Oakdale Square prior to conversion. According to HUD's Pictures of Subsidized Households database,[3] roughly 20 percent of heads of household at Oakdale Square are over age 62, and 9 percent are under age 25; 15 percent of the heads of household are disabled. Approximately three-quarters of the households are headed by women; 44 percent of the households consist of a single parent with children. Five (5) percent of the heads of household are minority group members. Wages make up the majority of income for 46 percent of assisted households, while 8 percent of households rely primarily on welfare income, according to the HUD data.

For the purposes of the tenant survey for this study, a sample of 60 of the 105 Oakdale Square voucher and certificate recipients was selected.[4] A summary of tenant characteristics of the sampled households appears in Exhibit 2. According to these data from HUD Form 50058, heads of the sampled households are predominantly white (94 percent) and female (88 percent). Single individuals make up roughly 40 percent of households. Of the remaining households, 41 percent have one or more children in the household. Nine of the 52 heads of households sampled (17 percent) are disabled.

[3] Reflects 1997 data reported to HUD.

[4] Although 11 households received Section 8 certificates instead of vouchers, none of these households was selected for the survey sample.

Exhibit 2

CHARACTERISTICS OF VOUCHER RECIPIENTS INCLUDED IN THE TELEPHONE SURVEY[a]
Oakdale Square Apartments

Characteristic	Percentage of Households
Gender of Head of Household	
Female	88%
Male	12%
Race/Ethnicity of Head of Household	
White, non-Hispanic	92%
White, Hispanic	2%
Black, non-Hispanic	4%
Asian or Pacific Islander	2%
American Indian or Alaskan Native	0%
Age of Head of Household	
62 or over	27%
Under 62	73%
Number of Household Members	
1	40%
2-3	44%
4 or more	15%
Number of Children in Household	
0	58%
1-2	38%
3 or more	3%
Spouse Present?	
Yes	10%
No	90%
Handicapped/Disabled Head of Household	
Yes	17%
No	83%
Total Family Income	
< $1,000	4%
$1,000 - 4,999	6%
$5000 - 9,999	42%
$10,000 - 19,999	44%
$20,000 - 29,999	4%
Mean Household Income	$10,339[b]
Sources Included in Total Family Income	
Wages, salary, tips	38%
Social security or pensions	37%
SSI	15%
Public Assistance	5%

a These data reflect characteristics of the sample of 60 voucher recipients selected for the telephone survey. The characteristics of the sample are similar to the characteristics of the property's tenants as a whole as reported in HUD's Pictures of Subsidized Households database.

b Incomes were missing or zero for 12 households. These values have been excluded from the calculation of mean income.

Source: HUD Form 50058 for sample of 60 households receiving vouchers.

Note: Figures may not add to 100 percent, due to rounding.

Household income for the sampled households ranged from $3,120 to $21,066, with an average of $10,339.[5] By comparison, HUD's very low income limit for a Bloomington family of four was $20,450 at the time. Just under 40 percent of the households reported some income from wages, and just over one-third reported Social Security or pension income. Only three households (5 percent) had public assistance income from the Temporary Assistance to Needy Families (TANF) program.

The 35 voucher recipients who responded to the telephone survey include both young and elderly tenants and households with and without children. Respondents ranged in age from 20 to 88 years old; 10 respondents (29 percent) were over age 62. Among survey respondents, 15 of the 35 were divorced or separated (43 percent), 9 were widowed (25 percent), 8 had never been married (23 percent), and 2 were married or living with a partner. Fifteen of the respondents indicated that there were children under age 18 in their household.

Owner Plans for the Property. The Justus Properties representative said he had hoped to increase the property's revenues by renting more units to higher-income tenants. However, as described below, vacancies have been a problem. The high rate of vacancies is attributed both to the development's reputation as "low-income housing" and to the disruption caused by the on-going renovations. The owner representative hopes that once renovations are complete, the market-rate units will be attractive enough to draw higher-income renters. In the meantime, the firm has no plans to sell the property; the owner representative indicated Justus Properties is a family-owned business that does not sell its properties.

II. Implementation of Vouchering-out

Agencies/Organizations Involved in Vouchering-out. The entities involved in the conversion at Oakdale Square were the Indiana State HUD Office (based in Indianapolis), the Bloomington Housing Authority (BHA), and Justus Properties. There were no resident groups, advocacy organizations, or City offices involved. The information presented in this section primarily reflects the experience with prepayment and the first Section 8 contract expiration, which occurred in November 1997. The second contract had not yet expired at the time of the field visit, so limited information was available on the experience with that contract.

Oakdale Square was one of the first properties in Indiana (along with Orchard Glen, also described in this report) to go through the conversion process. Representatives of HUD and Justus Properties reported their working relationship had been good and the process had gone relatively smoothly. The owner representative reported more difficulties with the Housing Authority's performance, and BHA staff similarly indicated their dealings with Justus Properties were somewhat strained. Some of the tensions may be attributable to the newness

5 Incomes for 12 households were missing or zero. These values were excluded from the calculation of mean income.

of the process for all parties (HUD, the housing authority, and the owner). The key problems—identification and certification of households eligible for vouchers, and rent negotiations—are discussed in more detail below.

Process for Notifying HUD and Residents. Early in 1997, Justus Properties representatives approached staff at the Indiana State HUD Office staff to discuss various "what if" scenarios for the Oakdale property. (BHA staff noted the housing authority was not involved in these early discussions, and they therefore felt somewhat at a disadvantage when they got involved later.) In May 1997, a meeting was held that included all parties (HUD State Office staff, the owner representative, and the housing authority) at which the Justus Properties representative formally indicated his intention to prepay the mortgage. The official notification letter to HUD was sent in June 1997, and tenants received a notification letter in early July.

Justus Properties provided several versions of tenant lists during the period between May and August 1997. There was some confusion about the date of record a household had to be living in the development to be eligible for a subsidy, and there was an issue about whether units held vacant because of the modernization work counted toward the voucher allocation. There was also confusion about which households were covered under each contract. According to HUD and BHA respondents, the initial tenant list Justus Properties provided was for the contract with the later expiration (July 1998) instead of the earlier one (October 1997). Once the correct tenant list was obtained and rents were finalized in early September, a funding request was submitted to HUD Headquarters for vouchers for households covered by the first expiring contract and an additional 36 vouchers for income-eligible households who were previously unassisted.

The funding was reserved on October 1, 1997, and a contract was sent to the housing authority. The executed agreement was approved by the housing authority's Board of Commissioners and returned to HUD on November 4. Because the final executed agreement was received by HUD after the contract expiration, there was a one-month delay in the owner receiving the first HAP payment.

Resident Notification. In July 1997, a meeting was held for residents in a rented hotel meeting room in Bloomington. According to BHA staff who attended, the event was not as well-organized as it might have been. All 200 of the development's households were invited, including the approximately 50 households who were receiving Section 8 assistance under the contract that would not expire until July 1998 (almost a full year later). In addition, just prior to this meeting, Oakdale tenants had been notified of changes in the development's policy regarding utility payments, including discontinuing the coverage of cable television fees in rent. This decision was quite controversial with tenants, who wanted to address the issue during the meeting called to discuss the conversion. BHA staff felt many tenants left the meeting without a full understanding of the vouchering-out process.

During the resident meeting, BHA staff distributed a form for residents to indicate whether they were interested in applying for a voucher. Many did not complete the form at all, and, according to housing authority staff, others did not come to their scheduled appointments. This created additional work for HA staff, who had to spend extra time locating people and rescheduling certifications. Of the 72 vouchers allocated by HUD, 50 vouchers were issued to Oakdale Square families at prepayment.

Justus Properties was in the process of vouchering-out its second Oakdale Square contract at the time of the field visit. The contract was scheduled to expire July 30, 1998. The funding request had been made in April 1998, and funding was received in May. Under this contract, the housing authority received a total of 51 enhanced vouchers and 11 regular Section 8 certificates. The allocation of certificates was the result of the negotiations between HUD and Oakdale Square's owner about how to handle 17 units that were vacant at the time of prepayment. Under the regulations governing enhanced vouchers, HUD could not provide enhanced vouchers for units that were vacant at prepayment, but HUD did agree to provide 11 regular Section 8 household-based certificates. The certificates were to be issued to Section 8-eligible tenants who moved in after the prepayment date. The voucher payment standard under the more recent contract is higher than under the first, because of a change in the way utilities are counted. In addition, the certificates are subject to the FMR limits, which are higher than the voucher payment standards. Housing authority staff noted that it is confusing to have three different rent standards in place at a single development.

Resident Response. According to both the owner representative and housing authority staff, when the initial notification letters were sent to residents, some residents were worried about being displaced. There was speculation that some residents moved before vouchers were issued, but this could not be documented. The housing authority respondent guessed that as many as 20 potentially eligible people may have moved before the first round of vouchers was issued, although the owner representative's estimate of the number of pre-conversion movers was smaller. Local respondents could only speculate on the reasons for these moves, but they suggested that some of the tenants may have had prior problems with the housing authority, such as an eviction or outstanding debt. Others may have had concerns that they would be displaced or that their rents would increase substantially. Some moves may have been unrelated to the conversion. For example, according to the BHA director, there had some problems with crime in the Oakdale neighborhood in the past, although there were reported to be fewer concerns about safety by the time the vouchering-out occurred.

Most of the 35 voucher recipients interviewed in the telephone survey reported they did understand they had a choice to either stay at Oakdale Square or move. Twenty-six (26) of the 35 heads of household interviewed (75 percent) indicated they knew they had a choice; 6 respondents were not aware they had a choice; and the remaining 3 did not recall whether they had understood their options.

Assistance Provided to Residents. Tenants received a standard Section 8 briefing at the housing authority office, although the briefing was conducted individually instead of in groups. BHA staff promoted the portability of the voucher as an advantage of the assistance, explaining that voucher-holders are eligible to "port out" of the jurisdiction after one year. All households were able to lease up with their voucher. According to the BHA executive director, this compares with a 50 percent success rate and 40 percent no-show rate HA-wide. The length of the search period was 60 days; no extensions were requested.

There were some reported problems with eligibility and rent determinations. According to the owner representative, the BHA's executive director (who was formerly director of the Section 8 program) was familiar with the rules for determining eligibility and calculating rent contributions, but her staff were not always well-trained and sometimes made mistakes. In one instance, according to the owner representative, an elderly tenant was erroneously told her rent would increase by $100 per month. The owner representative indicated that the management staff at Oakdale Square plan to develop a letter of introduction for tenants to take to the housing authority in the future. The letter will instruct the housing authority to assist the tenant and to call the Oakdale management office if there are any questions or problems.

Although BHA staff had reported that no special assistance was provided to Oakdale Square residents beyond the standard Section 8 program briefing and assistance, 15 of the 35 voucher recipients interviewed reported they had received some search assistance, and 6 respondents indicated they had used the services. The recipients of assistance indicated BHA staff had helped them calculate how much rent they could afford and provided lists of possible rental units. Four (4) respondents indicated the assistance had been very important in their decisions on where to look for housing, and 5 respondents said the assistance was either very or somewhat helpful.

The Housing Quality Standard (HQS) inspections reportedly went smoothly, except in a few cases where families had been relocated temporarily to an unrenovated unit. Some of these temporary units had minor deficiencies that management did not want to fix just so someone could live there for a few weeks, but housing authority inspectors insisted on repairs in some cases.

Summary of Key Events. The key events associated with the prepayment and Section 8 contract expirations at Oakdale Square Apartments are summarized in Exhibit 3.

Exhibit 3
KEY EVENTS IN THE VOUCHERING-OUT PROCESS
Oakdale Square Apartments

Date	Event
Early 1997	Preliminary meetings between Justus Properties and HUD regarding prepayment
5/97	Owner notifies HUD of intent to prepay; meeting among HUD, BHA, and Justus Properties
6/97	HUD receives official notification letter from Justus Properties
7/97	Residents receive notification letter; resident meeting held
8/97	Justus Properties and BHA reach agreement on rents and tenant list
9/97	50 enhanced vouchers issued
10/97	Prepayment
7/98	Second Section 8 contract expires; 44 enhanced vouchers and 11 regular certificates issued

Source: Interviews with Indiana State HUD Office staff, BHA staff, and Justus Properties representative.

III. Outcomes of Vouchering-out

The telephone survey of voucher recipients was conducted approximately 16 months after the initial vouchers were issued at Oakdale Square and 8 months after the second round of tenant-based subsidies (which included both certificates and vouchers) was issued. The effects of the conversion on tenants and the property are described below, drawing on information from the tenant survey and conversations with local respondents.

Extent of Movers and Stayers. There were reportedly approximately 8 families the housing authority found ineligible because of previous drug-related evictions from public housing or refusal to agree to a payment plan for outstanding debts due to the housing authority. No eligible household chose not to take a voucher or certificate. According to housing authority records, of the 94 vouchers and 11 certificates issued under the two contracts, 92 households initially leased within the development and 13 moved with their voucher or certificate. Five (5) of the 92 families who initially stayed moved at a later time.

Information on the utilization of vouchers is summarized in Exhibit 4. Updated information provided by the housing authority in December 1998 shows that 17 households who had received a certificate or voucher were no longer receiving Section 8 assistance. All but two of these households had received Section 8 assistance under the first of the two expired contracts. Some of the 17 families were evicted, and others voluntarily left the program, according to BHA staff.

Exhibit 4
INITIAL VOUCHER UTILIZATION
OAKDALE SQUARE APARTMENTS

Measure	Frequency
Total assisted units	200
Number of vouchers or certificates allocated by HUD	72 vouchers (first contract) 51 vouchers, 11 certificates (second contract) Total: 135
Number of households that applied for vouchers	105
Number of vouchers issued to original households that applied	105
Number of households that used voucher and stayed in unit	92
Number of households that used voucher and moved to a different unit in same development	Not Available[a]
Number of households that used voucher and moved out of development	13
Number of households that did not use voucher and stayed	0
Number of households that did not use voucher and moved	0

a A large number of households moved within the development because of the renovations undertaken at the time of conversion. It is difficult to distinguish the number of families who had to move (e.g., because of a change in family size or because they were over-housed) from those who moved to accommodate the construction schedule.

Source: Interviews with staff from Bloomington Housing Authority and Indiana State HUD Office.

As noted earlier, a sample of 60 households that received vouchers was selected for the telephone survey associated with this study. All movers were selected with certainty, in order to learn as much as possible about movers' experience with the conversion process. Exhibit 5 summarizes the incidence of movers and stayers among survey respondents compared to all Oakdale Square voucher recipients. The exhibit identifies both "initial movers"—those who moved immediately when vouchers were issued—and "delayed movers" who leased at Oakdale Square at conversion but moved at some later point. As shown in the exhibit, as intended, movers are somewhat over-represented in the survey sample.

Exhibit 5

EXTENT OF MOVERS: ALL VOUCHER RECIPIENTS COMPARED TO SURVEY RESPONDENTS

Oakdale Square

Moving Status	All Voucher Recipients		Survey Respondents	
	Number	Percent	Number	Percent
Initial movers	13	12%	9	26%
Delayed movers	5	5%	3	9%
Stayers	87	82%	23	66%
Total	105	100%	35	100%

Source: Bloomington Housing Authority records and Telephone Survey of Voucher Recipients (35 respondents).

Characteristics of Movers and Stayers. During the field visit interviews, local respondents had speculated that younger residents were more likely to move than the elderly. This suspicion is confirmed by the data for the survey sample, which indicate that households headed by younger residents were more likely to move: 11 of the 37 heads of household under age 62 (30 percent) had moved, while only 1 of 12 (8 percent) elderly heads of household had moved. Two of the movers are black and the remainder are white.

Regarding changes in income since conversion, most survey respondents indicated their household income had either stayed the same or increased since conversion. When asked whether the amount the household paid out of pocket for rent had changed, 15 of 29 respondents reported their rent payment had increased, 6 reported their housing costs had stayed the same, and 8 said their housing costs had decreased. Of the 9 initial movers, 5 indicated their rent had increased and 4 said it had stayed the same.[6]

Factors in Decisions to Move or Stay. Oakdale Square voucher recipients had at least one incentive to stay at the development rather than move: the enhanced voucher was worth more if they leased up at Oakdale Square than if they moved elsewhere. For example, the payment standard for an enhanced voucher recipient at Oakdale Square was $591 for a two-bedroom unit compared to a payment standard of $500 if the family moved elsewhere. As expected, most households did stay. Some were long-time residents who did not want to leave. The owner representative also mentioned that some families stayed because of outstanding utility debts from their previous home or apartment. Utilities are included in the rent at Oakdale Square. In many other Bloomington developments, utilities are not included, so the household has to arrange for utility service. The utility companies will not hook up a customer again until outstanding debts have been paid. Regarding reasons for moving, the

6 It is not possible to distinguish how the effect of the change in the treatment of cable television fees may have affected total out-of-pocket costs.

owner representative reported that some Oakdale Square residents chose to move because of anticipated disruptions associated with the renovations.

Among the 35 survey respondents, 21 respondents (60 percent) indicated they wanted to stay at Oakdale Square when they learned vouchers would be issued, 13 (37 percent) wanted to move and the remaining one respondent did not recall his/her preference. Reasons mentioned for wanting to stay included liking the apartment and neighborhood (7 mentions) and that the development is close to services (3 mentions) or employment (2 mentions).[7] There were four mentions of negative factors that deterred respondents from moving: 2 respondents mentioned that moving was too much of a "hassle," and 2 mentioned moving would be too costly.

Some 13 respondents (37 percent) indicated they had wanted to move when they learned they would receive a voucher. A total of 12 of the survey sample members did move; 9 moved immediately when vouchers were issued and the remaining 3 moved at a later point. The reasons these tenants wanted to move were varied: 4 respondents indicated they wanted more amenities (such as washer/dryer or better kitchen appliances); 4 noted they would prefer to live in a rented house instead of an apartment; 2 mentioned privacy concerns; and 2 indicated concerns about neighborhood safety. Only one respondent specifically indicated concerns about disruptions related to the planned renovations. Of the 3 movers who initially leased up at Oakdale Square and then moved later, 1 indicated the decision to move was based on a desire for lower rent, and a second reported the head of household needed a single-floor apartment due to an injury; the remaining respondent did not identify a reason for the move. The time elapsed between conversion and the delayed moves ranged from 8 to 13 months.

In addition to general questions about the factors influencing their decisions to move or stay, survey respondents were asked specifically about the importance of a few key factors. Movers were asked about the importance of wanting to live in a better neighborhood in their decision to move. Two-thirds of the initial movers (6 of 9) indicated that living in a better neighborhood was very important, and 2 other movers indicated this factor was somewhat important. Seven (7) of the 9 movers indicated that finding better or more suitable housing was very important in their decision to move, and the remaining 2 respondents indicated this factor was somewhat important in their decision.

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7 Multiple responses were permitted.

Exhibit 6

Reasons for Wanting to Stay or Move
Oakdale Square

	Frequency	Percent
Reason for Wanting to Stay (N=21)		
Like apartment and/or neighborhood	7	33%
Convenient to services	3	14%
Convenient to employment	2	10%
Moving too much of a hassle	2	10%
Moving would be too costly	2	10%
Reasons for Wanting to Move (N=13)		
Wanted more amenities	4	31%
Prefer house instead of apartment	4	31%
Wanted more privacy	2	15%
Wanted safer neighborhood	2	15%

Source: Telephone Survey of Voucher Recipients (N=35).
Notes: One respondent did not recall a preference to move or stay.
Multiple responses were permitted.

Compared to other sites in this study, a large number of Oakdale Square families moved *within* the development after conversion. In the other case study sites, such moves were generally only necessary if the family was living in a unit that was too large or too small for the number in the household. At Oakdale Square, however, the large number of moves was necessary because of the on-going renovations. According to the owner representative, virtually every household in the development had to move at some point during the renovation process. Of the 23 survey respondents who stayed at Oakdale Square, only 4 were still living in their original units at the time of the survey. All of these moves, according to the survey respondents, were due to the renovations. BHA staff had indicated during the field visit that some overhoused households had been required to move to smaller units, but this may be masked by renovation-related moves.

Search Experience for Those Who Looked for Alternative Housing. As indicated above, 9 of the 35 survey respondents moved away from Oakdale Square when they first received their vouchers; an additional 5 respondents indicated they spent at least some time looking for a different unit but did not ultimately move. For most, the search did not identify a large number of possible alternative units. Twelve (12) of the 14 respondents who spent some time looking for a different unit visited 5 units or fewer.

Selected survey data related to the housing search are summarized in Exhibit 7. Survey respondents had varied opinions on the difficulty of finding a unit. When asked about the amount of choice they felt they had in their search, the 14 respondents who spent some time looking were evenly divided between feeling they had a fair amount of choice (7) and feeling they had very little choice (7). The challenges searchers encountered also varied: high rents (4 mentions); lack of available, suitable housing for the families' needs (3 mentions); landlords' unwillingness to accept the Section 8 voucher (2 mentions); and lack of transportation to search (2 mentions). The units successful searchers identified did generally pass the housing authority's HQS inspection. Of those who identified a potential unit, most (9 of 11) did not have to arrange more than one Housing Quality Standard (HQS) inspection.

Most searcher households (11 of 14) looked for alternative housing in the neighborhood immediately surrounding Oakdale Square, while slightly smaller numbers looked in other surrounding neighborhoods (9 respondents) and other parts of town (8 respondents). As noted above, there are three apartment complexes within approximately one mile of Oakdale Square.

Exhibit 7
Housing Search Experience
Oakdale Square

Housing Search Experience	Frequency	Percent
Difficulty of search (N=13)		
Very difficult	4	31%
Somewhat difficult	5	38%
Not difficult at all	4	31%
Perceived extent of choice (N=14)		
A lot of choice	0	0%
A fair amount of choice	7	50%
Very little choice	7	50%
Problems encountered (N=14, multiple responses permitted)		
High rents	4	29%
Lack of suitable units	3	21%
Landlords would not accept voucher	2	14%
Lack of transportation to search	2	14%
Scope of Search (N=14, multiple responses permitted)		
Immediate neighborhood	11	79%
Surrounding neighborhood	9	64%
Other parts of city	8	57%
Suburbs	5	36%
Other cities	2	14%

Source: Telephone Survey of Voucher Recipients (N=35).

Destination Neighborhoods And Units. Of the 12 survey respondents who indicated they moved, 4 reported they leased up in the same neighborhood in which Oakdale is located, 7 said they moved to a different neighborhood, and one declined to answer the question. The new addresses provided by these movers were geocoded and linked to HUD and Census data to obtain information on the characteristics of the neighborhoods where movers are living.[8] The following discussion describes the characteristics of the destination neighborhoods for movers.

In the census tract within which Oakdale is located, HUD data indicate a total of 289 units of assisted housing are available. The average assisted household income is $7,500. The proportion of households with annual incomes of less than $5,000 is 33 percent, and Census data indicate that 22 percent of the census tract's population is poor. The proportion of households reporting a majority of income from wages is 38 percent, while 15 percent reported a majority of income from welfare. Approximately 5 percent of the tract's households are members of a minority group.

The survey respondents who moved to different neighborhoods were distributed among 5 Census tracts. Two respondents moved to nearby towns. Several respondents stayed very close to the Oakdale development, and a few others moved elsewhere in Bloomington. All the destination census tracts had far fewer subsidized households than the tract containing the Oakdale development. The respondents who moved out of Bloomington moved to towns with even smaller minority populations and lower poverty rates. Those who remained in Bloomington moved to neighborhoods with roughly the same proportion of minority households and generally higher poverty rates. According to Census data, movers' new neighborhoods featured poverty rates as high as 53 percent. Average income and number of households earning most of their income from wages were often lower in the new neighborhoods as compared to Oakdale.

Housing and Neighborhood Satisfaction. Almost all of the Oakdale Square survey respondents indicated they were very satisfied or somewhat satisfied with their housing and their neighborhood, whether they stayed at the development or moved elsewhere, as summarized in Exhibit 8. For the purposes of this table, we have combined the responses of the initial movers (the nine respondents who moved immediately upon receiving their vouchers) and the delayed movers (the three respondents who moved later). While the numbers are small for making comparisons among subgroups, it appears that stayers and movers expressed similar levels of satisfaction with their housing and neighborhoods.

[8] Sources: HUD's Pictures of Subsidized Housing database and 1990 Census data.

Exhibit 8
HOUSING AND NEIGHBORHOOD SATISFACTION
Oakdale Square

	Total		Stayers		Movers	
	Number	Percent	Number	Percent	Number	Percent
Total households	35	100%	23	66%	12	34%
Housing satisfaction						
Very satisfied	20	57%	13	57%	7	58%
Somewhat satisfied	14	40%	9	39%	5	42%
Somewhat dissatisfied	1	3%	1	4%	0	0%
Very dissatisfied	0	0%	0	0%	0	0%
Neighborhood satisfaction						
Very satisfied	18	51%	12	52%	6	50%
Somewhat satisfied	16	46%	10	43%	6	50%
Somewhat dissatisfied	1	3%	1	4%	0	0%
Very dissatisfied	0	0%	0	0%	0	0%
Don't know						
Change in rent[a]						
Pay more	15	52%	7	39%	8	73%
Pay same	6	21%	5	28%	1	9%
Pay less	8	28%	6	33%	2	18%

Source: Telephone Survey of Voucher Recipients (N=35).
a Excludes six households who are no longer receiving Section 8 assistance.

Although all respondents expressed relatively high levels of satisfaction, movers who left the neighborhood did indicate they preferred their new neighborhood to the old. When movers who left the Oakdale area were asked to rate their relative satisfaction with their new neighborhoods, all seven respondents reported they were more satisfied with their new neighborhood than they had been with the Oakdale Square neighborhood. Asked about specific amenities, at least four of the seven respondents rated their new neighborhood as better than Oakdale Square's neighborhood in terms of access to shopping, access to parks and recreational facilities, safety, and quality of the environment for raising children. This is true even though most movers reported they pay more in rent than they payed at Oakdale Square. Administrative data confirm that the average rent burden for movers was 39 percent of adjusted income compared to stayers' average rent burden of 30 percent.

Property Impacts. At the time of the field visit for this study, in June 1998, the owner's key operational concern for Oakdale Square was its high vacancy rate. The occupancy problems were thought to be partly due to the disruption of the renovations and partly to general marketing difficulties. At that time, the renovations had already been underway for seven months. A minimum of 14 units had to be kept vacant to house families temporarily during construction; however, a total of 65 units were vacant, far more than the owner would have liked. Voucher-holders who had leased up at Oakdale Square had generally stayed in place, but the remaining units (93 of the 200 units) were proving difficult to lease. Presumably these units were formerly occupied by unassisted households who qualified for admission to the development under the Section 236 guidelines but who did not apply for (or did not qualify for) a tenant-based subsidy when the conversion occurred. We do not have specific information on what happened to these households because they were not issued Section 8 vouchers. However, because the Section 236 income eligibility guidelines allow property owners to admit tenants with somewhat higher incomes than those served under the Section 8 LMSA contracts, these households may have had higher incomes and more flexibility to look for housing elsewhere.

The Justus Properties representative suspects his marketing difficulties are also partly due to the development's reputation as "low-income housing" and to its somewhat remote location. He mentioned he had considered changing the development's name (as the Orchard Glen Board had done, described elsewhere in this report) but decided it would cause too much confusion and inconvenience. In retrospect, he worries it might have been wise to do so. The owner representative anticipated he would increase marketing to students, which he had not previously done, as one approach to increasing occupancy.

At the time of the field visit, rents had not changed since conversion, because the owner representative did not feel he could afford to increase them given the development's vacancy problems. Management plans to be stricter regarding housekeeping in the future to protect the investment made in renovations. It is too soon to tell whether the renovations will improve the development's marketability. In the meantime, Justus Properties has no plans to sell the property.

IV. Summary of Findings

The owner of Oakdale Square elected to prepay the property's Section 236 mortgage and opt out of the Section 8 LMSA contracts because he anticipated that, with some capital improvements, the development could attract higher-income renters.

The development was undergoing renovations at the time of the vouchering-out. The vacancy rate at the time of the field visit was quite high (65 of 200 units), in part due to units held vacant to accommodate the renovations but also because of marketing problems. The owner representative hoped that upon completion of the renovations the development would quickly lease up. He had lingering concerns, however, that the development's reputation as "low-income housing" would deter potential higher-income renters.

Regarding outcomes, according to housing authority records, 13 of the 105 households issued vouchers or certificates at Oakdale Square elected to move away from the development when they received their vouchers, and an additional 5 families leased at Oakdale Square and moved later. Both movers and stayers who responded to the telephone survey expressed relatively high levels of satisfaction with their housing and neighborhoods at the time of the survey; however, movers who left the neighborhood all said they were more satisfied with their new neighborhood than they had been with the Oakdale Square area.

There were a number of sources of confusion in the vouchering-out process at Oakdale Square, due at least in part to the newness of the process for all parties. In addition, the combined impact of two large Bloomington properties (Oakdale Square and Orchard Glen) vouchering-out at the same time created an administrative strain on the housing authority's staff. It resulted in a large increase in Section 8 program size, and the agency had difficulty managing the administrative burden of income certifications and unit inspections.

BHA staff also felt that, at the time of these early conversions, the procedural information available from HUD focused heavily on what owners needed to do but offered little guidance to housing authorities on how to manage the rental assistance part of the process. For example, BHA staff had questions about the correct reference date for determining eligibility for a subsidy, about options for receiving vouchers or certificates, and about how to handle units vacant at the time of conversion. The BHA respondent suggested that a comprehensive guidebook for HA administrators involved in conversions would be useful.[9]

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[9] Extensive guidance was issued by HUD in PIH Notice 99-16, dated March12, 1999.

Orchard Glen

I. Background on the Property

Orchard Glen is a 350-unit development built as a cooperative in 1968 under the Section 236 program. Formerly known as Park Square, it is located at 1001 Sugar Maple Circle on the western edge of Bloomington, roughly four miles from downtown. The cooperative's board of directors elected to opt out of the Section 8 Loan Management Set-Aside (LMSA) contracts that covered a portion of the units at the development.[1] The property had a total of eight property-based Section 8 contracts covering a total of 91 units, less than a third of the development.[2] However, the number of vouchers actually issued was smaller still, reportedly due to high vacancies at the time of the conversion. The Bloomington Housing Authority (BHA) administered two allocations of vouchers for Orchard Glen; the first allocation of 48 vouchers provided assistance to families covered by Section 8 LMSA contracts expiring in September 1997. The second set of 15 vouchers was allocated for contracts expiring in June 1998. According to housing authority records, a total of 31 vouchers were issued to eligible families under the initial contract, and 12 families received vouchers under the second contract. A summary of property characteristics appears in Exhibit 1.

Exhibit 1
PROPERTY CHARACTERISTICS:
Orchard Glen Apartments (formerly Park Square Apartments)

Property Name	Orchard Glen Apartments
Property Location	1001 Sugar Maple Circle, Bloomington, IN
Total Number of Units	350
Section of Act	236 (cooperative)
Total Number of Assisted Units	350
Number of Section 8 Units	8 contracts covering total of 91 units
HUD-Insured	Yes
Section 8 Expiration Date	September 30, 1997 (35 units) July 30, 1998 (56 units)
Reason for Vouchering-out	Opt-out (nonprofit owner not eligible to prepay)
Type of Vouchers Received	Regular

1 Orchard Glen is not eligible for prepayment because the owner is a nonprofit entity (the cooperative's board of directors).

2 On average, 80 percent of units in Section 236 properties are covered by Section 8 contracts.

The field visit to the Orchard Glen property for this study took place in June 1998 and included interviews with Indiana HUD State Office staff, housing authority staff, a member of the Cooperative Board of Directors, and a representative of the City of Bloomington's Community Development Department. A telephone survey of 43 Orchard Glen voucher recipients was conducted in March and April 1999. Twenty-three respondents completed the survey, including 18 respondents who received vouchers in October 1997 and 5 respondents who received vouchers in June 1998.

Physical and Financial Condition of the Property. Orchard Glen is owned by a Cooperative Board of Directors elected by the residents, who are the cooperative's members (or shareholders). The development is managed by PGPM, a firm that specializes in management of cooperatives. The company also manages Manchester Village, another sizeable cooperative in Indianapolis that will also be vouchered out.

Orchard Glen is the only cooperative represented in this study and one of relatively few in the HUD-assisted inventory. According to HUD and local respondents, Orchard Glen's status as a cooperative means it operates under different conditions than a conventional rental development. Cooperatives are not subject to tenant-landlord laws, for example, because—as cooperative shareholders—residents are considered owners. There are also different expectations about unit upkeep; tasks such as interior painting are the resident's responsibility rather than that of a traditional landlord or property manager.

The Orchard Glen development occupies more than 30 acres and consists of townhouses and garden apartments, in buildings of six to eight units, scattered over large grassy areas. There are six playgrounds on the property. Although it is on the outskirts of town, the surrounding area still offers considerable amenities. The development is near shopping, has excellent bus service, and has a new elementary school located across the street. A new shopping center is slated to be built just north of the existing commercial area. A small city park abuts the property, and the development is surrounded by an attractive residential area of primarily well-kept, single family ranch homes. There are a few small multifamily developments (10-20 units) in the area, and a row of a half-dozen less well-kept duplexes sits just outside the development.

Due to rent restrictions imposed by the development's status as a Section 236 cooperative, rents were—and continue to be—low compared to market rents in the community and to the voucher payment standard. Pre-conversion rents at the property were well below both the Fair Market Rents (FMR) and voucher payment standards established by HUD for Bloomington. For example, the gross rent for a two-bedroom apartment at Orchard Glen ranged from $369 to $409, compared to the two-bedroom FMR of $620 and a voucher payment standard of $500.

According to one resident who serves on the cooperative board, the coop was "ready to collapse" in 1995 because of financial problems and high vacancies. A management company representative said the Board was "not pleased" with the Section 8 program and felt that the development was overly dependent on Section 8 revenues. The Board wanted to make its own choices regarding the development, without the constraints of the property-based Section 8 contract.

The Board had undertaken a $3 million renovation (using HUD Flexible Subsidy funding) just prior to the opt-out, perceiving that the development could become more marketable because of its location and amenities.[3] (This was the first major renovation since the development was built.) According to the management firm representative, some problem tenants were evicted during this time, typically for violence or intimidation. At the same time, the development and its internal streets were renamed. In addition, following the opt-out in 1997 the Board elected to stop taking new Section 8 applications. At the time, the Indiana State HUD Office staff questioned the Board's logic, thinking the development "would be empty," according to a management company representative. While renovations were underway, vacancies were indeed a problem. A PGPM representative estimated there were 85 vacancies in early 1997. However, the management company representative indicated that, since the construction was completed, the development has been fully occupied.

Characteristics of the Tenants. Local respondents reported that Park Square (Orchard Glen's old name) had traditionally served a diverse population, including elderly, families, and graduate students. The characteristics of households that received vouchers are summarized in Exhibit 2. According to administrative data provided by the Bloomington Housing Authority, the heads of household who received vouchers are predominantly female (84 percent) and white (94 percent). Approximately one-third (13 of 38) of the households receiving vouchers were single individuals and one third were elderly. Just under one-half of the households had children under age 18.

According to administrative data, the income for families receiving vouchers ranged from $216 to $25,500, with an average income of $10,401. Almost 40 percent of households reported some income from wages; only one household reported public assistance income from the Temporary Assistance to Needy Families (TANF) program.

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[3] Property owners who receive Flexible Subsidy funding are not eligible for prepayment. Orchard Glen was already ineligible because of its non profit status.

Exhibit 2

CHARACTERISTICS OF VOUCHER RECIPIENTS INCLUDED IN THE TELEPHONE SURVEY

Orchard Glen Apartments (formerly Park Square Apartments)

Characteristic	Percentage of Households
Gender of Head of Household	
Female	84%
Male	16%
Race/Ethnicity of Head of Household	
White, non-Hispanic	95%
Black, non-Hispanic	3%
Asian or Pacific Islander	3%
Age of Head of Household	
62 or older	34%
Under 62	66%
Number of Household Members	
1	34%
2-3	53%
4 or more	13%
Number of Children in Household	
0	56%
1-2	35%
3 or more	9%
Spouse Present?	
Yes	9%
No	91%
Handicapped/Disabled Head of Household	
Yes	8%
No	92%
Total Family Income	
< $1,000	13%
$1,000 - 4,999	8%
$5000 - 9,999	32%
$10,000 - 19,999	45%
$20,000 - 29,999	3%
Mean Household Income	$10,401
Sources Included in Total Family Income	
Wages, salary, tips	40%
Social security or pensions	33%
SSI	19%
Public Assistance	2%

Source: HUD Form 50058 for 43 households receiving vouchers; data regarding gender, race, and disability status of head of household were missing for 5 households.

Note: Figures may not add to 100 percent, due to rounding.

Owner Plans for the Property. The property will continue to operate as a cooperative with rents capped by the provisions of the Section 236 program. Final interior detail work related to the renovations is being completed as units turn over, and site improvements (including new playground equipment) continued to be made as of the field visit in June 1998. Although low-income residents living in the development at the time of conversion were offered Section 8 vouchers, it is now the Cooperative Board's policy that no new Section 8 tenants will be accepted. There is no state or local statute precluding such a policy from being carried out.

II. Implementation of Vouchering-Out

Agencies/Organizations Involved in Vouchering-out. Orchard Glen was one of the first properties in Indiana (along with Oakdale Square, also described in this report) where vouchers were issued to tenants in a property that received project-based assistance. The entities involved in vouchering-out were the Indiana State HUD Office (located in Indianapolis), the Bloomington Housing Authority (BHA), PGPM (the management company), and the cooperative's Board of Directors. There were no other resident groups, advocacy organizations, or City offices involved.

HUD staff coordinated with the management company and the cooperative's Board regarding notifications, tenant lists, and voucher requests. Bloomington Housing Authority performed eligibility determinations and income certifications and conducted housing quality standard inspections. The procedures followed were the same as for new Section 8 recipients, including the requirement that Orchard Glen residents who wished to receive a voucher had to come to the BHA office to apply.

Process for Notifying HUD and Residents. In February 1997, the Orchard Glen Cooperative Board of Directors received a standard letter from HUD identifying properties with expiring contracts that were eligible for opting out of the Section 8 program. In April 1997, the Board notified HUD of its intention to opt out and within about one week sent HUD a tenant list including rent and income information.

A HUD funding specialist in the public housing division worked with the housing authority and HUD Headquarters on the funding request. Orchard Glen was not eligible for prepayment and thus was allocated regular (rather than enhanced) vouchers. The notification letter went to tenants at the same time HUD was notified. There were discussions with HUD about the date on which a tenant had to be living in the development to be considered eligible for a voucher. HUD clarified that the date of contract expiration was the reference date. The first vouchers were issued in October 1997, and the second set of vouchers was issued in July 1998.

In general, all parties thought the conversion process went fairly smoothly. However, there were delays in the execution of the first HAP contract. As a result, the management company did not receive its first HAP payment until three months after the Section 8 contract had expired. HUD does have the option to extend an existing contract for up to 120 days to allow extra time for processing a funding request, if necessary. Despite this provision, there were still delays in Orchard Glen getting paid, during which their contract was not extended. According to management, the development absorbed the cost until the payment was received, but it created a short-term cash flow problem.

Resident Response. Management company representatives said there was some fear among residents following the initial notification, and some chose to move right away rather than take a voucher. According to local respondents, some of these were tenants who would not have been eligible for a voucher because of prior crime- or drug-related eviction from public housing or the tenant-based Section 8 program. In addition, an unknown number of potentially eligible residents may have chosen to stay in the development without applying for a voucher. Local respondents speculated that some residents perceived a stigma attached to applying for assistance. Further, since the rents at the development are low relative to the market, it is conceivable that some eligible households were able to continue living at the development without vouchers.

According to housing authority staff, the management staff at Orchard Glen did a good job of preparing residents for the meeting with the housing authority and invited the appropriate people to the meeting. BHA staff recalled that Orchard Glen's residents had asked good questions, indicating they had a fairly clear understanding of the process already. Some voucher applicants had prior debts to the BHA but signed agreements for payment plans. The lists of eligible people provided by the management company proved accurate, and people showed up for their certification appointments at the housing authority (in contrast to the experience with Oakdale Square, where it was reported that many applicants did not keep their certification appointments).

Survey respondents indicated they understood they had a choice to move or stay at Orchard Glen when they received the notice that vouchers would be issued; only one respondent (of 23) indicated this was not clear. According to one elderly resident interviewed during the field visit, the letter she received announcing the vouchering-out had initially frightened her because it implied that, while she could stay in the development, she might not be able to stay in the same unit she had been occupying, which is a quiet corner unit with a pleasant view. She did not want to leave what she thought was a desirable location within the development. She did look into moving, but—once assured by management that she would be able to stay in the same unit at Orchard Glen—she decided to lease in place.

Assistance Provided to Residents. Orchard Glen residents received the BHA's standard Section 8 briefing, although the sessions were conducted individually instead of in groups.

Housing authority staff promoted the portability of the voucher as a key advantage to this form of assistance (voucher-holders are able to "port out" of the jurisdiction after one year). All of the households issued vouchers were able to use them, either to lease in place or move. This contrasts with a 40 percent no-show and 50 percent success rate BHA-wide, according to the BHA's executive director. The length of the search period was 60 days; no extensions were requested. According to local respondents, Orchard Glen management does seem to have made a concerted effort to ensure residents that understood one aspect of the choice: that if they accepted a voucher and moved out of the development, they would not have the option to return later, because the development would no longer accept Section 8 assistance.

The management company respondents commented that the tenant certification process was lengthy. They acknowledge this is partly because housing authority staff were overwhelmed by having to accommodate two large groups of voucher applicants at once (totaling more than 100 households), because Oakdale Square and Orchard Glen were vouchering-out at the same time. To move the certifications along more quickly, Orchard Glen management staff had suggested that the BHA simply accept the most recent recertification information on file with the management company. This practice was used in some of the other sites featured in this study, but both Indiana State HUD Office and local housing authority staff said that these records were often inaccurate or out of date, and they insisted on new certifications.

Regarding HQS inspections, the management company reported there have been some problems because tenants' responsibilities for maintenance and upkeep are greater in a cooperative than in a conventional rental development. For example, residents are responsible for interior painting and cleaning. Several units failed inspection because interior paint was needed. The management company has been working with the residents to explain the necessity of the painting and get the work done.

Although BHA staff had reported that no special assistance was provided to Orchard Glen residents beyond the standard Section 8 program briefing and assistance, 12 of the 23 survey respondents interviewed reported some counseling assistance had been offered, and 4 respondents indicated they had used the services. The recipients of assistance indicated BHA staff had helped them calculate how much rent they could afford and provided lists of possible rental units.

Summary of Key Events. The key events associated with the initial contract expiration at Orchard Glen Apartments are summarized in Exhibit 3. The issuance of vouchers under the second expiring contract was under way at the time of field visit in June 1998.

Exhibit 3
VOUCHERING-OUT PROCESS
Orchard Glen Apartments

Date	Event
10/96	One-year notification sent to residents
2/97	HUD notifies Cooperative Board of upcoming contract expiration
4/97	Cooperative Board of Directors notifies HUD of intent to opt out; meeting among HUD, BHA, and PGPM Management; residents notified concurrently
4/97	PGPM provides HUD with tenant list and income information.
7/97	Tenant meeting held
8/97	BHA and PGPM reach agreement on rents
9/97	Contract signed; vouchers issued
10/97	Effective date of contract

Source: Interviews with Indiana State HUD Office staff, BHA staff, and PGPM representatives.

III. Outcomes of Vouchering-out

The telephone survey of voucher recipients was conducted approximately 16 months after the initial vouchers were issued at Orchard Glen and 8 months after the second round of vouchers was issued. The outcomes for voucher recipients and the property are reported below. It is important to emphasize that the 43 vouchers actually issued to Orchard Glen residents were far fewer than the 91 units covered by the development's Section 8 contracts. This was partly because of the large number of vacant units at the time of conversion (HUD does not typically allocate vouchers for vacant units), but local respondents also speculated that an unknown number of potentially eligible residents did not apply for vouchers. These residents were not included in our survey, which sampled only households that actually received a voucher.

Extent of Movers and Stayers. According to housing authority records, of the first round of vouchers issued, 28 voucher recipients initially leased within the development and 3 moved with the voucher. There is a perception, however, that more moved out (or were evicted) in the period between initial notification and voucher issuance. Of the second round of vouchers issued, all 12 households leased in place. A total of seven households who initially leased at Orchard Glen but moved later. Exhibit 4 summarizes information on the utilization of the two rounds of vouchers allocated for Orchard Glen residents.

Exhibit 4
INITIAL VOUCHER UTILIZATION
Orchard Glen Apartments

Measure	Frequency
Total Section 8 units in development	91
Number of vouchers allocated by HUD	63
Number of households that applied for vouchers	43
Number of vouchers issued to original households that applied	43
Number of households that used voucher and stayed in unit	40
Number of households that used voucher and moved to a different unit in same development	0
Number of households that used voucher and moved out of development	3
Number of households that did not use voucher and stayed	0
Number of households that did not use voucher and moved	0

Source: Interviews with staff from Bloomington Housing Authority and Indiana State HUD Office.

Exhibit 5 summarizes the incidence of movers and stayers among survey respondents compared to all Orchard Glen voucher recipients. As shown in the exhibit, the proportion of total movers among survey respondents (26 percent) is roughly the same as the incidence of movers among all voucher holders (23 percent).

According to updated information provided by the housing authority in December 1998, 7 households who had received a conversion voucher were no longer receiving Section 8 assistance. All of these households had received Section 8 assistance under the first of the two expired contracts. This includes families who were evicted as well as households who voluntarily left the program, according to BHA staff.

Characteristics of Movers and Stayers. Local respondents had reported that elderly residents were more likely to lease in place. The one initial mover household was a two-parent family with children. The delayed mover households also had heads of household under age 62, giving further support to the pattern that movers are more likely to be younger heads of household while elderly residents are more likely to lease in place. Regarding changes in income since conversion, most of the survey respondents (both movers and stayers) indicated their household income had either stayed the same or increased since conversion. Few households (3 of 23) reported any changes in household size since conversion.

Exhibit 5
EXTENT OF MOVERS: ALL VOUCHER RECIPIENTS COMPARED TO SURVEY RESPONDENTS
Orchard Glen Apartments

Moving Status	All Voucher Recipients		Survey Respondents	
	Number	Percent	Number	Percent
Initial movers	3	7%	1	4%
Delayed movers	7	16%	5	22%
Stayers	33	77%	17	74%
Total	43	100%	23	100%

Source: Bloomington Housing Authority records and Telephone Survey of Voucher Recipients (N=23).

Factors in Decisions to Move or Stay. The reasons cited for wanting to move or stay are summarized in Exhibit 6. Of the 17 respondents who chose to stay in Orchard Glen, liking the apartment and considering it to be home were reasons cited by a total of 8 respondents. Good maintenance and upkeep and convenient access to services each received 5 mentions; 3 respondents mentioned good management. Few respondents mentioned factors that dissuaded them from moving: only 2 mentioned that moving would be too much of a "hassle", and none mentioned its cost. Of those Orchard Glen residents who stayed in the development, most (14 of 17) continued living in the same unit. The 3 heads of household who reported an internal move explained that a change in family size or composition necessitated the unit change.

Exhibit 6
Reasons for Wanting to Stay or Move
Orchard Glen

	Frequency	Percent
Reason for Wanting to Stay (N=17)		
Like apartment/considered "home"	8	47%
Good maintenance	5	29%
Convenient to services	5	29%
Good Management	3	18%
Moving too much of a hassle	2	12%
Reasons for Wanting to Move (N=8)		
Wanted more space/amenities	5	63%
Poor management	4	50%
Wanted better location	2	25%

Source: Telephone Survey of Voucher Recipients (N=23).

Eight (8) of the survey respondents indicated they wanted to move when they first learned of the vouchering-out, but only one of these respondents moved immediately. Five more survey respondents leased at Orchard Glen initially but moved later. The reasons respondents wanted to move varied: five respondents mentioned wanting more space or amenities, and poor management was cited by four respondents, while two respondents made negative comments about the development's location. Several other factors received one mention each: wanting to have a pet, wanting a house instead of an apartment, wanting to live closer to schools, and wanting greater privacy.

In addition to general questions about the factors influencing their decisions to move or stay, survey respondents were asked specifically about the importance of a few key factors. Those who moved were asked about the importance of wanting to live in a better neighborhood in their decision to move, as well as the importance of finding better or more suitable housing. The one respondent who moved indicated both these factors were very important in the decision to move.

Search Experience for Those Who Looked for Alternative Housing. As indicated above, one of the 23 survey respondents moved away from Orchard Glen when vouchers were first issued; an additional 4 respondents indicated they considered looking for a different unit but did not ultimately move. Only two of these respondents actually visited at least one potential house or apartment. Thus, the number of survey respondents for questions regarding the search experience is too small to make any generalizations, but their responses may be summarized as follows: Of the three who spent some time looking, 2 respondents looked at between 3 and 5 potential units, and the remaining respondent looked at fewer than 2 units. Two respondents found the search somewhat difficult, while the remaining respondent said the search was not difficult at all. One thought there was a fair amount of choice in units, the second found very little choice, and the third did not recall the level of choice.

None of the three households who reported looking for housing looked for housing in the Orchard Glen neighborhood or surrounding area. Two respondents reported they looked in other parts of the city, and two looked in the suburbs around Bloomington.

Respondents who spent at least some time looking for a house or apartment were asked about certain problems they may have encountered. One respondent mentioned that finding a place the searcher liked was a major problem and another had found it to be a minor problem. The problem of landlords who would not accept Section 8 also received one mention as a major problem and one mention as a minor problem. Finding a place the respondent could afford and not knowing how to look for a place were cited once each as minor problems. These respondents encountered "no problem" with the other factors covered in the survey, including disability, lack of transportation or child care to allow the head of household to search, or perceived discrimination based on race or the presence of children in the family.

Destination Neighborhoods and Units. Of the survey respondents who indicated they moved, all 6 said they moved to a different neighborhood. The new addresses provided by these movers were geocoded and linked to HUD and Census data to obtain information on the characteristics of the neighborhoods where movers are living.[4] The following discussion describes the characteristics of the destination neighborhoods for movers. It is important to note that because of the small number of movers, it is difficult to make assumptions about the entire population based on their actions.

In the census tract within which Orchard Glen is located, HUD data indicate that a total of 395 units of assisted housing are available. The average assisted household income is $13,000, and the proportion of assisted households with annual incomes of less than $5,000 is 19 percent. Census data indicate that 11 percent of the census tract's total population is poor. Approximately 5 percent of the tract's households are members of minority groups.

The survey respondents who moved to different neighborhoods were distributed among 4 Census tracts. One respondent had moved out of state. The remaining movers all stayed in Bloomington, including two neighborhoods into which two respondents had moved. These tracts may be characterized as follows. The Bloomington neighborhoods were all fairly similar, featuring single-digit percentages of minority households. In most other study sites, movers who left the study property neighborhood typically moved to census tracts with lower property rates. By contrast, movers who left Orchard Glen's neighborhood moved to census tracts where poverty rates were in the 23 to 33 percent range, higher than in the Orchard Glen neighborhood. In the new neighborhoods, more subsidized households reported receiving a majority of income from welfare. The respondent who moved out of state moved to a neighborhood that was very different, featuring a much larger minority population with higher average income, but more residents reporting welfare as their primary source of income.

Housing and Neighborhood Satisfaction. Almost all of the survey respondents indicated they were very satisfied or somewhat satisfied with their current housing and neighborhood, whether they stayed at Orchard Glen or moved elsewhere, as summarized in Exhibit 7. For the purposes of this table, we have combined the responses of the initial movers (e.g., the one respondent who moved immediately upon receiving the voucher) and the delayed movers (the five respondents who moved later). While the numbers are small for making comparisons among subgroups, it appears that stayers and movers expressed similar levels of satisfaction with their housing and neighborhoods. Most respondents also rated their neighborhoods highly for community amenities. At least 75 percent of respondents said their neighborhood rated "excellent" or "good" on access to good schools, public transportation, shopping, parks and recreational activities, and hospitals and medical care. A slightly lower

[4] Sources: HUD's Pictures of Subsidized Housing database and 1990 Census data.

proportion (65 percent) gave a similar rating to the quality of the environment for raising children.

Exhibit 7
Housing and Neighborhood Satisfaction
Orchard Glen Apartments

	Total		Stayers		Movers	
	Number	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Total households	23	100%	17	74%	6	26%
Housing satisfaction						
Very satisfied	14	61%	10	59%	4	67%
Somewhat satisfied	6	26%	5	29%	1	17%
Somewhat dissatisfied	3	13%	2	12%	1	17%
Very dissatisfied	0	0%	0	0%	0	0%
Neighborhood satisfaction						
Very satisfied	15	65%	10	59%	5	83%
Somewhat satisfied	6	26%	6	35%	0	0%
Somewhat dissatisfied	2	9%	1	6%	1	17%
Very dissatisfied	0	0%	0	0%	0	0%
Change in rent[a]						
Pay more	6	30%	3	19%	3	75%
Pay same	5	25%	4	25%	1	25%
Pay less	9	45%	9	56%	0	0%

a Excludes three households who are no longer receiving Section 8 assistance.
Source: Telephone Survey of Voucher Recipients (N=38).

Note: Figures may not add to 100 percent due to rounding.

Notably, all six movers moved out of the neighborhood surrounding Orchard Glen. When movers who left the neighborhood were asked to rate their relative satisfaction with their new neighborhood, four of the six respondents reported they were more satisfied with their new neighborhood than they had been with the Orchard Glen neighborhood. Concerning specific neighborhood amenities, at least four of the six respondents rated their new neighborhood as better than Orchard Glen's neighborhood in terms of safety, access to hospitals and medical care, and quality of the environment for raising children.

Regarding changes in housing costs, nine survey respondents—all of them families who stayed at Orchard Glen—reported their housing costs had decreased since the conversion. The remaining respondents said they pay the same (four stayers and one mover) or more (three movers and three stayers) for their rent and utilities since the conversion. According to housing authority administrative data, the average rent burden for voucher recipients who stay at Orchard Glen was just 23 percent of adjusted income, somewhat below the expected

30 percent. Movers, by contrast, had an average rent burden of 36 percent of adjusted income.

Property Impacts. The management company reported that vacancies have decreased compared to 1996, when the cooperative's board began to consider opting out of the Section 8 contracts. This was attributed more to the renovations and eviction of problem tenants—steps taken before the vouchering-out—than to the vouchering-out process, *per se*. Vacancy turn-around time has increased slightly, because management is completing some of the interior detail work as vacancies occur. The management company representative reported they had no current vacancies at the time of the site visit, and they had 40 applications on file. Operating costs have increased, but the management company reports this is just due to higher occupancy rates.

At the time of the field visit in June 1998, rents had not increased. The Board of Directors elected not to raise rents in April 1998, but it was anticipated at the time of the field visit that rents would be increased in April 1999.[5] However, given that current rents are below the payment standard, it is likely the new rents would continue to be affordable to voucher-holders.

IV. Summary of Findings

Orchard Glen's Board of Directors elected to opt out of its Section 8 contracts because its members wished to reduce the development's reliance on Section 8 revenues and to give the Board greater autonomy in decisions regarding the development. The Board's actions to undertake physical renovations, aggressively pursue evictions of problem tenants, and exclude future Section 8 certificate- or voucher-holders from admission to the development were also part of this strategy.

The process reportedly went relatively smoothly, although the combined impact of two large Bloomington properties (Oakdale Square and Orchard Glen) vouchering-out at the same time created an administrative strain on the housing authority's staff. It resulted in a large increase in program size, and the agency had difficulty managing the administrative burden of income certifications and unit inspections.

BHA staff also felt that, at the time of these early conversions, the procedural information available from HUD focused heavily on what owners needed to do but offered little guidance to housing authorities on how to manage their end of the process. For example, BHA staff had questions about the correct reference date for determining eligibility for a subsidy, options for receiving vouchers vs. certificates, and how to handle units vacant at the time of

[5] A rent increase would require HUD approval.

conversion. The BHA respondent suggested that a comprehensive guidebook for HA administrators involved in conversions would be useful.

As a nonprofit entity, Orchard Glen's Board is not eligible to prepay the development's Section 236 mortgage. The development's rents and income eligibility policies will still be governed by the terms of the Section 236 program. Rents continue to be below the FMR for Bloomington.

Voucher recipients generally stayed at Orchard Glen. Those interviewed in the telephone survey indicated their reasons for staying included good management and convenient access to services. Both stayers and movers expressed high levels of satisfaction with their housing and neighborhoods. However, movers generally indicated greater satisfaction with their new neighborhoods compared to Orchard Glen's neighborhood, even though their rent burdens were higher on average than those of stayers.

Overview of Dallas, Texas

With a population in 1998 of more than one million, Dallas is the third largest city in Texas and the ninth largest in the United States. This sprawling city is at the center of a PMSA with a population of over three million, making it the tenth largest PMSA in the country.

During the 1990s, the number of people and jobs in the metropolitan area increased dramatically. Between 1990 and 1998, the population jumped more than four (4) percent in the City and nearly 18 percent throughout the PMSA. Services and wholesale/retail trade constitute the major employment sectors; high technology and other manufacturing, financial services, insurance, and real estate are also mainstays of the local economy. During 1997, the unemployment rate measured 4.9 percent in the City of Dallas and was slightly lower (3.7 percent) for the PMSA overall.[1]

A profile of the PMSA's ethnic composition in 1997 shows a predominantly white population (65 percent). Hispanics (16.9 percent) and blacks (14.3 percent) comprise the largest racial/ethnic minorities. In contrast, the neighborhoods in which two of the four housing developments selected for this study (Leigh Ann Apartments and El Capitan) are located have distinctly higher percentages of residents belonging to these minority groups.

Local informants attribute the tight housing market in the Dallas metropolitan area to rapid population growth and the robust economy. Increases in rent levels throughout the area led the Dallas Housing Authority to request and the Ft. Worth HUD Area Office in November 1997 to approve a 14.5 percent increase in exception rents in parts of the DHA's service area, bringing them to 120 percent of the published FMRs for FY 1998. Area Office staff noted that these adjustments were necessary in light of increasing rent levels and were particularly important in enabling the Dallas Housing Authority to comply with provisions of the Walker consent decree.[2] Changes in FMRs over the past three years reflect the trend in rent levels throughout the metropolitan area. For example, the FMR for a two-bedroom apartment was $486 in FY96, $606 in FY97, and $694 in FY98. The previous exception rent for FY98 of $727 increased to $833.[3]

Rising rent levels have fueled concerns about the availability of affordable housing in Dallas and surrounding communities since the early 1990s. The City of Dallas Housing Department has identified relief of cost burden as the primary housing issue facing low- to moderate-

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1 Information provided by the City of Dallas Housing Department.

2 The Walker consent decree requires the City of Dallas to take actions to desegregate public housing residents by dispersing subsidized housing residents and units to the suburbs.

3 Memorandum (November 6, 1997) to Stephen Brewer, Acting Director of Public Housing, GAPH, from Linda Hanratty, Supervisory Economist, Ft. Worth HUD Area Office. Only one of the Dallas properties profiled in this study (El Capitan Apartments) is located in an area covered by exception rents.

income renter households.[4] Cost burdens are expected to become an even greater problem, as a result of recent decisions by some owners of insured properties to prepay or to opt out of Section 8 contracts. Local informants reported that these actions are considered by many as a serious and growing threat to the supply of affordable housing, reducing the number of units in Dallas assisted by the Section 236 and 221 (d)(3) BMIR programs.[5]

There has been, and continues to be, substantial conversion activity in the PMSA. The magnitude of this activity was evident when Abt Associates explored the selection of properties for this study: in early 1998, the Ft. Worth HUD Area Office identified seven opt-out properties and an additional seven prepayment properties as possible study sites. Both the Dallas Housing Authority (DHA) and the Mesquite Housing Office, the two agencies responsible for administering Section 8 vouchers at the four study properties in Dallas, reported that they are heavily involved in conversions to tenant-based Section 8 assistance.

The Texas Tenants' Union, a statewide advocacy group, has devoted considerable effort in recent years both to raising awareness of the issue (with policymakers and the general public) and to organizing tenants. Conversions have drawn much cautionary and primarily negative attention in the local press, in part because of this increased awareness. These reports were a highly sensitive subject for owners of most study properties in Dallas and resulted in a reluctance to cooperate with some requests made by the research team for this study.

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4 City of Dallas Consolidation Plan, 1995-96 through 1997-98, pp.3-4.

5 In 1990, there were 7,346 such units in 36 properties. Ibid., p. 36.

El Capitan Apartments

I. Background on the Property

El Capitan Apartments, a family development with 150 units, was built in 1970 under Section 236. The property is located in East Dallas, close to the western border of Mesquite. The property had two Section 8 LMSA contracts covering a total of 75 of the 150 units. The owner elected to opt out of the contracts without prepaying the HUD-insured mortgage (although the owner representative indicated he planned to prepay the mortgage later). The property thus falls under Scenario 3 (see pp. 11-13), with regular vouchers being issued to eligible households living in units covered by the expiring Section 8 contracts. The development continues to be governed by the rent and income eligibility guidelines associated with the Section 236 program.[1] This owner pursued the same strategy (opting out without prepayment) at another Dallas property, Leigh Ann Apartments, which is also a part of this study.

The first of El Capitan's two Section 8 contracts, covering 45 units, expired in October 1997 and the second expired in November 1997. Vouchers were issued by the Mesquite Housing Office; HUD called on this agency to assist in the conversion because Dallas Housing Authority staff were already involved in conversion-related activities at numerous other properties and the Area Office was concerned about overextending the agency.[2] In addition to its involvement with El Capitan, the Mesquite Housing Office issued vouchers at St. Francis Square Apartments, another property selected for this study; more recently, it has been involved in several other conversions. A summary of property characteristics for El Capitan appears in Exhibit 1.

The field visit to El Capitan included interviews with HUD Area Office and housing authority staffs, the owner, his multifamily property consultant, and site management. Discussions were also conducted with staff of the City of Dallas Housing Department, although this agency was not directly involved in any of the conversions in Dallas and with a representative of the Texas Tenants' Union, an advocacy organization focused on preserving affordable housing. A telephone survey of a sample of 60 El Capitan residents who received vouchers was conducted in March and April 1999. Thirty-four (34) residents completed the survey.[3]

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1 If and when prepayment occurs, the property could qualify for enhanced vouchers for eligible residents.

2 According to HUD Area Office staff, Mequite's role was possible because housing agencies can extend their jurisdictions five miles beyond their city limits.

3 According to the research design for this study, a sample of 60 voucher recipients was selected for the telephone survey in properties where more than 60 vouchers were issued. In properties where fewer than 60 vouchers were issued, all voucher recipients were included in the survey sample. For more information on survey data collection methods, see Appendix A.

Exhibit 1
PROPERTY CHARACTERISTICS:
El Capitan Apartments

Property Name	El Capitan Apartments
Property Location	1842 El Capitan Drive; Dallas, TX 75228
Total Number of Units	150
Section of Act	Section 236
Total Number of Assisted Units	150
Number of Section 8 Units	75
HUD-Insured	Yes
Section 8 Expiration Date	Oct. 31, 1997 (45 units); Nov. 30, 1997 (30 units)
Reason for Vouchering-out	Opt-out
Type of Vouchers Received	Regular

Reasons for Vouchering-out. The owner's decision to opt out of the Section 8 contracts was based on his negative experiences with HUD. The owner was highly critical of HUD's policy, operations, and dealings with landlords in recent years, despite complimentary remarks about specific HUD staff with whom he has dealt during the conversion of properties in this study.

The owner representative stated that the relationship with HUD had become "extremely adversarial," attributing these strong feelings, in part, to distrust resulting from an earlier attempt to change the policy that allows owners to prepay their mortgages. It appears that the owner representative mistakenly attributed to HUD the responsibility for Congressional action that temporarily suspended the owners' right to prepay.[4] The owner representative also criticized other, unspecified changes in HUD's methods of operations over the years. In addition, he viewed the Section 8 contracts as hindering his ability to prepay the mortgage, because HUD allows only "minuscule" rent increases and because market rents in Dallas are higher than HUD's Fair Market Rents (FMRs). He believes that these issues have a negative impact on his ability to borrow for refinancing, resulting in a "significant loss of value and loss of borrowing power." In short, he feels that the value of the property has been "encumbered" by the Section 8 contracts. Inability to refinance the property was likely the reason the owner did not prepay at the same time the Section 8 contracts expired. HUD records indicate that the prepayment did occur on November 2, 1998.

4 The legislation that authorized this action is identified on page 4 of the Executive Summary.

Physical and Financial Condition of the Property. El Capitan's 150 units are configured in 19 buildings constructed of brick veneer and stucco (cement sprayed on lathe). The two-story garden style apartments consist of one- to three-bedroom flats and a small number of studios. Amenities include air conditioning and garbage disposals. All utilities are included in the rent, which a number of local respondents noted made the rents more attractive to tenants. Some first floor units have small, enclosed patios.

The road leading into this property runs off of Barnes Bridge Road, a well-traveled street, one block from a major north/south thoroughfare. The blocks of this thoroughfare closest to El Capitan Drive have a preponderance of industrial and commercial activity, including car repair shops, gas stations, and used car lots. These businesses and the Santa Fe Railroad tracks that run past the property contribute the area's "industrial" atmosphere. The development is surrounded by a chain link fence, which separates it from the railroad tracks and from other homes. Trees and playground equipment occupy the spaces between buildings.

Aside from El Capitan, there are few multifamily residences in the immediate area of the property; the exception is an adjacent run-down apartment building. Small, modest single-family homes predominate. Shopping and services are within a mile of the property. A small strip mall about 3/4 mile from the property appears to be the closest shopping that does not involve crossing the busy thoroughfare.

Occupancy at the time of the site visit in June 1998 was 93 percent; it was lower (85 percent) at the time of the conversion in late 1997. The owner attributes the rise in occupancy to a tighter housing market and an increased demand for affordable units throughout Dallas. The owner representative believes that basic rent levels at El Capitan are competitive with the housing in the immediate area. At the end of 1998, the typical gross rent (including all utilities) for a one-bedroom unit was $448, while two-bedroom units leased for $565 and three-bedrooms for $655. The FMRs at the time seem to confirm his statement that El Capitan rents are in line with the market; FMRs were $541 for a one-bedroom unit, $694 for a two-bedroom, and $961 for a three-bedroom unit.

Characteristics of the Tenants. El Capitan has traditionally served a racially diverse mix of families and elderly residents. A summary of information on El Capitan households who received vouchers is presented in Exhibit 2. As shown there, more than a third (37 percent) of the heads of household are elderly, nearly two-thirds (65 percent) are female, and 85 percent are not married or do not live with a spouse. Fewer than half the households (45 percent) have children. Voucher recipients are racially diverse: 45 percent of the heads of household are non-Hispanic white, 18 percent are black, 13 percent are Hispanic, and 23 percent are Asian. A quarter of the heads of household are disabled. More than two-thirds of the residents (65 percent) earn less than $10,000, with an overall mean of $9,296.

Owner Plans for the Property. At the time of the site visit, the owner representative reported that, following prepayment, he planned to enhance the property by constructing covered parking (carports), a clubhouse/meeting room, and a swimming pool. He also mentioned plans for installation of security gates, additional landscaping, improvements to the parking lot, and $1,000 per unit for interior upgrades. The owner had been exploring the purchase of adjacent land in order to provide space for the clubhouse and pool.

II. Implementation of Vouchering-out

Agencies/Organizations Involved in Vouchering-out. Staff from the Ft. Worth Area HUD Office and the Mesquite Housing Office, the owner, and his consultant were involved in the conversion and were present at meetings to explain the process to residents. The City of Dallas was not involved. All parties describe the process as having gone smoothly. The Texas Tenants' Union reported that it had very little involvement with this property and was unaware of any organized tenant response to the conversion.

Resident Notification and Response. As required by HUD, the owner issued a one-year notice of the opt-out in 1996. Second notices were issued in October and November 1997. From the perspective of the owner and on-site property manager, the initial reaction of residents was "total confusion and fright." As a result of the original notice in 1996, tenants thought they had to move and required reassurance that they would be able to lease in place. Management estimated that three or four residents "panicked" and moved immediately. By the time second notices were issued in October and November 1997, tenants had a clearer sense of how the process would proceed. Housing agency staff confirmed the owner/manager reports of residents' fearful responses and added that many thought their out-of-pocket expenditures for rent would increase. (Rents did, in fact, increase slightly following contract expiration; however, housing agency staff noted that due to the Section 236 restrictions, rents continued to be below the FMRs.)

In the telephone survey conducted for this study, voucher recipients were asked to recall whether they had understood that they could use their voucher to stay or to move. Most households interviewed (94 percent) said that they understood they could use the Section 8 voucher either to lease in place or to move to another unit elsewhere.

Exhibit 2
CHARACTERISTICS OF VOUCHER RECIPIENTS INCLUDED IN THE TELEPHONE SURVEY
El Capitan Apartments

Characteristic	Percentage of Households
Gender of Head of Household	
Female	65%
Male	35%
Race/Ethnicity of Head of Household	
White, non-Hispanic	45%
Black, non-Hispanic	18%
Hispanic or Latino	13%
Asian or Pacific Islander	23%
American Indian or Alaskan Native	0%
Age of Head of Household	
62 or over	37%
Under 62	63%
Number of Household Members	
1	44%
2-3	37%
4 or more	10%
Number of Children in Household	
0	55%
1-2	30%
3 or more	15%
Spouse Present?	
Yes	15%
No	85%
Handicapped/Disabled Head of Household	
Yes	25%
No	75%
Total Family Income	
< $1,000	0%
$1,000 - 4,999	18%
$5000 - 9,999	47%
$10,000 - 19,999	26%
$20,000 - 29,999	7%
$30,000 - 39,000	2%
Mean Household Income	$9,296
Sources Included in Total Family Income	
Wages, salary, tips	28%
Social security or pensions	45%
SSI	28%
Public Assistance	13%

Source: HUD Form 50058 for 50 households receiving vouchers.

Note: Figures may not add to 100 percent, due to rounding.

The owner did not offer direct incentives to encourage residents to stay at the property, nor did he in any way discourage residents from using their vouchers to lease in place. Management staff reported that he accommodated some tenants with vouchers who wanted to move, by not requiring the standard 30-day notice.

Assistance Provided to Residents. Assistance provided by the Mesquite Housing Office did not exceed what is routinely given to all certificate- and voucher-holders during regular Section 8 briefings: tenants received a standard briefing packet, which contains a list of apartment buildings and landlords who work with the agency. Nine of the 34 residents interviewed in the telephone survey said they took advantage of services offered by the housing authority, which included listings of available units, help in calculating the amount of rent they could afford, identifying neighborhoods for the housing search, and help filling out applications.

Summary of Key Events. The key events associated with the opt-out at El Capitan Apartments are summarized in Exhibit 3.

Exhibit 3
VOUCHERING-OUT PROCESS
El Capitan Apartments

Date	Event
10/96-11/96	Initial notice to residents
10/7/97	HUD, HA, and owner meet with residents for Contract 1
10/8-10/27/97	Vouchers issued to residents for Contract 1
10/16/97	HUD, HA, and owner meet with residents for Contract 2
10/28-11/14/97	Vouchers issued to residents for Contract 2
10/31/97	Contract 1 expires
11/30/97	Contract 2 expires

III. Outcomes of Vouchering-out

Although two Section 8 contracts expired at El Capitan, activities related to the conversion process for the two contracts overlapped, occurring within the same few months in late 1997. There were no discernable differences between these contracts in terms of the implementation of the vouchering-out and too little elapsed time between the initiation of activities for there to have been any meaningful differences in tenant responses or outcomes. The effects of the conversion on residents and the property are described below, drawing on information from the resident survey and interviews with local respondents.

Extent of Movers and Stayers. According to staff at the Mesquite Housing Office, vouchers were issued to all but three of the 73 households who originally applied for them: one household was deemed ineligible, and two others subsequently withdrew their applications for reasons unknown to the housing agency. Sixty-three of the 70 voucher recipients (90 percent) used their vouchers to lease in place, while four other households moved to other units within the development. The remaining seven households that received vouchers initially moved at the point of conversion; six other households moved subsequently. The utilization of vouchers allocated to El Capitan residents is summarized in Exhibit 4.

Exhibit 4
INITIAL VOUCHER UTILIZATION
El Capitan Apartments

Measure	Frequency
Total Section 8 units in development	75
Number of vouchers allocated by HUD	75
Number of households that applied for vouchers	73
Number of vouchers issued to original households that applied	70
Number of households that used voucher and stayed in unit	59
Number of households that used voucher and moved to a different unit in same development	4
Number of households that used voucher and moved out of development	7
Number of households that did not use voucher and stayed	0

Source: Interviews with Mesquite Housing Office and Ft. Worth Area Office staff.

The telephone survey of a sample of 60 of the 75 voucher recipients was conducted approximately 18 months after vouchers were issued. Exhibit 5 summarizes the extent of movers and stayers among survey respondents compared to all El Capitan voucher recipients. The exhibit identifies both "initial movers" (who moved at the time vouchers were issued) and "delayed movers" (who leased at El Capitan initially after conversion but moved later). Despite the over-sampling of movers, the proportion of movers represented in the survey sample is slightly lower than the proportion of all El Capitan voucher recipients who moved, as shown in the exhibit. It is also important to note that, given that the number of movers who responded to the survey is so small, it is difficult to generalize about their experiences.

Exhibit 5

EXTENT OF MOVERS: ALL VOUCHER RECIPIENTS COMPARED TO SURVEY RESPONDENTS

El Capitan Apartments

Moving Status	All Voucher Recipients		Survey Respondents	
	Number	Percent	Number	Percent
Initial movers	7	10%	3	9%
Delayed movers	6	9%	2	6%
Stayers	57	81%	29	85%
Total	70	100%	34	100%

Sources: Administrative records for 70 households from the Mesquite Housing Office; Telephone Survey of Voucher Recipients (34 respondents).

Characteristics of Movers and Stayers. Local respondents had indicated that younger households were more likely to move; in fact, 4 of the 5 heads of household who moved were under age 62. Three of the four mover households had children in the household. The majority of movers (4 of 5) are white and the remaining head of household who moved is black. The 4 Asian families and 1 Hispanic household who responded to the survey had all stayed at El Capitan. Only 1 of the 5 mover households reported income from wages, compared to 10 of the 29 stayer households.

Factors in Decisions to Move or Stay. The property manager and owner point to the inclusion of utilities in the rent payment as a major factor in tenants' decisions to remain at El Capitan. They speculate, as do the housing agency staff, that those who did move were motivated most likely by the desire to move to a different school district or closer to relatives. Mesquite Housing Office staff also point to the abbreviated time period between the notifications in October 1997 and contract expiration in October and November 1997 as the major factor in residents deciding to stay. Although many residents discussed moving, they were unable to do so quickly and decided to sign the lease for one year and postpone consideration of moving until later. In addition, many elderly residents had lived at El Capitan for 10 or 15 years and wanted to stay. Housing agency staff also speculated that families with school-age children may not have wanted to change schools mid-year.

Survey respondents were asked about factors that contributed to their decision to move or stay; these are summarized in Exhibit 6. First, respondents were asked whether they initially wanted to move or stay when they received notice that vouchers would be issued. Three-quarters of the survey respondents (26 of 34) said they wanted to stay at that point, citing a variety of reasons. Nearly a quarter said they consider El Capitan to be home, and over half cited general satisfaction with their apartment or its amenities. A fifth cited proximity to a support network, and another fifth cited good management. Other reasons cited were proximity to services such as shopping, medical care, and transportation; good maintenance and upkeep; and wanting to keep children in the same school.

While nearly a quarter of those interviewed (eight respondents) said they initially wanted to move, only three did so when vouchers were first issued. Half of those who wanted to move (four) cited poor maintenance and upkeep, and three cited poor management. Other reasons given included noise from the adjacent train tracks and wanting a larger apartment. Among those who said they wanted to move but did not, reasons given for staying included the cost of moving, lack of time to look before making a decision to lease up, and the perceived need to fulfill lease requirements.

Exhibit 6
REASONS FOR WANTING TO STAY OR MOVE
El Capitan Apartments

Reasons	Frequency	Percent
Reason for Staying (N=26, multiple responses permitted)		
General satisfaction with apartment	14	54%
Consider development to be home	8	31%
Proximity to a support network	7	27%
Good management	7	27%
Proximity to services	6	23%
Good maintenance and upkeep	5	19%
Wanting to keep children in same school	4	15%
Reasons for Moving (N=8, multiple responses permitted)		
Poor maintenance and upkeep	4	15%
Poor management	3	12%
General negative responses about location	3	12%
Wanted a larger unit	2	8%

Source: Telephone Survey of Voucher Recipients at El Capitan (N=34)

In addition to general questions about the factors influencing their decisions to move or stay, survey respondents were asked specifically about the importance of a few key factors. Movers were asked about the importance of wanting to live in a better neighborhood in their decision to move. Two of the 3 initial movers indicated that living in a better neighborhood was very important, and 1 said it was somewhat important in their decision to move. All 3 movers indicated that finding better or more suitable housing was very important in their decision to move.

Search Experience for Those Who Looked for Alternative Housing. The households who did look for alternative housing found the search difficult. Four of the five residents interviewed who looked for alternative housing said that the search was very difficult or somewhat difficult and that they had very little choice in finding other suitable apartments. Two of these respondents looked in the immediate neighborhood, four looked in surrounding neighborhoods, and three looked elsewhere in Dallas. Lack of transportation and landlords not accepting Section 8 were the two most commonly cited major problems limiting the housing search. Exhibit 7 summarizes the search experience of movers, as reported by survey respondents.

Exhibit 7
HOUSING SEARCH EXPERIENCE
El Capitan Apartments

	Frequency	Percent
Difficulty of search (N=5)		
Very difficult	2	40%
Somewhat difficult	2	40%
Not difficult at all	1	20%
Perceived extent of choice (N=5)		
A lot of choice	2	40%
A fair amount of choice	2	40%
Very little choice	1	20%
Major problems encountered (N=5, multiple responses permitted)		
Landlords not accepting S8	2	40%
Lack of transportation	2	40%
Scope of search (N=5, multiple responses permitted)		
Immediate neighborhood	2	40%
Surrounding neighborhood	4	80%
Other parts of city	3	60%
Suburbs of city	1	20%
Other cities	1	20%
Helpfulness of assistance (N=9)		
Very helpful	2	22%
Somewhat helpful	4	44%
Not helpful	3	33%

Source: Telephone Survey of Voucher Recipients (N=34)

Destination Neighborhoods and Units. Of the five survey respondents who moved from El Capitan, all reported that they had moved to a different neighborhood. The new addresses provided by these movers were geocoded and linked to HUD and Census data to obtain information on the characteristics of the neighborhoods where movers are living.[5] The following discussion describes the characteristics of the destination neighborhoods for movers. It is important to note that because of the small number of movers, it is difficult to make assumptions about the entire population based on their experiences.

[5] Sources: HUD's Pictures of Subsidized Housing database and 1990 Census data.

In the census tract within which El Capitan is located, HUD data indicate a total of 371 units of assisted housing are available. The average assisted household income is $8,100, and the proportion of households with annual incomes of less than $5,000 is 11 percent. Census data indicate that 11 percent of the census tract's population is poor. Approximately 24 percent of the tract's households are minority.

The survey respondents who moved to different neighborhoods were distributed among five Census tracts. While none of the movers are in the same neighborhood, all moved elsewhere in northeast Dallas or to Mesquite. Poverty rates were generally low in the new neighborhoods, ranging from 2 percent to 15 percent. Four of the five moved to neighborhoods with a lower proportion of minority households, while the fifth moved to a neighborhood with a 51 percent minority population, twice that of the El Capitan neighborhood. Average subsidized household income was often lower in respondents' new neighborhoods, the lowest being $6,800 per year. There were as few as 8 and as many as 307 subsidized units in the destination neighborhoods.

Housing and Neighborhood Satisfaction. Exhibit 8 summarizes El Capitan voucher recipients' satisfaction with their housing. Overall, most movers and stayers interviewed were either very satisfied or somewhat satisfied with their housing situation post-conversion. Among the 29 stayers surveyed, 17 (59 percent) were very satisfied. Among movers, 4 were very satisfied and 1 was somewhat dissatisfied. With respect to the neighborhood, movers were more satisfied than stayers: all 5 movers were very satisfied with their new neighborhoods. By contrast, fewer than half (14) the stayers were very satisfied. At the same time, stayers were more likely to have a lower rent burden post conversion: while 22 of 28 stayers pay less and 3 pay more, only 1 mover interviewed pays less than before vouchering-out.

Administrative data provided by the housing agency confirm that rent burdens for stayers are lower than for movers. Rent burdens (the amount paid by the household divided by adjusted income) are just 18 percent for stayers. The reason rent burdens are so low is that the majority of gross rents at El Capitan are below the payment standard for each unit size.[6] Presumably this is due at least in part to the rent restrictions imposed by the Section 236 program that continued to govern the property.[7] Nearly 87 percent (52) of voucher holders lived in units with gross rents below the payment standard and one rent equaled the standard. The average rent burden for movers is slightly higher but, at 28 percent, is still reasonable.

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[6] The Quality Housing and Work Responsibility Act of 1998 eliminated this so-called "shopping incentive". Now, voucher-holders must pay 30 percent of their adjusted monthly income for rent, even if the gross rent is lower than the payment standard. See HUD Notice PIH 99-16 for more information.

[7] These restrictions ended with the prepayment in November 1998.

Property Impacts. At the time of the field visit, property impacts had been limited. Rents continued to be below the payment standard. The vacancy rate had declined somewhat, which the owner attributed to an increasingly tight housing market.

Exhibit 8
HOUSING AND NEIGHBORHOOD SATISFACTION
El Capitan Apartments

	Total		Stayers		Movers	
	Number	Percent	Number	Percent	Number	Percent
Total households	34	100%	29	85%	5	15%
Housing satisfaction						
Very satisfied	21	62%	17	59%	4	80%
Somewhat satisfied	8	24%	8	28%	0	0%
Somewhat dissatisfied	5	15%	4	14%	1	20%
Very dissatisfied	0	0%	0	0%	0	0%
Neighborhood satisfaction						
Very satisfied	19	56%	14	48%	5	100%
Somewhat satisfied	8	24%	8	28%	0	0%
Somewhat dissatisfied	4	12%	4	14%	0	0%
Very dissatisfied	3	9%	3	10%	0	0%
Change in rent[a]						
Pay more	5	16%	3	11%	2	50%
Pay same	2	6%	2	7%	0	0%
Pay less	23	72%	22	79%	1	25%
Don't know	2	6%	1	4%	1	25%

a Excludes two households that are no longer receiving Section 8 assistance.
Source: Telephone Survey of Voucher Recipients (N=34).

IV. Summary of Findings

El Capitan is a modest property located adjacent to an industrial area. The owner's decision to opt out of the Section 8 contracts was based largely on his negative experiences with HUD. The majority of residents have stayed, and both stayers and movers are fairly satisfied with their current housing situations. Although rent levels reportedly increased following contract expiration, they remained below the payment standard (while the Section 236 mortgage was still in place). Voucher recipients who stayed at El Capitan have low rent burdens. Movers' rent burdens are slightly higher, but are still on average under 30 percent of adjusted income.

Several months after the field visit conducted for this study, the owner prepaid the HUD-insured mortgage; thus rents are no longer restricted. Given the location and condition of the development, it is unlikely that the units would be competitive at higher rents. If the owner makes the capital improvements he planned after prepayment, he may be able to attract somewhat higher-income tenants, although the industrial neighborhood and lack of services in the immediate area are likely to make this difficult.

Leigh Ann Apartments

I. Background on the Property

Leigh Ann Apartments, a 256-unit development, was built by its current owner under Section 236 and first occupied in 1970. There were two Section 8 LMSA contracts covering a total of 152 of the 256 units in the property. Vouchers were issued by the Dallas Housing Authority (DHA) when the owner opted out of the first of the two Section 8 contracts with 50 units; another Section 8 contract with 102 units is scheduled to expire in 1999. The owner did not prepay the HUD-insured mortgage at the time of the first opt-out. Thus, this property falls under Scenario 3 (see pp. 11-13), with regular vouchers being issued to eligible households living in units covered by the expiring Section 8 contracts. The development continued to be governed by the rent and income eligibility guidelines associated with the Section 236 program. If and when the owner repays, the property could qualify for enhanced vouchers for eligible households.

This owner pursued the same strategy (opting out without prepayment) at another assisted property, El Capitan Apartments, which is also a part of this study. The company's portfolio includes thirteen properties in the Dallas area that have some HUD involvement; the firm has also participated in developing small shopping centers in the area. A summary of property characteristics for Leigh Ann Apartments appears in Exhibit 1.

Exhibit 1
PROPERTY CHARACTERISTICS:
Leigh Ann Apartments

Property Name	Leigh Ann Apartments
Property Location	7938 Leigh Ann Drive; Dallas, TX 75232
Total Number of Units	256
Section of Act	Section 236
Total Number of Assisted Units	226
Number of Section 8 Units	152
HUD-Insured	Yes
Section 8 Expiration Date	September 30, 1997
Reason for Vouchering-out	Opt-out (intends to prepay in 1999)
Type of Vouchers Received	Regular

Source: Interviews with Ft. Worth HUD Area staff and owner representative.

The field visit to the Leigh Ann property took place in June 1998 and included interviews with staff from the Fort Worth HUD Area Office and the Dallas Housing Authority, the owner and his consultant, and property management staff. Discussions were also conducted with staff at the City of Dallas Housing Department, although this agency was not directly involved in any of the conversions in Dallas. A telephone interview was conducted with a representative of the Texas Tenants Union, an advocacy organization involved in organizing tenants around conversion issues in some Texas properties. A telephone survey of 45 Leigh Ann voucher recipients was conducted in March and April 1999.[1] Twenty respondents completed the survey.

Reasons for Vouchering-out. The owner representative for Leigh Ann Apartments reported that he decided to opt out of the Section 8 contracts on the property because he is "tired of dealing with HUD". He elaborated by saying that the relationship had become "extremely adversarial," attributing these strong feelings, in part, to distrust resulting from an earlier attempt to change the policy that allows owners to prepay their mortgages. It appears that the owner mistakenly attributed to HUD the responsibility for Congressional action that temporarily suspended owners' right to prepay.[2] The owner representative also criticized other, unspecified changes in HUD's methods of operations over the years. In addition, he viewed the Section 8 contracts as hindering his ability to prepay the mortgage, because HUD allows only "minuscule" rent increases and because market rents in Dallas are higher than HUD's Fair Market Rents (FMRs). He believes that these issues have a negative impact on the ability to borrow for refinancing, resulting in a "significant loss of value and loss of borrowing power." In short, he feels that the value of the property is "encumbered" by the Section 8 contracts. Inability to refinance the property was likely the reason the owner did not prepay at the same time the Section 8 contracts expired.

The owner was reluctant to participate in the study for a variety of reasons: the strained relationship with HUD; concerns about the potential of the study's tenant survey to rekindle resident concerns over issues related to the conversion; and local press coverage perceived to be critical of owners. Nonetheless, the owner agreed to a meeting, which was also attended by his consultant and the property managers for Leigh Ann and El Capitan Apartments. He also permitted a subsequent meeting and property tour with each of the property managers. (A telephone conversation with the owner representative in April 1999 revealed that his distress with the press had increased as a result of continuing coverage, which he feels was unfairly critical of owners who had elected to prepay and/or opt out after having fulfilled the terms of their agreements with HUD.)

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[1] See Appendix A for a discussion of survey methodology, sampling, and response rates. See Appendix B for a copy of the survey instrument.

[2] The legislation that authorized this action is identified on page 4 of the Executive Summary.

Physical and Financial Condition of the Property. Leigh Ann has 256 one-, two-, and three-bedroom units distributed among sixteen clusters of two-story buildings, many of them clustered around small courtyards. Features of the property include air conditioning, a swimming pool, playground, shaded arbor, dishwashers, garbage disposals, ceiling fans in some units, and a laundry building. All utilities are included in the rental payment, which many think contributes to the perception of Leigh Ann's units as a good housing value. Some buildings showed a need for cosmetic repairs to features such as window screens. A fair amount of litter was evident, both on the property and in the surrounding area, during one observation; however, a second visit a few days later revealed the grounds and exterior maintenance to be better.

The development is located in an area referred to by residents as "South Dallas, " near the intersection of two major interstate highways. Residents in this portion of the city are predominantly black with low incomes. Leigh Ann lies at one end of a widely dispersed cluster of large, low- and moderate-income family developments. The property is bounded on the other side by open fields with signs advertising their availability for sale and development. These tracts form a buffer between the property and the highways and lend a semi-rural character to the surrounding area. An adjacent neighborhood contains modest, single-family homes as well as an affordable housing development sponsored by a local community development corporation. A large, well-maintained city park with baseball and soccer fields and tennis courts is nearby; a community center, elementary school, and churches are within one-half mile of the property. Shopping and other services are more distant from the development. A city bus stop lies a short distance from the entrance to the property, although the availability of cross-town public transportation is reportedly limited.

Rents at the property were—and continue to be— below the FMRs for Dallas. At the end of 1998, gross rents at Leigh Ann were $402 for a one-bedroom unit, $491 for two bedrooms, and $565 for three and four bedrooms. FMRs were $541 for a one-bedroom unit, $694 for a two-bedroom, and $961 for a three-bedroom unit.

In addition to the units occupied by Section 8 voucher-holders and those set aside under the remaining Section 8 contract, the property contains thirty units rented at market rates. The remaining units fall under Section 236 regulations.

Characteristics of the Tenants. According to local respondents, Leigh Ann Apartments serves a mix of family and elderly households. We were not able to obtain detailed administrative data on all assisted households in the development; here we present 1997 summary data from HUD's Pictures of Subsidized Housing database to characterize the households living in the units covered by the two Section 8 contracts. According to the HUD data, 13 percent of assisted households at the property are headed by someone over age 62, and 9 percent of heads of household are disabled. Virtually all of the heads of household (96 percent) are black, and 88 percent of heads of household are women. The average rent is $255, with an average government subsidy of $160 per unit. The average annual household income of $8,300 was just 16 percent of the 1997 median income for Dallas.

The characteristics of households that received vouchers are summarized in Exhibit 2.[3] These households appear generally similar to the overall assisted population at Leigh Ann Apartments. According to HUD Form 50058 data provided by the Dallas Housing Authority for voucher recipients, the 45 heads of household who received vouchers are predominantly black (93 percent) and female (93 percent); the remaining voucher recipients are white (7 percent). Single individuals make up 29 percent of households. All of the remaining households have one or more children; none reported a spouse present. Four of the 45 heads of households (9 percent) are disabled.

Household income as reported in HUD Form 50058 ranged from less than $1,000 (1 voucher holder) to $20,800, with an average of $8,935. Forty percent of the households reported some income from wages; 10 households (22 percent) had public assistance income from the Temporary Assistance to Needy Families (TANF) program.

Owner Plans for the Property. At the time of the field visit, the owner representative indicated that he hoped to prepay the mortgage by January 1999. (This had not occurred as of July 1999.) Once this does happen, he plans to upgrade the property by adding carports, lighting, and controlled access gating and by performing additional landscaping and playground improvements. He also anticipated the allocation of $1,000 per unit for general interior improvements. It is not clear how he will finance the prepayment and property improvements.

[3] Although 50 vouchers were allocated under the initial expiring contract, only 45 households applied, were determined eligible, and received vouchers.

Exhibit 2

CHARACTERISTICS OF VOUCHER RECIPIENTS INCLUDED IN THE TELEPHONE SURVEY

Leigh Ann Apartments

Characteristic	Percentage of Households
Gender of Head of Household	
Female	93%
Male	7%
Race/Ethnicity of Head of Household	
White, non-Hispanic	7%
Black, non-Hispanic	93%
Hispanic or Latino	0%
Asian or Pacific Islander	0%
American Indian or Alaskan Native	0%
Age of Head of Household	
62 or over	11%
Under 62	89%
Number of Household Members	
1	29%
2-3	44%
4 or more	27%
Number of Children in Household	
0	33%
1-2	45%
3 or more	22%
Spouse Present?	
Yes	0%
No	100%
Handicapped/Disabled Head of Household	
Yes	9%
No	91%
Total Family Income	
< $1,000	2%
$1,000 - 4,999	27%
$5000 - 9,999	29%
$10,000 - 19,999	37%
$20,000 - 29,999	5%
Mean Household Income	$8,935
Sources Included in Total Family Income	
Wages, salary, tips	40%
Social security or pensions	27%
SSI	11%
Public Assistance	22%

Source: HUD Form 50058 for 45 households receiving vouchers.

Note: Figures may not add to 100 percent, due to rounding.

II. Implementation of Vouchering-out

DHA staff reported that the inspection and vouchering-out processes at Leigh Ann Apartments were contentious. The owner representative felt that inspections were unduly stringent. In addition, he sent eviction notices to tenants who did not immediately comply with the schedule for filing voucher applications.

Agencies/Organizations Involved in Vouchering-out. HUD and DHA staff worked with the owner during the conversion process, and both agencies were present at a tenant information meeting held in August 1997 to describe the process. HUD staff requested and secured the vouchers from Headquarters, and members of DHA's Leased Housing Division screened tenants for eligibility and issued vouchers.

Resident Response. The owner representative and the development's manager (who lives at the property) reported that residents were very confused by the initial and subsequent HUD notices. The manager had many one-on-one conversations to calm and reassure residents that the property would accept their vouchers. Nonetheless, she reported that a small number of residents moved within a short time of receiving the first notification. A representative of the Texas Tenants' Union noted that there was an effort by tenants to organize around the issue of conversion; however, it is unclear whether or not a resident leader emerged. Management had previously indicated no knowledge of such an effort.

In the telephone survey conducted for this research project, voucher recipients were asked to recall whether they had understood that they could use their voucher to stay or to move. Most of the 20 voucher recipients interviewed reported that they did understand they had a choice either to stay at Leigh Ann or to move. Only 3 respondents (15 percent) said they were not aware that they had a choice.

Assistance Provided to Residents. DHA made available to voucher-holders all services offered under its Housing Opportunity Program (HOP). The HOP was established in response to the Walker Consent Decree, which requires the City of Dallas to take actions to desegregate public housing residents by dispersing subsidized residents and units to the suburbs. The HOP provides a wide range of services to all Section 8 recipients at the agency, including individual counseling on housing search, lists of units/properties that accept Section 8 certificates and vouchers, and tours of neighborhoods and properties. No additional or special services were provided to Leigh Ann residents as a result of the opt-out, but the HOP services were the most extensive of any offered to residents of properties in this study.

Detailed information on the number of households at Leigh Ann who used these services was unavailable; however, 15 of the 20 respondents to the telephone survey indicated that counseling or other assistance had been offered to them, and 9 respondents reported they had used at least some of the services offered. At least 8 respondents said they had received help calculating the rent they could afford, identifying neighborhoods for search, and obtaining listings of possible units. Three respondents said they had used two other services: transportation to possible units and help negotiating with landlords. Six of the 9 respondents found the assistance very helpful, and a similar proportion said the assistance had a very important influence on decisions regarding where to search for new housing.

The owner representative and manager of Leigh Ann believe that the assistance provided by DHA attempted to "steer" residents away from the property and into certain other areas because of pressures exerted on the agency by the Walker Consent Decree.

Summary of Key Events. The key events associated with the opt-out at Leigh Ann Apartments are summarized in Exhibit 3.

Exhibit 3
VOUCHERING-OUT PROCESS
Leigh Ann Apartments

Date	Event
9/96	Owner notice to HUD
7/14/97	HUD notifies DHA that owner has indicated intent to opt out
7/15/97	Owner notifies residents
8/97	Initial meeting with residents
8/11/97	Vouchers issued
9/4-9/16/97	Section 8 briefings
9/30/97	Contract expires

Source: Interviews with staff from Ft. Worth HUD Area Office, Dallas Housing Authority, and property owner representative.

III. Outcomes of Vouchering-out

The effects of the conversion on tenants and the property are described below, drawing on information from the tenant survey and conversations with local respondents.

Extent of Movers and Stayers. According to information provided by the Dallas Housing Authority, almost half of the households issued vouchers at Leigh Ann Apartments (22 of 45, or 49 percent) elected to move elsewhere rather than lease at the development. This rate of move-outs is much higher than occurred at any of the other study properties. One family moved within the development, and the remainder leased in place. Of those who initially leased at Leigh Ann, just one household moved at a later point.

The utilization of the vouchers allocated to Leigh Ann Apartments is summarized in Exhibit 4. (As noted above, one more Section 8 contract—covering 102 units—was still in effect at Leigh Ann Apartments at the time of the site visit.) As shown in the exhibit, all households that received vouchers were successful in either leasing up at the development or moving elsewhere.

Exhibit 4
INITIAL VOUCHER UTILIZATION
Leigh Ann Apartments

Measure	Frequency
Total Section 8 units in development	152
Number of vouchers allocated by HUD	50
Number of households that applied for vouchers	45
Number of vouchers issued to original households that applied	45
Number of households that used voucher and stayed in unit	22
Number of households that used voucher and moved to a different unit in same development	1
Number of households that used voucher and moved out of development	22
Number of households that did not use voucher and stayed	0
Number of households that did not use voucher and moved	0

Source: Interviews with Dallas Housing Authority and Ft. Worth HUD Area Office staff
Note: These figures reflect the vouchers allocated and issued under the first expiring Section 8 contract (totaling 50 units). A second contract, covering 102 units, had not yet expired.

The telephone survey of voucher recipients was conducted approximately 17 months after the initial vouchers were issued at Leigh Ann Apartments. Exhibit 5 summarizes the extent of movers and stayers among survey respondents compared to all Leigh Ann voucher recipients. The exhibit identifies both "initial movers" (who moved immediately when vouchers were issued) and "delayed movers" (who leased at Leigh Ann at conversion but moved later.) As shown, the proportion of movers represented in the survey sample is roughly the same as the proportion of all Leigh Ann voucher recipients who moved.

Exhibit 5
EXTENT OF MOVERS: ALL VOUCHER RECIPIENTS COMPARED TO SURVEY RESPONDENTS
Leigh Ann Apartments

Moving Status	All Voucher Recipients		Survey Respondents	
	Number	Percent	Number	Percent
Initial movers	22	49%	10	50%
Delayed movers	1	2%	0	0%
Stayers	22	49%	10	50%
Total	45	100%	20	100%

Characteristics of Movers and Stayers. All 20 survey respondents, including movers and stayers, are black. Only one household that moved is headed by someone over age 62. Other than age, the characteristics of movers and stayers do not appear to differ very much. Household sizes ranged from one to five for both movers and those who stayed in the development. Equal numbers of movers and stayers (four in each category) were households reporting income from wages. Similarly, roughly half of households receiving TANF stayed (2) and half moved (3).

Factors in Decisions to Move or Stay. As stated above, the owner representative believes that some tenants who received vouchers were influenced by DHA's attempt to "steer" tenants away from the property. This perception is based on the fact that assistance and counseling services consisted primarily of transporting tenants by bus to view other properties. In addition, the owner representative believes that some residents moved because they thought they could get better units; he feels strongly that many had an unrealistic sense of the affordability of such a move and he suggests that DHA may have helped create this perception. Tenants who stayed did so because "it's home" and they know their neighbors. Other factors motivating tenants to lease in place were thought to include reasonable rents (especially given the inclusion of utilities) and other amenities. Elderly residents generally stayed because they thought it would be difficult to move.

While DHA staff acknowledged these same factors, they emphasize that the short time period between the second notice to residents in July 1997 and the end of the contract seriously constrained residents' ability to search and precluded serious consideration of moving. Most probably had time only to search in the immediate area because of the short time frame. It is interesting to note the discrepancy between this perception and the data provided on HUD Form 50058, which indicates that 49 percent of initial voucher-holders did, indeed, use their vouchers to lease units elsewhere. As discussed below, this seems largely due to tenants' dissatisfaction with the maintenance and upkeep of the property.

Respondents to the telephone survey were asked what factors contributed to their decision to move or stay, as summarized in Exhibit 6. Asked whether they initially wanted to move or stay when they received notice that vouchers would be issued, three-quarters of the survey respondents (15 of 20) said they wanted to move at that point. The most commonly-cited reason for wanting to move was poor maintenance and upkeep (8 mentions among 15 respondents.) A number of other reasons were mentioned by between one and three respondents, including poor management, crime/violence, wanting more space or amenities, and general health or safety concerns. Of the five respondents who wanted to stay, one mentioned wanting to keep children enrolled in the same school, while the others cited general satisfaction with the apartment, rent, or location as their reason for staying.

Exhibit 6
REASONS FOR WANTING TO STAY OR MOVE
Leigh Ann Apartments

	Frequency	Percent
Reason for Wanting to Stay (N=5)		
Wanted to keep children in same school	1	20%
Like apartment	2	40%
Apartment is affordable	1	20%
Like location	1	20%
Reasons for Wanting to Move (N=15, multiple responses permitted))		
Poor maintenance and upkeep	8	53%
Poor management	3	20%
Wanting more space or amenities	4	27%
Crime/violence/drugs	2	13%

Source: Telephone Survey of Voucher Recipients at Leigh Ann Apartment (N=20).

Only 10 of the 15 households who wanted to move actually did lease up elsewhere. When the remaining 5 heads of household were asked why they did not move, the reasons cited included the cost of moving (1 mention), insufficient time to look (2 mentions), and a belief that lease requirements would preclude a move (1 mention).

In addition to general questions about the factors influencing their decisions to move or stay, survey respondents were asked specifically about the importance of a few key factors. Movers were asked about the importance of wanting to live in a better neighborhood in the decision to move. Eight of the 10 initial movers (80 percent) indicated that living in a better neighborhood was very important. All 10 movers indicated that finding better or more suitable housing was very important in their decision to move.

Search Experience for Those Who Looked for Alternative Housing. As indicated above, 10 of the 20 survey respondents moved away from Leigh Ann Apartments when they first received their voucher; an additional 5 respondents indicated they spent at least some time looking for a different unit, but did not ultimately move. The 15 respondents who spent some time looking typically visited several potential units; 13 visited at least 3 units, and 8 visited between 6 and 15 units. Thus, despite the reportedly limited amount of time Leigh Ann residents had to look for housing elsewhere, they do seem to have searched actively. The assistance provided by the Dallas Housing Authority may have facilitated this.

Selected survey data related to residents' housing search are summarized in Exhibit 7. Survey respondents had varied opinions on the difficulty of finding a unit. When asked about the amount of choice they felt they had in their search, 4 of the 15 respondents who spent some time looking felt they had a lot of choice, 6 felt they had a fair amount of choice, and the remaining 5 respondents felt they had very little choice. The challenges searchers encountered also varied, including high rents; lack of available, suitable housing for the families' needs; and landlords' unwillingness to accept the Section 8 voucher. The units successful searchers identified did generally pass the housing authority's Housing Quality Standard (HQS) inspection. Of those who identified a potential unit, most (9 of 10) did not have to arrange more than one HQS inspection.

Exhibit 7
HOUSING SEARCH EXPERIENCE
Leigh Ann Apartments

Housing Search Experience	Frequency	Percent
Difficulty of search (N=14)		
Very difficult	2	14%
Somewhat difficult	11	79%
Not difficult at all	1	7%
Perceived extent of choice (N=15)		
A lot of choice	4	27%
A fair amount of choice	6	40%
Very little choice	5	33%
Problems encountered (N=15, multiple responses permitted)		
High rents	1	7%
Lack of suitable units	3	20%
Landlords would not accept voucher	2	13%
Scope of Search (N=15, multiple responses permitted)		
Immediate neighborhood	3	20%
Surrounding neighborhood	3	20%
Other parts of city	11	73%
Suburbs	8	53%
Other cities	2	13%

Source: Telephone Survey of Voucher Recipients at Leigh Ann Apartments (N=20).

Respondents who spent at least some time looking for a house or apartment were asked to what extent they encountered specific problems. Finding a place the searcher liked received

7 mentions as a major problem and 4 mentions as a minor problem. Finding a place the respondent could afford was identified by 2 respondents as a major problem and 8 respondents as a minor problem. Landlords' unwillingness to accept households with Section 8 assistance was identified as a major problem for 4 respondents and a minor problem for an additional 5 respondents. All 15 searchers (all of whom are black) said that racial discrimination was not a problem in their search for alternative housing.

Regarding the geographic scope of the housing search, relatively few households looked for alternative housing in the neighborhood immediately surrounding Leigh Ann Apartments (3 respondents) or in neighborhoods nearby (3 respondents), while larger numbers looked in other parts of the city (11 respondents) and in the suburbs (8 respondents). Again, the assistance provided by DHA may have permitted searchers to look more extensively in communities outside South Dallas.

Destination Neighborhoods and Units. Of the ten survey respondents who indicated that they had moved, all reported that they moved to a different neighborhood. The new addresses provided by these movers were geocoded and linked to HUD and Census data to obtain information on the characteristics of the neighborhoods where movers are living.[4] The following discussion describes the characteristics of the destination neighborhoods for movers.

In the census tract where Leigh Ann is located, HUD data indicate that a total of 488 units of assisted housing are available. The average household income is $8,100, and the proportion of households with annual incomes of less than $5,000 is 34 percent. Census data indicate that 28 percent of the census tract's population is poor. Approximately 95 percent of the tract's households are minority.

Survey respondents who moved to different neighborhoods were distributed among nine Census tracts. The destination neighborhoods were widely dispersed throughout the greater metropolitan area: some respondents had moved to neighboring cities and those who remained in Dallas were scattered across the city. Most voucher holders moved to neighborhoods with large percentages of minority households. The minority population was often in the 40-60 percent range, which is still much lower than the 95 percent minority population in the Leigh Ann neighborhood. Typically, the poverty rate was much lower in new neighborhoods, as well. Other than respondents who remained in the same census tract, none moved to a neighborhood with more than 19 percent poverty, and several moved to neighborhoods with only 2 or 3 percent poverty.

Housing and Neighborhood Satisfaction. Survey respondents expressed a range of levels of satisfaction with their current housing, whether they stayed at Leigh Ann Apartments or

[4] Sources: HUD's Pictures of Subsidized Housing database and 1990 Census data.

moved elsewhere. Neighborhood satisfaction did seem to vary with whether the respondent moved or stayed, although the numbers are small for making comparisons between subgroups. Satisfaction levels as reported in the survey are summarized in Exhibit 8, which shows that 9 of the 10 movers reported being very satisfied or somewhat satisfied with their housing at the time of the survey, while just 5 of the 10 survey respondents who stayed at Leigh Ann expressed similar levels of satisfaction. Regarding neighborhood satisfaction, 17 of the 20 survey respondents indicated they were very satisfied or somewhat satisfied with their neighborhoods. Among stayers, 7 of 10 were very or somewhat satisfied with the neighborhood while all 10 movers were very or somewhat satisfied with their new neighborhoods.

Exhibit 8
HOUSING AND NEIGHBORHOOD SATISFACTION
Leigh Ann Apartments

	Total		Stayers		Movers	
	Number	Percent	Number	Percent	Number	Percent
Total households	20	100%	10	50%	10	50%
Housing satisfaction						
Very satisfied	6	30%	2	20%	4	40%
Somewhat satisfied	8	40%	3	30%	5	50%
Somewhat dissatisfied	3	15%	2	20%	1	10%
Very dissatisfied	3	15%	3	30%	0	0%
Neighborhood satisfaction						
Very satisfied	9	45%	1	10%	8	80%
Somewhat satisfied	8	40%	6	60%	2	20%
Somewhat dissatisfied	1	5%	1	10%	0	0%
Very dissatisfied	2	10%	2	20%	0	0%
Don't know						
Change in rent[a]						
Pay more	6	35%	3	33%	3	38%
Pay same	2	12%	0	0%	2	25%
Pay less	9	53%	6	67%	3	38%

a Excludes three households that are no longer receiving Section 8 assistance.
Source: Telephone Survey of Voucher Recipients at Leigh Ann Apartments (N=20).

As noted above, all 10 movers reported they leased up in a different neighborhood. Eight of these 10 movers indicated they were more satisfied with their new neighborhoods compared to the neighborhood in which Leigh Ann Apartments is located; the remaining 2 respondents said they were about as satisfied with the new neighborhood as with the old. When asked about specific neighborhood amenities, at least 6 of the 10 respondents rated their new neighborhoods as better than Leigh Ann's neighborhood in terms of access to good schools, safety, and quality of the environment for raising children.

More than half of the survey respondents reported they pay less in rent than they had prior to the conversion. Those who stayed at Leigh Ann Apartments were more likely to report that their rent had decreased. Administrative data provided by the housing agency confirm that rent burdens for stayers are lower than for movers. Rent burdens (the amount paid by the household divided by adjusted income) are just 20 percent for stayers. The reason rent burdens are so low is that gross rents at Leigh Ann were below the payment standard for each unit size.[5] For example, rent for a two-bedroom apartment was $491, while the payment standard was $694. Presumably this is due at least in part to the rent restrictions imposed by the Section 236 program that continue to govern rents at the property. The average rent burden for the 10 movers is quite a bit higher, at 39 percent, although the average is pulled up by one household whose rent burden is extremely high.

Property Impacts. During the field visit, the owner representative noted that comments on the financial impact of conversion would be premature, since the larger of the two contracts had yet to expire and prepayment of the mortgage had not yet occurred. The occupancy rate at time of the site visit was 95 percent, compared to 85 percent at the time of conversion. The owner representative attributes the increase in occupancy to a tighter housing market throughout the Dallas area.

As noted above, because the owner had not yet prepaid the HUD-insured mortgage, the rents continued to be restricted by the Section 236 limits; however, post-conversion rent levels at Leigh Ann are still below the voucher payment standard.

IV. Summary of Findings

The owner of Leigh Ann Apartments elected to opt out of the two Section 8 contracts and plans to prepay the mortgage because of frustration with HUD. The conversion process was on-going at the time this research was conducted; one Section 8 contract had expired, but a larger contract was still in effect and the prepayment had not yet occurred. The full impact of the conversion will not be known until after these remaining actions. However, the experience with the first contract expiration seems to indicate that a number of Leigh Ann's residents were not highly satisfied with either their housing or their neighborhood and used the voucher to lease elsewhere. All 10 movers who responded to the telephone survey reported they left not only the development, but also the neighborhood. The destination neighborhoods typically had lower poverty rates and a somewhat lower concentration of minority households than the neighborhood surrounding Leigh Ann Apartments. The owner

[5] The Quality Housing and Work Responsibility Act of 1998 eliminated this so-called "shopping incentive". Now, voucher-holders must pay 30 percent of their adjusted income for rent, even if the gross rent is lower than the payment standard. See HUD Notice PIH 99-16 for more information.

representative believes that some tenants who received vouchers were influenced by what he perceived to have been DHA's attempt to steer tenants away from the property. However, three-quarters of the survey respondents indicated that they wanted to move as soon as they learned they would receive vouchers; presumably this preference was established before the respondents received any assistance or services from the housing authority.

It is not clear how the owner will finance the prepayment and the improvements he plans to make on the property. The gross rents are below the payment standard. Given the property's location and condition, it seems optimistic to expect the units will attract higher-income renters.

Park Lane Terrace Apartments

I. Background on the Property

Park Lane Terrace Apartments is a 152-unit development located in the northwest quadrant of Dallas. The owners prepaid the HUD-insured, Section 221(d)(3) BMIR mortgage in September 1997; there was no Section 8 contract at this development. Thus, Park Lane Terrace falls under Scenario 1 (see pp. 11-13), which results in the end of all restrictions on rents and income eligibility. As a result of the owners' prepayment, the Dallas Housing Authority issued 28 vouchers to Park Lane Terrace residents who applied and met eligibility requirements of the Dallas Housing Authority. A summary of property characteristics appears in Exhibit 1.

Exhibit 1
PROPERTY CHARACTERISTICS:
Park Lane Terrace Apartments

Property Name	Park Lane Terrace Apartments
Property Location	6830 Larmanda St.; Dallas, TX 75231
Total Number of Units	152
Section of Act	Section 221(d)(3) BMIR
Total Number of Assisted Units	152
Number of Section 8 Units	0
HUD-Insured	Yes
Reason for Vouchering-out	Prepayment
Type of Vouchers Received	Enhanced

The field visit to Park Lane Terrace for this study took place in June 1998 and included interviews with Ft. Worth HUD Area Office staff and Dallas Housing Authority staff. Discussions were also held with a representative of the City of Dallas Housing Department, although this agency was not directly involved in any of the conversions in Dallas. A telephone interview was conducted with a representative of the Texas Tenants Union, the advocacy organization involved in organizing tenants around conversion issues in some Texas properties. The owners of Park Lane Terrace declined several requests by Abt Associates to participate in this study. Therefore, the owners' perspectives on the conversion process, as well as basic information on property characteristics and management, are not reflected in this report. The management company, West Mark Management, deferred to ownership with respect to participation in the study and was similarly unavailable for comment. We did have brief conversations with the owners' attorney that provided some of the owner's perspective. A HUD attorney in the Ft. Worth HUD Area Office also provided some information on the circumstances of the conversion. However, compared to other case studies presented in this report, discussion of the owners' experience with the conversion is limited.

A telephone survey of the 28 voucher recipients at Park Lane Terrace was conducted in March and April 1999.[1] Fourteen respondents completed interviews.

Reasons for Vouchering-out. Information gleaned through telephone conversations with the owners' attorney and with HUD Counsel in the Fort Worth HUD Area Office revealed that the decision to prepay was based on the Park Lane Terrace owners' desire to sever their relationship with HUD. When asked what we could do to elicit cooperation in this study, the owners' attorney stated that there is "nothing [we] could do to erase fifteen years of experience with HUD."

The attorney for the owners characterized the relationship between his clients and HUD as "dismal" and further described HUD actions as "unfair" and "arbitrary," noting that the owners take issue with the manner in which HUD administers its programs and deals with landlords in general. He cited what he characterized as HUD's overly restrictive requirements on rent increases as an example.[2] Another point of contention was the moratorium on owners' right to prepay imposed by Congress in 1990 (although the attorney mistakenly attributed the moratorium to HUD policy rather than to Congressional action). Additional perspective was provided by HUD Counsel, who reported that the owners of Park Lane Terrace had been debarred from managing any HUD property as a result of problems at another development. Disallowing the owners from performing management functions was perceived as having significantly hurt potential profits.

Physical and Financial Condition of the Property. Park Lane Terrace consists of 152 units in roughly a dozen two-story buildings. Drive-through observation revealed attractive garden-style apartments, whose exteriors appear to be well-maintained.[3] The grounds of this property are nicely landscaped and free of litter, and trees with hanging planters are evident along some of the walkways between buildings. Pitted and uneven parking lots and roadways are the only apparent detraction from the condition of the property.

On the other side of Larmanda Street, across from Park Lane Terrace, are several newer, well-appointed apartment complexes consisting primarily of garden apartments and townhouses, some of which appear to be distinctly up-scale. The single blight on the street is

1 See Appendix A for a discussion of survey methodology, sampling, and response rates. See Appendix B for a copy of the survey instrument.

2 In fact, restrictions on rent increases are statutory.

3 Because the owner refused to cooperate with the study, we were unable to observe the interior of any Park Lane Terrace apartments.

an apparently abandoned complex surrounded with barbed wire that lies adjacent to Park Lane Terrace. Residents of Park Lane Terrace appear to have good access to essential services, shopping, public transportation, and recreational opportunities.

There was no information in HUD's Pictures of Subsidized Housing database regarding the presence and characteristics of subsidized households in the community. Census data from 1990 indicate that the census tract in which Park Lane Terrace is located has a relatively low poverty rate of 10 percent.

We were able to obtain only limited information on the rent levels at Park Lane Terrace. Based on HUD Form 50058 data provided by the Dallas Housing Authority, the average gross rents for voucher- holders who leased in place were $410 for a one-bedroom unit and $550 for a two-bedroom unit. These rent levels are well below the payment standard set by the DHA. This is somewhat surprising, given the fact that enhanced vouchers were issued and in light of the apparent good condition of the property (based on observation of the building exteriors and site), its location, and its proximity to services and recreational opportunities. A HUD Area Office staff person suggested that the owners will certainly increase rents, because the housing market in this area is so strong, but may do so gradually in order to retain a stable tenant base.

In the absence of information from the owners and management, it was not possible to determine rent levels for the other 124 units for the period immediately following prepayment. An inquiry at the property in July 1999 revealed that current market rents, including all utilities, for one-bedroom units are $450, two-bedrooms are $585, and three-bedrooms are $695. These rents are roughly 9 percent higher than the rents being charged in July 1998 (approximately 10 months after prepayment), but are still below the FMRs. Because the property is older, more modest, and features fewer amenities than newer properties in the area, lower rents may encourage residents—even those with greater means—to stay because the development is perceived to be a good value, particularly in this area of Dallas. It is possible that the owners are increasing rents more gradually for voucher-holders as a cushion against vacancies.

Characteristics of the Tenants. As noted above, we were unable to obtain information on the characteristics of the households typically living at Park Lane Terrace. We did obtain information on voucher recipients, as summarized in Exhibit 2. According to HUD Form 50058 data provided by the Dallas Housing Authority for 28 voucher recipients, the property has a mix of family and elderly residents. The heads of household who received vouchers are primarily female (64 percent) and either white (61 percent) or black (29 percent). Single individuals make up 57 percent of the households. Sixteen of the 28 heads of household (57 percent) are age 62 or over. Only 6 of them have any children in the household; just over one-quarter reported a spouse present. Four of the 28 heads of household (14 percent) are disabled.

Reported annual household incomes ranged from $2,256 to $19,932, with an average of $11,261. Just under two-thirds of voucher recipients reported income from pensions or Social Security, while one-quarter reported income from wages. Only one household reported public assistance income from the Temporary Assistance to Needy Families (TANF) program.

Owner Plans for the Property. This information was not available because the owners declined to participate in the research.

II. Implementation of Vouchering-out

Agencies/Organizations Involved in Vouchering-out. The HUD Area Office in Fort Worth and the Dallas Housing Authority worked with the owners and their management firm during the conversion process and participated in briefing residents. No department of the city government was involved in vouchering-out at this property.

After receiving notice of the prepayment, the HUD Area Office allocated 72 enhanced vouchers for residents of Park Lane Terrace, based on its review of data on household size and income provided by management at the development. As discussed below, only 28 vouchers were actually issued to eligible families who applied. HUD staff speculate this was because information on income was out of date and fewer families actually were eligible for a voucher. It is also possible that some households elected not to apply for a voucher, even though they may have been eligible.

Resident Notification and Response. Limited information was available on the resident notification process and residents' response to the news that vouchers would be issued. A representative of the Texas Tenants' Union, which has been active in promoting and preserving affordable housing and in tenant organizing and advocacy, reported that there was no organized response to the owners' decision to prepay. Most tenants who received vouchers were reportedly elderly and elected to remain at Park Lane Terrace.

In the telephone survey conducted for this research project, voucher recipients were asked to recall whether they had understood that they could use their voucher to stay or to move. Most of the 14 voucher recipients interviewed in the telephone survey reported they did understand they had a choice to either stay at Park Lane Terrace or move, but 2 respondents (14 percent) said they were not aware they had a choice.

Exhibit 2

CHARACTERISTICS OF VOUCHER RECIPIENTS INCLUDED IN THE TELEPHONE SURVEY

Park Lane Terrace Apartments

Characteristic	**Percentage of Households**
Gender of Head of Household	
Female	64%
Male	36%
Race/Ethnicity of Head of Household	
White, non-Hispanic	61%
Black, non-Hispanic	29%
Asian or Pacific Islander	4%
American Indian or Alaskan Native	4%
Other	2%
Age of Head of Household	
62 or over	43%
Under 62	57%
Number of Household Members	
1	57%
2-3	25%
4 or more	18%
Number of Children in Household	
0	72%
1-2	21%
3 or more	7%
Spouse Present?	
Yes	29%
No	71%
Handicapped/Disabled Head of Household	
Yes	86%
No	14%
Total Family Income	
< $1,000	0%
$1,000 - 4,999	7%
$5000 - 9,999	50%
$10,000 - 19,999	43%
Mean Household Income	$11,262
Sources Included in Total Family Income[a]	
Wages, salary, tips	25%
Social security or pensions	64%
SSI	18%
Public Assistance	4%

a Percentages reflect the proportion of households reporting income from each source.

Source: HUD Form 50058 for 28 households receiving vouchers.

Note: Figures may not add to 100 percent, due to rounding.

Assistance Provided to Residents. Households that received vouchers were eligible to receive extensive housing search services through DHA's Housing Opportunity Plan (HOP). The HOP was established in response to the Walker Consent Decree, which requires the City of Dallas to take actions to desegregate public housing residents by dispersing subsidized residents and units to the suburbs. The HOP provides a wide range of services to all Section 8 recipients served by the agency, including individual counseling on housing search, lists of units/properties that accept Section 8 certificates and vouchers, and tours of neighborhoods and properties. No additional or special services were provided to Park Lane Terrace residents as a result of the prepayment, but the HOP services were the most extensive of any offered to residents of properties in this study.

Information on the total number of households at Park Lane Terrace who availed themselves of HOP services was unavailable; however, 8 of the 14 respondents to the telephone survey indicated that counseling or other assistance had been offered to them, and 4 respondents reported they had used at least some of the services offered. The types of assistance respondents reported they used included help calculating the amount of rent the household could afford (2 mentions), listings of possible rental units (3 mentions), help completing housing applications (1 mention), and financial assistance (1 mention). None of the 4 respondents indicated they received assistance identifying neighborhoods in which to search, and all 4 said that the assistance they did receive was not at all important in influencing their decisions on where to look. Two of the 4 respondents found the assistance somewhat helpful overall, and 1 respondent found it very helpful.[4]

Summary of Key Events. The key events associated with the conversion at Park Lane Terrace are summarized in Exhibit 3. Again, limited information was available on the dates of certain key events because of the limited cooperation obtained from the property's owners.

III. Outcomes of Vouchering-out

The effects of the conversion on tenants and the property are described below, drawing on information from the tenant survey and conversations with local respondents.

4 One respondent did not know how useful the counseling had been.

Exhibit 3
VOUCHERING-OUT PROCESS
Park Lane Terrace Apartments

Date	Event
3/1/97	Owner notice to HUD; tenants notified
Not ascertained	HUD requests vouchers
4/97	HUD notifies DHA
4/23/97	DHA and management meet with residents
8/97	Vouchers issued to residents
9/97	Owners prepay

As mentioned above, the Fort Worth Area Office allocated 72 enhanced vouchers for residents of Park Lane Terrace, based on its review of tenant income and household size information provided by management at the development. As shown in Exhibit 4, a much smaller number of vouchers—28—was issued by the Dallas Housing Authority. HUD staff attribute the discrepancy between the estimated number of households eligible for Section 8 and the actual number to the likelihood that management's information on household income and assets was out of date and significantly overestimated the need for rental assistance at this property. HUD staff explained that, while owners of insured properties are asked to recertify tenants annually, this may not always occur. Therefore, although HUD regulations stipulate that tenants must meet income guidelines when they first occupy an assisted unit and that rents are capped, there are no regulations requiring owners to ask a tenant to leave when household income rises to a level that exceeds program guidelines. It is also possible that a larger-than-expected number of residents had incomes above the limit for receipt of Section 8 assistance, but still below the Section 221(d)(3) income limit.

Extent of Movers and Stayers. DHA records indicate that 6 of 28 households that received vouchers (21 percent) moved at the point of conversion. The initial utilization of the vouchers allocated to Park Lane Terrace is summarized in Exhibit 4. As shown in the exhibit, all households that received vouchers were successful in either leasing up at the development or moving elsewhere. The telephone survey of voucher recipients was conducted approximately 17 months after the initial vouchers were issued at Park Lane Terrace Apartments. By that point, two additional households had moved; in both cases the households moved roughly one year after receiving the voucher.

Exhibit 4
INITIAL VOUCHER UTILIZATION
Park Lane Terrace Apartments

Measure	Frequency
Number of vouchers allocated by HUD	72
Number of households that applied for vouchers	28
Number of vouchers issued to original households that applied	28
Number of households that used voucher and stayed in unit	20
Number of households that used voucher and moved to a different unit in same development	2
Number of households that used voucher and moved out of development	6
Number of households that did not use voucher and stayed	0
Number of households that did not use voucher and moved	0

Source: Interviews with Dallas Housing Authority and Ft. Worth Area HUD Office staff.

Exhibit 5 summarizes the extent of movers and stayers among survey respondents compared to all Park Lane Terrace voucher recipients. The exhibit identifies both "initial movers" (who moved when vouchers were issued) and "delayed movers" (who leased at Park Lane Terrace at conversion but moved later). As shown in the exhibit, although sample sizes are small in both groups, the proportion of movers represented in the survey sample is slightly greater than the proportion of movers among all Park Lane Terrace voucher recipients.

Exhibit 5
EXTENT OF MOVERS: ALL VOUCHER RECIPIENTS COMPARED TO SURVEY RESPONDENTS
Park Lane Terrace Apartments

Moving Status	All Voucher Recipients		Survey Respondents	
	Number	Percent	Number	Percent
Initial movers	6	21%	3	21%
Delayed movers	2	7%	2	14%
Stayers	20	71%	9	64%
Total	28	100%	14	100%

Source: Administrative records for 28 households from the Dallas Housing Authority; Telephone Survey of Voucher Recipients (14 respondents).

Factors in Decisions to Move or Stay. Respondents to the telephone survey were asked about factors that contributed to their decision to move or stay, as summarized in Exhibit 6. First, respondents were asked whether they initially wanted to move or stay when they received notice that vouchers would be issued. Almost two-thirds of the survey respondents (9 of 14, or 65 percent) said they wanted to stay at Park Lane Terrace. The most commonly-cited reasons for wanting to stay were that the respondent considered the apartment to be "home" (4 mentions), convenience of the property to services (4 mentions), and general satisfaction with the unit (4 mentions) or neighborhood (2 mentions). Of the survey respondents who stayed at Park Lane Terrace, 7 remained in their original (pre-conversion) units, and the other two households moved to a different unit within the development, both for reasons related to health problems.

For the 5 respondents who wanted to move, reasons included poor management (3 mentions), poor maintenance and upkeep (2 mentions), and general concerns about health or safety (1 mention). Only 3 of the 5 households who wanted to move actually did lease up elsewhere. When the remaining 2 heads of household were asked why they did not move, one respondent said that moving would be too costly, and the other said the household decided to stay in order to establish a good rent payment history before seeking different housing.

Exhibit 6
REASONS FOR WANTING TO STAY OR MOVE
Park Lane Terrace Apartments

	Frequency	Percent
Reasons for Wanting to Stay (N=9, multiple responses		
permitted)	4	44%
Considers apartment to be "home"	4	44%
Convenience to services	4	44%
Likes apartment	2	22%
Likes location		
Reasons for Wanting to Move (N=5, multiple responses permitted)		
Poor maintenance and upkeep	2	40%
Poor management	3	60%
Wanting more space or amenities	1	20%
General health/safety concerns	1	20%
Crime/violence/drugs	1	20%

Source: Telephone Survey of Voucher Recipients at Park Lane Terrace (N=14).

In addition to general questions about the factors influencing their decisions to move or stay, respondents were asked specifically about the importance of a few key factors. Movers were asked about the importance of wanting to live in a better neighborhood in the decision to move. Even though Park Lane Terrace appears to be located in a very nice area, 2 of the 3 initial movers indicated that living in a better neighborhood was very important; the other mover indicated this factor was not important. All 3 movers indicated that finding better or more suitable housing was very important in the decision to move.

Search Experience for Those Who Looked for Alternative Housing. As indicated above, 3 of the 14 survey respondents moved away from Park Lane Terrace when they first received their vouchers; one additional respondent reported spending some time looking for a different unit but did not actually visit any units and did not move. Thus, our discussion of the search experience is limited to the experience of the three movers. Although this group is too small to make any generalizations about the search experience, it is interesting to note that two of the three respondents reported they visited at least 16 potential units. (The assistance provided by the Dallas Housing Authority may have allowed them to search more extensively.)

Selected survey data related to the housing search are summarized in Exhibit 7. Overall, two respondents rated the search process not difficult at all, while the remaining respondent said the process was very difficult. When asked about the amount of choice they felt they had in their search, one of the three respondents who spent some time looking felt there was a lot of choice, one felt there was a fair amount of choice, and the remaining respondent felt there was very little choice. The searchers found their choices were limited by landlords who would not accept Section 8 assistance (one mention), lack of amenities (one mention), and inconvenience to transportation (one mention).

Exhibit 7
HOUSING SEARCH EXPERIENCE
Park Lane Terrace Apartments

Housing Search Experience	Frequency	Percent
Difficulty of search (N=3)		
Very difficult	1	33%
Somewhat difficult	0	0%
Not difficult at all	2	67%
Perceived extent of choice (N=3)		
A lot of choice	1	33%
A fair amount of choice	1	33%
Very little choice	1	33%
Problems encountered (N=3, multiple responses permitted)		
Landlords would not accept Sect 8	1	33%
Lack of amenities	1	33%
Inconvenience to transportation	1	33%
Scope of Search (N=3, multiple responses permitted)		
Immediate neighborhood	2	66%
Surrounding neighborhood	1	33%
Other parts of city	2	66%
Suburbs	1	33%

Source: Telephone Survey of Voucher Recipients (N=14).

Regarding the geographic scope of the housing search, two households looked for alternative housing in the neighborhood immediately surrounding Park Lane Terrace, and one household looked in the communities surrounding Park Lane's neighborhood. Two respondents looked in other parts of the city, and one looked in Dallas suburbs.

Destination Neighborhoods and Units. Of the five survey respondents who indicated they moved, one reported having leased up in the same neighborhood as Park Lane Terrace, and four said they moved to a different neighborhood. The new addresses provided by these movers were geocoded and linked to HUD and Census data to obtain information on the characteristics of the neighborhoods where movers are living.[5] The following discussion describes the characteristics of the destination neighborhoods for movers.

In the census tract where Park Lane Terrace is located, HUD data indicate a total of 300 units of assisted housing are available. Data on all subsidized units in the tract were not reported in the HUD data set, so we must rely on Census data for information on neighborhood characteristics. Census data from 1990 indicate that approximately 34 percent of the tract's households are minority group members and median household income in the tract was $24,000. Ten percent of the census tract's population is poor, and only one percent of the housing stock is single-family, owner-occupied units.

The survey respondents who moved to different neighborhoods were distributed among five census tracts. Destination neighborhoods were widely dispersed, with two of the movers relocating to nearby suburbs and the other two remaining fairly close to the Park Lane Terrace neighborhood. (One of these reported moving to a new neighborhood but is still in the same census tract as Park Lane Terrace.) Several of these tracts also were missing information in HUD's Pictures of Subsidized Households data set, so we again have limited information on the characteristics of assisted households in the tracts. According to 1990 Census data, the destination tracts generally had a smaller minority population than Park Lane Terrace. Households had slightly higher average incomes, with two tracts reporting a $7,500 average annual income for subsidized households and median income for the tract overall as high as $59,000. The overall poverty rate in the tracts varied significantly from one neighborhood to another.

Housing and Neighborhood Satisfaction. Survey respondents expressed a range of levels of satisfaction with their current housing, whether they stayed at Park Lane Terrace or moved elsewhere. Neighborhood satisfaction did not seem to vary with whether the respondent moved or stayed, although the numbers are small for making comparisons among subgroups. Satisfaction levels as reported in the survey are summarized in Exhibit 8 which shows that 4 of 5 movers and 7 of 9 stayers reported they were very satisfied or somewhat satisfied with their housing at the time of the survey. Regarding neighborhood satisfaction, a total of 11 of

[5] Sources: HUD's Pictures of Subsidized Housing database and 1990 Census data.

14 survey respondents indicated they were very satisfied or somewhat satisfied with their neighborhood. Among stayers at Park Lane Terrace, 8 of 9 were very or somewhat satisfied with the neighborhood; 4 of 5 movers were very satisfied and one was somewhat dissatisfied.

As noted above, 4 of the 5 movers reported they leased up in a different neighborhood. All 4 of these movers indicated they were more satisfied with their new neighborhood compared to the neighborhood in which Park Lane Terrace is located. When asked about specific neighborhood amenities, at least 3 of the 4 respondents rated their new neighborhood as better than the Park Lane Terrace neighborhood in terms of access to good schools, safety, and quality of the environment for raising children.

Exhibit 8
HOUSING AND NEIGHBORHOOD SATISFACTION
Park Lane Terrace Apartments

	Total		Stayers		Movers	
	Number	Percent	Number	Percent	Number	Percent
Total households	14	100%	9	64%	5	36%
Housing satisfaction						
Very satisfied	9	64%	5	55%	4	80%
Somewhat satisfied	2	14%	2	22%	0	0%
Somewhat dissatisfied	3	21%	2	22%	1	20%
Very dissatisfied	0	0%	0	0%	0	0%
Neighborhood satisfaction						
Very satisfied	5	36%	2	22%	3	60%
Somewhat satisfied	6	43%	6	66%	0	0%
Somewhat dissatisfied	3	21%	1	11%	2	40%
Very dissatisfied	0	0%	0	0%	0	0%
Change in rent[a]						
Pay more	2	18%	1	11%	1	50%
Pay same	0	0%	0	0%	0	0%
Pay less	9	82%	8	89%	1	50%

a Excludes three households that are no longer receiving Section 8 assistance.
Source: Telephone Survey of Voucher Recipients (N=14).

It was somewhat surprising to find that rent burdens for voucher recipients (the family contribution to rent as a percent of adjusted monthly income) were very low. Nine (9) of the 11 survey respondents who reported how their rent payment has changed said they pay less in rent now than they did prior to the conversion; 8 of these respondents were still living at Park Lane Terrace.

Administrative data provided by the Dallas Housing Authority confirm that rent burdens for voucher recipients still living at the development are very low, averaging just 11 percent of adjusted income. The range was quite narrow, with the lowest rent burden at 10 percent and the highest at only 13 percent. Further review of the data reveals that gross rents at Park Lane Terrace are well below both the payment standard and the FMR. For example, according to HUD Form 50058 for voucher-holders, the gross rent for a one-bedroom apartment is $410 while the payment standard for these units was $649. For comparison, the 1 bedroom FMR at the time was $541. Thus, the household's required contribution to rent is less because the subsidy covers a higher proportion of the gross rent.[6] In addition, the amount the household was paying at prepayment appears to be recorded on the 50058. This figure should be the family's minimum rent contribution, under the regulations for enhanced vouchers. However, this was not the figure actually used to determine the household's contribution. Instead, the household's contribution is the greater of: (a) the gross rent minus the maximum subsidy; or (b) 10 percent of total monthly income. This figure is typically considerably less than the rent amount paid before prepayment. When contacted about these issues, DHA staff confirmed that family contributions to rent had been calculated incorrectly. The staff indicated that, at the time of the prepayment, DHA was not aware that family contributions to rent for enhanced vouchers were calculated differently. They realized the error when additional HUD guidance on enhanced vouchers was issued in early 1999 and are working to resolve the problems.

Property Impacts. According to DHA staff, rents increased at Park Lane Terrace—in some cases significantly—following prepayment. For example, the rent for a two-bedroom apartment increased from $325 to $455 following conversion. (As stated earlier, the July 1999 rent for all two-bedroom units was $585.) Because the owners would not cooperate with the study, we do not have information on the occupancy rate at the development since the conversion. There were no reports from other local observers of significant renovations or other changes to the property after vouchers were issued.

IV. Summary of Findings

Park Lane Terrace is an attractive development located in a desirable area of Dallas. The owners' primary motivation for prepaying the mortgage was a long history of contentious dealings with HUD; the strong market in which the property is located and its good condition likely contributed to the decision as well.

Most of the residents who received vouchers stayed in the development because they like their apartments and neighborhood and consider the development to be "home." Rents are reportedly increasing at the development, but most voucher recipients are continuing to

[6] At the time, voucher-holders contributed less to rent if the gross rent was less than the payment standard. The Quality Housing and Work Responsibility Act of 1998 eliminated this so-called "shopping incentive". All future voucher-holders will have to pay at least 30 percent of monthly adjusted income for rent, even if gross rents are below the payment standard. See HUD Notice PIH 99-16 for more information.

reside there. Those who have stayed have very low rent burdens, none exceeding 13 percent of adjusted income. The low rent burdens appear to be due to the fact that gross rents being charged for the units are well below the payment standard. Little is known about the rent levels and occupancy of the 130 remaining units in the property. It is possible that the low rents charged to voucher-holders are being offset by higher rents in the remaining units. However, an inquiry made in July 1999 seemed to indicate that rents charged to market-rate tenants are higher than gross rents on the voucher-holders' units, although not nearly as high as the payment standard.

Of the small number of households who moved away from Park Lane Terrace, about half remained close to Park Lane Terrace while the others moved to Dallas suburbs.

St. Francis Square Apartments

I. Background on the Property

St. Francis Square Apartments, a 200-unit development, was purchased from its original owners by a limited partnership in September 1997. The new owners used a Section 223 (f) loan to secure the property, and the original Section 236 mortgage was prepaid at the time of the sale. There was no Section 8 contract on this property, and the Section 223(f) loan imposes no restrictions on rent levels or income eligibility. Thus, St. Francis Square falls under Scenario 1 (see pp. 11-13), a prepayment which results in issuance of enhanced vouchers to eligible households and the elimination of rent restrictions at the property. The Mesquite Housing Office issued 49 enhanced vouchers to eligible households that applied for them. A summary of property characteristics appears in Exhibit 1.

Exhibit 1
PROPERTY CHARACTERISTICS:
St. Francis Square Apartments

Property Name	St. Francis Square Apartments
Property Location	8943 Senate; Dallas, TX 75228
Total Number of Units	200
Section of Act	Section 236
Total Number of Assisted Units	200
Number of Section 8 Units	0
HUD-Insured	Yes
Prepayment Date	Sept. 29, 1997
Reason for Vouchering-out	Prepayment
Type of Vouchers Received	Enhanced

The limited partner who was the primary owner contact for this study has specialized in purchasing properties involving tax credits. In an earlier attempt to purchase St. Francis, he and his partners put up $10,000 to assist the Dallas County Community Action Agency (DCCAA) in developing a LIHPRA deal; the partnership would then have managed the property. A similar bid was mounted by the Texas Tenants' Union, working with the residents at St. Francis. Both efforts were unsuccessful when Congress failed to appropriate LIHPRA funds.

The field visit to St. Francis Apartments for this study took place in June 1998 and included interviews with staff at the Fort Worth Area Office of HUD and the Mesquite Housing Office, two of the limited partners, and management staff. Discussions were also held with a representative of the City of Dallas Housing Department, although this agency was not directly involved in any of the conversions in Dallas. A telephone interview was conducted with a representative of the Texas Tenants Union, the advocacy organization involved in organizing tenants around conversion issues in some Texas properties. A telephone survey of 49 voucher recipients was conducted in March and April 1999; 31 current and former residents completed the survey.

Reasons for Vouchering-out. All parties interviewed—the new owners and their management team, the Fort Worth HUD office, the Mesquite Housing Office, and the Texas Tenants' Union—confirmed that the previous owners were an elderly couple who retired and were "ready to get out of the business." HUD staff at the Fort Worth Area Office noted that the original owners no longer wanted the burden of property management/ownership, the benefits to ownership had been greatly diminished after depreciation, and tax benefits were no longer available.

Physical and Financial Condition of the Property. The 200 units at St. Francis consist of one-, two-, and three-bedroom units. This property is well-maintained and has a number of amenities, including a new clubhouse and swimming pool, laundry facility, controlled access, garbage disposals, dishwashers, and small patios or balconies in some units. All utilities are included in the rent.

Located off I-30 east of downtown Dallas, St. Francis is situated in a neighborhood that has a mix of residential, light industrial, and business properties. There are several large and attractive apartment complexes in the area and a small number of single-family homes. There is little affordable or assisted housing in the school district; the closest is a public housing development a few miles away. Within a mile of St. Francis is a large park with playing fields, some small shops, a school, and churches. At the entrance to the property is a public bus stop.

In addition to the 49 vouchers issued by the Mesquite Housing Office as a result of the conversion, 16 Section 8 certificates administered by the Dallas Housing Authority were being utilized by tenants at St. Francis at the time of the site visit. The principal partner interviewed for this study noted that the owners had raised rents slightly after conversion to put them more in line with market rents in the area. The financial impact of the prepayment is discussed below.

Characteristics of Tenants. Limited information was available on the characteristics of the tenants traditionally served by St. Francis Square. The current management staff have only been working at the property since the conversion took place. There were also no data available in HUD's Pictures of Subsidized Households database.

Administrative information on the households that received vouchers was obtained from HUD Form 50058 data provided by the Mesquite Housing Office. A summary of information on characteristics of voucher recipients is presented in Exhibit 2. The voucher recipients at St. Francis Square are mostly families: nearly two-thirds (64 percent) have children, and 94 percent of the heads of household are under the age of 62. A spouse is present in about a third of the households (32 percent), and 62 percent of the households are headed by women. Nearly two-thirds of the residents (66 percent) are black, while 28 percent are white. More than half of the residents (51 percent) have incomes between $10,000 and $20,000, with another quarter having incomes between $20,000 and $30,000. The mean household income is $16,940, roughly 32 percent of the HUD median income for a family of four in Dallas.

Owner Plans for the Property. One limited partner described the partnership strategy for the multifamily properties they acquire as "buy and hold." They plan to take the property up to market rents, maintain them, and realize a profit by providing a quality housing environment at reasonable cost. He noted that the Section 223(f) loan places no restrictions on the rents that can be charged. He characterized this property as the best housing value in the area.

II. Implementation of Vouchering-out

Agencies/Organizations Involved. Staff from the Fort Worth Area HUD Office and the Mesquite Housing Office worked with the original owners and their property manager during the vouchering-out process.

Process for Notifying HUD and the Residents. After receiving notification of the prepayment, the Fort Worth Area Office reviewed information on household incomes and allocated 91 enhanced vouchers for residents of St. Francis Square. Only 49 vouchers were ultimately issued, however. HUD staff attribute the discrepancy between the estimated number of households eligible for Section 8 assistance and the actual number of eligibles to the likelihood that information on household income and assets maintained by the development and provided to the Area Office were out of date and therefore significantly overestimated the need for rental assistance by tenants at this property.

Exhibit 2
CHARACTERISTICS OF VOUCHER RECIPIENTS
St. Francis Square Apartments

Characteristic	Percentage of Households
Gender of Head of Household	
Female	62%
Male	38%
Race/Ethnicity of Head of Household	
White, non-Hispanic	28%
Black, non-Hispanic	66%
Hispanic or Latino	0%
Asian or Pacific Islander	4%
Age of Head of Household	
62 or over	6%
Under 62	94%
Number of Household Members	
1	15%
2-3	66%
4 or more	19%
Number of Children in Household	
0	36%
1-2	62%
3 or more	2%
Spouse Present?	
Yes	32%
No	68%
Handicapped/Disabled Head of Household	
Yes	17%
No	83%
Total Family Income	
< $1,000	0%
$1,000 - 4,999	0%
$5000 - 9,999	16%
$10,000 - 19,999	56%
$20,000 - 29,999	26%
$30,000 - 39,000	2%
Mean Household Income	$16,940
Sources Included in Total Family Income	
Wages, salary, tips	72%
Social security or pensions	18%
SSI	2%
Public Assistance	0%

Source: HUD Form 50058 for 47 households who used their vouchers.

HUD staff explained that while owners of insured properties are asked to recertify tenants annually, this may not always occur. Therefore, although HUD regulations stipulate that tenants must meet income guidelines when they first occupy an assisted unit and that rents are capped, there are no regulations requiring owners to ask a tenant to leave when household income rises to a level that exceeds program guidelines. It is also possible that a larger-than-expected number of residents had incomes above the Section 8 limit, but below the Section 236 limit.

This hypothesis is supported by a report from the principal owner contact that about 30 households (none of them voucher recipients) moved from the development after learning that rents would increase; several of these former tenants reportedly purchased homes. Further evidence of a decreased need for housing assistance by many residents is found in the number of households who failed to qualify for a Section 8 voucher (13), the number who withdrew their applications (9), and their reasons for doing so. Staff at the Mesquite Housing Office reported that some households chose not to provide the documentation required for certification, primarily because they knew they would be ineligible or because the estimated amount of housing assistance was too small to warrant the effort involved in completing the application process. In addition, at the time of the telephone survey conducted for this research, a full 13 of 31 respondents were no longer receiving Section 8 assistance, in part, perhaps, because they did not need it.

Limited information was available on the initial notification of residents and their response because these events took place before the current owners acquired the property. The Texas Tenants' Union was closely involved with residents at St. Francis in exploring the possibility of purchasing the property in order to maintain it as affordable housing. The president of the Tenants' Union reported that St. Francis was one of 19 prepayment properties for which the Union performed organizing and outreach. The organization began meeting with tenants here in the late 1980s. Tenants formed the St. Francis Tenants Association to evaluate their ability to buy the property or to work in partnership with a nonprofit entity. The group's efforts were unsuccessful because Congress did not appropriate the funds needed to support such tenant buy-outs. The group was unable to put together a bona fide offer to purchase the property within the 15 months allowed following the owner's notification to HUD of the intent to prepay.

One owner representative expressed the opinion that the Tenants' Union "inflamed" the situation with tenants and caused concerns. He further characterized the Union as a "combative presence" that had "a grandiose vision of owning" the property.

Assistance Provided to Residents. At certification, the Mesquite Housing Office provided to voucher-holders its standard briefing packet. This packet contains a list of properties and landlords that had worked with the housing agency in renting apartments to recipients of Section 8 assistance. Eleven of the 31 survey respondents reported that they were aware that the housing agency would assist them, and 3 households availed themselves of these services. Some used the list provided in the briefing packet, while others were assisted in calculating the rents they could afford and in identifying neighborhoods in which to search for alternate housing. That majority of residents who did not seek assistance felt that they did not need it.

Summary of Key Events and Milestones. The key events associated with the conversion at St. Francis Square Apartments are summarized in Exhibit 3.

Exhibit 3
VOUCHERING-OUT PROCESS
St. Francis Square Apartments

Date	Event
Not ascertained	Owner notice to HUD
Not ascertained	HUD Office requests vouchers
Not ascertained	HUD notifies Mesquite Housing Office
September 29, 1997	Owner contract prepaid
October 20 & 24, 1997	HUD, owner, and HA meetings with residents
Oct. 22 - Dec. 23, 1997	Vouchers issued to residents
February 23, 1998	Last voucher issued expired

III. Outcomes of Vouchering-out

The effects of the conversion on tenants and the property are described below, drawing on information from the telephone survey of voucher recipients and conversations with local respondents involved in the process.

Extent of movers and stayers. According to information provided by the Ft. Worth HUD office and the Mesquite Housing Office, 91 vouchers were allocated for residents of St. Francis Square, but only 49 vouchers were issued and 47 households leased up. The initial utilization of vouchers is summarized in Exhibit 4. Of the 47 tenants who used their vouchers, only two moved from the property at the point of conversion. An additional four residents initially leased at St. Francis Square, but moved at a later point.

The telephone survey of voucher recipients was conducted approximately 18 months after vouchers were issued. Interviews were completed with 31 respondents. We succeeded in interviewing one of the original 2 movers, as well as all 4 of the subsequent movers. Exhibit 5 summarizes the extent of movers and stayers among survey respondents compared to all St. Francis voucher recipients. The exhibit identifies both "initial movers" (who moved at the time vouchers were issued) and "delayed movers" (who leased at St. Francis initially after conversion but moved later). As shown, the proportion of movers represented in the survey sample is similar to the proportion of all St. Francis voucher recipients who moved.

Exhibit 4
VOUCHER UTILIZATION SUMMARY
St. Francis Square Apartments

Measure	Frequency
Total assisted units in development	200
Number of vouchers allocated by HUD	91
Number of households that applied for vouchers	71
Number of vouchers issued to original households that applied[a]	49
Number of households that used voucher and stayed in unit	44
Number of households that used voucher and moved to a different unit in same development	1
Number of households that used voucher and moved out of development	2
Number of households that did not use voucher and stayed	2
Number of households that did not use voucher and moved	0

a 13 applicants were ineligible; 9 withdrew applications.
Source: Interviews with Mesquite Housing Office and Ft. Worth Area Office staff.

Exhibit 5
EXTENT OF MOVERS: ALL VOUCHER RECIPIENTS COMPARED TO SURVEY RESPONDENTS
St. Francis Square Apartments

Moving Status	All Voucher Recipients		Survey Respondents	
	Number	Percent	Number	Percent
Initial movers	2	4%	1	3%
Delayed movers	4	8%	4	13%
Stayers	43	88%	26	84%
Total	49	100%	31	100%

Source: Administrative records for 49 households from the Mesquite Housing Agency; Telephone Survey of Voucher Recipients (31 respondents).

Factors Influencing Decisions to Move or Stay. The Mesquite Housing Office reported that factors likely to have influenced residents' decision (and ability) to stay at St. Francis are that the development is very attractive and, importantly, the enhanced vouchers covered the rent increases that went into effect following prepayment.

Respondents to the telephone survey were asked to define factors contributing to their decision to move or stay; these are summarized in Exhibit 6. Asked whether they initially wanted to move or stay when they received notice that vouchers would be issued, 19 (63 percent) survey respondents reported that they wanted to stay, citing a variety of reasons. Some stayed because of perceived barriers to moving: 4 respondents said it would be too much hassle to move, and 2 said they could not move due to age, illness, or disability. Others stayed because of what the development had to offer: 5 cited the development's affordability (for example, that utilities were included in the rent); 4 cited general satisfaction with the unit and/or the property; and 4 cited positive aspects of the neighborhood as reasons for staying.

Exhibit 6
REASONS FOR WANTING TO STAY OR MOVE
St. Francis Square Apartments

	Frequency	Percent
Reason for Staying (N=19, multiple responses permitted)		
Affordability of the unit	5	26%
General satisfaction with the unit	4	21%
Hassle of moving	4	21%
Satisfaction with the neighborhood or location	4	21%
Age, illness, or disability	2	11%
Reasons for Moving (N=11, multiple responses permitted)		
Drugs and crime at the property	5	45%
Poor management	4	36%
Poor maintenance and upkeep	3	27%
Wanted lower rent	3	27%

Source: Telephone Survey of Voucher Recipients (N=31).

Among the 11 residents interviewed who said they wanted to move when they received their vouchers, 5 cited drugs and crime at the property, 4 cited poor management, 3 cited poor maintenance and upkeep, and 3 said they wanted an apartment with lower rent. Although 11 survey respondents said they initially wanted to move, only 2 did so when vouchers were first issued; 4 more moved at some later point in time. Among those who said they wanted to move but did not, the main reason given for staying was the cost of moving.

Housing Search Experience. In addition to the survey respondents who actually moved, another 10 indicated they spent at least some time searching for a different apartment, and 6 actually visited other houses or apartments. Five of those who looked for alternative housing said that the search was very difficult or somewhat difficult and that they had very little choice in finding other suitable apartments. Five respondents looked in the immediate neighborhood, 4 looked in surrounding neighborhoods, 5 looked elsewhere in Dallas, and 4 looked in the surrounding suburbs. "Landlords not accepting Section 8" and "not knowing how to look" were the two most commonly cited major problems limiting the housing search. Exhibit 7 summarizes the search experience of survey respondents.

Exhibit 7
HOUSING SEARCH EXPERIENCE
St. Francis Square Apartments

	Frequency	Percent
Difficulty of search (N=7)		
Very difficult	2	29%
Somewhat difficult	3	43%
Not difficult at all	2	29%
Perceived extent of choice (N=7)		
A lot of choice	1	14%
A fair amount of choice	1	14%
Very little choice	5	71%
Major problems encountered (N=7, multiple responses permitted)		
Landlords not accepting Section 8	4	57%
Not knowing how to look	3	43%
Scope of search (N=7, multiple responses permitted)		
Immediate neighborhood	4	57%
Surrounding neighborhood	4	57%
Other parts of city	5	71%
Suburbs of city	4	57%
Other cities	1	14%

Source: Telephone Survey of Voucher Recipients (N=31).

Destination Neighborhoods and Units. Of the five survey respondents who moved from St. Francis Square, all reported that they moved to a different neighborhood. The new addresses provided by these movers were geocoded and linked to HUD and Census data to obtain information on the characteristics of the neighborhoods where movers are living.[1] The following discussion describes the characteristics of the destination neighborhoods for movers. It is important to note that because of the small number of movers, it is difficult to make generalizations about the entire population based on their experiences.
In the census tract within which St. Francis Square is located, HUD data indicate that a total of 639 units of assisted housing are available. The average assisted household income is $7,200, and the proportion of assisted households with annual incomes of less than $5,000 is 24 percent. Census data indicate that 17 percent of the tract's population is poor. Approximately 56 percent of the tract's households are minority.

[1] Sources: HUD's Pictures of Subsidized Housing database and 1990 Census data.

The survey respondents who moved to different neighborhoods were distributed among 3 Census tracts. Two of the movers were in Mesquite; the other three were in two neighborhoods on opposite sides of Dallas. The Dallas neighborhoods were similar to St. Francis Square's neighborhood, with poverty rates in the high teens; and more than half the population are members of minority groups. The Mesquite neighborhood, on the other hand, had a poverty rate of approximately 2 percent, and only 20 percent of households were minority.

Housing and Neighborhood Satisfaction. Exhibit 8 summarizes St. Francis voucher recipients' satisfaction with their housing. Despite the apparent good condition of the neighborhood and the development, stayers were much less satisfied with their post-conversion housing situation than movers. Among the 26 stayers interviewed, only 1 was very satisfied, while 20 were either somewhat dissatisfied or very dissatisfied. By contrast, 4 of the 5 movers surveyed were either very or somewhat satisfied. One half of stayers interviewed (10 of 20) who reported decreased satisfaction were critical of the new management firm and its responsiveness to resident requests and needs. Concerns about safety and crime in the building and neighborhood were cited with similar frequency, as were concerns about the condition and maintenance of the property. The frequency of mentions related to management issues, including property maintenance, appear to point to less satisfaction in general with the new owners.

With respect to the neighborhood, again, movers were more satisfied than stayers among survey respondents. While 19 of the 26 stayers (73 percent) were dissatisfied with the neighborhood, all 5 movers were satisfied. Neighborhood safety appears to be a major concern for residents: more than one-half (14 of 26) of stayers interviewed rated overall safety as "poor" and many others (7) as only "fair". Similarly, fully 20 or 26 stayers felt that the neighborhood was either a "fair" (10) or a "poor" (10) environment in which to raise children.

As shown in Exhibit 8, one quarter (4 of 17) of survey respondents who stayed and who continued to receive Section 8 assistance at the time of the survey reported that they pay more in rent than they had prior to conversion, while a slight majority (9 of 17) were paying the same amount they were paying when vouchers were initially issued. Interestingly, 13 of 31 survey respondents were no longer receiving rental assistance when interviewed in March/April 1999. This information is consistent with data provided by the Mesquite Housing Office, which reported that at least 6 initial voucher holders had been ineligible at recertification or had withdrawn because they moved without notifying the housing agency. As stated earlier, it appears that the gap between the number of initial vouchers allocated (91) and the number issued (49) points to an overestimate of the need for rental assistance by residents at this development. This conclusion is reinforced by the large numbers of households who were ineligible, both initially and subsequently, for assistance and those who voluntarily left the program.

Exhibit 8
HOUSING AND NEIGHBORHOOD SATISFACTION
St. Francis Square Apartments

	Total		Stayers		Movers	
	Number	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Total households	31	100%	26	84%	5	16%
Housing satisfaction						
Very satisfied	4	13%	1	4%	3	60%
Somewhat satisfied	6	19%	5	19%	1	20%
Somewhat dissatisfied	11	35%	11	42%	0	0%
Very dissatisfied	10	32%	9	35%	1	20%
Neighborhood satisfaction						
Very satisfied	6	19%	3	12%	3	60%
Somewhat satisfied	6	19%	4	15%	2	40%
Somewhat dissatisfied	7	23%	7	27%	0	0%
Very dissatisfied	12	39%	12	46%	0	0%
Change in rent[a]						
Pay more	4	24%	4	24%	0	0%
Pay same	9	53%	9	53%	0	0%
Pay less	3	17%	3	17%	0	0%
Don't know	1	6%	1	6%	0	0%

a Excludes 13 households that were no longer receiving Section 8 assistance.
Source: Telephone Survey of Voucher Recipients (N=31).

Administrative data provided by the Mesquite Housing Office show that the average rent burden (the family's contribution to rent as a percent of adjusted monthly income) for St. Francis Square voucher recipients who stayed at the property is higher than the average rent burden for movers, even though the gross rents are generally at or below the payment standard. Stayers have average rent burdens of 42 percent of adjusted income, compared to movers' average rent burden of 30 percent. This is because, for the majority of voucher recipients, the amount they were already paying for rent at the time of prepayment was greater than 30 percent of their adjusted incomes. The statute governing enhanced vouchers requires that voucher recipients pay at least as much in rent as they were paying at prepayment.

Property Impacts. According to housing agency staff, rents for some one- and two-bedroom apartments at St. Francis are at the payment standard, while those for three-bedroom units are below. An article about local prepayment activity in *The Dallas Morning News* had reported that rents increased from 36 to 61 percent since the prepayment. The principal owner contact confirmed the following post-conversion changes in rent levels at the property; these represent increases of 35 to 55 percent for all but the three-bedroom, two-bathroom units:

1 BR, 1 bath (40 at 750 sq. ft):	$ 356 to $479
2 BR, 1.5 baths (72 at 922 sq. ft.):	$ 407 to $589
2 BR, 1.5 baths (40 at 940 sq. ft.):	$ 412 to $599
3 BR, 1.5 baths (40 at 1136 sq. ft.):	$452/458/497 to $699
3 BR, 2 baths (8 at 1145 sq. ft):	$729 (no change)

These ranges extend above the FY98 FMRs in Dallas, which are $471 for a one-bedroom, $541 for a two-bedroom, and $694 for a three-bedroom. Nevertheless, based on HUD Form 50058 data provided by the Mesquite Housing Office, gross rents were below the payment standard for about 28 percent of the voucher recipients' units (primarily movers) and were equal to the payment standard for 57 percent of the units (primarily the stayers).[2] Gross rents for 13 percent (six initial voucher households) of units were as much as 10 percent above and, in one case, between 10 and 20 percent above, the payment standard.

Although only 2 households used their initial vouchers to rent units elsewhere, the primary owner contact estimates that 30 households (none with vouchers) moved after the new owners raised rents. He believes that a substantial number were able to purchase homes. In an attempt to stabilize occupancy after the move-outs, the new owners offered a range of incentives to residents. The owners honored the remaining terms of existing leases (although they were not required to do so) and offered residents whose leases were up for renewal a reprieve of 60 days without a rent increase if they signed a new lease. In addition, increases were phased in for existing tenants: for each year of occupancy at the property, the tenant received one month at which the increase was half the new rate for the unit.

The principal owner reported that the rate of move-outs had been higher than anticipated and commented that they "might have run the numbers differently" if they had realized so many tenants would leave. The president of the Tenants' Union suggested that "prepayment may not have been a good business decision" at this property, because initial vacancies were so high. At the time of the site visit, occupancy was reported to be 88 percent, but a conversation with one limited partner approximately one month later revealed that all units were under lease.

IV. Summary of Findings

The owners of St. Francis Square were an elderly couple who retired and were "ready to get out of the business"—they no longer wanted the burden of property management/ownership, and the benefits to ownership had been greatly diminished after depreciation and tax benefits

2 Figures are based on records for 47 (of the 49 initial vouchers issued) for which 50058 data were complete.

were no longer available. The number of vouchers issued to eligible households was far fewer than the number allocated by HUD. There is evidence this is because the tenants living in the building had incomes too high to qualify for Section 8 tenant-based assistance.

While most of the residents who received vouchers stayed in the development (and did so for a variety of reasons), the level of satisfaction among stayers is markedly low. Despite the apparent good condition of the neighborhood and the development, the majority of stayers are dissatisfied with their current housing situation and with their neighborhood. In addition, voucher recipients who stayed are, on average, paying 42 percent of their adjusted incomes for rent. This is because, for the majority of stayers, the rent they were paying at prepayment exceeds 30 percent of their adjusted income. They are required to pay the higher amount due to the minimum rent requirement associated with enhanced vouchers. These households are no worse-off than they were before prepayment, but they are paying a higher proportion of their incomes for rent than would be expected. The few voucher holders who moved generally cited drugs and crime at the property, poor management, and/or poor maintenance; on the whole, they are more satisfied in their new locations.

Overview of Seattle-Tacoma Region Study Areas

For this study, we selected three properties in the greater Seattle area: two in Tacoma and one in Mountlake Terrace, Snohomish County. Tacoma is located in Pierce County about 30 miles south of Seattle, in the Tacoma PMSA, and has a population of approximately 175,000. Snohomish County, with a population of more than half a million, forms part of the Seattle-Bellevue-Everett PMSA. Because the two areas are, in fact, two different markets with very different characteristics, we describe each distinct area below, separately and in detail.

Tacoma

Tacoma's population grew slowly from 1950 to 1980 but grew 11 percent in the 1980s, with a large increase in Hispanic and nonwhite populations.[1] The area's largest employer is the military, which includes the Fort Lewis Army Post, McChord Air Force Base, Bremerton Naval Shipyard, and Madigan Army Medical Center. In addition, the city is home to about 700 manufacturing firms in the areas of forest products, food processing, metals, transportation equipment, and printing and publishing. Over the past 20 years, Tacoma's economic base has been shifting from manufacturing to a more diverse economy based on services, education, transportation, international trade, and tourism. The most prominent factor on the economic horizon for the Tacoma PMSA is the Intel Plant, a computer chip production plant opened in the mid-1990s that employs more than 1,500 people. By 2003, employment at this site is expected to expand to 6,000, having a major impact on the local economy and housing market.[2]

Tacoma's unemployment rate is around 4 percent. In 1990, the median family income was $25,333, and nearly half (48 percent) of Tacoma's households had low, very low, or extremely low incomes. A full 17 percent were in the last group (extremely low incomes). The city's housing market has been relatively soft, compared to that of Seattle and Snohomish County, although it is fairly robust compared to the national average vacancy rate of 8 percent. In the multifamily rental market, which accounts for nearly half the housing units, the Tacoma vacancy rate is around 5 percent, as against 3 percent in Seattle. New construction has contributed to the soft rental market conditions in the area: since 1990, Pierce County's multifamily inventory has increased by nearly 17 percent.[3] However, in the past few years, the Tacoma housing market has come under increasing pressure to provide housing to renters from Seattle's tight market. Largely as a result of this pressure, the current vacancy rate is down considerably from the 1997 figure of 7 percent. Tacoma area FMRs for FY98 were $425 for a one-bedroom and $566 for a two-bedroom apartment.

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1 Tacoma Consolidated Plan, 1995.

2 Northwest/Alaska Economic Quarterly Report, Washington State HUD Office, 1st Quarter 1997.

3 Northwest/Alaska Economic Quarterly Report, Washington State HUD Office, 1st Quarter 1997.

The City of Tacoma has invested $19 million in low-income rental and home ownership development projects since 1990, assisting in producing about 700 affordable units for rent or sale.[4] In addition, the Tacoma Housing Authority (THA) administers 1,885 Section 8 certificates and vouchers, with a Section 8 waiting list of around 2,000 people. However, the city has a shortage of quality, affordable housing units.[5] The population has seen an increase in elderly persons and younger unmarried adults, adding to the renter population. Of the 8,137 households with incomes below 30 percent of area median, 60 percent pay more than half of their incomes for housing, and 75 percent pay more than 30 percent. Furthermore, nearly half of all Tacoma renters reportedly have one or more of the following housing problems: excess rent burden, substandard housing conditions, or overcrowding.

Snohomish County

Located just north of Seattle's King County, Snohomish County experienced an unprecedented boom in population and jobs in the 1980s. In the past decade, its population grew by nearly 40 percent, to 551,200 in 1997, making it the second fastest-growing county in the state. Most of the growth occurred in the southwest part of the county, which has recently been transformed from a bedroom community of Seattle into a booming, western version of Massachusetts' famous concentration of computer companies along state Route 128. Led by Microsoft, more than 220 high-tech companies have settled in the area, employing 8,300 workers in 1991. Boeing remains the area's largest employer, with some 24,000 workers.

Snohomish County's unemployment rate was 3.3 percent in 1997, and the median family income was $49,120. The county's multifamily housing market is tight—the vacancy rate in 1998 was 3 percent, well below the national average of around 8 percent. Rents rose by 8.8 percent in 1998, continuing the trend of steady rises since 1995.[6] Area FMRs for FY98 were $561 for a one-bedroom and $710 for a two-bedroom apartment. Exception rents for the area went into effect in December 1997.

In Snohomish, as elsewhere in the Tri-County Area (King, Pierce, and Snohomish Counties), construction of apartments was strong from 1986 through 1991, sluggish from 1992 through 1997, and stronger again in 1998. However, construction has not kept pace with the growing population, contributing to a shortage of affordable units in Snohomish County. The supply of affordable units is further threatened by expiring Section 8 contracts. Of the 22 Section 8 developments in the county, 9 were eligible for conversion in 1998, and 9 are eligible for

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4 Puget Sound Business Journal, August 11, 1997.

5 Tacoma Consolidated Plan, 1995.

6 *Apartment Vacancy Bulletin*, Western Washington Edition, April 1998, Dupre and Scott Apartment Advisors, Inc.

conversion in 1999 and 2000.[7] Thus, the threat to the supply of affordable housing is considerable. Despite this threat, local governments do not seem to be involved in preservation efforts, although local nonprofit organizations are active in this area. In particular, the Washington Low-Income Housing Network has done advocacy work at the federal level, organized workshops in the region, and hired staff to organize tenants in properties where Section 8 contracts are expiring.

7 Information provided by Snohomish County Planning and Development Services.

1416 & 1419 Apartments

I. Background on the Property

1416 & 1419 Apartments is a 145-unit, HUD-insured 221(d)(3) MR property located in Tacoma, WA. Built in 1973 by a church organization, the development had two Section 8 contracts, both expiring March 31, 1998, which covered all 145 units. The current owner, a nonprofit organization, acquired the property in 1975. Because the owner is a nonprofit entity, the property is not eligible for prepayment; however, the nonprofit organization did elect to opt out of the two Section 8 contracts at expiration. Thus, 1416 & 1419 Apartments falls under Scenario 3 (see pp. 11-13), which results in the offer of regular vouchers to eligible households. A summary of property characteristics appears in Exhibit 1.

Exhibit 1
PROPERTY CHARACTERISTICS:
1416 & 1419 Apartments

Property Name	1416 & 1919 Apartments
Property Location	1413 S. J Street, Tacoma, WA
Total Number of Units	145
Section of Act	221(d)(3) MR
Total Number of Assisted Units	145
Number of Section 8 Units	145
HUD-Insured	Yes
Section 8 Expiration Date	March 31, 1998
Reason for Vouchering-out	Opt out
Type of Vouchers Received	Regular

The site visit for this study, which was conducted in June 1998, included interviews with the owner's representative, the site manager, and staff from the Tacoma Housing Authority (THA), the Tacoma Planning and Development Services Department, the Tacoma Human Rights Commission, and the Seattle HUD Office. A telephone survey of a sample of 60 voucher recipients from this property was conducted in March and April 1999, with a total of 21 residents completing the survey.[1]

[1] According to the research design for this study, a sample of 60 voucher recipients was selected for the survey in properties where more than 60 vouchers were issued. In properties with fewer than 60 vouchers issued, all voucher recipients were included in the survey sample. For more information on survey data collection methods, see Appendix A.

Reasons for Vouchering-out. Not a typical opt-out, this property is more like a case of HUD enforcement. The managing agent indicated that the reason for opting out was that he was not sure if HUD would renew the Section 8 contracts. He had received a letter from HUD in late 1997 indicating that HUD was considering not renewing the project-based subsidy due to problems at the property. To ensure that the subsidy would continue in some form, he opted out so that residents would receive vouchers that could be used at the development. (If HUD elected to terminate the contract, tenants would have received Section 8 vouchers, but would have been required to use the vouchers elsewhere.)

According to the Tacoma Human Rights Commission, the property had a history of drug activity, which had not been addressed. The resident managers had been at the center of the drug activity and were responsible for the property being used as a drug house. Working in conjunction with the City Code Enforcement Team,[2] the Commission notified HUD of the continuing drug problem at the property. This resulted in the letter from HUD to the managing agent about possible non-renewal of the Section 8 contracts. The Code Enforcement Team threatened to shut the development down on the basis of code violations if the managing agent would not cooperate.

The managing agent then agreed to participate in Tacoma's Crime Free Multi-Housing Program, which included a 16-hour training class, a site evaluation using Crime Prevention Through Environmental Design (CPTED) principles, and tenant education meetings. Participating properties must incorporate drug-free lease provisions, screening procedures, and security measures, and they also must cooperate with the Drug House Elimination Task Force, operated by the Tacoma Police. Through raids, the Task Force was able to identify and help evict 25 problem residents. According to the Human Rights Commission lawyer, the managing agent had not previously dealt with the problem because he did not want to pay more for an on-site manager. The managing agent said he had tried to get rid of problem residents, but that evictions were very costly.

Physical and Financial Condition of the Property. The property consists of studio and one-bedroom apartments in two wood-frame, three-story walkup buildings. Before the opt-out, the property was in poor physical condition, with dangerous conditions stemming from the drug activity. A tenant leader, who is a "block leader" for the Hilltop Action Coalition neighborhood watch group, said there was prostitution, drug dealing, and drug use in common areas, and that the residents, many of them elderly Koreans, lived in fear, afraid to come out of their apartments. The resident managers would frequently enter tenants' apartments and steal belongings, he said.

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[2] The Code Enforcement Team consists of the police, fire, tax and license, and human rights departments, as well as a building inspector and electrical inspector.

At the time of the site visit in June 1998, the property was in fair condition, with no evidence of drug activity. Grounds were in fair condition, with no debris, and the upper building (1419) was being re-sided and painted. Management said it had installed new windows throughout the development and was renovating units on turnover. The model unit visited had been renovated but was very small and very modestly equipped, with an accordion-style door from the bedroom to the living room and no cabinets or closets.

The property is located in the Hilltop neighborhood in Tacoma, which has a reputation as a high-crime area. There are numerous boarded-up, dilapidated dwellings in the neighborhood. According to THA staff and the Tacoma Department of Planning and Development Services, the neighborhood is improving, and there has been some investment of public funds into the neighborhood. However, drug and gang activity continue to be a problem; the week of the site visit, there was a murder a few blocks from the property.

Characteristics of the Tenants. The property has both elderly and disabled tenants, with a number of Korean immigrants. A summary of information on tenant characteristics for the sample of voucher recipients selected for the survey is presented in Exhibit 2. As shown there, 38 percent of the residents are elderly, and a full 92 percent are handicapped or disabled.[3] None of the households have children. The racial/ethnic mix includes 58 percent white, 19 percent black, and 17 percent Asian. The mean household income is $7,297, with 87 percent of the residents earning less than $10,000 per year.

Owner Plans for the Property. The managing agent does not have any major plans for the property. He said he plans to install replacement sliding doors and ceiling fans and paint the lower building (1416).

II. Implementation of Vouchering-out

Agencies/Organizations Involved in Voucher-out. Organizations involved in the vouchering-out process at 1416 & 1419 Apartments include the Seattle HUD Office, the Tacoma Human Rights Commission, the Tacoma Housing Authority, and the managing agent. The City of Tacoma Department of Planning and Development Services was not involved. HUD sent the owner an abatement letter after being informed by the Tacoma Human Rights Commission of the drug activity at the property. HUD notified the owner that it would not renew the Section 8 contracts if the owner did not cooperate to eliminate the problem. The owner agreed to cooperated with the requirements and issued notice to opt out in December 1997. HUD notified THA of the owner's intent and requested 145 vouchers from HUD Headquarters.

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[3] Although the percentage of disabled residents seems high, we confirmed with the property manager that most of the residents have some type of disability.

The THA's role in the opt-out process included approving the rents as reasonable, conducting eligibility review and certification, conducting unit inspections, and issuing vouchers. The eligibility review and certification process was the same as for regular waiting-list applicants. Of the 145 households in assisted units, 25 households were evicted as a result of drug raids. A total of 113 the residents living at the property at the time the process began received vouchers.

Exhibit 2

CHARACTERISTICS OF VOUCHER RECIPIENTS INCLUDED IN THE TELEPHONE SURVEY

1416 & 1419 Apartments

Characteristic	Percentage of Households
Gender of Head of Household	
Female	58%
Male	42%
Race/Ethnicity of Head of Household	
White, non-Hispanic	58%
Black, non-Hispanic	19%
Hispanic or Latino	0%
Asian or Pacific Islander	17%
American Indian or Alaskan Native	0%
Unknown	6%
Age of Head of Household	
62 or over	38%
Under 62	62%
Number of Household Members	
1	94%
2-3	6%
4 or more	0%
Number of Children in Household	
0	100%
1-2	0%
3 or more	0%
Spouse Present?	
Yes	8%
No	92%
Handicapped/Disabled Head of Household	
Yes	92%
No	8%
Total Family Income	
< $1,000	0%
$1,000 - 4,999	4%
$5000 - 9,999	83%
$10,000 - 19,999	13%
Mean Household Income	$7,297
Sources Included in Total Family Income	
Wages, salary, tips	2%
Social security or pensions	60%
SSI	58%
Public Assistance	6%

Source: HUD Form 50058 for the sample of 60 voucher recipients selected for the telephone survey.

Note: Figures may not add to 100 percent, due to rounding.

Process for Notifying Residents. The managing agent first notified residents of the intent to opt out in early 1997, one year before contract expiration. At that time, he was unsure about whether the property would in fact opt out. By December 1997, after receiving the notice from HUD, the managing agent had decided to opt out and had notified HUD of this intention. The managing agent then sent another letter to residents in mid-January 1998. THA staff met with residents in January 1998 and conducted one-on-one sessions with each resident at the housing authority for eligibility review and recertification.

Resident Response. During the year after the initial one-year notice was sent, there was uncertainty and rumors about residents having to move, according to the managing agent. The January 1998 letter resulted in more calls and questions from residents, he said. A tenant representative said residents, even the elderly tenants, were worried they would "get kicked out" of the property. Indeed, 25 residents were evicted in the months before vouchering-out. At crime prevention meetings (required as part of participation in the Crime Free Multi-Housing Program), the managing agent stressed to residents that they did not have to move as long as they were not engaged in illegal activities.

Overall, there was much confusion, fear, and uncertainty, according to the managing agent. THA staff said that at the meeting with residents, the initial panic subsided as the process was explained to them. Respondents to the telephone survey conducted for this research did seem to understand that they had a choice to move or stay. Of the 21 residents surveyed, 20 said they were aware they had a choice of staying in the development or moving elsewhere with their voucher.

Assistance Provided to Residents. No assistance was provided beyond what is normally done for new Section 8 admissions. Housing authority staff provided lists of available units and answered residents' questions. Eleven of the 21 residents interviewed in the telephone survey said some type of assistance was offered to residents to help them with the vouchering-out process. Three of these residents said they used the services, which included help in calculating how much rent they could afford, listings of possible rental units, and help in filling out rental applications. Two indicated that the assistance was very important in their decisions on where to look, and all 3 residents said the assistance was either very or somewhat helpful.

Summary of Key Events. The key events associated with the opt out at 1416 & 1419 Apartments are summarized in Exhibit 3.

Exhibit 3
VOUCHERING-OUT PROCESS
1416 & 1419 Apartments

Date	Event
12/3/97	Owner notice to HUD
12/9/97	HUD Office requests 145 vouchers and notifies THA
1/98	THA and manager met with residents
2/98	Vouchers issued to residents
3/31/98	Contracts expire

III. Outcomes of Vouchering-out

Extent of Movers and Stayers. A total of 32 residents moved out of the property before vouchers were issued, 25 of whom were evicted because of drug activity. Of the 113 residents who received vouchers, most have stayed. Sixteen initially moved out, 5 with their vouchers and 11 without. Information on the residents who moved is limited. According to the property manager, some moved without their vouchers because they moved into single-family homes, although she was not sure whether these residents bought or rented their homes. The property manager said no voucher holders had moved since conversion; however, there is one delayed mover in the survey sample. The initial utilization of the vouchers allocated to 1416 & 1419 Apartments is summarized in Exhibit 4.

Exhibit 4
INITIAL VOUCHER UTILIZATION
1416 & 1419 Apartments

Measure	Frequency
Total subsidized units in development	145
Number of vouchers allocated by HUD	145
Number of vouchers issued to original households that applied	113
Number of households that used voucher and stayed in unit	97
Number of households that used voucher and moved to a different unit in same development	0
Number of households that used voucher and moved out of development	5
Number of households that did not use voucher and stayed	0
Number of households that did not use voucher and moved	11

Source: Interviews with the Tacoma Housing Authority and Seattle HUD Office staff

The telephone survey of voucher recipients was conducted roughly 12 months after the end of the Section 8 contracts. Of the 21 voucher holders interviewed in the telephone survey, none moved at the time of conversion and 1 moved at some later point in time. Movers were underrepresented in the survey sample because they were difficult to locate; most moved without a voucher, so the THA did not have new location information for these residents. Exhibit 5 shows the extent of movers in the overall sample and among survey respondents.

Exhibit 5
EXTENT OF MOVERS: ALL VOUCHER RECIPIENTS COMPARED TO SURVEY RESPONDENTS
1416 & 1419 Apartments

Moving Status	All Voucher Recipients		Survey Respondents	
	Number	Percent	Number	Percent
Initial movers	16	14%	0	0%
Delayed movers	1	0%	1	5%
Stayers	96	86%	20	95%
Total	113	100%	21	100%

Source: Administrative records for 113 households from the Tacoma Housing Authority; Telephone Survey of Voucher Recipients (21 respondents).

Characteristics of Movers and Stayers. In general, the movers were families for whom the studio and one-bedroom apartments were too small, according to the property manager. The elderly have stayed at the property.

Factors in Decisions to Move or Stay. The elderly and disabled residents stayed because they did not like to move, according to THA staff. The tenant leader said the elderly were staying because it was their home. Another reason residents stayed was the high cost of moving, which includes utility disconnection and reconnection, credit reports, and moving household furnishings. Most of those who moved were families, many of them underhoused at the property. The availability of affordable housing in the area is good, according to the housing authority. However, according to a representative from the Tacoma Human Rights Department, some landlords are resistant to accepting Section 8 certificates or vouchers, which may explain the high number of movers who did not use their vouchers.

Respondents to the telephone survey were asked what factors contributed to their decision to move or stay, as summarized in Exhibit 6. First, respondents were asked whether they initially wanted to move or stay when they received notice that vouchers would be issued. The results from the survey show that of the 21 residents interviewed, 20 initially wanted to stay and 1 initially wanted to move after they received the notice. Of the 20 who wanted to stay, 9 cited their overall satisfaction with their unit, and 6 cited good property management as reasons for staying. Other reasons given include the difficulty of moving due to age or disability, the hassle of moving, the fact that the resident considers 1416 & 1419 to be home, and the expense of moving. The one respondent who initially wanted to move did not do so, because of the limited amount of time available before the decision had to be made and because of the expense of moving.

Exhibit 6
REASONS FOR WANTING TO STAY OR MOVE
1416 & 1419 Apartments

	Frequency	Percent
Reason for Staying (N=20, multiple responses permitted)		
Overall satisfaction with unit	9	45%
Good management	6	30%
Considers apartment to be home	3	15%
Age or disability	3	15%
Hassle of moving	3	15%
Reasons for Moving (N=1, multiple responses permitted)		
Poor management/location	1	100%

Source: Telephone Survey of Voucher Recipients at 1416 & 1419 Apartments (N=21).

Search Experience of Those Who Looked for Alternative Housing. Aside from the one mover, only one additional resident surveyed spent any time looking for another place to live.

Destination Neighborhoods and Units. Only one resident moved from 1416-1419 Apartments, and she moved to another location in the same neighborhood.

Housing and Neighborhood Satisfaction. Exhibit 7 summarizes 1416 & 1419 Apartments voucher recipients' satisfaction with their housing. Overall, 13 residents interviewed said they were very satisfied with their housing, and another 4 were somewhat satisfied, while 4 were somewhat dissatisfied. Almost all the residents were satisfied with their neighborhood, an interesting finding in light of Hilltop's reputation. Finally, over two-thirds of the residents said they have higher rent burdens now compared to before conversion. However, according to administrative data provided by the housing authority, the average rent burden for those who stayed is 33 percent of adjusted income, just above the expected 30 percent.

Exhibit 7
HOUSING AND NEIGHBORHOOD SATISFACTION
1416 & 1419 Apartments

	Total	Percent
Total households	21	100%
Housing satisfaction		
Very satisfied	13	62%
Somewhat satisfied	4	19%
Somewhat dissatisfied	4	19%
Neighborhood satisfaction		
Very satisfied	12	57%
Somewhat satisfied	8	38%
Somewhat dissatisfied	1	5%
Change in rent[a]		
Pay more	15	83%
Pay same	2	11%
Pay less	1	6%

a Excludes three households that are no longer receiving Section 8 assistance.
Source: Telephone Survey of Voucher Recipients (N=21).

Property Impacts. The major change to the property—the elimination of the drug problem—occurred before vouchering-out. Management also made some improvements to the property, including residing and painting. In addition, rents have gone up from the project-based contract rents of $310 at the 1419 building and $251 at the 1416 building to $389 at both, which is the voucher payment standard. However, the management was offering a rent of $350 at the time of the site visit to fill up the property. Vacancy was 11 percent, compared to full occupancy before vouchering-out.

IV. Summary of Findings

Like Swan Creek, the other Tacoma property in this study, 1416 & 1419 Apartments is an example of a property with management problems, which HUD may have forced out of the Section 8 program if the owner had not opted out. Nearly a fifth of the residents were evicted prior to vouchering-out due to involvement in drug activity. Of the remaining residents who received vouchers, 15 percent have moved out so far. This percentage of movers is high compared to other study properties, especially given the large number of elderly and disabled residents. Importantly, most of the movers did not use their vouchers. The reluctance among many area landlords to accept Section 8 may have played a role in the number of movers not using their vouchers, according to the Tacoma Human Rights Commission. According to the property manager, many who stayed chose to remain at the development because they are elderly or disabled and have lived at the property for many years, even when it was infested with drug activity. Many of the elderly residents are Korean-born and have developed a sense of community at the property, which was probably a factor in their decisions to stay. Another reason they have stayed is the high cost of moving.

This property, which is not in good financial condition, may be in danger of default. The vacancy rate was 11 percent at the time of the site visit, and management had lowered rents to 10 percent below the payment standard in an effort to reduce it. In addition, although residents have largely stayed so far, a large portion of them are elderly who will eventually pass on or move into nursing homes. When the studio units currently occupied by elderly residents become vacant, management may have difficulty marketing them, especially to the elderly, because there are no services offered at the property and there appears to be other alternative housing in this area.

Swan Creek

I. Background on the Property

Swan Creek is an 80-unit HUD-insured development located in Tacoma, WA. Built in 1970, this Section 236 property had a Section 8 contract on 56 of its units. The owner, a general partnership that has owned the property since 1984, opted out of the Section 8 contract on August 31, 1997. Thus, Swan Creek falls under Scenario 3 (see pp. 11-13), with issuance of regular vouchers for all eligible households in the Section 8 units. The development continues to have the rent restrictions associated with Section 236 until the owner prepays the mortgage. At the time of the site visit, the owner was planning to prepay, which presumably will result in the offer of enhanced vouchers to all eligible residents. A summary of property characteristics appears in Exhibit 1.

Exhibit 1
PROPERTY CHARACTERISTICS:
Swan Creek Apartments

Property Name	Swan Creek Apartments
Property Location	1928 E. 5th Street, Tacoma, WA
Total Number of Units	80
Section of Act	236
Total Number of Assisted Units	80
Number of Section 8 Units	56
HUD-Insured	Yes
Section 8 Expiration Date	August 31, 1997
Reason for Vouchering-out	Opt-out[a]
Type of Vouchers Received	Regular

a In process of prepayment.

The site visit for this study, which was conducted in June 1998, included interviews with the owner's representative, the site manager, and staff from the Tacoma Housing Authority (THA), the Tacoma Planning and Development Services Department, the Tacoma Human Rights Commission, and the Seattle HUD Office. A telephone survey of the voucher recipients was conducted in March and April 1999, with a total of 21 residents completing the survey.[1]

Reasons for Vouchering-out. Despite the soft market in the area of the property, the owner's agent indicated that the reason for opting out was to convert the development into condominiums. The strategy was to prepay the mortgage and sell off a block of condos in order to pay off a debt on the property, which the owner's agent said was the ultimate goal. The owner marketed some units in the months after opting out but found little interest in the units as condos.[2] The HUD economist said it was her understanding that, if he had not opted out, the owner would have been forced out of the Section 8 program because of poor management and maintenance.

Physical and Financial Condition of the Property. The Swan Creek property, which consists of two- and three-bedroom apartments in a group of wood-frame, three-story walkup buildings, appears in fair to good condition. Much work was done in the year following the opt-out, including new paint, roofs, gutters, renovations of interiors, and landscaping. Four townhouse units were completely remodeled in April 1998, with new appliances and dishwashers. The windows were original, and there were no storm windows. The two renovated model units were modest.

The property is located in Southeast Tacoma, which has a relatively soft housing market compared to the rest of Tacoma. The neighborhood is bordered by Portland Avenue on the west, a school on the north, thick fir woods on the east, and a tract of modest single-family homes on the south. Close to a bus line but not within walking distance of any services, the property is fairly isolated. Refuse and debris are minor problems in the area, with old furniture and mattresses on the sidewalks in front of a few houses. A large, barracks-style public housing development in poor condition lines Portland Avenue less than a mile to the north, and there is some dilapidated and boarded-up housing in the neighborhood. Crime is a major problem in the area; according to the property manager, gun shots can be heard every night. The woods to the east of the property create indefensible space and draw gang and drug activity. Management recently hired a security guard for evening and night watch.

Characteristics of the Tenants. Tenants at Swan Creek are families, with a predominance of single-parent households, according to the property manager. A summary of information on tenant characteristics of the voucher recipients[3] is presented in Exhibit 2. As shown in the Exhibit, 90 percent of the heads of household are female, and 90 percent are unmarried or do not live with their spouse.

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1 According to the research design for this study, a sample of 60 voucher recipients was selected for the survey in properties where more than 60 vouchers were issued. In properties with fewer than 60 vouchers issued, all voucher recipients were included in the survey sample. For more information on survey data collection methods, see Appendix A.

2 The owner had not yet prepaid, so the marketing was preliminary.

3 In this property all voucher receipients were selected for the telephone survey because there were fewer than 60.

Exhibit 2

CHARACTERISTICS OF VOUCHER RECIPIENTS INCLUDED IN THE TELEPHONE SURVEY

Swan Creek Apartments

Characteristic	Percentage of Households
Gender of Head of Household	
Female	90%
Male	10%
Race/Ethnicity of Head of Household	
White, non-Hispanic	56%
Black, non-Hispanic	39%
Hispanic or Latino	5%
Asian or Pacific Islander	0%
American Indian or Alaskan Native	0%
Age of Head of Household	
62 or over	0%
Under 62	100%
Number of Household Members	
1	12%
2-3	56%
4 or more	32%
Number of Children in Household	
0	32%
1-2	46%
3 or more	22%
Spouse Present?	
Yes	10%
No	90%
Handicapped/Disabled Head of Household	
Yes	20%
No	80%
Total Family Income	
< $1,000	0%
$1,000 - 4,999	5%
$5000 - 9,999	48%
$10,000 - 19,999	48%
Mean Household Income	$9,994
Sources Included in Total Family Income	
Wages, salary, tips	30%
Social security or pensions	14%
SSI	22%
Public Assistance	24%

Source: HUD Form 50058 for voucher recipients.

Note: Figures may not add to 100 percent, due to rounding.

Over two-thirds have children, and a fifth are disabled. The racial/ethnic mix includes 56 percent white (non-Hispanic), 39 percent black (non-Hispanic), and 5 percent Hispanic. Nearly a quarter of the residents are on public assistance, and fewer than a third earn wages, salaries, or tips. The average household income is $9,994. This compares to a 1998 HUD area median of $47,300 for a family of four.

Owner Plans for the Property. The owner is in the process of prepaying the mortgage on the property. This will effectively end Section 236 assistance for the other 24 units there. The owner's agent does not see any change in the property's position in the market for at least two years, but the idea of converting the property to condos may be revisited at some point in the future.

II. Implementation of Vouchering-out

Agencies/Organizations Involved in Vouchering-out. The organizations involved in the vouchering-out process at Swan Creek were the Tacoma Housing Authority (THA), the Seattle HUD Office, and the owner. The City of Tacoma was not involved. The Seattle HUD Office's role was to receive notice of opting out from the owner, notify the THA, and request vouchers from HUD Headquarters. THA's role included approving the rents as reasonable, conducting eligibility review and certification, conducting unit inspections, and issuing vouchers. The eligibility review and certification process was the same as for regular waiting list applicants. Five of the households living in the 56 Section 8 units were found ineligible, so a total of 51 vouchers were issued to the original residents.

The owner offered incentives to residents to stay at Swan Creek. Management said it offered lease-signing incentives of $100, plus $50 per quarter and free laundry tokens worth $40 if residents stayed. In fact, a notice sent by management on September 10, 1997 encouraged residents to stay and offered up to $2,280 in incentives to lease in place. The THA said that some residents complained that the owner did not deliver on these promises. In the same notice, the owner offered incentives to residents to vacate the units later, with 30 days notice, if the condominium conversion went forward. These incentives included $200 for moves to another unit at Swan Creek and $400 for moves out of the development.

Process for Notifying Residents. The owner first notified the residents in May 1996, at which time he had not decided whether he would in fact opt out. In May 1997, management sent another notice and met with residents. By that time, the owner had decided to opt out. In the weeks before the vouchers were issued, THA staff met with residents, conducted certifications, and inspected the units.

Resident Response. At the one-year notice, there was panic and some confusion; this subsided after the process was explained, according to the owner's agent and THA staff. THA staff noted that some confusion arose from management's incentives to stay and also to leave, as well as their reported failure to deliver on promises. Among survey respondents, 19 out of 21 reported that they understood they had a choice to stay or move when they first received the notice of the opt-out.

Assistance Provided to Residents. No assistance was provided beyond what is normally done for households newly admitted to the Section 8 program. Housing authority staff provided lists of available units and answered residents' questions. Eight of the 21 residents interviewed in the telephone survey said some type of assistance was offered to residents to help them with the vouchering-out process. Three of these residents said they used these services, which included help in identifying neighborhoods for the housing search and providing listings of possible rental units. All three said the assistance was somewhat important in their decisions on where to look and somewhat helpful, too.

Summary of Key Events. The key events associated with the opt-out at Swan Creek are summarized in Exhibit 3.

Exhibit 3
VOUCHERING-OUT PROCESS
Swan Creek Apartments

Date	Event
5/13/97	Owner gave 90-day notice of intent to opt out
5/28/97	HUD notified THA
6/6/97	HUD office requested 56 vouchers
7/97	THA met with residents and issued vouchers
8/31/97	Contract expires

III. Outcomes of Vouchering-out

Extent of Movers and Stayers. Initially, most residents stayed at the property, although the proportion of movers was relatively high compared to other properties. Of the 51 residents who received vouchers, 41 initially leased in place (3 of them moving to a different unit in the development). Ten residents moved at the time of conversion: 4 used the voucher and moved out of the development, and 6 moved without the voucher they had received. By the fall of 1998, another 17 residents had moved, according to the property manager, who said that about half of the 17 delayed movers were evicted, while most of the others bought homes. The initial utilization of the vouchers allocated to Swan Creek Apartments is summarized in Exhibit 4.

Exhibit 4
INITIAL VOUCHER UTILIZATION
Swan Creek Apartments

Measure	Frequency
Total Section 8 units in development	56
Number of vouchers allocated by HUD	56
Number of vouchers issued to original households that applied	51
Number of households that used voucher and stayed in unit	38
Number of households that used voucher and moved to a different unit in same development	3
Number of households that used voucher and moved out of development	4
Number of households that did not use voucher and stayed	0
Number of households that did not use voucher and moved	6

Source: Interviews with the Tacoma Housing Authority and Seattle HUD Office staff

The telephone survey of voucher recipients at Swan Creek was conducted roughly 18 months after the end of the Section 8 contract. Of the 21 voucher holders interviewed in the telephone survey, 6 moved at the time of conversion, 1 moved later, and 14 stayed. Exhibit 5 shows the extent of movers in the overall sample and among survey respondents. Movers were under-represented in the survey because of the large number of residents who moved without their voucher and the lack of information from THA and the manager about their whereabouts.

Exhibit 5
EXTENT OF MOVERS: ALL VOUCHER RECIPIENTS COMPARED TO SURVEY RESPONDENTS
Swan Creek Apartments

Moving Status	All Voucher Recipients		Survey Respondents	
	Number	Percent	Number	Percent
Initial movers	10	20%	6	29%
Delayed movers	17	33%	1	5%
Stayers	24	47%	14	67%
Total	51	100%	21	100%

Source: Administrative records for 51 households from the Tacoma Housing Authority; Telephone Survey of Voucher Recipients (21 respondents).

Characteristics of Movers and Stayers. Residents more likely to move were families seeking larger units or single-family homes who could afford moving costs, according to the THA. However, information from 50058s shows that fewer than half the movers in the overall sample had children. In addition, only 2 of the 13 movers for whom we have 50058 forms have earned income, compared to more than a third of the 37 stayers for whom we have this information. At the same time, only 1 of the movers was on public assistance, compared to 11 of the stayers in the sample. The average rent burden for stayers after vouchering-out was 29 percent of household income. We do not have 50058 data for movers who are no longer receiving Section 8 assistance, so we cannot determine their average rent burden. However, as described in the section on Housing and Neighborhood Satisfaction, most movers who participated in the survey reported a higher rent burden after moving.

Factors in Decisions to Move or Stay. THA staff indicated that a major reason that some people stayed at Swan Creek was the cost of moving. The costs of utility disconnections and reconnections, credit reports, and moving the furnishings could reach $400 or more, not an insignificant sum for low-income households. In addition, some initially stayed to take advantage of the incentives offered by management. However, several residents have since indicated they plan to move, in part because they are not happy with management. THA staff said some residents described unprofessional behavior by the resident manager, who reportedly forced them to move into different units on extremely short notice (in one case just one day) to accommodate renovations. In addition, some residents complained to the Tacoma Human Rights Commission that the resident manager was discriminating against them on racial grounds. According to a lawyer with the Commission, the property manager had asked the property's private security guard to watch closely a few of the units where she suspected criminal activity. The Commission found "no reasonable cause" for action.

Of the 10 initial movers, six moved into single-family homes, one left for a bigger apartment, one moved to another part of the state, and one moved closer to family, according to management. (No reason was given for the other resident who moved.)

Respondents to the telephone survey were asked what factors contributed to their decision to move or stay, as summarized in Exhibit 6. First, respondents were asked whether they initially wanted to move or stay when they received notice that vouchers would be issued. The results from the survey show that, of the 21 residents interviewed, 10 initially wanted to stay and 11 initially wanted to move. Of the 10 who wanted to stay, 3 cited the affordable rent, 3 cited the proximity to services, shopping, and medical care, and 3 cited the proximity to a support network. Other reasons given included the difficulty of moving due to age or disability, the fact that the resident considered Swan Creek to be home, and good property management.

Exhibit 6
REASONS FOR WANTING TO STAY OR MOVE
Swan Creek Apartments

	Frequency	Percent
Reason for Staying (N=14, multiple responses permitted)		
Affordability of unit	3	21%
Proximity to services	3	21%
Proximity to support network	3	21%
Age or disability	2	10%
Considers property to be home	2	10%
Good property management	2	10%
Reasons for Moving (N=7, multiple responses permitted)		
Crime/drug activity in the development	6	86%
Poor management	5	71%
Poor neighborhood	2	29%

Source: Telephone Survey of Voucher Recipients at Swan Creek (N=21).

Five respondents who initially wanted to move but ended up staying at Swan Creek cited the following reasons: moving costs, illness, lease obligations, and difficulty in finding a suitable unit. Among residents who actually moved, the primary reason given was the drug activity and crime at the property.

In addition to general questions about the factors influencing their decisions to move or stay, survey respondents were asked specifically about the importance of a few key factors. Movers were asked about the importance of wanting to live in a better neighborhood in their decision to move. Four of the 6 initial movers indicated that living in a better neighborhood was very important and 5 of 6 said finding better or more suitable housing was very important in their decision to move.

Search Experience of Those Who Looked for Alternative Housing. In addition to the seven residents interviewed who moved, six residents spent at least some time looking for another apartment or house and visited one or more prospective places.

Among both movers and stayers interviewed, 12 survey respondents went to visit at least one alternative apartment or house. Seven of these respondents who looked for alternative housing said that the search was very difficult or somewhat difficult, and 5 said they had very little choice in finding other suitable apartments. Seven residents interviewed said that finding landlords who accept Section 8 was a major problem (this concern was also voiced by a representative from the Tacoma Human Rights Commission). Other major problems cited were finding an affordable unit, lack of transportation, and disability.

Exhibit 7 summarizes the search experience of movers, as reported by survey respondents.

Exhibit 7
HOUSING SEARCH EXPERIENCE
Swan Creek Apartments

	Frequency	Percent
Difficulty of search (N=12)		
Very difficult	3	25%
Somewhat difficult	4	33%
Not difficult at all	5	42%
Perceived extent of choice (N=12)		
A lot of choice	2	17%
A fair amount of choice	5	42%
Very little choice	5	42%
Major problems encountered (N=12, multiple responses permitted)		
Landlords not accepting Section 8	7	58%
Finding an affordable unit	2	17%
Lack of transportation	2	17%
Disability	2	17%
Scope of search (N=12, multiple responses permitted)		
Immediate neighborhood	2	17%
Surrounding neighborhood	2	17%
Other parts of city	10	83%
Suburbs of city	3	25%
Other cities	2	17%
Helpfulness of PHA assistance (N=3)		
Very helpful	0	0%
Somewhat helpful	3	100%
Not helpful	0	0%

Source: Telephone Survey of Voucher Recipients (N=21).

Destination Neighborhoods and Units. Of the 7 survey respondents who indicated they moved, 2 reported they leased up in the same neighborhood in which Swan Creek is located, and 5 said they moved to a different neighborhood. The new addresses provided by these movers were geocoded and linked to HUD and Census data to obtain information on the characteristics of the neighborhoods where movers are living.[4] The following discussion describes the characteristics of the destination neighborhoods for movers. It is important to note that because of the small number of movers, it is difficult to make generalizations about the entire population based on their actions.

[4] Sources: HUD's Pictures of Subsidized Housing database and 1990 Census data.

In the census tract within which Swan Creek is located, HUD data indicate a total of 109 units of assisted housing are available. The average assisted household income is $11,000, and the proportion of assisted households with annual incomes of less than $5,000 is 4 percent. The proportion of assisted households reporting a majority of income from wages is 27 percent, while 50 percent reported a majority of income from welfare. Census data indicate that 21 percent of the census tract's population is poor, and that approximately 43 percent of the tract's households are minority.

The survey respondents who moved to different neighborhoods were distributed among 5 Census tracts. The residents did not tend to move into the same neighborhoods, but they all stayed within Tacoma. Four of the five movers went to census tracts with significantly lower poverty rates, fewer minority households, and fewer subsidized households. Average incomes of subsidized housing residents were substantially lower; they were $1,000 to $2,500 less than incomes in the Swan Creek tract.

Housing and Neighborhood Satisfaction. Exhibit 8 summarizes Swan Creek voucher recipients' satisfaction with their housing and their neighborhoods. Overall, seven residents interviewed said they very satisfied with their housing, and another eight were somewhat satisfied, while three were somewhat dissatisfied, and three were very dissatisfied. Movers were more satisfied with their post-conversion housing situation compared to stayers. Similarly, movers were more satisfied with their neighborhoods than stayers. On the other hand, a larger proportion of movers had higher rent burdens after vouchering-out. Administrative data from the housing authority indicate that voucher holders continue to have rent burdens of approximately 30 percent of adjusted income. Because most of the movers are no longer receiving Section 8 assistance, we do not have more detailed information on their rent payments.

Exhibit 8
HOUSING AND NEIGHBORHOOD SATISFACTION
Swan Creek Apartments

	Total		Stayers		Movers	
	Number	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Total households	21	100%	14	67%	7	33%
Housing satisfaction						
Very satisfied	7	33%	2	14%	5	71%
Somewhat satisfied	8	38%	6	43%	2	29%
Somewhat dissatisfied	3	14%	3	21%	0	0%
Very dissatisfied	3	14%	3	21%	0	0%
Neighborhood satisfaction						
Very satisfied	4	19%	1	7%	3	43%
Somewhat satisfied	11	52%	8	57%	3	43%
Somewhat dissatisfied	3	14%	2	14%	1	14%
Very dissatisfied	3	14%	3	21%	0	0%
Don't know						
Change in rent[a]						
Pay more	12	63%	7	54%	5	83%
Pay same	0	0%	0	0%	0	0%
Pay less	7	37%	6	46%	1	17%

a Excludes two households that are no longer receiving Section 8 assistance.
Source: Telephone Survey of Voucher Recipients (N=21).

Property Impacts. According to property management, rents at Swan Creek are comparable to pre-conversion rents but are considerably below the payment standard. Two-bedroom apartments are renting for $475, compared to the payment standard of $575, and three-bedroom apartments rent for $600, compared to the payment standard of $800. Vacancies are somewhat higher now because of evictions. The Seattle HUD staff economist indicated that this property is at risk of default because it no longer has a project-based subsidy.

IV. Summary of Findings

Swan Creek is an example of a property that was historically poorly managed and maintained and which HUD might have forced out of the Section 8 program if the owner had not opted out. The owner opted out in anticipation of prepaying the mortgage and paying off other debt associated with the property. Management offered incentives to residents to stay, in order to keep the property fully occupied, and post-conversion rents were considerably lower than the payment standard. At the same time, incentives were offered to residents to vacate their units after lease renewal if the unit was to be sold as a condominium. Efforts to sell units as condos failed, and the owner does not have any short-term plans for the property. As of late 1998, over half the residents had moved, including many who were evicted. Survey respondents said they moved because of crime in the development, while property management said many moved to buy homes. Many of those wishing to use their voucher encountered resistance among landlords to accept Section 8, which may partially explain the large number of residents who moved without their voucher. Meanwhile, if the voucher holders leave the property, Swan Creek may be at risk of default, unless the owner can fill the units.

Tall Firs

I. Background on the Property

Tall Firs is a 40-unit Section 8 New Construction building for the elderly located in Mountlake Terrace, WA. The property was built in 1975 with Section 231, a HUD mortgage insurance program for housing for the elderly. The current owner has owned the property since the late 1970s and also owns several other properties in the area, most of which are not subsidized. There was one Section 8 contract on the property, which expired March 26, 1998. Thus, Tall Firs falls under Scenario 3, with regular vouchers offered to all eligible households. A summary of property characteristics appears in Exhibit 1.

Exhibit 1
PROPERTY CHARACTERISTICS
Tall Firs

Property Name	Tall Firs
Property Location	55000 230th Street, Mountlake Terrace, WA
Total Number of Units	40
Section of Act	Section 231
Total Number of Assisted Units	40
Number of Section 8 Units	40
HUD-Insured	Yes
Section 8 Expiration Date	March 26, 1998
Reason for Vouchering-out	Opt-out
Type of Vouchers Received	Standard

The site visit for this study, which was conducted in June 1998, included interviews with the owner's representative, the site manager, and staff of the contracting agency, Snohomish County Housing Authority. The survey of 40 voucher recipients was conducted in March and April 1999. A total of 26 residents were interviewed in the survey.[1]

Reasons for Vouchering-out. The owner opted out of this contract because of frustration with HUD, according to all sources consulted, although it is important to note that this is a very good property in a tight housing market. He is a party to the ongoing Alpine Ridge lawsuit

1 According to the research design for this study, a small sample of 60 voucher recipients was selected for the survey in properties where more than 60 vouchers were issued. In properties with fewer than 60 vouchers issued, all voucher recipients were included in the survey sample. For more information on survey data collection methods, see Appendix A.

against HUD regarding allowable rent increases on Section 8 buildings. Prior to conversion, rents were greater than FMR, and the owner agreed to a reduction in rents as part of the opt out.[2] It should be noted that there would likely be financial benefit from eventually converting the property to a market rate development.

Physical and Financial Condition of the Property. Tall Firs is a wood-frame, three-story elevator building consisting of 40 one-bedroom units. Overall, the building is in good condition. The exterior of the building is in excellent condition, and the grounds are well-kept. The common areas and unit kitchens and bathrooms are dated but in good condition. In the past five years, the roof and hot water tanks have been replaced. There are no dishwashers or laundry facilities.

The property is located in Mountlake Terrace, a quiet, suburban community along Interstate 5 about twenty miles north of Seattle. The neighborhood is about 90 percent residential, with the remainder split between commercial and institutional buildings. Almost all the housing consists of modest, well-kept single-family homes of wood or concrete block construction. There is little multifamily housing in the immediate neighborhood. The property is near a bus line, small parks, and a post office, and within a short drive of shopping. The overall rental housing market in Snohomish County, like the rest of the Seattle MSA, is very tight, with a 3 percent vacancy rate.

Characteristics of the Tenants. The tenants at Tall Firs are all elderly. A summary of information on the characteristics of voucher recipients is presented in Exhibit 2. As shown, most (85 percent) of the heads of household are female. More than three quarters (77 percent) are white, a fifth (21 percent) are Asian, and 3 percent are Hispanic. The average income among Tall Firs residents is $9,853, with 87 percent of households receiving Social Security or pensions. Fifteen percent of the residents receive SSI. None of the residents is disabled or on public assistance.

Owner Plans for the Property. The owner would prefer to keep the same tenant base and has no plans for changing the property, with the exception of carpet replacement as units are vacated, according to the owner's agent.

[2] A representative from SCHA said that pre-conversion rents at the property were unreasonably high.

Exhibit 2

CHARACTERISTICS OF VOUCHER RECIPIENTS INCLUDED IN THE TELEPHONE SURVEY

Tall Firs Apartments

Characteristic	Percentage of Households
Gender of Head of Household	
Female	85%
Male	15%
Race/Ethnicity of Head of Household	
White, non-Hispanic	77%
Black, non-Hispanic	0%
Hispanic or Latino	3%
Asian or Pacific Islander	21%
American Indian or Alaskan Native	0%
Age of Head of Household	
62 or over	100%
Under 62	0%
Number of Household Members	
1	95%
2-3	5%
Number of Children in Household	
0	100%
1-2	0%
3 or more	0%
Spouse Present?	
Yes	0%
No	100%
Handicapped/Disabled Head of Household	
Yes	0%
No	100%
Total Family Income	
< $1,000	3%
$1,000 - 4,999	49%
$5000 - 9,999	49%
$10,000 - 19,999	0%
Mean Household Income	$9,853
Sources Included in Total Family Income	
Wages, salary, tips	5%
Social security or pensions	87%
SSI	15%
Public Assistance	0%

Source: HUD Form 50058 for 38 households receiving vouchers.

Note: Figures may not add to 100 percent, due to rounding.

II. Implementation of Vouchering-out

Agencies/Organizations Involved in Vouchering-out. Organizations involved in the vouchering-out process at Tall Firs included the Snohomish County Housing Authority (SCHA), the Seattle HUD Office, and the owner. No city or county government offices were involved in the process. The Seattle HUD Office's role was to receive notice of opting out from the owner, notify the SCHA, and request vouchers from HUD Headquarters. SCHA's role included approving the rents as reasonable, conducting eligibility review and certification, conducting unit inspections, and issuing vouchers. In the negotiations with the owner about rents, SCHA maintained that pre-conversion rents, which had exceeded FMRs, were unreasonably high. The owner agreed to lower the rents in part because he wanted to ensure that residents received vouchers, thus minimizing disruptions to occupancy. The eligibility review and certification process was the same as for regular waiting list applicants, except SCHA staff went to the property and used owner information on tenant income, without conducting third-party verification.

Process for Notifying Residents. Residents were initially notified by the owner in a one-year notice, even though only a six-month notice was required at the time. At that time, the owner had not yet decided whether he would indeed opt out. The owner then sent a 90-day notice on December 18, 1997, by which time he had decided that he would in fact proceed. During this period, the resident manager took advantage of weekly resident social gatherings to answer questions. The SCHA and management met with residents on January 9, 1998 to explain the vouchering-out process. SCHA staff also met with residents during individual sessions for eligibility review and certification.

Resident Response. Upon receiving the one-year notice, some residents were angry, and some families of residents called management to express concerns, according to management. At that time, management could not reassure the residents of anything because they did not yet know whether vouchers would be available, due to the negotiations between the owner and the Housing Authority over the payment standard. Residents were afraid of higher rents and dislocation. The receipt of the 90-day notice was less difficult for residents, in part because management was able to tell the residents that vouchers would likely be provided. However, the 90-day notice—received just before the holidays in December—caused some anxiety. After the rents had been agreed upon, SCHA and management were able to assure the residents at the January 9 meeting that vouchers would be provided, that they could stay, and that their rent contributions would not be higher.

Assistance Provided to Residents. No counseling assistance was provided to the residents. However, the SCHA conducted eligibility review and certification at the property so that residents would not have to travel to the housing authority. Among the 26 residents surveyed, 5 said some assistance was offered, but none used the services.

Summary of Key Events. The key events associated with the opt-out at Tall Firs are summarized in Exhibit 3.

Exhibit 3
VOUCHERING-OUT PROCESS
Tall Firs

Date	**Event**
12/15/97	Owner notice to HUD
12/17/97	HUD Office requests 40 vouchers
12/19/97	HUD notifies SCHA
1/9/98	HA and management meet with residents
3/1/98	Vouchers are issued to residents
3/26/98	Contract expires

III. Outcomes of Vouchering-out

Extent of Movers and Stayers. Of the 40 original households at Tall Firs, 38 received vouchers. Two did not receive vouchers because they were over-income: one inherited and moved into a condominium, and another inherited a large amount of money and remained at the property paying market rent. Of the 38 residents who received vouchers, 37 leased in place, while one moved out of state with the voucher to be closer to her family. Since then, one has moved into a nursing home and another has died. Management said it expects more turnover in March 1999, when the leases end, because some residents may move closer to their families or into assisted living facilities. The initial utilization of the vouchers allocated to Tall Firs is summarized in Exhibit 4.

The telephone survey of voucher recipients was conducted roughly 12 months after the expiration of the Section 8 contract. Of the 26 voucher holders interviewed in the telephone survey, 24 stayed at Tall Firs, 3 moving to different units there. One resident moved immediately after receiving the voucher and a second resident moved later. Exhibit 5 shows the extent of movers in the overall sample and among survey respondents.

Exhibit 4
VOUCHER UTILIZATION SUMMARY
Tall Firs

Measure	Frequency
Total Section 8 units in development	40
Number of vouchers allocated by HUD	40
Number of households that applied for vouchers	40
Number of vouchers issued to original households that applied	38
Number of households that used voucher and stayed in unit	37
Number of households that used voucher and moved to a different unit in same development	0
Number of households that used voucher and moved out of development	1
Number of households that did not use voucher and stayed	0
Number of households that did not use voucher and moved	0

Source: Interviews with the Tacoma Housing Authority and Seattle HUD Office staff.

Exhibit 5
EXTENT OF MOVERS: ALL VOUCHER RECIPIENTS COMPARED TO SURVEY RESPONDENTS
Tall Firs

Moving Status	All Voucher Recipients		Survey Respondents	
	Number	Percent	Number	Percent
Initial movers	1	3%	1	4%
Delayed movers	1	3%	1	4%
Stayers	36	95%	24	92%
Total	38	100%	26	100%

Sources: Administrative records for 38 households from the Tacoma Housing Authority; Telephone Survey of Voucher Recipients (26 respondents).

Note: Totals may not sum due to rounding

Factors in Decisions to Move or Stay. Almost all the residents stayed because they consider the property to be their home and because the building is well managed, according to both SCHA staff and management. Another important factor is that the rents did not go up. In addition, the elderly are generally more likely to lease in place. However, this is not always the case, as is illustrated by the experience of vouchering-out at another property for the elderly in the area, Ebey Arms. According to SCHA staff, the owner there gave very little notice and communicated poorly, angering the residents, who moved out in large numbers.

It should be noted that if residents did want to move from Tall Firs, they would likely encounter difficulty finding a suitable unit in the area without paying higher out-of-pocket rents. The SCHA's Section 8 waiting list has 500 households on it and has been closed since 1993, and the affordable housing market is particularly tight for elderly residents. Of the few residents who left the property since receiving a voucher, the reasons are unrelated to the property (one moved to a nursing home, one moved out of state to be near family, and one died).

Respondents to the telephone survey were asked what factors contributed to their decision to move or stay, as summarized in Exhibit 6. First, respondents were asked whether they initially wanted to move or stay when they received notice that vouchers would be issued. The results from the survey show that of the 26 residents interviewed, all wanted to stay, with the exception of one resident who did not remember. Ten residents cited overall satisfaction with their apartment, 9 cited proximity to services and shopping, and 8 cited good maintenance as reasons for staying. Other reasons given were proximity to a support network, that the development was considered home, and good management. Of the two residents interviewed who moved, one moved for health reasons, and the other did not answer the question about the reason for moving.

Exhibit 6
REASONS FOR WANTING TO STAY
Tall Firs

	Frequency	Percent
Reason for Staying (multiple responses permitted)		
Overall satisfaction with apartment	10	40%
Proximity to services and shopping	9	36%
Good maintenance	8	33%

Source: Telephone Survey of Voucher Recipients at Tall Firs (N=26).

Search Experience of Those Who Looked for Alternative Housing. In addition to the two survey respondents who actually moved, four other residents interviewed spent at least some time searching for a different apartment, three of whom actually visited another prospective house or home. When asked about the geographic scope of their housing search, residents interviewed said they generally looked in surrounding neighborhoods, surrounding suburbs, and other cities.

Of the survey respondents who searched for alternative housing, one said the search process was somewhat difficult, and two said it was not difficult at all (one did not know; only four respondents answered this question). Two said they felt they had a fair amount of choice and two said they had very little choice in the number of suitable units available. Exhibit 7 summarizes the search experience of those who looked for alternative housing, as reported by survey respondents.

Exhibit 7
HOUSING SEARCH EXPERIENCE
Tall Firs

	Frequency	Percent
Difficulty of search (N=4)		
Very difficult	0	0%
Somewhat difficult	1	25%
Not difficult at all	2	50%
Don't know	1	25%
Perceived extent of choice (N=4)		
A lot of choice	0	0%
A fair amount of choice	2	50%
Very little choice	2	50%
Major problems encountered (N=4, multiple responses permitted)		
Finding an affordable unit	2	50%
Lack of transportation	2	50%
Scope of search (N=4, multiple responses permitted)		
Immediate neighborhood	1	25%
Surrounding neighborhood	2	50%
Other parts of city	1	25%
Suburbs of city	3	75%
Other cities	2	25%

Source: Telephone Survey of Voucher Recipients (N=26).

Destination Neighborhoods and Units. Of the two survey respondents who indicated they moved, both reported that they moved to a different neighborhood. The new addresses provided by these movers were geocoded and linked to HUD and Census data to obtain information on the characteristics of the neighborhoods where movers are living.[3] The following discussion describes the characteristics of the destination neighborhoods for movers. It is important to note that because of the small number of movers, it is difficult to make generalizations about the entire population based on their actions.

In the census tract within which Tall Firs is located. Census data indicate that 8 percent of the census tract's population is poor, and that approximately 14 percent of the tract's households are minority.

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3 Sources: HUD's Pictures of Subsidized Housing database and 1990 Census data.

The survey respondents who moved both left Mountlake Terrace. One moved to a nearby town, and the other moved out of state. Both new census tracts had similar poverty rates and proportions of minority households to those in the Tall Firs tract.

Housing and Neighborhood Satisfaction. Exhibit 8 summarizes Tall Firs voucher recipients' satisfaction with their housing. Overall, 19 of the 26 residents interviewed said they were very satisfied with their current housing situation, and another 4 were somewhat satisfied, while 3 were somewhat dissatisfied. All but one resident were satisfied with their neighborhood. Over a third of the residents said they had a higher rent burden post-conversion, although administrative data from the housing authority indicate rent burdens are, on average, 30 percent of adjusted income.

Exhibit 8
HOUSING AND NEIGHBORHOOD SATISFACTION
Tall Firs

	Total		Stayers		Movers	
	Number	Percent	Number	Percent	Number	Percent
Total households	26	100%	24	92%	2	8%
Housing satisfaction						
Very satisfied	19	73%	18	75%	1	50%
Somewhat satisfied	4	15%	3	13%	1	50%
Somewhat dissatisfied	3	12%	3	13%	0	0%
Very dissatisfied	0	0%	0	0%	0	0%
Neighborhood satisfaction						
Very satisfied	15	58%	15	63%	0	0%
Somewhat satisfied	10	38%	8	33%	2	50%
Somewhat dissatisfied	1	4%	1	4%	0	0%
Very dissatisfied	0	0%	0	0%	0	0%
Change in rent[a]						
Pay more	7	35%	7	37%	0	0%
Pay same	8	40%	8	42%	0	0%
Pay less	5	25%	4	21%	1	100%

a Excludes six households that are no longer receiving Section 8 assistance.
Source: Telephone Survey of Voucher Recipients (N=26).

Property Impacts. Property impacts have been minimal thus far, with the exception of reduced rents. The project-based contract rent was $626 for the one-bedroom units, or 112% of FMR, before opting out. By contrast, the payment standard for the vouchers is $561, which was equal to the FMR before exception rents for the area were approved in December 1997. Rents are currently slightly lower than area rents but may rise in the future, according to management. Management indicated that it wants to keep the same tenant base, and that only about 25 percent of the current residents could remain if the rents went up to market levels. The average rent burden among residents at Tall Firs is 30 percent. The conversion has not affected occupancy so far, which was 100 percent before and after vouchering-out. No major capital improvements have been made, and none are planned.

IV. Summary of Findings

The owner of Tall Firs, a party to the Alpine Ridge lawsuit against HUD, opted out to avoid further dealings with the agency, even though it meant accepting lower rents on a property that appears to have strong market potential. The rent decreased by about 10 percent, from $626 under project-based assistance to $561. As of June 1998, only two residents had left since receiving a voucher: one moved with the voucher out of state to be close to family, and the other moved to a nursing home. A third resident died. The rent burden had not gone up for any of the residents as of June 1998. SCHA, management, and the resident manager all agree that residents were not affected by the conversion, except they now have the option of moving with the voucher to be closer to family. As long as management does not raise rents above the payment standard, the residents will be better off than before, because they now have portable assistance.

Although the conversion process at this property was relatively smooth, the housing authority indicated that it would be very helpful if their staff had more time to conduct all the certifications and unit inspections. It would also be useful if housing authorities could rely on tenant information from the previous recertification, if less than a year old, in order to reduce the workload. (SCHA indicated that this was allowable under the regulations only for a short time, according to the Seattle HUD Office.)

Appendix A
Study Approach and Data Collection Methods

As described in the Executive Summary to this report, this study addresses the process of conversion from project-based to tenant-based assistance through case studies of a purposive sample of 12 assisted properties located in 4 metropolitan areas across the United States. Because this was a relatively new program option, only a small number of properties had converted at the time our study began. HUD wanted to identify any potential problems early on through this exploratory research. This Appendix describes the approach used to select the 12 properties and the methodology employed for the telephone survey of voucher recipients. Survey procedures and response rates are also reviewed.

Case Study Site Selection

The site selection approach for this study was not designed to be nationally representative, but was purposive instead. Our first goal in selecting the sample of cities to study was to identify cities that had sufficient numbers of properties of over 20 units that had converted from project-based to tenant-based assistance, including some prepayments and some opt-outs.

Using HUD's list of prepayments in fiscal years 1997 and 1998 and all opt-outs through March 1998, we identified just five metropolitan areas (Bloomington (IN), Dallas, Boston, Seattle, and Los Angeles) that met the threshold criteria for the study. Telephone calls were made to the local HUD offices and housing authority staff to verify the list of candidate properties and obtain some additional information for selecting the specific developments for the study. We obtained or confirmed information such as the number of vouchers issued, occupancy type of the development (family, elderly, or mixed), timing of issuance of rental assistance, likely owner cooperation, languages spoken by tenants in the development, and information on whether people tended to stay or move.

Based on the reconnaissance with these HUD offices and housing agencies, we selected 12 candidate properties in 4 metropolitan areas as our sample. Information on the selected properties is summarized in Exhibit A-1. The exhibit shows that in many cases, the property owners have both prepaid their mortgage (or plan to prepay) and opted out of one or more Section 8 contracts. HUD had initially requested that we select at least a few Section 8 New Construction properties, but the lists of prepayments and opt-outs HUD provided revealed that few of these newer assisted properties had yet converted. Thus, in our final design, we were only able to identify two Section 8 New Construction properties that met the criteria for the study sample (Tall Firs in Mountlake Terrace, WA and Weymouth Commons East in Weymouth, MA).

Exhibit A-1
Case Study Properties

Property Name	HUD Program(s)	Number of Units	Number of Vouchers Issued	Date of Opt-Out/Prepay	Family/ Elderly	Housing Agency
Boston						
Huron Towers	Sect. 236; HUD-insured; LMSA	248	173	Opt-out 8/97, 10/97 Termination of mortgage insurance 7/97	Family	Cambridge HA
Weymouth Commons	Sect. 221(d)(4); HUD-insured; Section 8 New Construction	198	66	Opt-out 8/97, 9/97, 1/98	Family	Metro Boston Housing Partnership
1550 Beacon St.	Sect. 236; not HUD-insured	95	118	Prepayment 11/96	Elderly	Brookline HA
Bloomington (IN)						
Oakdale Square	Sect. 236; HUD-insured; LMSA	200	105	Prepayment 10/97; Opt-out 10/97, 6/98	Family	Bloomington HA
Orchard Glen	Sect. 236 Cooperative; HUD-insured; LMSA	350	43	Opt-out 10/97, 6/98 (Not eligible to prepay)	Family	Bloomington HA
Dallas						
El Capitan Apartments	Sect. 236; HUD-insured; LMSA	150	73	Opt-out 10/97, 11/97	Family	Mesquite Housing Office
Leigh Ann Apartments	Sect. 236; HUD-insured; LMSA	256	45	Opt-out 9/97	Family	Dallas HA
Park Lane Terrace	Sect. 221(d)(3); HUD-insured	152	28	Prepayment 9/97	Family	Dallas HA
St. Francis Square	Sect. 236; HUD-insured	200	71	Prepayment 9/97	Family	Mesquite Housing Office
Seattle						
1416 & 1419	Sect. 221(d)(3); HUD-insured; LMSA	145	113	Opt-out 3/98 (Not eligible to prepay)	Elderly/ Disabled	Tacoma HA
Swan Creek	Sect. 236; HUD-insured; LMSA	80	51	Opted Out 9/97, in process of prepayment	Family	Tacoma HA
Tall Firs	Sect. 8 New Construction; HUD-insured	40	38	Opt-out 3/98	Elderly	Snonomish County HA

Case Study Data Collection

In preparation for the field visits to the 12 properties, field visitor training was conducted in May 1998. During the one-day training, field visitors discussed the range of types of respondents to be interviewed during the field visits and reviewed the discussion guides to ensure that all staff had a common understanding of the information to be solicited from each respondent. We also distributed and discussed the standard table shells that field visitors were expected to complete for their sites, and reviewed the administrative information to be collected on voucher recipients (e.g., HUD Form 50058, telephone numbers, and any available secondary contact information for households that received vouchers). Finally, we reviewed the outline for writing the case studies.

Field visits were conducted to each of the 12 properties during the summer of 1998. Depending on the number of properties to be visited in the metropolitan area, the field visits ranged from three to six business days in length. Abt Associates staff collected information on the conversion process from all parties involved, typically including HUD State or Area Office staff, housing agency staff, owner representatives, and city community development department representatives. Information was collected on how the conversion process had proceeded, the disposition of vouchers, and the perceived outcomes for tenants and for the properties.

During the field visits, we also informed local respondents about the content and timing of the survey. In some cases, HUD Form 50058 data were collected during the field visits; however, in several sites recertifications were scheduled in the months between the field visits and the planned start of the survey. In these cases, we requested that HAs forward updated administrative information after recertification, so that we would have the most current contact information possible for the survey.

Overall, the local respondents were very helpful both during the field visits and in response to later requests for updated information. We were able to obtain comprehensive information on the conversion process at all but one of the study properties. The owner of Park Lane Terrace Apartments in Dallas, however, declined to be interviewed for the study, citing (through the firm's attorney) a history of problems with HUD. We were also refused permission to tour the interior of this development or to contact the property manager.

Survey Methods and Results

Abt Associates conducted a telephone survey of households that received Section 8 vouchers in the 12 study properties. For properties receiving fewer than 60 vouchers or certificates, all recipients of tenant-based assistance were included in the survey sample. For properties that received more than 60 vouchers or certificates, tenant-based assistance recipients who moved were selected with certainty, in order to learn as much as possible about the experience of movers. A random sample of the remaining voucher recipients was selected to obtain a total sample of 60 for the property. Sampling was necessary for five of the study properties: Huron Towers, Oakdale Square, 1416 & 1419 Apartments, 1550 Beacon Street, and El Capitan Apartments.

Approximately one week before the survey field period began, an advance letter was sent to the intended survey respondents advising them that an Abt Associates interviewer would be calling to discuss their experience with the conversion and to encourage their cooperation in the study. At the same time, property managers and housing authority staff were also notified to let them know the survey (about which they had previously been informed) would soon be underway.

Attempts to reach households commenced on March 4, 1999 and continued through April 18, 1999. Data collection occurred between 8 and 24 months following the conversion of the study properties, which made locating mover households particularly challenging. The overall survey response rate was 56 percent against a target of 66 percent. Exhibit A-2 below provides information on survey response rates for each property, as well as a summary of the final dispositions of the survey sample. As shown, 8 of the 609 intended survey respondents had died and 12 could not participate due to illness or disability, leaving a potential useable sample of 589. Despite the extensive locating efforts described below, we were unable to contact almost one-quarter of the survey sample.

The project team employed a wide variety of methods to locate potential respondents during the survey period. These included:

- use of housing agency records (HUD Form 50058, pre-applications, other agency records that identified secondary contact persons);
- ongoing telephone contact with housing agencies by site visitors, both before and during the data collection period, for periodic updates on tenant information;
- postal updates on advance letters that were returned undeliverable;
- calls to secondary/emergency contact persons, when available;
- directory assistance;
- secondary sources such as commercial locating services and an Internet-based service that permits cross-referencing of addresses and names; and
- records maintained by management companies or individual developments.

When we learned that tenants had used their vouchers to move to another community served by other housing authorities in the study, we also attempted to secure information for these cases from the receiving agency.

Exhibit A-2
Survey Response Rates and Final Disposition of Sample

	Total — All Sites		Bloomington Metro Total		Orchard Glen		Oakdale	
	#	%	#	%	#	%	#	%
Total Sample	609		103		43		60	
Deceased	8		1		0		1	
Illness / Disability	12		5		4		1	
Usable Sample	589		97		39		58	
Completes	330	56%	58	60%	23	59%	35	60%
Refusals	39	7%	8	8%	3	7%	5	8%
Breakoffs	3	1%	0	0%	0	0%	0	0%
Language Barrier	25	4%	0	0%	0	0%	0	0%
Respondent Unavailable	50	8%	7	7%	4	9%	3	5%
Unable to Locate	141	24%	24	25%	9	21%	15	25%
Other	1	0%	0	0%	0	0%	0	0%

Exhibit A-2 (continued)
Survey Response Rates and Final Disposition of Sample

	Boston Metro Total		1550 Beacon		Weymouth Commons		Huron Towers	
	#	%	#	%	#	%	#	%
Total Sample	185		60		65		60	
Deceased	2		1		0		1	
Illness / Disability	5		5		0		0	
Usable Sample	178		54		65		59	
Completes	105	59%	31	57%	36	55%	38	64%
Refusals	24	13%	12	22%	5	8%	7	12%
Breakoffs	2	1%	0	0%	1	2%	1	2%
Language Barrier	6	3%	3	6%	0	0%	3	5%
Respondent Unavailable	12	7%	4	7%	6	9%	2	3%
Unable to Locate	29	16%	4	7%	17	26%	8	14%
Other	0	0%	0	0%	0	0%	0	0%

Exhibit A-2 (continued)
Survey Response Rates and Final Disposition of Sample

	Dallas Metro Total		St. Francis Square		El Capitan		Park Lane Terrace		Leigh Ann Apartments	
	#	%	#	%	#	%	#	%	#	%
Total Sample	183		50		60		28		45	
Deceased	2		0		0		2		0	
Illness / Disability	1		0		1		0		0	
Usable Sample	180		50		59		26		45	
Completes	99	55%	31	62%	34	58%	14	54%	20	44%
Refusals	3	2%	1	2%	0	0%	1	4%	1	2%
Breakoffs	1	1%	0	0%	1	2%	0	0%	0	0%
Language Barrier	7	4%	1	2%	4	7%	1	4%	1	2%
Respondent Unavailable	23	13%	5	10%	3	5%	4	15%	11	24%
Unable to Locate	46	26%	11	22%	17	29%	6	23%	12	27%
Other	1	1%	1	2%	0	0%	0	0%	0	0%

Exhibit A-2 (continued)
Survey Response Rates and Final Disposition of Sample

	Seattle/Tacoma Metro		1416/1419 Apartments		Swan Creek		Tall Firs	
	#	%	#	%	#	%	#	%
Total Sample	138		48		51		39	
Deceased	3		2		0		1	
Illness / Disability	1		0		0		1	
Usable Sample	134		46		51		37	
Completes	68	51%	21	46%	21	41%	26	70%
Refusals	4	3%	1	2%	2	4%	1	3%
Breakoffs	0	0%	0	0%	0	0%	0	0%
Language Barrier	12	9%	7	15%	0	0%	5	14%
Respondent Unavailable	8	6%	4	9%	4	8%	0	0%
Unable to Locate	42	31%	13	28%	24	47%	5	14%
Other	0	0%	0	0%	0	0%	0	0%

In addition to conscientious and varied approaches to locating respondents, Abt Associates utilized other proven practices to maximize response, most notably:

- an incentive payment for completing the survey;
- varying the coverage of cases (that is, calling on varying days of the week and times of day);
- calls to secondary or emergency contacts;
- refusal conversion by interviewers skilled in gaining respondent cooperation; and
- the use of interpreters in the household.

Nevertheless, the survey response rate was lower than the rate targeted. Several issues illustrate the challenges involved in locating and interviewing these households. First, because data were gathered retrospectively, project staff had to rely solely on contact information for the household that was available on the HUD Form 50058. In a very few cases, there were limited additional data (forwarding addresses) that some public housing agencies maintained on their former clients. Studies of this nature are more successful if secondary contact information is collected, particularly the names of other persons such as relatives and friends who would know how to reach the respondent if they relocate. Because the HUD Form 50058 does not ask for this information and HAs do not systematically gather additional information on the household, our ability to track the whereabouts of this population were limited.

There was wide variation in the extent to which public housing agencies and developments provided follow-up information on tenants. Management staff from some developments were very helpful. In one case, the property manager hand-delivered a second advance letter to current tenants who were nonrespondents and encouraged them to call us. Other managers provided forwarding addresses and telephone numbers, when available, for tenants who had moved from the development. However, reluctance or refusal to participate in the study, particularly among owners of the Dallas properties, severely limited our ability to request locating information. While we were able to obtain HUD Form 50058 for the voucher recipients, we could not call on the management to assist us in providing follow-up information on respondents we were having difficulty locating during the survey. Management staff at these developments refused even to confirm whether or not households continued to reside at the development. Similarly, some housing agencies, while initially cooperative, were unable to accommodate additional requests for information on households.

There were other challenges. We found a higher than average number of respondents without telephones and a high incidence of unpublished telephone numbers even relative to our experience with similar types of households on other studies. There were also many instances in which telephone numbers changed or were disconnected.

We encountered a particularly high refusal rate at the 1550 Beacon Street property. The housing authority and management staff had warned us that the voucher recipients in this building are quite elderly and very skeptical of speaking to people they do not know on the telephone. An experienced interviewer who is skilled at refusal conversions was able to obtain the cooperation of some, but not all, of these refusals.

Language barriers were also a problem in some sites. The contract did not include resources for translation of the survey instrument into other languages. During the interviewing, we encountered speakers of a variety of languages including Russian (particularly in the Boston-area properties) and various Asian languages (particularly in the Dallas and Seattle-area properties). We did attempt to identify an English-speaking person in the household to translate, but this was not always possible.

Discussion of Survey Response Rates

Although the survey response rate was lower than had been expected, the characteristics of survey respondents match very well with the characteristics of the sampled households overall, as shown in Exhibit A-3. The proportions of households that moved or stayed are virtually the same in both samples. Similarly, the proportions of elderly and disabled heads of household are almost the same, as are the distributions by gender, race, income, and household size. Thus, despite the low survey response rate, we feel confident that the survey respondents accurately represent the sample of households that received vouchers.

Exhibit A-3
Tenant Characteristics:
Sample of Households Receiving Vouchers and Survey Respondents

Characteristic	Percent of Sampled Households (N=609)	Percent of Respondent Households (N=330)
Move/Stay status		
Moved when vouchers issued	13%	12%
Stayed when vouchers issued	87%	88%
Gender of Head of Household		
Female	76%	78%
Male	24%	22%
Race/Ethnicity of Head of Household		
White, non-Hispanic	61%	64%
Black, non-Hispanic	23%	23%
American Indian or Alaskan Native	<1%	<1%
Asian or Pacific Islander	6%	3%
Other	<1%	<1%
Not available	9%	9%
Age of Head of Household		
Under age 62	61%	59%
Age 62 and over	39%	41%
Number of Household Members		
1	51%	54%
2-3	26%	33%
4 or more	23%	13%
Handicapped/Disabled Head of Household		
Yes	21%	20%
No	79%	79%
Total Family Income		
< $1,000	10%	6%
$1,000 - 4,999	6%	5%
$5000 - 9,999	37%	35%
$10,000 - 19,999	36%	41%
$20,000+	11%	13%

Source: HUD Form 50058 for sample of households that received vouchers.

Appendix B

Household Survey

CASE STUDIES OF THE CONVERSION OF DEVELOPMENT-BASED ASSISTANCE TO HOUSEHOLD-BASED ASSISTANCE

HOUSEHOLD SURVEY

INTRODUCTION TO RESPONDENT:

Hello, this is (NAME). My company, Abt Associates, is working with the U.S. Department of Housing and Urban Development on an important study to learn more about the experiences of people who have received rental assistance at (DEVELOPMENT) and at other places throughout the country. We recently sent you a letter to tell you that we would be calling to conduct a short interview. We appreciate your help and will send $15 after we have completed the interview. The information from this survey is completely confidential and taking part in this interview will not affect your benefits either now or in the future.

INTERVIEWER:	SEE FACESHEET.		
	VOUCHER USED	1	→ CONTINUE
	VOUCHER ISSUED/NOT USED	2	→ SKIP TO SECTION A2

Section 8 voucher, between one and two years ago.

1. We understand that in (DATE), you were informed that you were eligible to receive a Section 8 voucher that you could use either at (DEVELOPMENT) or for housing at another location. When you received this notice, did you understand that you had a <u>choice</u> to stay at (DEVELOPMENT) or to move?

   YES 1
   NO 2
   DON'T KNOW/DON'T REMEMBER 8

#/

2. After you received this notice, did you want to stay at (DEVELOPMENT), or did you want to move?

   MOVE 1
   STAY 2
   DON'T KNOW/DON'T REMEMBER .... 8 → SKIP TO Q.5

#/

3. What were the reasons that you wanted to [move/stay at (DEVELOPMENT)]? RECORD VERBATIM. PROBE FOR SPECIFICS.

____

____

____

A. IF MORE THAN ONE REASON: What was the <u>main</u> reason that you wanted to (move/stay)? RECORD VERBATIM.

____

____

____

4. INTERVIEWER: SEE FACESHEET. THE RESPONDENT…

MOVED 1
STAY AT (DEVELOPMENT 2

A. INTERVIEWER: COMPARE ANSWER IN Q.2 WITH ANSWER IN Q.4. ARE ANSWERS DIFFERENT?

YES ....1 → ASK B
NO ....2 → GO TO Q.5

B. INTERVIEWER: SELECT, AS APPROPRIATE.

(1) Answer to Q.2 is "MOVE":

Records from the (HOUSING AGENCY) indicate that when you first received your Section 8 voucher, you used it to lease an apartment at (DEVELOPMENT). However, you just told me that you had wanted to <u>move</u>.

What was the main reason that you did <u>not</u> move from (DEVELOPMENT) when you first received your Section 8 voucher? PROBE FOR SPECIFICS. RECORD VERBATIM.

____

____

(2) Answer to Q.2 is "STAY":

Records from the (HOUSING AGENCY) indicate that you moved from (DEVELOPMENT) after receiving Section 8 voucher. However, you just told me that you had wanted to <u>stay</u> there.

What was the main reason that you did <u>not</u> stay from (DEVELOPMENT) when you first received your Section 8 voucher? PROBE FOR SPECIFICS. RECORD VERBATIM.

____

____

#/

5. In your decision to move or to stay at (DEVELOPMENT), how important was the amount you would have to pay for rent and utilities? Was it...

very important, ... 1
somewhat important, ... 2
not very important, or 3
not important at all? 4

#/

6. INTERVIEWER: SEE FACESHEET. THE RESPONDENT...

MOVED 1
STAYED AT (DEVELOPMENT .... 2 → GO TO Q.10

#/

7. In your decision to move from (DEVELOPMENT), how important was wanting to live in a better neighborhood? Was it...

very important, ... 1
somewhat important, ... 2
not very important, or 3
not important at all? 4

#/

8. How important was finding better or more suitable housing in your decision to move? Was it...

very important,..1
somewhat important,..2
not very important, or 3
not important at all? 4

9. CIRCLE "1" ON DROPSHEET, THEN SKIP TO SECTION B.

10. Our records show that when you first received your Section 8 voucher, you used it to lease an apartment at (DEVELOPMENT). Do you still live there, or have you moved out of (DEVELOPMENT)?

STILL LIVE AT (DEVELOPMENT) ....1 → ASK A, B
MOVED ....2 → GO TO Q.11

A. Do you live in the same apartment that you lived in just before you first received your Section 8 voucher, or have you moved to another apartment at (DEVELOPMENT)?

SAME APARTMENT ....1 → CIRCLE "2" ON DROPSHEET, THEN SKIP TO SECTION B.
DIFFERENT APARTMENT..................................2

B. Why did you move to a different apartment? PROBE FOR SPECIFICS. RECORD VERBATIM, AND CODE AT END OF INTERVIEW.

____

____

CHANGE IN HOUSEHOLD SIZE/COMPOSITION 01
WANTED MORE/LESS SPACE..02
WANTED MORE AMENITIES/PREFERRED LOCATION......03
MANAGEMENT/HOUSING AUTHORITY REQUIRED
THE CHANGE 04
OTHER 96

CIRCLE "3" ON DROPSHEET, THEN SKIP TO SECTION B.

#/

11. When did you move from (DEVELOPMENT)?

_____/_____/19___
MONTH DAY YEAR

12. What were the reasons that you moved from (DEVELOPMENT)? RECORD VERBATIM, AND CODE AFTER INTERVIEW COMPLETED.

____

____

____

CIRCLE "4" ON DROPSHEET, THEN SKIP TO SECTION B.

Section A2: Decision to Use Voucher

[FOR RESPONDENTS WHO WERE ISSUED A VOUCHER, BUT DID NOT USE IT.]

1x. Our records show that you were issued a Section 8 voucher for rental assistance by the (HOUSING AGENCY) in (VOUCHER DATE), but that you did not use it.

Did you try to use your Section 8 voucher either to stay at (DEVELOPMENT) or to move to another house or apartment?

YES ....1 → ASK A
NO ....2 → ASK B

#/

A. What was the main reason that you did not use your Section 8 voucher? PROBE FOR SPECIFICS.

____

____

____

B. What was the main reason that you did not try to use your Section 8 voucher? PROBE FOR SPECIFICS.

____

____

____

Please think back to the time just before you received your Section 8 voucher, between one and two years ago.

1. When you received the notice in (DATE) saying that you were eligible to receive a Section 8 voucher, did you understand that you had a choice to stay at (DEVELOPMENT) or to move?

YES 1
NO 2
DON'T KNOW/DON'T REMEMBER 8

#/

2. After you received this notice, did you want to stay at (DEVELOPMENT), or did you want to move?

MOVE..1
STAY..2
DON'T KNOW/DON'T REMEMBER..............................8

3. What were the reasons that you wanted to [move/stay at (DEVELOPMENT)]? RECORD VERBATIM, AND CODE AFTER INTERVIEW COMPLETED.

____

____

____

A. IF MORE THAN ONE REASON: What was the main reason that you wanted to (move/stay)? RECORD VERBATIM, AND CODE AFTER INTERVIEW COMPLETED.

____

____

____

4. In your decision to move or to stay at (DEVELOPMENT), how important was the amount you would have to pay for rent and utilities? Was it...

very important,...1
somewhat important,..2
not very important, or 3
not important at all?..4

5. After you received your voucher, did you stay at (DEVELOPMENT) or did you move to another house or apartment?

MOVED...1
STAYED..2 → SKIP TO Q.9

6. In your decision to move from (DEVELOPMENT), how important was wanting to live in a better neighborhood? Was it...

very important,..1
somewhat important,..2
not very important, or 3
not important at all? 4

#/

7. How important was finding better or more suitable housing in your decision to move? Was it...

very important,..1
somewhat important,..2
not very important, or 3
not important at all? 4

#/

8. | CIRCLE "1" ON DROPSHEET, THEN SKIP TO SECTION B. |

9. Do you still live at (DEVELOPMENT), or have you moved out to another house or apartment?

STILL LIVE AT (DEVELOPMENT) ....1 → ASK A, B
MOVED ....2 → GO TO Q.10

A. Do you live in the same apartment that you lived in just before you first received your Section 8 voucher, or have you moved to another apartment at (DEVELOPMENT)?

SAME APARTMENT ....1 → CIRCLE "2" ON DROPSHEET, THEN SKIP TO SECTION B.
DIFFERENT APARTMENT...............................2

B. Why did you move to a different apartment? PROBE FOR SPECIFICS. RECORD VERBATIM, AND CODE AT END OF INTERVIEW.

____

____

CHANGE IN HOUSEHOLD SIZE/COMPOSITION 01
WANTED MORE/LESS SPACE 02
WANTED MORE AMENITIES/PREFERRED LOCATION......03
MANAGEMENT/HOUSING AUTHORITY REQUIRED
THE CHANGE 04
OTHER 96

CIRCLE "3" ON DROPSHEET, THEN SKIP TO SECTION B.

10. When did you move from (DEVELOPMENT)?

_____/_____/19___
MONTH DAY YEAR

11. What were the reasons that you moved from (DEVELOPMENT)? RECORD VERBATIM, AND CODE AFTER INTERVIEW COMPLETED.

____

____

____

CIRCLE "4" ON DROPSHEET, THEN SKIP TO SECTION B.

Section B: Housing Search

1. INTERVIEWER: SEE FACESHEET. THE RESPONDENT...

   MOVED .... 1 → SKIP TO Q.3
   STAYED AT (DEVELOPMENT) 2

#/

2. Please think back to the time when you first received your Section 8 voucher. Did you spend <u>any</u> time looking for another house or apartment before deciding to stay at (DEVELOPMENT)?

   YES .... 1 → ASK A
   NO .... 2 → ASK B

   A. Did you actually visit any houses or apartments as part of your search?

   YES .... 1 → SKIP TO Q.4
   NO .... 2 → SKIP TO SECTION C

   B. INTERVIEWER: SEE Q.2 ON [PAGE 1 OR PAGE 5, AS APPROPRIATE]. DID R WANT TO MOVE OR TO STAY?

   MOVE .... 1 → ASK C
   STAY .... 2 → SKIP TO SECTION C

   C. Earlier in our interview, you said that you wanted to move from (DEVELOPMENT) when you received your Section 8 voucher. Why didn't you spend any time looking for another house or apartment?

   ____

   ____

   ____

SKIP TO SECTION C

#/

3. Now I'd like to ask you about your experience in looking for another place to live after you received your Section 8 voucher.

Is your current home the only place you moved to after leaving (DEVELOPMENT)? IF NOT SURE, PROBE: Did you live at any other place before moving into your current home?

YES	1	→ GO TO Q.4
NO	2	→ ASK A, B

A. Since you moved from (DEVELOPMENT), how many places have you lived in, <u>including</u> your current home? VERIFY: Does that number include your current home?

________ PLACES

B. Why did you move from the home you lived in after leaving (DEVELOPMENT)? PROBE FOR SPECIFICS. RECORD VERBATIM, AND CODE AT END OF INTERVIEW.

____

____

____

4. How many houses or apartments did you, or someone who was helping you, <u>personally</u> go to visit? IF NECESSARY: Again, please think <u>only</u> about the places you looked at after you received your Section 8 voucher.

NONE	1
1-2 UNITS	2
3-5 UNITS	3
6-10 UNITS	4
11-15 UNITS	5
16-20 UNITS	6
MORE THAN 20 UNITS	7
DON'T KNOW	8

5. About how many houses or apartments did you, or someone who was helping you look, call about or drive by, but not actually visit? IF NECESSARY, PROBE FOR BEST ESTIMATE.

NONE	1
1-2 UNITS	2
3-5 UNITS	3
6-10 UNITS	4
11-15 UNITS	5
16-20 UNITS	6
MORE THAN 20 UNITS	7
DON'T KNOW	8

#/

6. For how many units did you try to arrange an inspection by the (HOUSING AGENCY)?

________ UNITS

DON'T KNOW 98

#/

7. After you received the Section 8 voucher, in which neighborhoods or communities did you look for a new place to live? (CIRCLE "YES" OR "NO" FOR EACH)

Did you look in....

	YES	NO	DON'T KNOW
a. the neighborhood where (DEVELOPMENT) is located?	1	2	8
b. neighborhoods immediately surrounding the one where (DEVELOPMENT) is located?	1	2	8
c. other parts of (CITY)?	1	2	8
d. the suburbs around (CITY)?	1	2	8
e. other cities or towns in (STATE)?	1	2	8
f. other states?	1	2	8

#/

8. When you were looking for a new place to live, how much choice did you feel you had in the number of suitable units available to you? Did you feel that you had...

a lot of choice,...1 → GO TO Q.9
a fair amount of choice, or ....2 → ASK A
very little choice?..3 → ASK A

A. What kinds of things limited the choice of suitable units you could consider? PROBE: What else?

____

____

9. I'm going to read a list of problems that might affect someone who was looking for housing. Please tell me whether each of these was no problem, a minor problem, or a major problem when you were looking for a place to live after you first received your Section 8 voucher.

READ ITEM, THEN ASK: Was this no problem, a minor problem, or a major problem for you when you were looking?

	No Problem	Minor Problem	Major Problem	Don't Know
a. Finding a place that you liked	1	2	3	8
b. Finding a place you could afford	1	2	3	8
c. Finding a place that would pass inspection	1	2	3	8
d. Landlords who wouldn't accept Section 8	1	2	3	8
e. Not knowing how to look for a new apartment	1	2	3	8
f. Not having transportation so you could look	1	2	3	8
g. A disability or other physical problem that made it hard to search	1	2	3	8
h. Finding child care so you could look	1	2	3	8
i. Discrimination because of race	1	2	3	8
j. Landlords who didn't want to rent to families with children	1	2	3	8
k. Did you have any (other) problems when you were looking for another place to live?	1	2	3	8

(IF "YES", SPECIFY)____________________

#/

10. Overall, how difficult was the whole process of looking for a new home after you decided to leave (DEVELOPMENT)? Was it...

very difficult,..1
somewhat difficult, or 2
not difficult at all?..3 → SKIP TO Q.12

#/

11. What was the most difficult thing about searching for a house or apartment? RECORD VERBATIM, AND CODE AFTER INTERVIEW COMPLETED.

____

____

____

#/

12. INTERVIEWER: SEE FACESHEET. THE RESPONDENT:

MOVED 1
STAYED AT (DEVELOPMENT) ....2 → SKIP TO SECTION C

#/

13. How did you find out about your [current home/the home you moved to after leaving (DEVELOPMENT)]?

FRIENDS OR RELATIVES...01
WALKED OR DROVE BY THE BUILDING 02
REAL ESTATE LISTING/NEWSPAPER........................03
REAL ESTATE AGENCY...04
HOUSING AGENCY LIST/STAFF 05
HOUSING COUNSELOR AT OTHER AGENCY 06
OTHER (SPECIFY)__________________________.....96

#/

Section C: Housing Search Counseling/Other Assistance

Please think back to the time when you first received your Section 8 voucher.

1. Was counseling or any other assistance related to using your Section 8 voucher available from the (HOUSING AGENCY)? This assistance may have included counseling to help you decide if you wanted to move or stay, or it may have included other types of assistance to help you find another place to live.

   YES 1
   NO ....2 → SKIP TO SECTION D
   DON'T KNOW ....8 → SKIP TO SECTION D

2. Did you use any of the counseling or other assistance offered to residents of (DEVELOPMENT) who received Section 8 vouchers?

   YES ....1 → SKIP TO Q.4
   NO 2

3. Why did you choose not to use this assistance? RECORD VERBATIM, AND CODE AFTER INTERVIEW COMPLETED.

   ____

   ____

   ____

   DIDN'T NEED ASSISTANCE 01
   HEARD ABOUT ASSISTANCE TOO LATE 02
   COUNSELOR INEFFECTIVE/NOT HELPFUL 03
   COUNSELOR UNAVAILABLE/HARD TO REACH.................04
   COUNSELOR LOCATION INCONVENIENT/ FAR AWAY....05
   OTHER (SPECIFY) ________________________________....96

   SKIP TO SECTION D

4. After you received your Section 8 voucher, in total, how many times did you meet with a counselor, attend a meeting, or take part in any other activity offered by the (HOUSING AGENCY) for residents of (DEVELOPMENT)? IF NECESSARY: Your best estimate is fine.

_________ TIMES

DON'T KNOW.............................98

#/

5. I'd like to ask about the various types of counseling and other assistance you may have received from the (HOUSING AGENCY/OTHER ORGANIZATION).

Did you receive (help)...	YES	NO	DON'T KNOW
a. Calculating how much you could afford to pay for rent	1	2	8
b. Identifying neighborhoods to search in	1	2	8
c. Listings of possible rental units	1	2	8
d. Transportation to possible rental units	1	2	8
e. Filling out rental applications and references	1	2	8
f. Negotiating with landlords at places you wanted to rent	1	2	8
h. Financial assistance to help pay for moving costs	1	2	8
g. Did you receive any other types of counseling or assistance from the (HOUSING AGENCY/OTHER ORGANIZATION)?	1	2	8

(IF "YES", SPECIFY)_________________________________

#/

6. How much did this counseling and other assistance influence your decisions on where to look for new housing? Was the counseling...

very important,..1
somewhat important,...2
not very important, or 3
not at all important in your decision? 4

#/

7. In general, how helpful was the counseling or other assistance in your search for new housing? Was it...

very helpful, ...1 → ASK A
somewhat helpful, or...2 → ASK A
not helpful at all? ....3 → ASK B

A. What was the most helpful part of the counseling or other assistance you received? PROBE FOR MAIN STRENGTH. RECORD VERBATIM.

____

____

____

GO TO Q.8

B. Why do you feel that it was not helpful at all?

____

____

____

8. What, if anything, would you change in order to improve the assistance provided by the (HOUSING AGENCY)? PROBE FOR SPECIFIC IMPROVEMENTS.

____

____

____

Section D: Housing Characteristics and Satisfaction

1. INTERVIEWER: SEE DROPSHEET. THE RESPONDENT...

MOVED AFTER RECEIVING VOUCHER (FROM FACESHEET)........1 → GO TO Q.2
STAYED AT (DEVELOPMENT)/SAME UNIT..2 → SKIP TO Q.4
STAYED AT (DEVELOPMENT)/DIFFERENT UNIT ....3 → SKIP TO Q.4
STAYED AT (DEVELOPMENT), THEN MOVED ....4 → SKIP TO Q.2

#/

2. When did you move into your current home?

______/______/19___
MONTH DAY YEAR

#/

3. What type of home do you live in <u>now</u>? Is it...

a detached single-family house, ...1
a building with two to four units,..2
a building with five to ten units, or 3
a building with <u>more</u> than ten units?...................................4

#/

4. <u>In general</u>, how satisfied are you with your home <u>now</u>? Are you...

very satisfied, ...1
somewhat satisfied, ...2
somewhat dissatisfied, or 3
very dissatisfied?...4

#/

5. INTERVIEWER: SEE DROPSHEET. THE RESPONDENT...

MOVED AFTER RECEIVING VOUCHER (FROM FACESHEET)........1 → SKIP TO Q.7
STAYED AT (DEVELOPMENT)/SAME UNIT..2 → GO TO Q.6
STAYED AT (DEVELOPMENT)/DIFFERENT UNIT ....3 → GO TO Q.6
STAYED AT (DEVELOPMENT), THEN MOVED ....4 → SKIP TO Q.7

#/

6. How satisfied are you with your apartment <u>now</u>, compared to how satisfied you were with your apartment just before you received your Section 8 voucher in (VOUCHER DATE)? <u>Overall</u>, are you <u>more</u> satisfied, about as satisfied, or <u>less</u> satisfied now?

MORE SATISFIED	1	→ ASK A
ABOUT AS SATISFIED	2	→ SKIP TO Q.8
LESS SATISFIED	3	→ ASK A
DON'T KNOW	4	→ SKIP TO Q.8

A. Why do you feel that way? PROBE FOR SPECIFICS. RECORD VERBATIM.

____

____

____

SKIP TO Q.8

7. How satisfied are you with your current home, compared to the apartment you lived in at (DEVELOPMENT)? <u>Overall</u>, are you <u>more</u> satisfied, about as satisfied, or <u>less</u> satisfied now?

MORE SATISFIED	1	→ ASK A
ABOUT AS SATISFIED	2	→ GO TO Q.8
LESS SATISFIED	3	→ ASK A
DON'T KNOW	4	→ GO TO Q.8

A. Why do you feel that way? PROBE FOR SPECIFICS. RECORD VERBATIM.

____

____

____

8. INTERVIEWER: SEE FACESHEET.

VOUCHER USED	1	→ ASK A
VOUCHER ISSUED/NOT USED	2	→ ASK B

A. Do you have a Section 8 voucher <u>now</u>?

YES 1
NO .... 2 → SKIP TO Q.10

B. Do you have a Section 8 certificate or voucher <u>now</u>, or do you live in public housing?

YES .... 1 → SKIP TO Q.13
NO .... 2 → SKIP TO Q.12

#/

9. Please think about the total amount that you (and other family members who live with you) pay out-of-pocket each month for rent and utilities. Do you pay <u>more</u>, the <u>same amount</u>, or <u>less</u> than you were paying just before you received your Section 8 voucher in (VOUCHER DATE)? [Do not count the amount of rental assistance paid to the landlord by the (HOUSING AGENCY)]

MORE 1
SAME AMOUNT 2
LESS 3

SKIP TO SECTION E

#/

10. What is the <u>main</u> reason you are not receiving Section 8 rental assistance at this time? RECORD VERBATIM, AND CODE AFTER INTERVIEW COMPLETED.

____

____

____

NO LONGER ELIGIBLE 01
CHANGE IN PERSONAL CIRCUMSTANCES 02
VOUCHER EXPIRED BEFORE I COULD FIND UNIT THAT
MET PROGRAM REQUIREMENTS 03
DIDN'T UNDERSTAND HOW TO USE THE VOUCHER 04
DECIDED IT WASN'T WORTH IT 05
OTHER 96

#/

11. What was the last month you received Section 8 housing assistance?

_____/_____/19___
MONTH DAY YEAR

12. Do you rent or do you own your home?

RENT 1
OWN 2

13. How many bedrooms do you have in your (apartment/house)?

______NUMBER OF BEDROOMS

14. INTERVIEWER: RECORD DATE IN Q.11, OR DATE 6 MONTHS PRIOR TO INTERVIEW, WHICHEVER IS MOST RECENT.

RECORD APPROPRIATE DATE: ________/19___
MONTH YEAR

15. Now I would like to ask you some questions about your recent housing expenses and income so we can learn more about how much of their income households pay for housing. (I'd like to remind you that your answers are completely confidential.)

Right now, how much do you pay each month for (rent/the mortgage)?

$________PER MONTH

16. Are all, some, or none of your utilities, such as electricity, gas or oil, and water, included in your (rent/mortgage)?

ALL UTILITIES INCLUDED .... 1 → GO TO Q.17
SOME UTILITIES INCLUDED .... 2 → ASK A
NO UTILITIES INCLUDED .... 3 → ASK A

A. Since (DATE IN Q.14), <u>on average</u>, how much did you pay each month for:

a. electricity? $_______ per month

b. gas? $_______ per month

c. heating oil/propane? $_______ per month

d. water/sewer? $_______ per month

#/

17. <u>Last month</u>, how much income did your household receive, <u>before</u> taxes and other deductions? Please include income your household received from <u>all</u> sources, including pay from all jobs, cash assistance, social security, SSI, alimony, child support, and any other income.

$_________

#/

18. Since (DATE IN Q.14), <u>on average</u>, was your household income <u>more</u>, <u>about the same</u>, or <u>less</u> than (AMOUNT IN Q.17)?

MORE ....1 → ASK A
ABOUT THE SAME ....2 → GO TO SECTION E
LESS ....3 → ASK A

#/

A. Since (DATE IN Q.14), <u>on average</u>, how much income did your household receive <u>each month</u>, <u>before</u> taxes and other deduction? Please include the income your household received from <u>all</u> sources, including pay from all jobs, cash assistance, social security, SSI, alimony, child support, and any other income.

$________LAST MONTH

#/

Section E: Neighborhood Characteristics and Satisfaction

I'd like to ask you some questions about your neighborhood.

1. In general, how satisfied are you with the neighborhood that you live in now? Are you...

very satisfied, ...1
somewhat satisfied, ...2
somewhat dissatisfied, or 3
very dissatisfied? 4

2. I'm going to read a list of neighborhood qualities. For each, please tell me how you would rate your neighborhood. Is (READ ITEM) excellent, good, fair, or poor?

	Excell-ent	Good	Fair	Poor	Don't Know
a. the availability of good schools	1	2	3	4	8
b. the availability of public transportation	1	2	3	4	8
c. the quality and convenience of shopping	1	2	3	4	8
d. access to parks and other recreational facilities	1	2	3	4	8
e. access to hospitals and other medical care	1	2	3	4	8
f. overall safety	1	2	3	4	8
g. closeness to friends and relatives	1	2	3	4	8
h. being a good environment to raise children	1	2	3	4	8

3. INTERVIEWER: SEE DROPSHEET. THE RESPONDENT...

MOVED AFTER RECEIVING VOUCHER (FROM FACESHEET)..1 →GO TO Q.4
STAYED AT (DEVELOPMENT)/SAME UNIT.................................2 →SKIP TO SECTION
STAYED AT (DEVELOPMENT)/DIFFERENT UNIT.......................3 →SKIP TO SECTION
STAYED AT (DEVELOPMENT), THEN MOVED ....4 →GO TO Q.4

4. Is your current house or apartment in the same neighborhood as (DEVELOPMENT), or a different neighborhood?

SAME NEIGHBORHOOD ....1 → SKIP TO SECTION F
DIFFERENT NEIGHBORHOOD ....2 → ASK A

#/

A. What is the name of your neighborhood?

____

#/

5. In general, are you more satisfied, about as satisfied, or less satisfied, with the neighborhood you live in now, compared with the neighborhood where (DEVELOPMENT) is located?

MORE SATISFIED (WITH CURRENT NEIGHBORHOOD) 1
ABOUT AS SATISFIED 2
LESS SATISFIED (WITH CURRENT NEIGHBORHOOD) 3

#/

6. I'd like to ask you more about how your current neighborhood compares to the neighborhood where (DEVELOPMENT) is located.

Is (READ ITEM) better, about the same, or worse in this neighborhood?

	Better	About the Same	Worse	Don't Know
a. the availability of good schools	1	2	3	8
b. the availability of public transportation	1	2	3	8
c. the quality and convenience of shopping	1	2	3	8
d. access to parks and other recreational facilities	1	2	3	8
e. access to hospitals and other medical care	1	2	3	8
f. overall safety	1	2	3	8
g. closeness to friends and relatives	1	2	3	8
h. being a good environment to raise children	1	2	3	8

#/

Section F: Household Characteristics

I'd like to ask you some final questions about your household, for background purposes only.

1. What is your marital status? Are you currently...

   married or living in a marriage-like relationship, ...1
   separated or living apart from your (husband/wife),............2
   divorced,..3
   widowed, or...4
   have you never been married? 5

2. Just before you received your Section 8 voucher in (VOUCHER DATE), <u>in total</u>, how many people lived in your household? Please include yourself in this number.

   _____ HOUSEHOLD MEMBERS

   IF R LIVED ALONE, GO TO Q.3

   A. How many of these people were 18 years of age or older?

   _____ NUMBER 18 AND OLDER

   B. How many were under 18 years old?

   _____ NUMBER UNDER 18 YEARS OLD

3. Including you, how many people live in your (house/apartment) <u>now</u>?

   _____ HOUSEHOLD MEMBERS

   IF R LIVES ALONE, GO TO Q.4

   A. How many of these people are 18 years of age or older?

   _____ NUMBER 18 AND OLDER

B. How many are <u>under</u> 18 years old?

_____ NUMBER UNDER 18 YEARS OLD

#/

4. What was your age on your last birthday?

_____ YEARS

#/

5. Do you consider yourself to be...

White,	1
Black,	2
American Indian or Alaskan Native, or	3
Asian or Pacific Islander?	4
OTHER? (SPECIFY)________________	6

A. Are you of Hispanic descent?

YES	1
NO	2

#/

6. Has your income gone up, down, or stayed about the same since you received your Section 8 voucher?

UP	1
DOWN	2
STAYED THE SAME	3

#/

Section G: Contact Information

Thank you for your help in completing this interview.

Now I would like to verify the spelling of your name and your mailing address so that we can send you a check for $15 to thank you for your time today.

INTERVIEWER: REFER TO R'S NAME ON THE FACESHEET. Is this the correct spelling of your name? ENTER NAME BELOW.

READ ADDRESS FROM FACESHEET. Should I send your check to this address, or do you receive mail at another address. ENTER ADDRESS BELOW.

NAME: ____

STREET ADDRESS/P.O. BOX NUMBER: _________________________

____

CITY:______________________STATE:_______ ZIP:__________

RESPONDENT IS:

MALE 1
FEMALE...2

INTERVIEWER NAME: ___________________________
DATE COMPLETED: _____________________________

DROPSHEET

R MOVED AFTER RECEIVING VOUCHER (FROM FACESHEET	1
R STAYED AT (DEVELOPMENT)/SAME UNIT	2
R STAYED AT (DEVELOPMENT)/DIFFERENT UNIT	3
R STAYED AT (DEVELOPMENT), THEN MOVED	4

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