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Final Comprehensive Report of the Freestanding Housing Voucher Demonstration

Volume I

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Volume I

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EXECUTIVE SUMMARY

This report is the last of a series of reports comparing the Housing Voucher and Housing Certificate Programs. It is based on the experiences of more than 12,000 enrollees and 7,500 recipients in 19 Public Housing Agencies (PHAs), collected over a period of 2 years, as part of the Freestanding Housing Voucher Demonstration. Because participants were randomly assigned to the Housing Voucher or Certificate Program, comparison of the two groups provides a good estimate of differences in program outcomes within the PHAs sampled. The 19 Demonstration sites themselves consisted of a probability sample of 17 large urban PHAs, plus 2 statewide PHAs selected by HUD. Results for the 17 large urban PHAs can be extrapolated to all large urban PHAs, and these form the basis for this report.

Both the Housing Voucher and Certificate Programs offer low-income households assistance in renting units in the private market. Both programs require recipients to occupy housing that meets program quality and occupancy requirements. Both are administered by Public Housing Agencies (PHAs) under contract to HUD. The two programs differ in the way in which they determine housing assistance payments and in their funding mechanisms.

The Housing Certificate Program determines the amount that a family will pay from its own resources (the tenant contribution). The program housing assistance payment (HAP) then makes up the difference between this amount and the gross rent (contract rent plus scheduled allowances for utilities not included in the rent) charged by the recipient's landlord. The program is structured so that a family usually pays 30 percent of its net income as its contribution to rent. Because the assistance payment varies with the actual rent, program costs are contained by not allowing a family to rent units whose rents either exceed the HUD-determined Fair Market Rent (FMR) or are determined by the PHA to be unreasonable.

In the Housing Voucher Program, in contrast, there is a locally determined Payment Standard that initially is equal to the Fair Market Rent. The housing assistance payment or subsidy under the Housing Voucher Program is generally the difference between this Payment Standard and 30 percent of the recipient family's net income, regardless of the rent of the unit actually chosen by the family. The family assisted under Housing Vouchers is allowed

to rent any unit that meets program quality and occupancy standards, and is not limited by the Fair Market Rent or PHA determination of rent reasonableness. Program costs in the Housing Voucher Program are contained by not tying assistance payments to rent, so that assistance payments are limited by the payment standard.

In the Certificate Program, the tenant contribution is a fixed percentage of family income, and housing assistance payments to individual families vary depending on the rent. In the Housing Voucher program, on the other hand, assistance payments for a family are essentially fixed, allowing for a wide variation in the percentage of income paid by the family for rent.¹

The two programs also differ in their funding mechanisms. Under the Certificate Program, HUD allocates a fixed number of slots to PHAs and undertakes to fund the costs of these slots. Under the Housing Voucher Program, HUD allocates a five-year dollar budget to PHAs, which have some flexibility in deciding between the depth of assistance offered and the number of slots that can be funded (through their ability to set the payment standard). Under the Certificate Program funding mechanism, the government absorbs any unforeseen increases or decreases in the costs of funding a given number of slots. Under the Housing Voucher Program funding mechanism the local PHAs must absorb unforeseen increases or decreases in costs by adjusting either the number of slots funded, or the depth of the subsidy, or both.

The differences in the payment formulas for the two programs would be expected to lead to differences in the success of program enrollees in finding program-acceptable housing and actually becoming recipients, in rents paid and housing obtained, in tenant contributions and rent burdens, in the size of assistance payments, and in administrative costs. Overall, these differences between the two programs are modest. Key findings in each of these areas are presented below.

¹If a recipient's gross rent is very low, the Housing Voucher assistance payment is reduced to assure that the tenant contribution is at least 10 percent of gross income. In the Certificate Program the required minimum (and maximum) tenant contribution is the larger of 10 percent of gross income, 30 percent of net income, or, in some states, the rent allowance established by AFDC (known as "welfare rent"); the largest of these is usually 30 percent of net income.

1. Success Rates

Once a family is enrolled in the Housing Voucher or Certificate Program, it must find housing that meets program requirements in order to become a recipient and actually receive assistance. Enrollees can meet requirements by qualifying without moving if the family's pre-program unit already meets, or can be repaired to meet, program requirements, or by moving to a new unit. About 22 percent of enrollees wanted to stay in their pre-program unit, while 75 percent wanted to move (the remaining 3 percent were undecided). Enrollees who intended to move were generally in lower quality housing than enrollees who intended to stay; in addition over a third were sharing their unit with another family.

Overall, success rates in the Housing Voucher Program were 4 percentage points or 6 percent higher than the success rates in the Certificate Program--65 as compared with 61 percent. Higher success rates in the Housing Voucher Program were observed both for enrollees intending to stay in their pre-program unit (81 versus 76 percent) and enrollees intending to move (59 versus 55 percent).

(See Tables 3.1, 3.2, 3.4, 3.6, 3.7A, 3.8, 3.9, and 3.10.)

2. Tenant Rents, Tenant Contributions, and Housing Assistance Payments

On average, recipients rented units that were much more expensive than their pre-program units. Average recipient rents in the Housing Voucher Program were \$463 per month, 63 percent higher than the rents for their pre-program units. At the same time, average recipient out-of-pocket costs for housing dropped to \$153 per month, 46 percent below their pre-program levels. Expressing out-of-pocket costs as a percent of net income, average rent burdens dropped from 67 percent before the program to 35 percent in the program. The combined increase in rents and reduction in out-of-pocket costs was achieved by average housing assistance payments of \$310 per month.

Average Housing Voucher recipient rents, out-of-pocket tenant contributions, rent burdens and assistance payments were all higher than in the Certificate Program. Recipient rents were 6 percent higher, reflecting a combination of 3 percent higher pre-program rents and an 11 percent larger increase in rents. Both the tenant contributions and the assistance payments were about 6 percent higher in the Voucher Program. The average rent burden was 35 percent of net income, 4 points higher than in the Certificate Program.

(See Tables 4.1, 6.1, and 7.1.)

3. Stayers, Movers, and Movers Paying Less Than Full Pre-Program Rent

Recipients in both programs fall into three distinct groups. About a third remained in their pre-enrollment unit. Another third moved from units in which they had been the only occupants and for which they had paid the full rent. The remainder moved from units in which they had not been paying the full rent, most often because they were sharing the unit with another family, but sometimes because they worked for the landlord in partial payment of rent or received assistance from friends and relatives.

Housing Voucher recipients who stayed in their pre-enrollment units had rents that were 4 percent higher than Certificate Program recipients who remained in their pre-enrollment units. The differences, however, were almost entirely due to the fact that their pre-program rents were 3 percent higher, presumably reflecting the difference in program rules that allowed recipients in the Housing Voucher Program to rent units above the FMRs. The increase in rent for these recipients was also slightly larger than in the Certificate Program, but the difference was not significant.

Both full rent and non-full rent recipients who moved to new units had higher program rents in the Housing Voucher Program, 7 percent above the rents paid by Certificate Program recipients who moved. In this case, the difference was almost entirely due to a much larger increase in rents, with no significant difference in pre-program rents. Movers in the Housing Voucher Program also had 16 percent higher out-of-pocket costs than movers in the Certificate Program.

For recipients who stayed in their pre-program unit, both programs essentially meant a substantial reduction in rent burden. In the Housing Voucher Program rents for these recipients increased an average of only 14 percent, while their out-of-pocket costs fell 61 percent. In the Certificate Program, rents increased an average of 13 percent, while out-of-pocket costs fell 56 percent. Rent burdens fell from a pre-program level of 80 percent to 28 percent in the Housing Voucher Program, and from 78 percent to 31 percent in the Certificate Program.

Recipients who moved from units in which they had been paying the full rent both purchased better housing and reduced out-of-pocket costs. In the Housing Voucher Program, such recipients increased their rents by 63 percent above pre-program levels, while reducing their out-of-pocket costs by 44 percent. In the Certificate Program, rents increased an average of 54 percent while out-of-pocket costs fell 51 percent. For these recipients rent burdens fell from a pre-program level of 76 percent to 39 percent in the Housing Voucher Program, and from 72 percent to 31 percent in the Certificate Program.

Recipients who moved from pre-program units in which they had not been paying full rent were essentially able to obtain their own unit at no increase in out-of-pocket costs. In both programs, these recipients increased their rents by more than 200 percent. Their out-of-pocket costs were reduced by 4 percent in the Housing Voucher Program and by 16 percent in the Certificate Program. Rent burdens dropped from a pre-program level of 41 percent to a program level of 39 percent in the Housing Voucher Program, and from 43 percent to 31 percent in the Certificate Program.

(See Tables 4.3, 4.4, 6.2, 6.4, 7.2, and 7.5.)

4. Outcomes After Annual Recertification

In both programs, recipients are recertified annually. This involves recertifying eligibility and adjusting payments to take account of changes in household size, income, or rent. Almost 4,000 recipients were enrolled early enough in the Demonstration to provide information on their situation at recertification for this report.

Eleven percent of recipients in both programs terminated at or before recertification. The higher success rates of Housing Voucher enrollees were not offset by lower retention rates among recipients.

Average rent increases at recertification were 4 percent in the Housing Voucher Program and 5 percent in the Certificate Program. This difference was not significant. Furthermore it was entirely associated with the fact that Certificate Program recipients who moved at recertification had larger increases in rent than Housing Voucher recipients who moved at recertification, though the Certificate Program movers still ended up with average rents below those of Housing Voucher movers. The 85 percent of recipients who did not move at recertification increased their average rents by 4 percent in both programs.

Tenant contributions in the Housing Voucher Program increased 14 percent at recertification as compared to 7 percent in the Certificate Program. Recipient incomes were also higher at recertification and average Certificate Program rent burdens fell very slightly, while rent burdens in the Housing Voucher Program increased somewhat.

Average assistance payments at recertification decreased 1 percent in the Housing Voucher Program, while rising 4 percent in the Certificate Program. As a result, after recertification the difference in the average assistance payments in the two programs was small (\$6 per month or 2 percent) and not statistically significant.

The larger increase in tenant contributions and smaller increase in assistance payments at recertification is due to the fact that PHAs often did not increase Payment Standards to match increases in FMRs. (See Tables 3.16, 4.8, 4.9, 6.9, 6.10, and 7.6.)

5. Incentives and Rents

The two programs offer different incentives and restrictions to enrollees and recipients in searching for housing and bargaining with landlords. For most Housing Voucher households an extra dollar in rent means an extra dollar of out-of-pocket costs. Accordingly they have the same incentive as other renters in the private market to pay as little as possible consistent with the kind of housing they need. In the Certificate Program, a recipient's out-of-pocket costs are fixed, but the recipient must find a unit that meets program quality and occupancy requirements and also has a rent that meets the FMR requirement and is certified by the PHA as reasonable in terms of local market conditions. Accordingly, Certificate holders have a strong incentive to find a unit with a price low enough that it both meets quality requirements and is within the program rent ceilings, but no incentive to find units less expensive than the ceiling allows.

Recipient housing in 10 of the 19 Demonstration PHAs was evaluated to examine the connection between the differences in rents paid between the two programs and actual differences in recipient housing.

Housing Voucher recipients in the sample who moved had rents that on average were \$29 a month, or 6.7 percent, higher than Certificate Program recipients who moved. For movers, this difference mostly reflects a larger increase in rent from pre-program levels. Comparison of differences in rents with differences in real housing indicated that about \$10 of the difference in average rent between the two programs was due to better average housing in the Housing Voucher Program, while \$19 reflected payment of higher prices for similar housing. This does not mean, however, that voucher holders always paid higher prices for the same quality units. Further analysis of this average price difference suggests that Certificate holders actually pay higher prices for units in the lower quality ranges, while Voucher holders pay higher prices for higher quality units.

A pattern of higher Certificate Program prices at lower quality levels and lower Certificate Program prices at higher quality levels is not unreasonable. If Housing Voucher recipients decide to rent one unit that is more expensive than another, their out-of-pocket costs increase accordingly. Certificate holders, however, face a different cost structure, depending on the rent of the unit being considered. At lower quality levels where units are likely to rent well below the FMR, Certificate Program recipients pay no additional out-of-pocket costs for higher rent units. They have no incentive to economize on rent, whereas Housing Voucher recipients face dollar-for-dollar increases in

out-of-pocket costs for each additional dollar increase in rent charged by the landlord. However, when rents are near the FMR, the situation is different. A Housing Voucher recipient can occupy a higher rent unit by paying the additional cost out of his or her own pocket. A Certificate Program recipient can only occupy a unit with rents above the FMR if they are willing to leave the program and lose their entire subsidy. Thus, at higher quality levels, where unit rents are more likely to be above the FMR, the Certificate holder has a larger incentive to economize on rent. This pattern of incentives would be expected to create the pattern of price differences shown above--with Certificate recipients paying higher prices for lower quality units, where they have a relatively smaller incentive to shop, and lower prices for higher quality units, where they must shop more intensively in order to meet the Certificate Program rent ceilings.

Housing Voucher recipients in the special housing evaluation sample who stayed in their pre-enrollment units had rents that were about 4 percent higher than those of similar Certificate Program recipients. Analysis of real differences in housing was not able to allocate this difference in rent very precisely. The estimate was that the entire difference in rent was due to higher prices, with no difference in real housing. However, the estimated difference in prices was not significant. (See Table 5.5.)

6. Program Rules and the Distribution of Outcomes

The modest difference in average outcomes between the two programs should not conceal more substantial differences in the distribution of outcomes. Rents in the Certificate Program are very strongly tied to program rules. Among recipients in the Certificate Program who move, almost exactly 20 percent have rents above the FMRs, as allowed by program rules through individual exceptions granted by PHAs. Another 48 percent had rents within 95 percent of FMRs. In the Housing Voucher Program, in contrast, 57 percent of recipients who moved had rents above the FMRs and only 19 percent were between 95 and 100 percent of FMRs. (See Figures 4.1, 4.2, 4.3, 4.4, 4.6, 4.7, 6.1, 6.2, 6.3.)

Similarly, about 97 percent of recipients in the Certificate Program had rent burdens between 25 and 35 percent of net income (and most of these between 29 and 31 percent). Only 34 percent of Housing Voucher recipients have rent burdens in this range, with 30 percent below 25 percent of income and 37 percent above 35 percent of income.

7. Administrative Costs

Administrative costs in the Section 8 program are commonly expressed in terms of initial costs, the one-time costs involved with starting up a new program slot, and continuing costs, the annual costs required to maintain that slot thereafter (including replacing recipients who leave the program). The average administrative costs for the Housing Voucher Program were estimated to

consist of initial costs of \$579 per slot and annual operating costs of \$257 per slot. Average annual operating costs thus amount to 7 percent of average annual assistance payments. There was no material difference between the administrative costs of the two programs.

Overall these administrative costs turn out to be less than PHAs are currently being reimbursed by HUD in administrative fees; it appears therefore that PHAs on average are able to use Section 8 administrative reimbursements to defray the operating costs of other programs. (See Table 8.4.)

CHAPTER ONE

INTRODUCTION

This report is the final in a series comparing the Section 8 Existing Housing Certificate and Housing Voucher Programs based on the results of the Freestanding Housing Voucher Demonstration. It builds on an earlier analysis that used data from the first year of the Demonstration¹ as well as summarizing the results of previous reports on administrative costs and housing quality.²

Until 1974, HUD's principal programs for providing housing assistance to lower-income families involved subsidized construction or rehabilitation of housing units, which were then rented to lower-income families at below-market rents. During the 1960s, HUD began to develop a different approach. Under the Section 23 Leased Housing Program, Public Housing Agencies (PHAs) leased units from landlords in the private rental market and then sublet the units to eligible households at reduced rents. Subsequent modifications to the Section 23 program allowed some recipient households to find their own units, which the PHA then leased. Finally, in 1974, the Section 8 Existing Housing Certificate Program shifted responsibility and discretion for finding and leasing units to participating households.

The Certificate Program provides housing assistance payments to tenants living in privately owned, existing housing by paying a monthly stipend to the landlord on the tenant's behalf. The amount of the assistance payment is the difference between the unit's rent (including scheduled allowances for utilities not included in the rent) and the tenant contribution set by program rules. Recipients may live wherever they wish in the PHA's service area as long as (1) the selected unit meets HUD's housing quality criteria, (2) the rent is less than or equal to the local Fair Market Rent (FMR)³ set by HUD,

¹Kennedy and Finkel.

²Leger and Kennedy, 1988 and 1989.

³The Fair Market Rent for an area is a schedule of rents by bedroom size. The schedule is generally set equal to the 45th percentile of rents for recent movers in each metropolitan area and non-metropolitan county. They are intended to approximate the typical local area rent for a modest rental unit of a size appropriate for each household.

and (3) the rent is deemed by the PHA to be reasonable in terms of the local rental market.

The Certificate Program is considered successful. There are currently more than 800,000 households receiving assistance in the program, and the cost per household served is lower than in other HUD programs offering comparable levels of assistance. In certain housing markets, however, tenants have had difficulty finding units that meet the program's housing quality standards within the allowed rent ceilings. The Housing Voucher Program was designed to improve upon the Certificate Program by allowing families a wider range of choice in finding acceptable units. This, it was believed, would both increase family success in finding units and permit families to find units that more closely match their needs.

Specifically, the Housing Voucher Program removes ceilings on unit rents. This requires a change in the way program assistance payments are determined. In the Certificate Program, the tenant contribution is fixed by the program, and the assistance payment varies to make up the difference between the fixed tenant contribution and the actual unit rent (including utility allowances). Tenants have no motivation to lease a unit that rents for less than the program will allow. The assistance payment is capped by not allowing recipients to lease units that rent for more than the Fair Market Rent (FMR) level established by HUD for the PHA jurisdiction or, within this limit, for more than the level deemed reasonable by the PHA in terms of the local rental market.¹

In the Housing Voucher Program, in contrast, assistance payments are fixed based on a payment standard (which is in turn based on Fair Market Rent), regardless of the rent actually paid. The tenant must then contribute out of pocket whatever is necessary to meet the costs of housing that meets the program quality criteria and the tenant's needs. Since the assistance

¹PHAs have some flexibility in allowing individual exceptions to the FMR ceiling.

payment is fixed, no limit is placed on how much the tenant can pay for rent (though there is a minimum required tenant contribution).¹

To make this description more concrete, in the most common case the two programs differ as follows:

Comparison of Payments in Prototypical Case

	<u>Certificate Program</u>	<u>Housing Voucher Program</u>
Tenant Contribution	30 percent of income	30 percent of income, but if gross rent is less than the local Payment Standard, then the tenant contribution is reduced by the amount of the difference, whereas if gross rent exceeds the local Payment Standard, then the tenant contribution is increased to make up the difference.
Program Payment	FMR minus 30 percent of income, but if gross rent is less than the FMR, the program payment is reduced by an amount equal to the difference, whereas if the PHA approves a gross rent above the FMR, the program payment is increased to make up the difference.	Payment Standard minus 30 percent of income
Limits on Rent	Reasonable and less than the local FMR	None

Special cases and variations are described in Chapter 2 and Appendix D, but the main points should be clear from the prototypical case. Both programs share an underlying common tenant contribution and program payment based on

¹The Housing Voucher assistance payment is limited by a requirement that the tenant's contribution (the out-of-pocket expenses for rent and utilities net of the Housing Voucher assistance payment) be at least 10 percent of gross income. The Certificate program assistance payment is similarly limited by a requirement that the tenant contribution be the larger of 30 percent of net income or 10 percent of gross income).

the estimated local Fair Market Rent (FMR) or Payment Standard and tenant income. In the Certificate program, deviations between actual rent and the FMR accrue to the program, and rents are limited so that they are at or below the FMR. In the Housing Voucher program, deviations between actual rent and the Payment Standard accrue to the tenant, and no limitations are placed on rent.

The absence of restrictions on rent in the Housing Voucher Program offers recipients greater flexibility and responsibility in selecting units and neighborhoods. Tenants both determine the rents they will accept and bear the cost of these rents in the form of higher or lower tenant contributions. These differences between the programs could be expected to affect the success of program applicants in becoming recipients, the type and quality of housing obtained by recipients, and both recipient and program costs.

Section 207 of the Housing and Urban/Rural Recovery Act of 1983, P.L. 98-181, authorizes HUD to conduct a Housing Voucher Demonstration in order to test the desirability of a Housing Voucher Program. There initially were two components to this demonstration: a component supporting a rental rehabilitation demonstration and a "freestanding" component. HUD designed the "freestanding" portion of the demonstration to test the impact of the Housing Voucher assistance payment formula on program outcomes and costs.

This report is the final in a series of reports on the "freestanding" component. The Freestanding Housing Voucher Demonstration was conducted and analyzed by Abt Associates, Inc., under contract to HUD, in 20 PHAs across the country. These 20 PHAs consisted of 18 larger urban PHAs and two statewide PHAs. The 18 urban PHAs were a stratified probability sample of all larger, urban PHAs.¹ In addition, HUD has collected similar information directly from a sample of 41 smaller urban and rural PHAs. Results from these smaller PHAs will be analyzed separately, by HUD.

The Freestanding Housing Voucher Demonstration collected information on program outcomes and costs for about 4,000 Housing Voucher recipient slots and 4,000 Section 8 Certificate recipient slots, spread across the 20 Demonstration PHAs. In each PHA, applicants for the Section 8 Existing program

¹The sample of large urban PHAs was designed and drawn for HUD by Westat. See Appendix A for further details.

were randomly assigned to either the Housing Voucher Program or the Certificate Program. Certificates included in the Demonstration sample are referred to as "flagged certificates" to distinguish them from the rest of the PHAs' Certificate program recipients, for whom data were not collected. Data on both Housing Voucher and flagged Certificate families were taken from PHA operating records, using specially designed forms. These data were supplemented by information from external sources such as the Census and by housing inspections for a subsample of recipients in each program. In addition, the Demonstration collected extensive information on PHA administrative costs and procedures.

Demonstration operations began in San Antonio in April 1985. The last Demonstration PHA began operations in February 1986. In each PHA housing vouchers and flagged certificates were issued gradually until the sampling quota of recipients was reached. Data collection ended in September 1988.

In one PHA, Houston, very few Certificate program slots were available for the Demonstration. This materially delayed the start of the Demonstration in Houston and slowed implementation thereafter. As a result, the Houston sample of applicants and recipients was much smaller than planned, and badly distributed in terms of bedroom size. For this report, we have omitted Houston from the analysis. Fortunately, both Houston and San Antonio were drawn from the same sample stratum. Accordingly, we can still develop national estimates for the outcomes of the two programs in all larger, urban PHAs. In addition, although data collection continued until September 1988, analysis is based on issuances of Housing Vouchers and flagged Certificates prior to April 1, 1987. This was done to allow time for collection and compilation of complete data on the analytic sample cases. The samples considered in this report, therefore, are based on 12,342 enrollees and 7,525 recipients in the two programs, using data from a sample of 17 larger, urban PHAs and two statewide PHAs collected from the start of Demonstration operations in these PHAs (April to December, 1985 excluding Houston) to the end of March 1987.

The two programs are compared in terms of five outcomes:

- Success rates of program enrollees in meeting program requirements and becoming recipients;
- Rents paid and housing obtained by recipients;
- Amounts paid by recipients from their own resources;

- Program housing assistance payments; and
- Administrative costs.

The analysis of success rates is based on the sample of 12,342 enrollees. Analysis of administrative costs reflects special data collection on the entire Certificate Program (both flagged and unflagged) in the large urban PHAs, plus analysis of outcomes for the first 5,000 or so Demonstration Housing Voucher and flagged Certificate enrollees in these PHAs. We analyze recipient rents, out-of-pocket costs, and assistance payments in two ways. First, for the entire sample of 7,525 recipients, we compare outcomes when enrollees first became recipients. In addition, we compare the way in which these outcomes changed at recertification, after recipients had been in the program for one year.

Recipients in both programs are recertified annually. This involves recertification of eligibility and redetermination of assistance payments based on current recipient income, household size, rent, and relevant Payment Standard or FMR schedules. Since recertification is usually scheduled to coincide with the expiration of a recipient's lease, assistance payments, rents, and tenant contributions usually change at annual recertification. Almost 4,000 families became recipients early enough for the Demonstration to include information on their recertification. Recertification outcomes for these recipients are analyzed separately to determine whether differences between the programs change over time.

The analyses of recipient housing and administrative costs reported here are based on two previous reports.¹ The other topics were discussed in a preliminary way in a report based on data from the beginning months of the Demonstration.²

The report is organized in nine chapters, supplemented by seven appendices. Chapter 2 describes the two programs and presents basic information on the five outcomes. Chapter 3 discusses success rates, Chapter 4 recipient rents, Chapter 5 recipient housing, Chapter 6 recipient contributions and rent burdens, Chapter 7 assistance payments, and Chapter 8 administrative costs.

¹Leger and Kennedy, 1988 and 1989.

²Kennedy and Finkel, 1987.

Chapter 9 discusses patterns of outcomes across demographic groups. Each chapter compares the two programs both in terms of the initial outcomes when enrollees first become recipients and changes in outcomes for recipients during their first year in the program.

The chapters of the main text are supplemented by a series of technical appendices containing more complete presentations of the behavioral models and the data collection, sampling, and estimation procedures used in the analysis, as well as various supplementary tables. The goal of the main text is to describe the programs and their outcomes; the goal of the appendices is to provide the necessary technical detail for critical assessment of methods and variables and interpretations presented in the main text. For example, tables in the main text usually focus on the sample of urban PHAs and are weighted to provide national estimates for all large, urban PHAs. Tables in the appendices are more usually based on both the statewide and urban PHAs and use unweighted statistics to test alternative models of individual behavior.

The first three and last two appendices simply document the results presented in the main text. Appendix A supplements the brief description of the Demonstration sample in this chapter. Appendix B presents the details of the definition of the variables used in the analysis. Appendix C details the formulas used to define national estimates. Similarly, Appendices F and G simply provide more extensive tables to supplement those presented in the main text.

Appendices D and E are more substantive. Appendix D presents and tests an extensive theoretical analysis of program incentives in terms of enrollee and recipient behavior. Appendix E discusses general patterns of outcomes.

Because the sample of urban PHAs was a probability sample and because applicants were randomly assigned to the two programs, we can be reasonably confident that, within quantifiable bounds, our estimates reflect the actual differences that would be observed under alternative national programs implemented as they were in the Demonstration PHAs. There are, however, two important caveats in believing that these results fully reflect the differences in outcomes that would emerge if one or the other program were the only program funded. First, the results are based on comparison of outcomes for applicants to the current Section 8 program. The results do not therefore allow for any

possibility that Housing Vouchers would attract different applicants from the Certificate Program. We believe that this problem is relatively minor, but cannot be sure.

The second caveat seems more worrisome. One of the striking things about the results of the Demonstration was that while the differences in outcomes between the Housing Voucher and Certificate Programs are generally reasonable and often in expected directions, they are also generally small. This may simply reflect the facts of program incentives. It may also, however, reflect a considerable inertia in terms of the markets within which recipients searched for housing and the extent to which landlords in these markets discriminated between the two programs. As discussed in Chapter 3 (Section 3.4), it is clear that PHA referral lists, realtors knowledgeable about the Section 8 program, and advertisements that specifically mentioned the Section 8 program played an important role in helping enrollees to find program-acceptable housing and become recipients. Further, it appears that the vast majority of Housing Voucher landlords were already well acquainted with the Section 8 Certificate Program. While we cannot be sure, it seems possible that Housing Voucher recipients were very often dealing with landlords who were already participating in the Certificate Program.

While the Demonstration sample was more or less evenly divided between Housing Vouchers and Certificates, the vast majority of existing recipients in all sites were in the Certificate Program. Thus it seems quite possible that the Housing Voucher recipients were either renting units in buildings that were set up to conform with the Certificate Program rules or from landlords whose behavior was dominated by their dealings with the Certificate Program. This in turn means that more substantial differences could emerge if widespread adoption of a Housing Voucher program led to significant changes either in the set of participating landlords or their behaviors. On the other hand, past analyses of existing housing programs have often found relatively modest program impacts, and the modest program differences found in this report may simply be an extension of these.¹

¹See, for example, Lowry, 1983; Kennedy, 1980; and Wallace et al., 1981.

CHAPTER TWO

SUMMARY OF FINDINGS FOR THE TWO PROGRAMS

This chapter summarizes the comparison of outcomes in the Housing Voucher and Certificate Programs presented in Chapters 3 through 9, discussing in turn success rates, recipient rents and housing quality, recipient out-of-pocket costs for housing, and program assistance payments and administrative costs. We start by describing general patterns that apply to both programs and then discuss differences between the programs. The focus of results is on what happens when families first enroll in the programs and become recipients. We also, however, examine the way in which recipient outcomes change when they are recertified after one year in the program.

2.1 Common Patterns In the Two Programs

The Housing Voucher and Certificate Programs are each variants of the Section 8 Existing Housing Program and share many basic features. In both programs, actual program operations are carried out by local public housing agencies (PHAs). Eligible applicants accepted by the PHA are given from two to four months to find acceptable housing in the private rental market. To be acceptable in either program, a unit must meet program quality and occupancy standards, and the unit's owner must agree to participate in the program. The owner then signs a lease with the applicant and a separate contract with the PHA. These contracts set the rent for the unit and specify the amount that the PHA will contribute towards paying the rent (the program contribution or housing assistance payment) and the amount to be paid by the tenant (the tenant contribution).

These common features create common patterns of program outcomes, and it may be useful, before discussing program differences, to characterize the overall way in which the programs work. For concreteness, we do this in terms of the Housing Voucher Program, though, alternatively, we could have presented figures for the Certificate Program or averages of the two programs.

The first hurdle faced by enrollees in either program is to find a unit that qualifies for the program--that is, that meets program occupancy and quality requirements and is owned by a landlord who is willing to participate. In the Housing Voucher Program, on average, 65 percent of enrollees

succeeded in qualifying for the program and becoming recipients (Table 2.1). While the success rate in most PHAs is reasonably high, ranging from 60 to 80 percent, rates were lower than this in three PHAs and as low as 33 percent in one PHA. The reasons for this variation in success rates across PHAs are not clear.

Enrollees can qualify without moving if their pre-enrollment unit meets (or can be repaired to meet) program requirements. Otherwise they must find a new unit. Except for recipients who actually qualified in place, we generally do not know whether an enrollee's pre-program unit would have qualified. Even where there are inspections of pre-enrollment units we do not know whether an unacceptable unit could have been repaired to meet requirements or was owned by a landlord who was willing to participate. We can, however, rate units as more or less likely to be physically inadequate or overcrowded based on enrollees' descriptions at enrollment of their then-current unit. As might be expected, enrollees in units rated as more likely to be inadequate or more likely to be overcrowded had lower-than-average success rates (Table 2.1).

Enrollees are also likely to have to move if they are sharing their pre-enrollment unit with another family. Such subunits accounted for a substantial 37 percent of enrollees. They were somewhat younger than other enrollees, often living in more crowded conditions, and most typically a single parent with one or more children. They seem in general to have been the junior partners in their units, since they almost never qualified in place by having the other family move out. They had a slightly lower success rate than all enrollees (Table 2.1).

We did ask enrollees whether they intended to move or stay in their pre-program unit. As it turned out, these intentions were strongly associated with enrollees' housing situations and with whether they in fact moved or qualified in place. As discussed in Chapter 3, enrollees intending to stay in their pre-program units included almost no subunits or families living in housing rated as more likely to be inadequate or overcrowded. In contrast, 35 percent of those intending to move were subunits, 29 percent lived in housing that appeared likely to be inadequate, and 11 percent in housing that appeared likely to be overcrowded (See Table 3.7B of Chapter 3).

TABLE 2.1

SUCCESS RATES IN THE HOUSING VOUCHER PROGRAM: OVERALL AND BY
INTENTION TO MOVE AND PRE-PROGRAM HOUSING CONDITION
 (National Estimates for Large Urban Areas)

	<u>All</u> <u>Enrollees</u>	<u>Enrollees</u> <u>Who Were</u> <u>Sharing</u> <u>Their Pre-</u> <u>Program</u> <u>Unit</u>	<u>Enrollees Not Sharing</u> <u>Their Pre-Program Unit</u>	
			<u>And In</u> <u>Pre-Program</u> <u>Units More</u> <u>Likely to Be</u> <u>Inadequate</u>	<u>And In</u> <u>Pre-Program</u> <u>Units More</u> <u>Likely to be</u> <u>Overcrowded</u>
All Enrollees				
Percent of Enrollees	100%	37%	18%	25%
Success Rate	65	63	42	59
Enrollees Intending to Stay in Their Pre-Program Unit				
Percent of Enrollees	22 ^a	3 ^b	9 ^b	3 ^b
Success rate	81	NA	65	82
Enrollees Intending To Move from Their Pre-Program Unit				
Percent of Enrollees	75 ^a	96 ^b	89 ^b	97 ^b
Success rate	59	NA	41	57

^aAbout 3 percent of enrollees were not sure whether they wanted to move or stay.

^bThese figures are unweighted estimates and not national estimates.

Sources: Tables 3.1, 3.2, 3.4, 3.6, 3.7A, 3.9, 3.10

Success rates were markedly higher for enrollees who intended to stay in their pre-program unit (Table 2.1). Among those intending to stay, 81 percent succeeded in becoming recipients (68 percent in place). Among those intending to move, 59 percent succeeded in becoming recipients (only 6 percent in place). This confirms a common finding in evaluations of the Section 8 program. Finding housing that meets program requirements can be a real barrier to successful participation, and those who are already in such housing have a considerable advantage.¹ Indeed, there is evidence that even among enrollees intending to move, those living in better pre-program units were more likely to qualify.

The housing obtained by recipients is on average much more expensive than their pre-program housing (Table 2.2). Average recipient rents in the Housing Voucher Program were \$463 per month as compared with \$284 per month for pre-program units. At the same time, recipients' out-of-pocket costs are sharply reduced, from the \$284 per month they paid in rent before joining the program to \$153 per month after becoming recipients. Some indication of the importance of this reduction may be obtained by expressing this in terms of rent burden, defined as recipient out-of-pocket costs for housing as a percent of recipient net income. The average pre-program recipient rent burden, calibrated in this manner, was 67 percent of net income; the average rent burden in the program was 35 percent. The reduction in recipient rent burden is, of course, the result of the housing assistance payment. These payments averaged \$310 per month when enrollees first became recipients.

The way in which the assistance provided by the program is allocated among increased unit rents and reduced recipient rent burdens differs sharply depending on whether they in fact paid their full pre-program rent. In general, subunits paid very low rents, suggesting that they may have been partially subsidized by the other family involved, though this could also reflect the part of the unit that they actually occupied. In addition, some other recipients, who were not subunits, received help from friends or relatives or obtained reduced rent by working for the landlord.

¹See Kennedy (1980), pp. 151-169, Kennedy and MacMillan (1983), pp. 102-105, and Kennedy and Wallace (1983), especially the discussion of pp. 60-61 and the findings on the effect of distance from meeting prototype requirements on meeting in place (pp. 92 and 98).

TABLE 2.2

RENTS, RENT BURDENS AND ASSISTANCE PAYMENTS
IN THE HOUSING VOUCHER PROGRAM
(National Estimates)

	All Recipients	Recipients Who Qualify In Place	Recipients Who Move Full Rent	Recipients Who Move Non- Full Rent
<u>Percent of Recipients</u>	100%	37%	34%	29%
<u>Gross Rent</u>				
Pre-program	\$284	\$362	\$310	\$153
Recipient	463	412	507	477
Change ^a				
Dollars	179	50	196	324
Percent	63%	14%	63%	212%
<u>Tenant Contribution</u>				
Pre-program	\$284	\$362	\$310	\$153
Recipient	153	142	173	145
Change ^a				
Dollars	-130	-220	-136	-6
Percent	-46%	-61%	-44%	-4%
<u>Tenant Rent Burden</u>				
Pre-program	67%	80%	76%	41%
Recipient	35	28	39	39
Change ^a	-33 pts	-53 pts	-37 pts	-2 pts
<u>Assistance Payment</u>				
Dollars	\$310	\$270	\$334	\$332
Average Value of Change in Gross Rent as a Percent of Assistance Payments ^b	55%	17%	59%	100%

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aChange figures may not equal the difference between pre-program and program values due to rounding in missing data on pre-program rents for some recipients.

^bThis is the average across individuals. Values for the average change in gross rent as a percent of the average assistance payment are slightly different.

Sources: Tables 4.1, 4.3, 4.4, 6.1, 6.2, 6.4, 7.1, 7.2, 7.5

Thirty-seven percent of recipients qualified in their pre-program unit. Almost all of these were in fact paying their full pre-program rents. As might be expected, stayers as a group showed the lowest increase in rents and the largest drop in out-of-pocket costs. Average rents for this group were \$50 per month or 14 percent above their pre-program levels. On average the increase in rent was 17 percent of the assistance payment for this group; the rest of the payment was devoted to reducing tenant contributions by 61 percent, decreasing rent burdens from 80 to 28 percent.

Sixty-three percent of recipients moved from their pre-program unit. Thirty-four percent were paying the full rent in their pre-program unit. On average, movers who were paying their full pre-program rents allocated 59 percent of their assistance payment to increased rents, increasing their average rent by 63 percent, from \$310 to \$507 a month. At the same time, they also achieved a substantial drop in tenant contributions, reducing their average rent burden from a pre-program level of 76 percent to 39 percent. Movers who were not paying their full pre-program rents directed almost all of the assistance payment to increased rent. Essentially they were able to move into their own units at no increase in out-of-pocket costs.

As with any program, the process of enrolling families, certifying and recertifying eligibility, making monthly payments, and otherwise carrying out the program rules entails administrative costs. In the case of the Section 8 program these costs are commonly expressed in two parts--first, the one-time costs involved with starting up a new program slot; and second, the annual costs required to maintain that slot thereafter (including replacing recipients who leave the program). As discussed in Chapter 8, the average administrative costs for the Housing Voucher Program were estimated to consist of initial costs of \$579 per slot and annual operating costs of \$257 per slot. Average annual operating costs thus amount to 7 percent of average annual assistance payments. Overall these administrative costs turn out to be less than PHAs are currently being reimbursed by HUD in Section 8 administrative fees; it appears therefore that PHAs on average are able to use Section 8 administrative reimbursements to help defray the operating costs of other HUD programs.

These overall patterns are common to both programs, though the details vary. They reflect the common elements in the two programs created by the

housing requirements and the process of subsidizing recipients in the existing private rental market through payments to landlords for part of the recipient's rent.

2.2 Differences Between the Two Programs

The central difference between the two programs is in the way in which they determine the size of housing assistance payments. Under the Certificate Program, the recipient contribution is fixed at 30 percent of net income, and the program pays the difference between this fixed tenant contribution and the rent.¹ In order to set some limit on assistance payments, allowable rents are limited. This is done in two ways, First, rents may not exceed the schedule of Fair Market Rents (FMRs). A schedule of FMRs by bedroom size is published

¹The actual rule is that the tenant contribution is the larger of 10 percent of gross income, 30 percent of net income (gross income net of various deductions), or welfare rent. The 30 percent of net income figure was larger than 10 percent of gross income for 99.4 percent of the 7,605 Demonstration recipients (including Houston). The welfare rent rule applies only in certain states in which ADC payments include an allowance for rent equal to the ADC family's out-of-pocket expenses for rent up to a maximum amount, called the welfare rent. In these states, housing assistance payments that reduce the tenant contribution of ADC recipients below the welfare rent would be offset dollar for dollar by a reduction in ADC payments. Accordingly, in such "as-paid" states, the Certificate program sets the tenant contribution for ADC recipients equal to the larger of 30 percent of net income, 10 percent of gross income, or the welfare rent. Only two states included in the Demonstration were as-paid states--Michigan and New York--and Michigan changed its ADC rules during the Demonstration. Almost one-third of Certificate Program recipients in the two New York PHAs (Erie County and New York City) were affected by the welfare rent rule, with an average 31 percent increase in tenant contribution due to the rule (see Appendix D, Table D.1). Accordingly, for simplicity the discussion in this chapter describes the programs in the case where the tenant contribution is 30 percent of net income. For a full discussion of all possible variations, see Appendix D.

annually by HUD for each area of the country.¹ Second, the unit rent must be determined by the PHA to be reasonable, given local market conditions.

Under the Housing Voucher Program, in contrast, the maximum assistance payment is fixed, and the tenant contribution varies to make up the difference between the rent paid to the landlord and the assistance payment. Accordingly, the Housing Voucher Program places no limits on recipient rents.

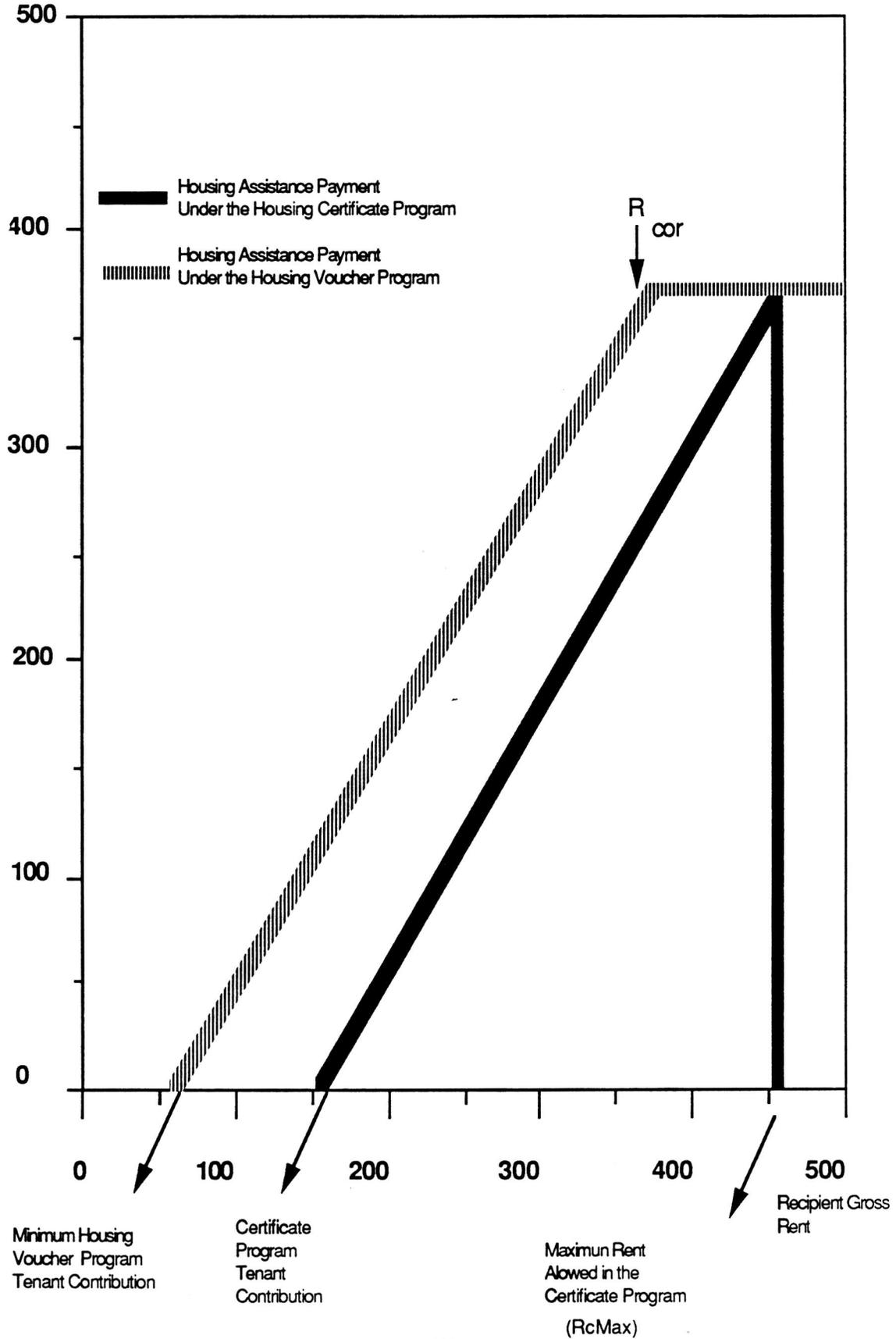
The differences in payment formulas between the two programs mean that the way in which the rent is divided up between what a recipient pays for housing out of his or her own pocket and the program's assistance payment will also be different. Figure 2.1 shows the relationship between the housing assistance payment and the recipient's gross rent. The Certificate Program ties assistance payments directly to gross rent in order to maintain a program-determined tenant contribution and limits the assistance payments by limiting recipients' gross rents. The Certificate Program tenant contribution is fixed at the larger of ten percent of gross income or 30 percent of net income.² As in the example illustrated in Figure 2.1, if the recipient's gross rent is less than this, the assistance payment is zero. Above this level, the assistance payment increases dollar for dollar with recipient gross rent, making up the difference between gross rent and the fixed Certificate Program tenant contribution, until rent reaches the maximum allowable limit set by the program (R_{\max}^C in Figure 2.1). If a Certificate recipient wishes to spend more than this, he or she must leave the program and give up any assistance; accordingly, for rents above the maximum limit, in Figure 2.1 the graph shows that Certificate assistance payments fall to zero.

¹PHAs have some flexibility with respect to the FMR ceiling. In general, the gross rent (contract rent plus scheduled amounts for utilities paid by the tenant) may not exceed the FMR scheduled rent for that unit size and type established by HUD for the PHA jurisdiction. However, (1) the PHA may approve rents of up to 10 percent above the FMR on a case-by-case basis for up to 20 percent of the units; (2) the PHA may extend this to more than 20 percent of units with HUD permission; and (3) the PHA may obtain HUD approval for either categorical (size-type) or case-by-case increases in rent limits to up to 20 percent above the FMR. In addition, certain subsidized housing projects (e.g., Section 236 projects) have rent schedules that are approved separately by HUD. In these cases, the PHA may agree to accept the HUD-approved schedules for these projects, as long as they do not exceed the FMRs.

²Or welfare rent. See the earlier note on tenant contribution.

FIGURE 2.1

Housing Assistance Payments
As A Function of Recipient Gross Rent



In contrast, the Housing Voucher Program fixes the assistance payment directly, removes the ceiling on recipient gross rents, and allows the tenant contribution to vary. The Housing Voucher Program has a minimum tenant contribution of 10 percent of gross income. If 10 percent of gross income is larger than 30 percent of net income, the Housing Voucher minimum tenant contribution will equal the Certificate Program tenant contribution. In fact, as indicated in the example of Figure 2.1, the minimum Housing Voucher tenant contribution is almost always less than the Certificate Program tenant contribution.

If recipient gross rent is below the minimum tenant contribution, the Housing Voucher assistance payment is zero. Above this level, the Housing Voucher assistance payment rises dollar for dollar with gross rent until the housing assistance payment reaches its maximum amount. This maximum amount is the difference between the Housing Voucher Payment Standard (initially set equal in the Demonstration to the Fair Market Rent) and 30 percent of net income. The recipient reaches this maximum assistance payment if unit gross rent is at or above the Payment Standard minus the difference between 30 percent of net income and 10 percent of gross income (R_{COR} in Figure 2.1).¹ The recipient may rent units with gross rents above this level, receiving the maximum assistance payment and making up the difference with a higher tenant contribution.

The way in which the two formulas differ is further illustrated in Table 2.3. As indicated at the top of the table, the Certificate Program begins by calculating the tenant contribution (the larger of 30 percent of net income or 10 percent of gross income) and then calculates an assistance payment equal to the difference between gross rent and tenant contribution. The Housing Voucher Program reverses this. It begins by calculating an assistance

¹In other words, the Housing Voucher assistance payment reaches its maximum as soon as the tenant out-of-pocket cost is at least 10 percent of gross income, i.e., as soon as

$$R - S \geq 0.1 Y_G$$

$$R - (PS - 0.3 Y_N) \geq 0.1 Y_G$$

$$R \geq PS - (0.3 Y_N - 0.1 Y_G)$$

TABLE 2.3

ILLUSTRATION OF HOUSING ASSISTANCE PAYMENTS
AND TENANT CONTRIBUTIONS
AT VARIOUS RECIPIENT RENT LEVELS

Housing Voucher Program

Housing Assistance Payment = (Payment Standard) - (.3 Net Income)

Tenant Contribution = (Rent) - (Housing Assistance Payment)

Except that the housing assistance payment is reduced if the tenant contribution is less than 10 percent of gross income.

Housing Certificate Program

Tenant Contribution = The larger of 30 % of Net Income, 10 percent of Gross Income, or welfare rent

Housing Assistance Payment = (Gross Rent) - (Tenant Contribution)

Except that rent must be less than FMR (exceptions to 1.1 times FMR).

Example

FMR	= \$450/month
Payment Standard	= 450/month
Gross Income	= 660/month
Net Income	= 500/month

1. Gross Rent = \$400/Month

Housing Voucher Program

Housing Assist. Pay. = $\$450 - (0.3)(500) = \300

Tenant Contribution = $\$400 - 300 = \100

Housing Certificate Program

Housing Assist. Payment = $\$400 - 150 = \250

Tenant Contribution = $(0.3)(500) = \$150$

2. Gross Rent = \$450/month

Housing Voucher Program

Housing Assist. Pay. = $\$450 - (0.3)(500) = \300

Tenant Contribution = $\$450 - 300 = \150

Housing Certificate Program

Housing Assist. Payment = $\$450 - 150 = \300

Tenant Contribution = $(0.3)(500) = \$150$

3. Gross Rent = \$490/Month

Housing Voucher Program

Housing Assist. Payment = $\$450 - (0.3)(500) = \300

Tenant Contribution = $\$490 - 300 = \190

Housing Certificate Program

If PHA grants exception to allow rent above FMR:

Housing Assistance Payment = $\$490 - 150 = \340

Tenant Contribution = $(0.3)(500) = \$150$

payment (the Payment Standard minus 30 percent of net income), and then calculates the tenant contribution as the difference between gross rent and the assistance payment.

Specific examples shown in Table 2.3 are for a family with a gross income of \$660 per month, a net income of \$500 per month, and an FMR and Payment Standard of \$450 per month. The Certificate Program sets the tenant contribution at \$150;¹ the Housing Voucher Program sets the assistance payment at \$300. Thus, if the recipient rents a unit with a gross rent of \$400 per month, he or she will pay \$150 under the Certificate Program, with the assistance payment equal to the difference between gross rent and tenant contribution (\$250). The Housing Voucher Program in contrast sets the assistance payment at \$300 per month and the tenant then pays the difference between the gross rent and the assistance payment (in this case \$100).²

At a gross rent equal to the payment standard and FMR of \$450 per month, tenant contributions and assistance payments are the same in the two programs. The Certificate Program requires the same \$150 tenant contribution as it did at the lower rent of \$400 per month, so the assistance payment increases with rent to \$300 per month. The Housing Voucher Program pays the same assistance payment of \$300 per month that it did at the lower rent of \$400 per month, so the tenant contribution increases with rent to \$150 per month.

As gross rent rises above \$450 to \$490 per month, the Housing Voucher assistance payment remains at \$300 per month, so the tenant contribution rises further, to \$190 per month. The Certificate Program generally does not permit tenants to rent units with rents above the FMR, which is \$450 in this example. However, PHAs may grant exceptions to up to 20 percent of recipients that allow them to pay rents up to 10 percent above the FMR. If the PHA granted this exception for a Certificate Program recipient, the tenant contribution would remain at \$150 and the assistance payment would increase to

¹That is, 30 percent of the recipients' net income of \$500 per month, since this is greater than 10 percent of gross income.

²But notice that if the gross rent were below \$366, the Housing Voucher assistance payment would be reduced so that the tenant contribution would always be at least 10 percent of gross income (\$66 per month).

\$340. If the PHA did not grant this exception, the recipient would not be allowed to rent the unit.

The recipient's out-of-pocket payment for gross rent is simply the difference between the recipient's gross rent and the housing assistance payment. This is shown in Figure 2.2. In the Certificate Program, the recipient is only allowed to occupy units with gross rents between the minimum and maximum allowed levels. However, within this range of rents, the tenant payment is fixed. There is also a minimum gross rent in the Housing Voucher Program (though it will usually be lower than that in the Certificate Program), and also a range of rents over which tenant payments do not vary because assistance payments increase to match any higher rent. After a point, however, assistance payments stop increasing and any further increase in gross rent is paid by the recipient.

These differences in program payment formulas were expected to lead to differences in success rates, recipient rents and housing, tenant contributions and assistance, and administrative costs.

Because the Housing Voucher Program allows Housing Voucher holders to choose from among a wider range of units than similar Certificate holders, it was generally expected that the Housing Voucher holders would be more successful in finding units that meet program housing quality and occupancy standards and becoming recipients. Since recipients in the Housing Voucher Program, unlike those in the Certificate Program, can reduce their out-of-pocket costs by renting less expensive units, it is theoretically possible that enough Housing Voucher recipients would look for lower rent units that the program would end up with lower success rates. In fact, however, success rates in the Housing Voucher Program were modestly, but significantly, higher than those in the Certificate Program--65 as compared with 61 percent (Table 2.4). The slightly higher Housing Voucher success rates occur both for enrollees intending to stay in their pre-program unit and for enrollees intending to move.

Because the Housing Voucher Program sets no limits on recipient rents or rent burdens, it seemed possible that some Housing Voucher recipients might undertake out-of-pocket costs that they could not afford and drop out of the program. In fact, as discussed in Chapter 3, among the almost 4,000 Housing Voucher and Certificate recipients who were enrolled in the Demonstration early enough to be observed for one year, exactly 11 percent in each program

FIGURE 22

Tenant Payment as a Function of Recipient Gross Rent

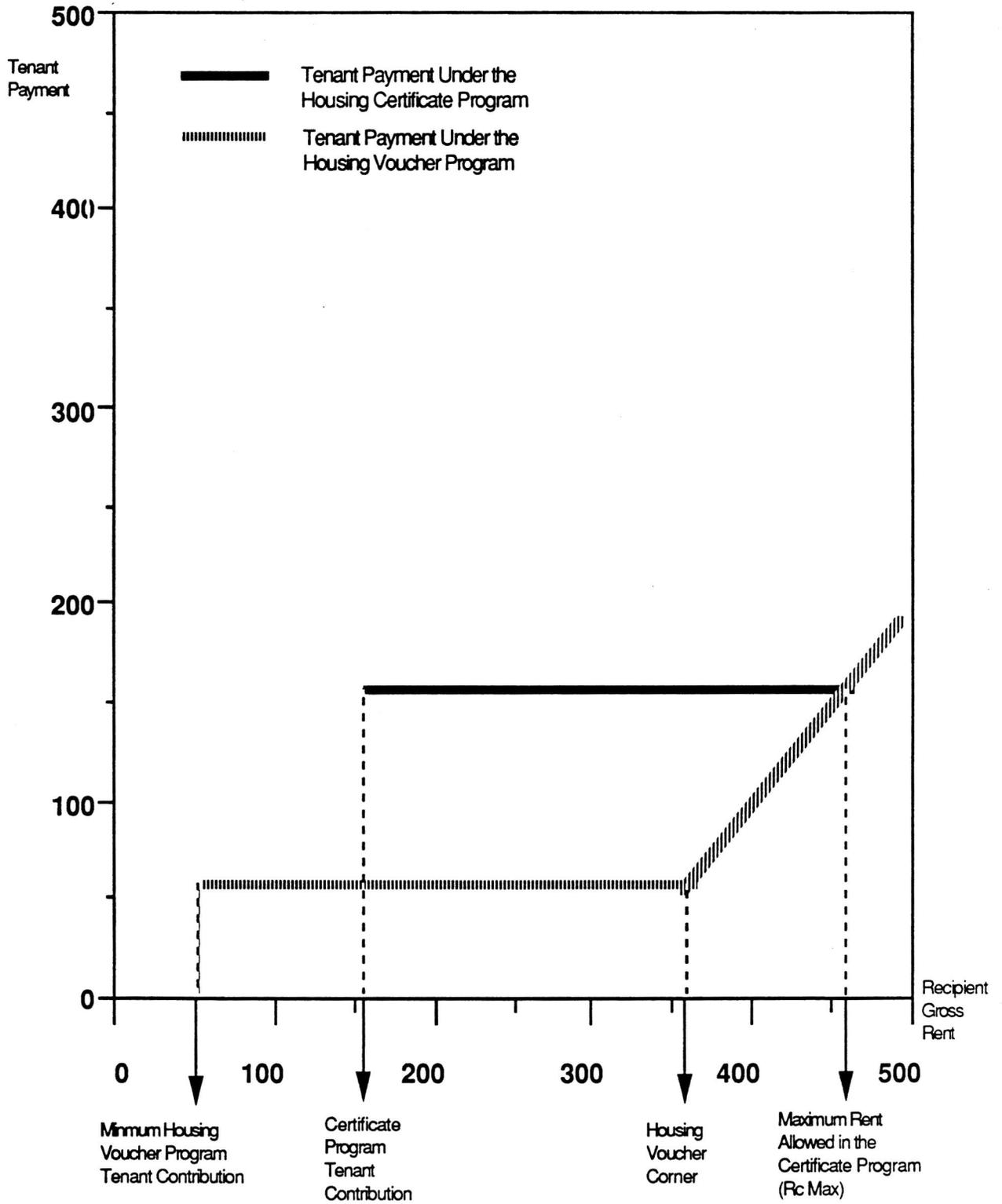


TABLE 2.4

COMPARISON OF SUCCESS RATES IN THE TWO PROGRAMS

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Differ- ence^a</u>	<u>t- Statistic</u>
<u>All enrollees</u>	65%	61%	4 pts	2.00*
<u>Enrollees intending to stay</u>				
All	81	76	5	2.50*
Pre-enrollment units more likely to be inadequate	65	67	-2	0.20
Pre-enrollment units more likely to be overcrowded	82	76	6	0.88
Pre-enrollment units have rents above 80% of FMR	84	78	6	1.89‡
<u>Enrollees intending to move</u>				
All	59	55	3	1.64‡
Pre-enrollment units more likely to be inadequate	41	35	6	1.61
Pre-enrollment units more likely to be overcrowded	57	52	4	1.19
Pre-enrollment units have rents above 80% of FMR	67	62	5	0.59

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aDifferences may not be the same as the difference of the figures shown for the two programs due to rounding.

Sources: Tables 3.1, 3.8, 3.9, 3.10

terminated at or before their annual recertification. The modestly higher Housing Voucher success rates are not offset by lower retention rates for recipients.

In terms of housing, recipients in both programs may, of course, elect to remain in their pre-program units if they meet (or are repaired to meet) program occupancy and quality requirements and if, in the Certificate Program, their rents are within the allowed program limits. For recipients qualifying in place, we might expect that average rents in the Certificate Program would be lower, since the Certificate Program prohibits units with rents above its allowed ceilings. On the other hand, Certificate recipients have no incentive to resist increases in rents up to allowed levels, since their out-of-pocket costs are not affected by the unit's rent. Housing Voucher recipients have an incentive to resist increases, since their out-of-pocket costs increase dollar for dollar with unit rents (at least for those with rents above the "corner" rent of Figure 2.2). Accordingly we might expect to see some difference between the two programs in the change in rents for recipients who qualify in place.

The average rents paid by Housing Voucher recipients who qualify in place are 4 percent higher than the rents paid by similar Certificate Program recipients. These higher recipient rents simply reflect higher pre-program rents. There is no significant difference between the programs in the increase in rents for recipients who qualify in place (Table 2.5) In both programs, recipients who qualify in place increase their rents by an average of about 13 or 14 percent of their average pre-program rents. It appears that the FMR ceilings and rent reasonableness tests of the Certificate Program and the recipient incentives provided by the Housing Voucher Program are equally effective in controlling rent increases. This is further confirmed by comparison of increases in rents at the annual recertification of recipients. As discussed in Chapter 4, among recipients who did not move from their initial recipient unit, rent increases at recertification averaged 4 percent in both programs.

More extensive differences between the programs might be expected for recipients who move. For Certificate recipients who move, it seems likely that they will tend to rent units near the maximum allowable rent, since taking less expensive housing would not reduce their own tenant payment.

TABLE 2.5

COMPARISON OF RECIPIENT RENTS FOR RECIPIENTS WHO QUALIFY IN PLACE

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>	<u>t- Statistic</u>
<u>All Recipients Who Qualify In Place</u>				
Pre-program gross rent	\$362	\$351	\$11	1.66‡
Recipient gross rent	412	397	15	3.46**
Change in gross rent				
Dollars	50	46	4	0.64
Percent	14%	13%	1 pt	NA
<u>Recipients Who Qualify In Place Without Repairs</u>				
Pre-program gross rent	\$366	\$354	\$12	1.72‡
Recipient gross rent	404	392	12	3.73**
Change in gross rent				
Dollars	39	39	-0	0.05
Percent	11%	11%	-0 pts	NA
<u>Recipients Who Qualify In Place With Repairs</u>				
Pre-program gross rent	\$355	\$345	\$10	1.15
Recipient gross rent	424	405	20	2.74**
Change in gross rent				
Dollars	68	59	9	1.30
Percent	19%	17%	2 pts	NA

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

Sources: Tables 4.3, 4.7

Similarly, Housing Voucher recipients who move would be expected to look for units with gross rents at least as large as the "corner rent" in Figures 2.1 and 2.2. Above this, however, they may choose from among a range of rents either higher or lower than the Certificate Program maximum, depending on their needs and the cost of housing that meets program standards. Thus, we would expect that recipient rents in the Housing Voucher Program are likely to be more dispersed than in the Certificate Program. In addition, given the modestly higher success rates for the Housing Voucher Program, we would also expect that Housing Voucher recipients would be paying modestly higher average rents, reflecting the removal of the Certificate Program rent ceilings.

Both of these expectations are met. As shown in Table 2.6, among recipients who move, average recipient rents in the Housing Voucher Program are \$33 per month or 7 percent higher than average recipient rents in the Certificate Program. This is almost entirely due to the larger changes in rents as recipients move to new units (\$256 in the Housing Voucher Program as compared with \$231 in the Certificate Program). Furthermore, the distribution of Certificate Program recipient rents conforms very closely to the Fair Market Rents (FMRs) established by HUD as ceilings on allowable rents, as shown in Figure 2.3. As allowed by the Certificate Program rules, almost 20 percent of recipients who moved were apparently granted exception rents above the FMR. Another 48 percent had rents between 95 and 100 percent of FMR (with almost half of these exactly at the FMR). In the Housing Voucher Program, in contrast, 57 percent of recipients who moved had rents above the FMRs and only 19 percent were between 95 and 100 percent of FMRs.

Although Housing Voucher recipient rents are less tightly tied to FMRs than Certificate Program recipient rents, the rents in the Housing Voucher Program still show an unexpectedly close relationship to FMRs. Two possible explanations are suggested for this phenomenon. First, of course, it is possible that Fair Market Rents very accurately estimate what it costs to find a modest existing rental unit that meets program quality and occupancy requirements. Second, it is also possible that Housing Voucher recipients were frequently renting units in parts of the rental market that were dominated by the influence of the Certificate Program. Some evidence in support of both explanations is presented in Chapters 3 and 4.

TABLE 2.6

COMPARISON OF RECIPIENT RENTS FOR RECIPIENTS WHO MOVE

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>	<u>t- Statistic</u>
Pre-program gross rent	\$237	\$229	\$8	1.81‡
Recipient gross rent	493	460	33	5.98**
Change in gross rent				
Dollars	256	231	25	4.77**
Percent	108%	101%	6.9 pts	NA

** = Significant at 0.01 level

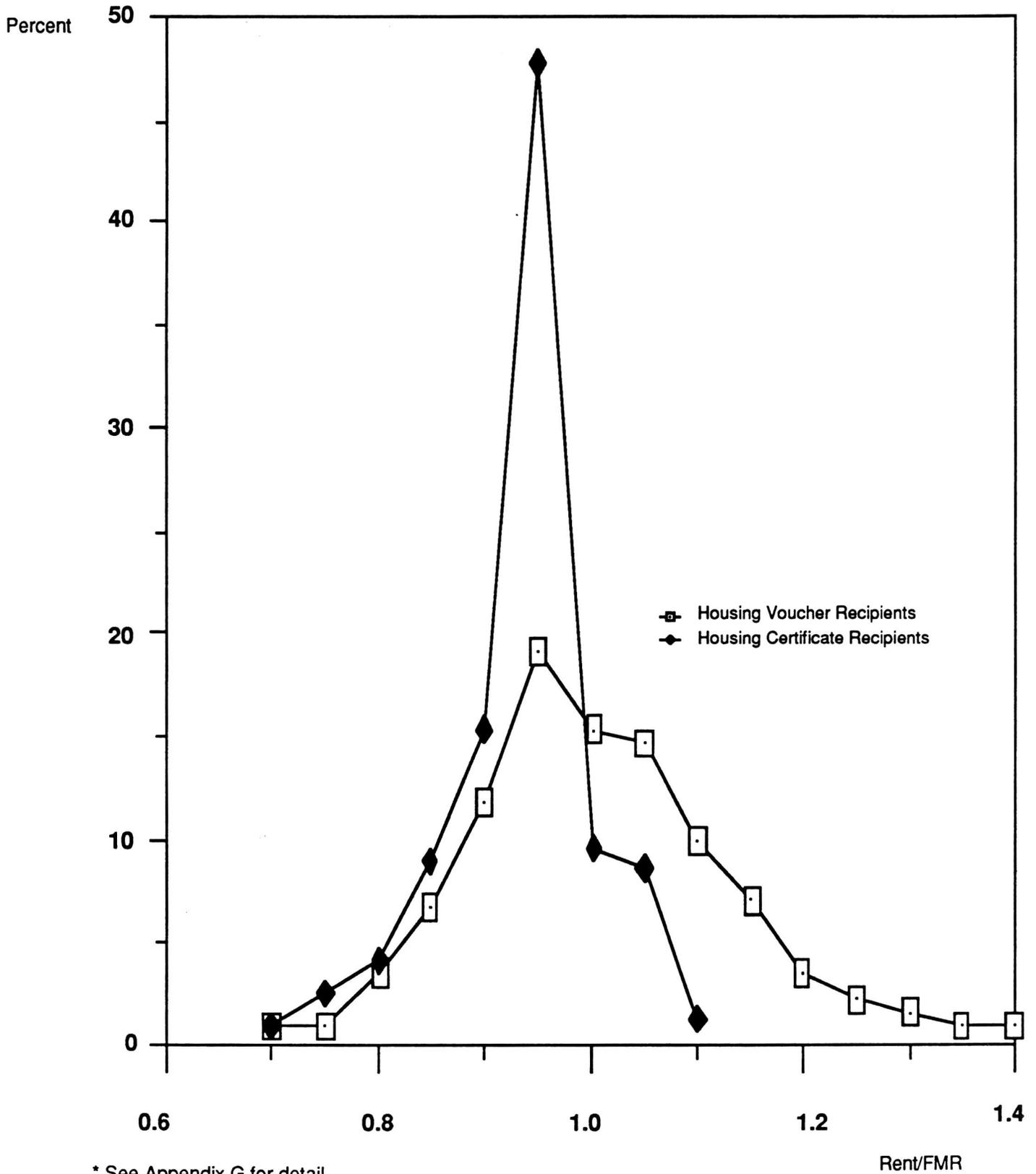
* = Significant at 0.05 level

‡ = Significant at 0.10 level

Source: Table 4.3

Figure 2.3

Distribution of the Ratio of Recipient Gross Rents to FMRs:
Recipients Who Moved to Otherwise Unsubsidized Units and
Paid Their Full Pre - Program Rent (National Estimates) *



* See Appendix G for detail.

Because the two programs have different relationships between unit rents and the amount paid by the tenant, they may change the shopping behavior of enrollees in terms of the effort devoted to finding good deals. In addition, under the Certificate Program PHAs may restrict rents based on their assessment of local market conditions. To the extent that Section 8 landlords comprise a distinguishable submarket, FMR ceilings and PHA involvement in rent negotiations may provide not only improved information but also monopsony bargaining power.

We have already compared rent increases in the two programs for enrollees who did not move when they became recipients and for recipients who did not move at recertification. These comparisons suggested that the incentives to recipients in the Housing Voucher Program to resist new increases were neither more nor less effective than the FMR ceilings and rent reasonableness rule of the Certificate Program. Even so, it is desirable to examine directly the extent to which recipients in the two programs obtain equivalent housing for equal rents. This was done by evaluating the housing of samples of recipients in both programs in ten of the Demonstration PHAs and comparing their housing with rents paid.

Among recipients that would have moved from their pre-program units in this sample, Housing Voucher recipients had average rents that were \$29 per month or 6.7 percent higher than similar Certificate Program recipients (Table 2.7). We estimate that \$19 of this difference was due to 4.3 percent higher prices paid by Housing Voucher recipients. The remaining \$10 represents a real 2.3 percent greater value of Housing Voucher recipient housing. Estimates for recipients who remained in their pre-program units are less precise. The estimate is that the entire 4 percent difference in rents simply reflects higher prices paid by Housing Voucher recipients. However, the difference in prices is not statistically significant.

With the exception of certain special cases, tenant contributions in the Certificate Program are definitionally equal to 30 percent of net income and generally independent of unit rents. Accordingly, in the Certificate Program there will be a strong association between tenant contributions and income, and a weaker association between program assistance payments and income. In the Housing Voucher Program, this is reversed: assistance payments should be more strongly, and tenant contributions more weakly, tied to recipient income.

TABLE 2.7
COMPARISON OF PRICES PAID IN THE TWO PROGRAMS
 (Special sample)

	<u>Movers</u>	<u>Stayers</u>
Differences in average contract rent. Housing Voucher rents are higher by:		
Dollars	\$9.22**	\$15.16**
Percent	6.7%**	3.7%**
Percentage difference in price paid	4.3%**	4.4%**
Percentage difference in real housing obtained	2.3%‡	-0.5%

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

Source: Table 5.5

In fact, average recipient rent burdens in the Housing Voucher Program were 35 percent--modestly, though not significantly higher than the average recipient rent burden of 31 percent in the Certificate Program (Table 2.8).¹ This appears to be in part due to higher pre-program rent burdens. Both programs achieve a dramatic reduction in rent burdens from pre-program levels, and the difference in the average reduction is only 2 percentage points (33 percentage points in the Housing Voucher Program as compared to 35 percentage points in the Certificate Program). However, while average rent burdens are not very different in the two programs, there is a material difference in the way in which they vary across recipient groups. For example, Housing Voucher recipients who qualify in place often have rents below the Payment Standard, reducing their rent burdens to less than 30 percent of net income. In fact, their average rent burden is lower than those of Certificate Program recipients who qualify in place. Whereas both movers and stayers in the Certificate Program have the same average rent burden, in the Housing Voucher Program movers have higher rent burdens.

More generally, as shown in Figure 2.4, rent burdens in the Certificate Program are tightly clustered around the 30 percent level set by the program for most recipients. About 97 percent of Certificate recipients have rent burdens between 25 and 35 percent of income (and most of these between 29 and 31 percent). In contrast, only 34 percent of Housing Voucher recipients have rent burdens in this range, with 30 percent below 25 percent of income and 37 percent above 35 percent of income.

The difference between Housing Voucher and Certificate Program tenant contributions and rent burdens increased slightly at recertification (Table 2.9). The average Housing Voucher recipient tenant contribution increased by 14 percent at recertification as compared with a 7 percent increase in the Certificate Program. Since average income increased by about 8 percent at the same time, average rent burdens in the Certificate Program actually decreased slightly (less than one percentage point) while rising slightly in the Housing Voucher Program. The difference between the programs in the increase in

¹Certificate Program rent burdens can exceed 30 percent of net income when either (1) 10 percent of gross income exceeds 30 percent of net income or (2) welfare rents exceed the larger of 10 percent of gross or 30 percent of net income. The welfare rent rule is by far the more important of the two.

TABLE 2.8

COMPARISON OF AVERAGE RENT BURDEN

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>	<u>t- Statistic</u>
<u>All Recipients</u>				
Pre-program	67%	65%	2 pts	1.05
Recipient	35	31	4	1.58
Change ^a	-33 pts	-35 pts	2	0.92
<u>Recipients Who Qualify In Place</u>				
Pre-program	80%	78%	2	0.65
Recipient	28	31	-3	3.16**
Change ^a	-53 pts	-47 pts	-6	2.12*
<u>Recipients Who Move</u>				
Pre-program	60%	58%	2	0.90
Recipient	39	31	9	NA
Change ^a	-21 pts	-27 pts	6	2.22*

** = Significant at 0.01 level

* = Significant at 0.05 level

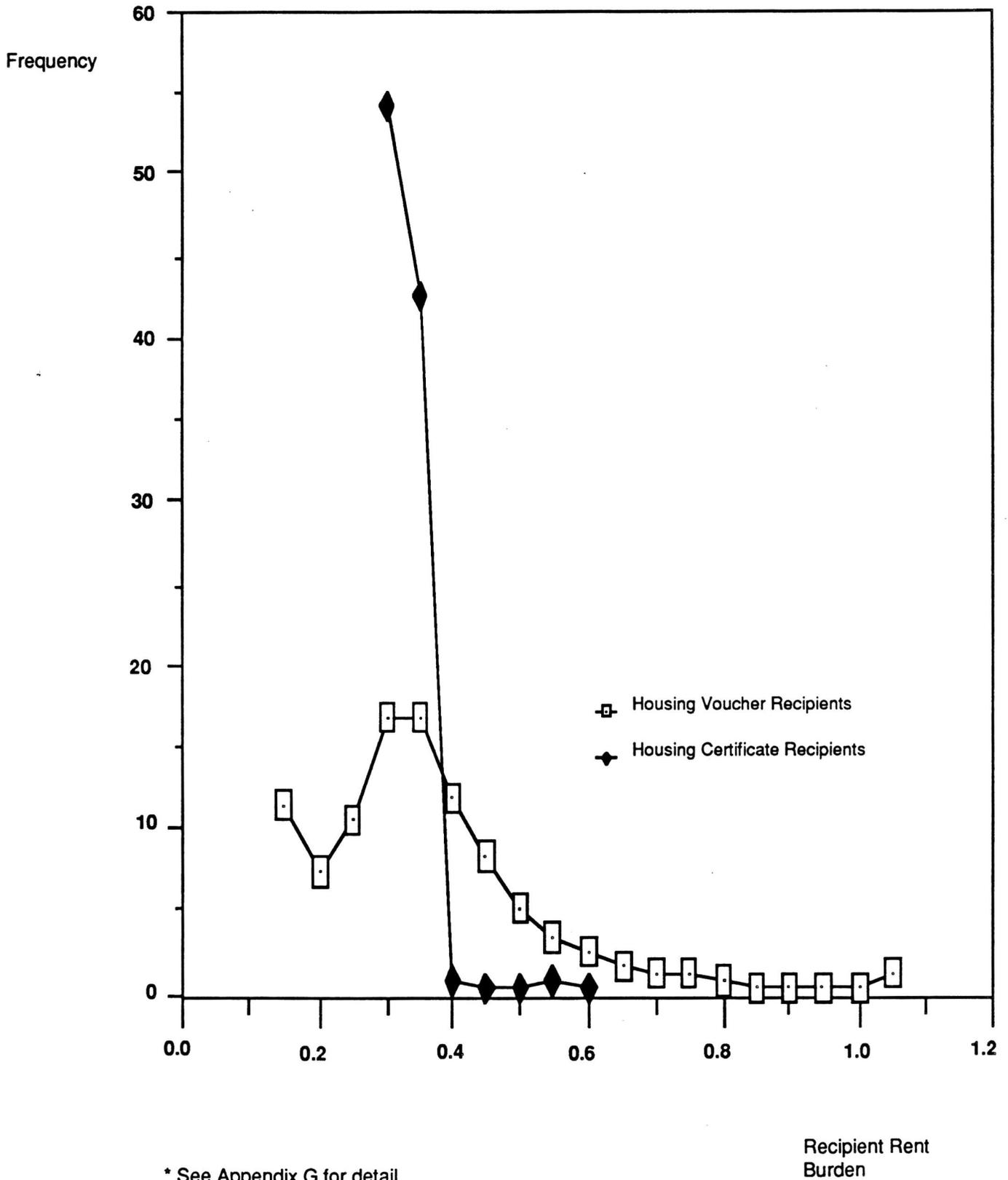
† = Significant at 0.10 level

^aChange figures may not equal the difference between pre-program and recipient figures due to rounding and/or missing values.

Sources: Tables 6.3, 6.4

Figure 2.4

Distribution of Recipient Rent Burdens
All Recipients (National Estimates) *



* See Appendix G for detail.

TABLE 2.9

TENANT CONTRIBUTION AND RENT BURDEN AT RECERTIFICATION

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>	<u>t- Statistic</u>
<u>Tenant Contribution</u>				
Initial	\$148	\$142	\$6	1.05
At Recertification	169	152	17	2.55*
Change				
Dollars	21	10	11	2.49*
Percent	14%	7%	7 pts	NA
<u>Rent Burden</u>				
Initial	34%	31%	2 ^a	0.96
At Recertification	35	31	4 ^a	2.47*
Change	1 pt	-0 pts	2 ^a	1.29

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aDetails do not add due to rounding

tenant contribution was due to the fact that Payment Standards often were not increased to match increases in FMRs.

As shown in Figure 2.1, if the Housing Voucher Program's Payment Standard is equal to the Certificate Program FMRs, then the assistance payment under the Housing Voucher Program will be larger than the Certificate Program payment if the recipient rents a unit for less than the FMR and smaller if the recipient rents a unit for more than the FMR. Housing Voucher assistance payments will also be smaller to the extent that the Housing Voucher Payment Standard is less than the Certificate Program FMR. At the start of the Demonstration, Housing Voucher Payment Standards were set equal to the Certificate Program FMRs in each PHA. The PHAs were, however, given some flexibility in deciding whether to match subsequent increases in FMRs with similar increases in Payment Standards.

In fact, most PHAs did not always increase their Payment Standards to match increases in FMRs. Even so, average initial assistance payments in the Housing Voucher Program were \$17 per month or 6 percent higher than the average assistance payment in the Certificate Program (Table 2.10). Had Payment Standards always been increased to match FMRs, the difference would have been \$21 per month.

The difference in average assistance payments narrowed at recertification. Whereas average assistance payments rose 4 percent in the Certificate Program, they fell 1 percent in the Housing Voucher Program. As a result the average Housing Voucher assistance payment at recertification was only \$6 or 2 percent higher than the average assistance payment in the Certificate Program (not statistically significant). The reduction in the difference between the programs' average assistance payments was entirely due to the fact that PHAs often did not increase Payment Standards to match increases in FMRs.

Finally, administrative costs might also be expected to differ in the two programs. To the extent that success rates in one program were higher than another, for example, the program would need to process fewer applicants per recipient slot. Likewise, the Housing Voucher Program eliminates the need for rent reasonableness determinations by the PHA. In fact, estimated administrative costs in the two programs were not substantially or significantly different (Table 2.11). This reflects both the relatively small costs associated with rent reasonableness tests and possibly more frequent calls to PHA

TABLE 2.10

COMPARISON OF ASSISTANCE PAYMENTS IN THE TWO PROGRAMS

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>	<u>t- Statistic</u>
<u>All Recipients</u>				
Actual monthly assistance payment	\$310	\$293	\$17	3.69**
Monthly assistance payment if Payment Standards had equaled FMRs	314	293	21	NA
<u>Recertification Sample</u>				
Initial assistance payment	307	287	19	3.98**
Assistance payment at recertification	304	298	6	1.07
Change				
Dollar	-3	11	-14	3.46**
Percent	-1%	4%	-5 pts	NA
Change in assistance payment if changes in assistance payment had equaled changes in FMRs				
Dollar	\$12	\$11	\$1	NA
Percent	4%	4%	0 pts	NA

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

Sources: Tables 7.1, 7.6

TABLE 2.11

COMPARISON OF ESTIMATED ADMINISTRATIVE COSTS IN THE TWO PROGRAMS

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>	<u>t- Statistic</u>
Preliminary administrative costs per slot	\$579	\$598	\$-19	0.67
Ongoing administrative cost: per recipient year	257	261	-5	0.29

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

Source: Table 8.5

staff by Housing Voucher holders to determine what they would pay out of pocket for different units.¹

¹In addition, the sample for the analysis of administrative costs was not large enough to register the difference in success rates between the two programs. See Kennedy and Finkel; the sample for the Administrative Costs analysis is the sample used to prepare the Report of First Year Findings.

CHAPTER 3

SUCCESS RATES

Enrollees in either the Housing Voucher or the Certificate programs must find housing that meets program requirements in order to become recipients. Both programs impose the same requirements in terms of physical and occupancy standards, but the Certificate Program places additional restrictions on allowable unit rents. Since this constitutes the only difference in requirements, we would expect that Housing Voucher enrollees would have a somewhat higher success rate.

As already noted in Chapter 2, close examination of the differences in incentives provided by the two programs suggests that success rates in the Housing Voucher Program might actually be either higher or lower. The reason may be seen by consulting the graph of tenant contributions presented in Chapter 2 (Figure 2.2). A Housing Voucher holder may indeed rent units above the maximum rent allowed in the Certificate Program and thus may be better able to find a unit that meets program requirements. On the other hand, if the Housing Voucher holders are concerned to reduce their out-of-pocket costs (tenant contributions), they can do so, unlike Certificate holders, by selecting rents below the maximum. It is conceivable therefore that some Housing Voucher holders could confine their search to lower rent units with a lower chance of meeting program requirements.¹ In fact, as is shown in Table 3.1, success rates in the Housing Voucher Program were somewhat higher than those in the Certificate Program--65 percent as compared with 61 percent.²

¹For a more detailed discussion of this point, see Appendix D, Section D.3.

²Apparently enrollees used the opportunity provided by the Housing Voucher Program to improve their chances of success by considering units with rents greater than those allowed in the Certificate Program more often than the opportunity to reduce out-of-pocket costs by considering units with rents below the FMRs. Indeed, as discussed in Chapter 4, the distribution of recipient rents below FMRs looks quite similar in the two programs, suggesting that the opportunity to reduce out-of-pocket costs was rarely used at all.

TABLE 3.1

ENROLLEE SUCCESS RATES IN THE TWO PROGRAMS

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>
Mean (Standard Error)	64.6% (5.8 pts)	61.0% (6.0 pts)	3.6 pts** (1.3 pts)

(See Table F.1 for details)

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

The rest of this chapter explores this difference in success rates between the two programs, as well as patterns of success rates within each program. We start by examining the way in which success rates and differences in success rates vary depending on the pre-program housing of enrollees. We then discuss the interaction between moving and success rates. After this, we briefly touch on the role of Payment Standards, on variations in success rates across PHAs, and on the retention of recipients in the program after they first qualify.

3.1 Success Rates and Enrollees' Pre-Program Housing

PHA staffs collected information on applicants' pre-program units as part of the pre-enrollment interview, conducted before the applicant was enrolled in one of the two programs. A number of measures can be constructed from these interviews. We have chosen three--one reflecting a unit's quality, one reflecting its size relative to the programs' occupancy requirements, and one based on the relationship between the unit's pre-program gross rent and the estimated cost of modest existing standing housing for the area provided by the HUD FMRs.¹

For the measure of housing quality we have used the index tabulated by the Census Bureau for the American Housing Survey. This is a three-level index of physical problems and classifies housing units as adequate, moderately inadequate, or severely inadequate based on a set of reported housing deficiencies. It is not a pass/fail measure of housing quality and does not purport to represent the programs' Acceptability Criteria for recipient units. It is simply intended to categorize pre-enrollment units based on a frequently used (and nationally tabulated) index. (For details of the index construction, see Appendix B.)

The measure of pre-program housing is based on the programs' occupancy standards. This is simply a comparison of the number of rooms in the pre-program unit with the number of bedrooms required to meet program occupancy requirements. We used three categories:

¹Pre-enrollment gross rents are estimated based on reported pre-enrollment contract rents and the utilities that were then included in the rent (see Appendix B).

1. At least two more rooms than required bedrooms;
2. The number of rooms equals required bedrooms plus one; and
3. The number of rooms is less than or equal to the number of required bedrooms.

Since the number of rooms in a unit usually exceeds the number of bedrooms (as defined by HUD), we expect that people in the third category would usually not be able to meet program occupancy requirements in their pre-program units. On the other hand, people in the first category may be quite likely to be able to meet program occupancy requirements in their pre-program unit.

Finally, to measure the difference between pre-program rents and the cost of acceptable housing, we compared estimated pre-program unit gross rent with the applicable FMR (Fair Market Rent) schedule published by HUD. These schedules are used to set limits on Certificate program rents but they are also intended to estimate the local cost of modest existing standard housing of appropriate size. We used five categories:

1. Pre-program rent greater than FMR;
2. Pre-program rent greater than 80 percent of FMR but less than or equal to 100 percent of FMR;
3. Pre-program rent greater than 60 percent of FMR but less than or equal to 80 percent of FMR;
4. Pre-program rent greater than 40 percent of FMR but less than or equal to 60 percent of FMR; and
5. Pre-program rent less than or equal to 40 percent of FMR.

These three measures are available for all enrollees who were not sharing their pre-program units with another family. For those who were sharing their pre-program units, referred to as subunits, we have no reasonable way to judge their pre-program housing, since we do not know how they divided up the unit. Accordingly we only compare differences in pre-program housing adequacy, occupancy, and rent for non-subunits.

The pre-program housing situation of enrollees is presented in Table 3.2. Over a third of enrollees were sharing their pre-enrollment unit with another family. Unfortunately we know relatively little about these subunits or the nature of the relationship between the families. Some characteristics of subunits and non-subunits are compared in Table 3.3. Subunits were not generally transient; while 23 percent had lived in their pre-enrollment unit for less than six months as compared with 13 percent of non-subunits, almost

TABLE 3.2

PRE-PROGRAM HOUSING SITUATION OF ENROLLEES^a
(NATIONAL PROJECTIONS)

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>
<u>Percent of enrollees who were sharing their pre-enrollment unit</u>	36.6%	38.0%
<u>For enrollees who were not sharing their pre-enrollment unit,</u>		
Percent whose pre-enrollment unit was		
Adequate	69.5	70.7
Moderately inadequate	12.9	11.9
Severely inadequate	17.6	17.4
Percent for whom the number of rooms in their pre-enrollment unit in relation to the number of bedrooms required to meet program occupancy standards was		
At least two more rooms	32.7	32.5
One more rooms	42.7	42.5
Equal or fewer rooms	24.6	25.0
Percent when estimated pre-enrollment gross rent was		
Greater than FMR	13.7	12.0
Between 80% and 100% of FMR	22.4	23.4
Between 60% and 80% of FMR	30.6	30.4
Between 40% and 60% of FMR	19.4	20.0
Less than or equal to 40% of FMR	13.9	14.2

^aPercentages are calculated by multiplying the number of recipients in each category by the estimated issuances per recipient in that group.

TABLE 3.3

SOME CHARACTERISTICS OF SUBUNITS
(All enrollees, unweighted)

	<u>Non-Subunits</u>	<u>Subunits</u>
Sample size	9261	3129
<u>Length of Time In Pre-Enrollment Unit</u>		
Less than 6 months	13.3%	23.4%
At least 6 months but less than 12 months	10.9	12.1
More than 1 year	75.8	64.5
Chi-square		192.34**
<u>Crowding in Pre-Enrollment Unit</u>		
More than 2 persons per room	3.8	10.9
Less than 2, more than 1.5 persons per room	7.6	19.9
Less than 1.5, more than 1.0 persons per room	14.3	26.2
Less than or equal to 1.0 persons per room	74.3	43.3
Chi-square		1064.49**
<u>Age of Head of Household</u>		
62 year or more	21.0	7.0
50 to 61 years	9.9	5.2
35 to 49 years	26.0	14.4
25 to 34 years	33.3	42.2
Less than 25 years	9.7	31.3
Chi-square		1226.90**
<u>Household Composition</u>		
Single elderly	16.8	5.7
Single handicapped	10.4	13.8
Other zero or one bedroom	10.2	17.6
Two bedrooms, one adult	26.4	41.1
Two bedrooms, more than one adult	7.8	4.8
Three or more bedrooms, one adult	17.4	13.4
Three or more bedrooms, more than one adult	11.1	3.7
Chi-square		694.66**

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

two-thirds had been living in their pre-enrollment unit for at least a year. They generally lived in more crowded circumstances than non-subunits; 31 percent were in units with more than 1.5 persons per room as compared with 11 percent of non-subunits. They were rarely elderly; 74 percent were headed by someone younger than 35 years old. Over 41 percent were single adults with one or more children (that is, qualified for two bedrooms and had only one adult present).

Returning to the pre-enrollment housing characteristics of non-subunits in Table 3.2, about 70 percent of enrollees were in units that would be rated as adequate using the Census AHS index discussed at the beginning of this section, with about 12 percent in moderately inadequate and 18 percent in severely inadequate units. About one-third had at least two more rooms than the number of bedrooms needed to meet occupancy requirements. Only a quarter had equal or fewer rooms. About one-third were in units that rented for 80 percent or more of the FMR. Another third rented units with rents to 60 to 80 percent of FMR, while the remaining third had units with rents of less than 60 percent of FMR.

Table 3.4 presents success rates by pre-enrollment housing condition. There was no significant difference in success rates between subunits and non-subunits. The estimated difference between Housing Voucher and Certificate success rates was slightly larger and only significant for non-subunits, but this may reflect sampling error. The difference in effect between the two groups, 3.6 percentage points for non-subunits as compared with 2.8 percentage points for subunits, is neither large nor significant, as indicated by the F-statistic for the difference between groups. Indeed, as we shall see, given the size of the difference between Housing Voucher and Certificate success rates, it is difficult to estimate program differences in success rates for subgroups of enrollees with much precision.

There were significant differences in success rates and in the pattern of program differences in success rates associated with the pre-enrollment housing of enrollees who were not sharing their pre-program unit with another family. In both programs, enrollees in higher quality, less crowded, or higher rent units had higher success rates. Averaging the two programs, success rates were about 40 percent for enrollees in severely inadequate pre-program units, 63 percent for those in moderately inadequate units, and 72

TABLE 3.4

SUCCESS RATES BY PRE-PROGRAM HOUSING CONDITIONS^a
(NATIONAL PROJECTIONS)

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
<u>For All Enrollees</u>					
Subunits	63.2%	60.4%	2.8 pts	2.5 pts	1.10
Non-Subunits	65.9%	62.3%	3.6 pts	1.6 pts	2.24*
F-Statistic for difference between groups	1.52 (1,3422)	0.70 (1,3261)	0.03 (1,6683)		
<u>For Non-Subunits</u>					
<u>Adequacy Index for Pre-Enrollment Unit</u>					
Adequate	74.2%	69.9%	4.2 pts	2.1 pts	1.98*
Moderately Inadequate	62.9%	62.7%	-0.2 pts	10.0 pts	0.02
Severely Inadequate	42.0%	38.2%	3.8 pts	3.0 pts	1.25
F-statistic for difference between groups ^a	395.34** (2,2502)	409.22** (2,2391)	5.38* (2,4893)		
<u>Occupancy Index for Pre-Enrollment Unit</u>					
At Least Two More Rooms	68.1%	67.3%	0.8 pts	2.5 pts	0.32
One Extra Room	71.0%	65.9%	5.1 pts	1.9 pts	2.72**
No Extra Rooms	58.6%	54.6%	4.0 pts	3.4 pts	1.18
F-statistic for difference between groups	53.60** (2,2495)	50.23** (2,2383)	3.12‡ (2,4878)		
<u>Pre-Enrollment Rent as a Percent of FMR</u>					
Greater than 100%	78.3%	70.1%	8.2 pts	3.3 pts	2.58*
80% to 100%	75.9%	74.1%	1.8 pts	2.6 pts	0.68
60% to 80%	68.0%	63.3%	4.8 pts	3.1 pts	1.53
40 to 60%	59.7%	54.9%	4.8 pts	8.0 pts	0.60
Less Than or Equal to 40%	61.5%	63.8%	-2.3 pts	10.0 pts	0.23
F-statistic for difference between groups	157.50** (4,2359)	90.17** (4,2242)	11.21** (4,4601)		

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bHomogeneity across groups is tested in terms of issuances per recipient.

percent for those in adequate units. Success rates for enrollees with no extra rooms were about 57 percent, as compared with roughly 68 percent for enrollees with more rooms in their pre-program unit. Similarly, success rates rise from roughly 60 percent for enrollees with pre-program rents that were less than 60 percent of FMRs to 75 percent of enrollees with pre-program rents above FMRs.

Program effects were also significantly different, though the pattern is less clear. Housing Voucher success rates were higher than Certificate Program success rates for enrollees in adequate housing, but also possibly for those in severely inadequate housing; the errors of estimate for the subgroups are too large to be precise. Housing Voucher success rates appear to be the same as Certificate Program success rates for enrollees in least crowded conditions, but higher for those with one or no extra rooms above the required number of bedrooms.

In terms of pre-program rents, as might be expected, there is an especially large difference between the programs in the success rates of enrollees whose pre-program rents exceeded the Certificate Program FMR limits. In the Certificate Program, success rates are actually lower for enrollees with rents above FMRs than for enrollees with rents between 80 and 100 percent of FMRs. In the Housing Voucher Program, they are higher. The result is a success rate for this group in the Housing Voucher Program of 78 percent, 8 percentage points above the success rate in the Certificate Program. Success rates in the Housing Voucher Program also appear to be higher than those in the Certificate Program at lower rent levels, but the estimates are too imprecise to say much about the pattern.

The relationship between pre-program housing conditions and success rates is to a large extent reflective of whether or not enrollees were able to qualify in their pre-enrollment units or had to move in order to meet program housing requirements. As might be expected, people who did not have to move had a clear advantage in meeting requirements, and this is the subject of the next section.

3.2 How Enrollees Meet Requirements

As shown in Table 3.5, 63 percent of recipients in each program became recipients by moving to a new unit. Put another way, among enrollees for the Housing Voucher and Certificate programs, respectively, 24 and 23 percent first qualify in place, about 41 and 39 percent first qualify by moving, and 35 and 39 percent do not qualify at all.

Before enrollees were assigned to either the Housing Voucher or Certificate program, we asked them whether they intended to move or wanted to stay in the pre-program unit. About 75 percent of enrollees assigned to each program intended to move, 23 percent intended to stay in their pre-program unit, and 2 percent were not sure (Table 3.6). These intentions were strongly associated with pre-program housing conditions. About 37 percent of non-subunits intended to stay in their pre-enrollment unit as compared with 3 percent of subunits. The percentage of those intending to stay rises from 9 percent of enrollees in severely inadequate units to 49 percent of enrollees in adequate units, and from 3 percent of enrollees with fewer rooms than the required number of bedrooms to 52 percent of enrollees with at least two extra rooms (Table 3.7A). Put another way (Table 3.7B), of those intending to stay only 3 percent were subunits, 11 percent were in inadequate housing, and 10 percent had no extra rooms, as compared with 35 percent in subunits, 47 percent in inadequate housing, and 39 percent with no extra rooms among those intending to move.

This strong association could, of course, reflect anticipation of what the program would allow instead of enrollees' desires (though the question was posed to enrollees in terms of what they would like to do).¹ However, even if enrollees did anticipate program quality and occupancy requirements, they did

¹Ideally, we would have liked to know which Housing Voucher and Certificate holders had to move due to the failure of their pre-enrollment unit to meet program physical, occupancy, or (in the case of the Certificate Program) rent limit requirements. This would have at least required inspections and rent reasonableness determinations for all pre-enrollment units. The very fact of such inspections for all Certificate and Housing Voucher holders would alter the normal conditions of the program as well as substantially increasing the PHA's workload. Further, we would still have been left with judgments as to what deficiencies could be met by repair, in which cases PHAs might grant exceptions to the FMR ceiling on rents, and whether landlords would in fact participate.

TABLE 3.5

HOW RECIPIENTS AND ENROLLEES MET REQUIREMENTS
(NATIONAL PROJECTIONS)

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
<u>Percent of Recipients Who</u>					
First Qualified in Their Pre-Enrollment Unit	36.8%	36.9%	0. pts	1.4 pts	0.08
First Qualified by Moving from Their Pre-Enrollment Unit	63.2	63.1	0.1	1.4	0.08
<u>Percent of Enrollees Who^a</u>					
First Qualified in Their Pre-Enrollment Unit	23.8	22.5	1.3	NA	NA
First Qualified by Moving from Their Pre-Enrollment Unit	40.8	38.5	2.3	NA	NA
Did Not Qualify	35.4	39.0	-3.6	1.3	2.79**

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aPercentages of enrollees are derived by applying the overall success rates of Table 3.1 to the percentages for recipients

TABLE 3.6

ENROLLEES' INTENTIONS TO MOVE OR STAY^a
(NATIONAL PROJECTIONS)

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>
Percent Intending to			
Stay	22.3%	22.7%	-0.4 pts
Move	75.1	74.8	0.3
Not Sure	2.5	2.4	0.1

^aPercentages are calculated by multiplying the number of recipients in each category by the estimated issuances per recipient in that group.

TABLE 3.7A

INTENTION TO MOVE AND PRE-PROGRAM UNIT CHARACTERISTICS
(Combined Programs, Unweighted)

	<u>Percent of Enrollees Who:</u>			<u>Sample Size</u>
	<u>Intend To Stay</u>	<u>Intend To Move</u>	<u>Not Sure</u>	
<u>Shared Units</u>				
Non-subunits	37.3%	59.2%	3.5%	9261
Subunits	3.4	95.8	0.8	3129
<u>Index of Enrollee Rating of Pre-Program Unit Adequacy (Non-Subunits)</u>				
Adequate	49.2	46.6	4.2	6226
Moderately inadequate	18.3	78.8	2.9	1230
Inadequate	9.2	89.3	1.6	1805
<u>Pre-Program Crowding (Non-Subunits): Number of rooms in pre-program unit is:</u>				
At least two more than number of bedrooms required	52.2	43.5	4.3	2861
One more than number bedrooms required	41.7	54.6	3.7	3852
Equal to number of bedrooms required	17.2	79.9	3.0	1932
Less than number of bedrooms required	3.3	96.9	0.8	615
<u>Estimated Pre-Program Gross Rent (Non-subunits):</u>				
Greater than FMR	73.9%	22.7%	3.4%	1165
Between 80 and 100 percent of FMR	59.0	36.1	4.9	2107
Between 60 and 80 percent of FMR	33.1	63.1	3.8	2735
Between 40 and 60 percent of FMR	16.6	80.2	3.2	1833
Less than or equal to 40 percent of FMR	6.2	92.3	1.5	1196
All	37.5	58.9	3.8	9036

TABLE 3.7B

PRE-PROGRAM UNIT CHARACTERISTICS AND INTENTION TO MOVE
(Combined Programs, Unweighted)

	Enrollees Who:		
	<u>Intend To Stay</u>	<u>Intend To Move</u>	<u>Not Sure</u>
<u>ALL ENROLLEES</u> (Sample size)	100.0% (3558)	100.0% (8478)	100.0% (353)
<u>Percent in Pre-Program Units That Were:</u>			
Non-subunits	97.0%	64.7%	92.6%
Subunits	3.0	35.3	7.4
<u>EXCLUDING SUBUNITS</u> (Sample size)	100.0% (3452)	100.0% (5482)	100.0% (327)
<u>Percent in Pre-Program Units with an Adequacy Index of:</u>			
Adequate	88.7%	52.9%	80.4%
Moderately inadequate	6.5	17.7	11.0
Inadequate	4.8	29.4	8.6
<u>Percent in Pre-Program Units with an Occupancy Index of:</u>			
Two or more extra rooms	43.3%	22.7%	37.7%
One extra room	46.6	38.4	43.3
No extra rooms	9.6	28.2	17.5
Fewer rooms than required	0.6	10.8	1.5
<u>Percent in Pre-Program Units with Gross Rent:</u>			
Greater than FMR	25.4%	5.0%	12.4%
80 to 100 percent of FMR	36.7	14.3	32.2
60 to 80 percent of FMR	26.7	32.4	31.9
40 to 60 percent of FMR	9.0	27.6	18.0
Less than or equal to 40 percent of FMR	2.2	20.7	5.6

not apparently take account of Certificate program rent restrictions. When they were asked about their intentions, enrollees did not know to which program they were assigned.¹ If they had any anticipations about program rules, however, they were likely to be based on the Certificate program, which was the established program in all sites. In fact, the proportion of enrollees intending to stay rises steadily with the level of pre-program rent, and is highest for enrollees with pre-program rents above the FMRs. It appears that the association of rent and housing quality was the important factor, with no attention paid to FMR limits.

Moving intentions were very strongly associated with success rates and with whether enrollees in fact qualified by moving or staying in their pre-program unit. Among enrollees who intended to stay in the pre-enrollment unit, an average of 65 percent in the two programs actually qualified without moving, as compared with 6 percent of enrollees who intended to move (Table 3.8). This resulted in a much higher success rate for enrollees who intended to stay--79 percent as opposed to 57 percent (averaged across the two programs).

While success rates are modestly, but significantly, higher in the Housing Voucher Program both for those intending to stay and for those intending to move, the difference is larger for those intending to stay. Furthermore, examination of the percentages of enrollees actually qualifying in place confirms that the higher Housing Voucher success rates were accomplished in ways consonant with enrollee intention: the 5.3 percentage point higher success rate among those intending to stay is matched by a 5.8 percentage point increase in the percent of those intending to stay who actually qualify in place. Similarly, the 3.4 percentage point higher success rate for those intending to move is matched by a 3.9 percentage point increase in the percent of those intending to move who actually qualify by moving.

If most enrollees who intend to stay are likely to qualify in place, then we would expect that the greater flexibility of the Housing Voucher

¹The exception was New York, where the PHA felt that it could not ask applicants to come in for a pre-enrollment interview without telling them to which program they were assigned. Fortunately, the information provided was limited and we could detect no effect on the pre-enrollment interview.

TABLE 3.8

SUCCESS RATES BY ENROLLEES' INTENTIONS TO MOVE OR STAY
IN THEIR PRE-ENROLLMENT UNIT
 (NATIONAL PROJECTIONS)

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-Statistic</u>
Percent Who Qualify					
Intend to Stay	81.4%	76.1%	5.3 pts	2.1 pts	2.50*
Intend to Move	58.7%	55.3%	3.4 pts	2.1 pts	1.64‡
Not Sure	67.5%	76.6%	-9.0 pts	7.3 pts	1.24
F-Statistic for Differences Among Groups	189.16** (2,3396)	129.37** (2,3329)	2.98* (2,6625)		
Percent Who Qualify in Place^a					
Intend to Stay	67.8%	62.0%	5.8 pts	NA	NA
Intend to Move	6.0%	6.5%	-0.5 pts	NA	NA
Not Sure	40.8%	40.1%	0.7 pts	NA	NA
Percent Who Qualify By Moving^a					
Intend to stay	13.6%	14.1%	-0.5 pts	NA	NA
Intend to move	52.7%	48.8%	3.9 pts	NA	NA
Not sure	26.7%	36.5%	-9.8 pts	NA	NA

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aPercentages are derived by applying the overall success rate to the percentage of recipients qualifying in place or by moving, respectively.

program would affect them primarily by allowing them to qualify if their rent were above the FMR (or about to be increased to levels above the FMR). Similarly, we would not expect the Housing Voucher flexibility to help in overcoming obstacles associated with inadequate or overcrowded housing (unless it allowed a larger rent increase that justified more extensive repairs).

We can compare both the level of program success rates and the differences in success rates across enrollees with different pre-program housing characteristics. The statistical significance of differences across groups is measured by the F-statistics, which tests the hypothesis that success rates (or differences between the programs in success rates) are the same for all groups.

As would be expected, there is a significantly lower success rate in both programs for enrollees intending to remain in their pre-program unit if the unit was rated as severely inadequate (Table 3.9). There are, however, too few enrollees in this category to allow any reasonably precise comparison of the way in which differences in success rates between the two programs vary with pre-program adequacy. (This is confirmed by analyses in Appendix E.)

Both programs show a somewhat odd pattern of success rates in terms of occupancy--with the highest success rates for those with exactly one extra room. Lower success rates among enrollees intending to stay in their pre-program unit are expected for those in more crowded conditions, but not for those with even more rooms. The fact that success rates are lower for those with two or more extra rooms than for those with exactly one extra room may reflect an association of lower quality with larger units, driving down success rates for units with more rooms.¹ In any case, for enrollees intending to remain in their pre-program unit, there is no significant variation in program effects (the difference in success rates between the two programs) associated with occupancy.

In terms of pre-enrollment rents, the pattern of program differences in Table 3.9, though not significant, is at least consistent with the hypothesis that the Housing Voucher Program would be especially helpful to higher

¹Such differences in quality, if they exist, are not captured by the adequacy index. Analysis in Appendix E, taking into account both occupancy and adequacy indices show the same patterns.

TABLE 3.9

SUCCESS RATES FOR ENROLLEES INTENDING TO STAY
IN THEIR PRE-ENROLLMENT UNIT
(NATIONAL PROJECTIONS)

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
<u>Pre-Enrollment Housing Adequacy</u>					
Adequate	83.7%	77.9%	5.8 pts	1.8	3.25**
Moderately Inadequate	83.4	76.7	6.8	10.3	0.66
Severely Inadequate	65.1	67.4	-2.3	11.3	0.20
F-Statistic for Differences across Groups	26.10** (2,1119)	8.97** (2,1038)	2.19 (2,2157)		
<u>Pre-Enrollment Occupancy</u>					
At Least Two More Rooms	82.3%	77.4%	4.9 pts	2.4	2.01*
One More Room	85.3	79.9	5.4	2.5	2.16*
Equal or Fewer Rooms	81.9	75.6	6.3	7.2	0.88
F-Statistic for Differences Across Groups	3.85* 2,1083	3.20* (2,1004)	0.15 (2,2087)		
<u>Pre-Enrollment Gross Rent</u>					
Greater Than 80% of FMR	83.8%	78.2%	5.5 pts	2.9	1.89‡
60% to 80% of FMR	83.2	79.5	3.8	3.8	0.98
Less Than or Equal to 60% of FMR	79.6	76.1	3.5	7.0	0.50
F-Statistic for Differences Across Groups	2.42‡ (2,1065)	0.91 (2,983)	0.48 (2,2048)		

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aBased on comparisons of issuances per recipient. See Appendix F for details.

rent enrollees intending to stay in their pre-enrollment unit. Interestingly, multivariable analyses in Appendix E suggest that there is also a strong effect for those with very low rents. Again, however, the effect is associated with the fact that the Housing Voucher Program allows more frequent increases in rents to levels above the FMRs.

Since enrollees who intend to move usually qualify, if at all, by moving to a new unit, we would expect that the greater flexibility offered by the Housing Voucher program might help them in finding a unit that meets requirements. In this case we would expect little association between pre-program housing adequacy or occupancy and the difference in success rates between the two programs. On the other hand there might well be a connection with pre-program rents. Enrollees who were already spending more on housing may be more likely to want more expensive units or to continue to contribute more from their own pocket.

In fact, even among those intending to move, better pre-program housing is generally associated with higher success rates in both programs (Table 3.10). The association is strong for housing adequacy, where (averaging the two programs) 38 percent of enrollees in severely inadequate housing succeed in becoming recipients as compared with 63 percent of recipients in moderately inadequate or adequate pre-program units. The relationship between success rates and pre-program occupancy is significant, but difficult to characterize; differences are small and the direction reverses between the two programs.¹ Enrollees with higher pre-program rents were more likely to succeed, but here too, the differences are small. Furthermore, success rates among the very lowest rent groups reverse the pattern.²

The difference between Housing Voucher and Certificate Program success rates also varies with pre-program housing conditions for enrollees who intended to move. In general, the Housing Voucher Program seems to have been

¹Again this may reflect some association between unit size and quality, with enrollees in larger pre-program units trying to find new units that are large but sacrifice some quality.

²This may reflect the presence of families who, although not subunits, had reduced rents due to working for the landlord or help from friends or relatives.

TABLE 3.10

SUCCESS RATES BY PRE-PROGRAM HOUSING CONDITION
FOR ENROLLMEES INTENDING TO MOVE
 (NATIONAL PROJECTIONS, EXCLUDING SUBUNITS)

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t-statistic
<u>Pre-Enrollment Housing Adequacy</u>					
Adequate	66.1%	63.8%	2.3 pts	3.1 pts	0.75
Moderately Inadequate	61.9	62.0	-0.1	9.2	0.01
Severely Inadequate	41.1	35.1	5.9	3.7	1.61
F-Statistic for Difference across Groups	88.20** (2,1201)	190.16** (2,1147)	7.78** (2,2348)		
<u>Pre-Enrollment Occupancy</u>					
At Least Two More Rooms	55.9%	59.5%	-3.6 pts	3.9 pts	0.91
One More Room	63.8	58.1	5.7	3.0	1.88‡
Equal or Fewer Rooms	56.5	52.0	4.4	3.7	1.19
F-Statistic for Differences Across Groups	7.58** (2,1195)	7.19** (2,1146)	3.74* (2,2341)		
<u>Pre-Enrollment Gross Rent</u>					
Greater Than FMR	67.2%	62.3%	4.9 pts	8.3 pts	0.59
80% to 100% of FMR	64.5	61.9	2.6	4.6	0.57
60% to 80% of FMR	61.1	56.2	5.0	3.4	1.45
40% to 60% of FMR	57.9	55.9	2.0	9.8	0.20
Less Than or Equal to 40% of FMR	62.7	62.3	0.4	10.1	0.04
F-Statistic for Differences Across Groups	9.16** (4,1099)	9.48** (4,1049)	1.96‡ (4,2148)		

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aBased on comparisons of issuances per recipient. See Appendix F for details.

more helpful to enrollees intending to move from severely inadequate, more crowded, or higher rent units.

3.3 How Recipients Who Moved Found Their Units

As discussed in Appendices A and B, housing evaluations were conducted for a subsample of recipients in 10 of the Demonstration PHAs. During the course of these evaluations, recipients who had moved from their pre-program units were asked how they found their units and whether the landlord already knew about the Certificate and Housing Voucher Programs. The answers are shown in Table 3.11. For this sample PHA referrals, newspaper ads, and friends and relatives each accounted for about a quarter of the methods. Realtors were the source of units for only 5 percent of recipients who moved.

Interestingly, 39 percent of recipients who found their units through newspaper ads reported that the ad had specifically mentioned the Section 8 program (Table 3.12). Among the small group of recipients who found their units through realtors almost all said that the realtor already knew about the program. If we combine the recipients who found their units from PHA referrals, from newspaper ads that explicitly mentioned Section 8, and from realtors knowledgeable about the program, at least 37 percent of recipients who moved found their units from sources that were directly aware of the program and its requirements.¹

We also asked recipients who moved whether their landlord was already well acquainted with the programs. As shown in Table 3.13, over three-fourths of the recipients in both programs reported that their landlords were already well acquainted with the Section 8 Certificate Program. In addition, two-thirds of the Housing Voucher recipients reported that their landlords were already well acquainted with the Housing Voucher program as well. This at least suggests that recipients were usually dealing with landlords who were already active in the Section 8 program. There is some indication that a higher proportion of Housing Voucher landlords were relatively unfamiliar with Section 8, which may indicate that Housing Vouchers were reaching some addi-

¹We did not ask those who found units through friends or relatives about these sources' knowledge of the program.

TABLE 3.11

HOW RECIPIENTS WHO MOVED FOUND THEIR UNIT
(Unweighted Sample in 10 PHAs)

<u>Method</u>	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Both Programs</u>
PHA referral	22.7	24.7	23.7
Newspaper ads	21.5	21.8	21.6
Friends or relatives	24.0	24.2	24.1
Real estate agency	5.6	4.4	5.0
Other	26.2	24.8	25.6
(Sample size)	(591)	(570)	(1161)

TABLE 3.12

SOURCES' KNOWLEDGE OF SECTION 8
(Unweighted Sample in 10 PHAs)

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Both Programs</u>
Percent of newspaper ads used to find units that mentioned Section 8 (Sample)	34.9% (126)	42.4% (125)	38.7% (251)
Percent of realtors used to find units who knew about Section 8 (Sample)	90.6% (32)	91.3% (23)	90.9% (55)
Percent of recipients who found units through PHA referrals, newspaper ads that mentioned Section 8, or realtors who knew about Section 8	35.2%	38.0%	36.6%

TABLE 3.13

LANDLORDS' PREVIOUS KNOWLEDGE OF THE PROGRAMS
(Unweighted Sample in 10 PHAs)

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Both Programs</u>
Percent of landlords who were reported by tenants to:			
Be well acquainted with the Certificate Program	75.0%	82.5%	78.7%
Be well acquainted with both the Housing Voucher and Certificate Programs	66.0	a	a
Know something about the Section 8 Program	17.5	11.8	14.7
Never had heard of the Section 8 Program	7.6	5.8	6.7
(Sample size)			

^aNot asked of Certificate Program recipients.

tional units, but this is still only a quarter of the Housing Voucher landlords (for recipients who moved).

3.4 Payment Standards

PHAs had some flexibility in setting Payment Standards for the Housing Voucher program. Payment Standards were all set equal to the Certificate Program FMRs at the start of the Demonstration. Thereafter, if the HUD published FMR was increased, PHAs had the option of setting the Payment Standard anywhere between the initial schedule and the new FMR schedule. In fact, among the 14 large urban PHAs whose FMRs were increased during the Demonstration, only four always increased Payment Standards to match FMRs; two increased Payment Standards to match FMRs a number of months later; and eight never increased Payment Standards to match FMRs (though several did have some increase). The differences between the Payment Standards and FMRs was not large--about \$20 per month below the FMR in effect at the same time.

We lack the controlled variation in Payment Standards and FMRs that would be necessary to unravel their effects. Furthermore, ultimately only 14 percent of Housing Voucher and Certificate program enrollees were enrolled at the time when the FMR and Payment Standards were different.¹ We can, however, compare success rates for enrollees who enrolled in the two programs when Payment Standards and FMRs were equal. The results, shown in Table 3.14, indicate that with Payment Standards and FMRs equal the Housing Voucher Program would have had a success rate of 64.4 percent, 4.9 percentage points above the 59.5 percent success rate in the Certificate Program.

3.5 Variation in Success Rates Across PHAs

Success rates vary considerably across PHAs. Average success rates of enrollees in individual PHAs vary from 34 to 85 percent in the Housing Voucher Program and from 31 to 83 percent in the Certificate Program. Interestingly, there is no significant variation across PHAs in the difference in success rates between programs.² Accordingly, in this section we consider the average success rate for both programs combined. The combined program success rates

¹See Appendix B, Section B.5 for further details.

²See Appendix G, Table G.22 for program success rates by PHA.

TABLE 3.14

SUCCESS RATES FOR ENROLLEES ISSUED HOUSING VOUCHERS OR
CERTIFICATES DURING PERIODS WHEN PAYMENT STANDARDS
AND FMRs WERE THE SAME

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>
Mean	64.4%	59.5%	4.9 pts*
(Standard error)	(5.8 pts)	(5.7 pts)	(2.2 pts)

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

are listed in Table 3.15. The lowest success rate was 33 percent (New York). One other PHA (Boston) also had a combined program success rate of less than 50 percent. Two more PHAs have success rates in the upper fifty percents, five in the sixties, seven in the seventies, and three in the low eighties.

One obvious candidate for explaining differences in success rates is the tightness of local rental markets. We expect that since so many enrollees qualify by moving, this may be much more difficult if the rental market is very tight. It is not obvious how to measure market tightness. The most commonly used measure is the rental vacancy rate. Ideally we would like to measure vacancy rates for the moderate-rent market in which we expect enrollees to search for housing. Unfortunately, such data are not available. The Post Office can provide sporadic information on vacancies by Zip Code, but these do not distinguish rental and owner-occupied housing. Rental vacancy rates by SMSA are available from the Census, but these are not confined to the PHA's jurisdiction or the moderate-rent market. Nevertheless, they seemed the best available.

Figure 3.1 plots success rates against the average SMSA rental vacancy rate faced by enrollees in each PHA. Figure 3.1A plots overall success rates, while Figure 3.1B shows the success rates for enrollees intending to move who did not qualify in place (a group that might be more sensitive to vacancy rates). In each figure lines are drawn to connect all the PHAs except Boston and New York--the two PHAs with the lowest success rates. There is little apparent connection between vacancy rates and success rates in either figure. Further, the lower success rates in Boston and New York are clearly not explained by low vacancy rates.

Rydell (1979) suggested that vacancy rates may not provide a good measure of market tightness. He proposed that a better measure could be constructed by scaling vacancy rates against the number of people looking for rental housing. Specifically he proposed dividing the average monthly rental vacancy rate by the annual rental turnover rate. Thus Rydell's measure was:

$$\frac{\text{Percent of Rental Units Vacant in Any Month}}{\text{Percent of Rental Units Into Which a New Tenant Moves in a Year}} = \text{Rydell's Measure}$$

TABLE 3.15

COMBINED PROGRAM SUCCESS RATE BY PHA
(unweighted)^a

<u>PHA</u>	<u>Combined Program Success Rate</u>	<u>Average Vacancy Rate</u>	<u>Available Units Per Person Looking</u>
New York	32.7%	2.5%	1.88
Boston	46.7	4.1	1.55
Michigan	56.9	NA	NA
Atlanta	59.7	6.3	2.00
Montgomery County	64.0	3.5	1.03
Pittsburgh	66.4	8.4	3.24
New Jersey	66.5	NA	NA
New Haven	67.0	2.5	0.94
Dayton	69.0	5.5	1.57
Minneapolis	70.1	4.0	0.91
Los Angeles	71.8	3.6	1.21
Seattle	75.2	3.5	0.91
Erie County (Buffalo)	76.0	3.8	1.31
Pinellas County	78.8	13.4	3.35
Oakland	78.9	4.4	1.43
San Antonio	79.6	12.2	2.88
Cleveland	80.8	5.2	1.82
San Diego	81.7	5.2	1.08
Omaha	83.8	8.2	2.10
Median	70.1%		
Interquartile Interval	64.0% to 78.9%		

^aSuccess rates are not weighted by bedroom size. Weighted success rates in each program by PHA are presented in Table G.22 of Appendix G.

Figure 3.1 A

Success Rate by SMSA Census Vacancy Rate

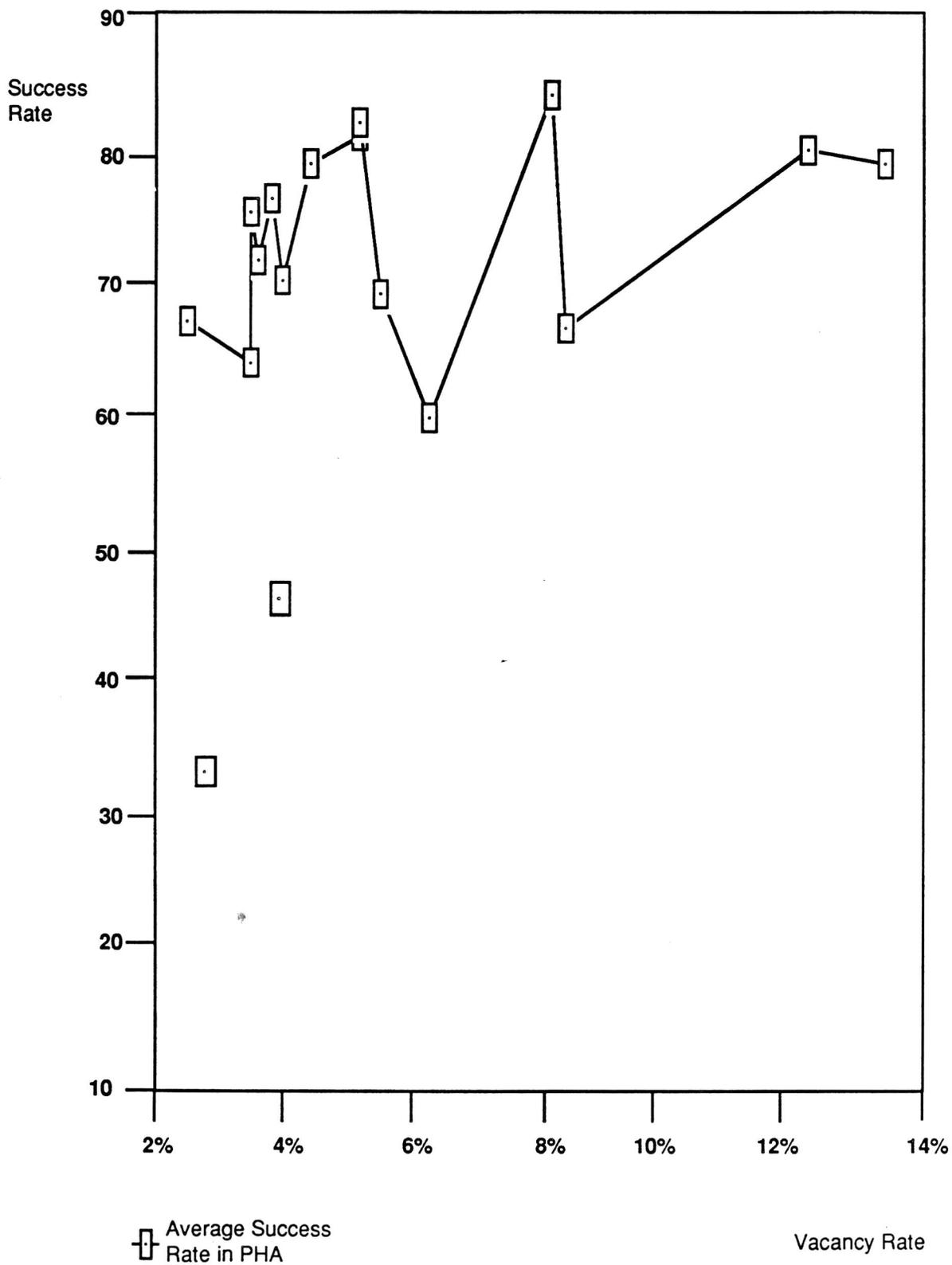
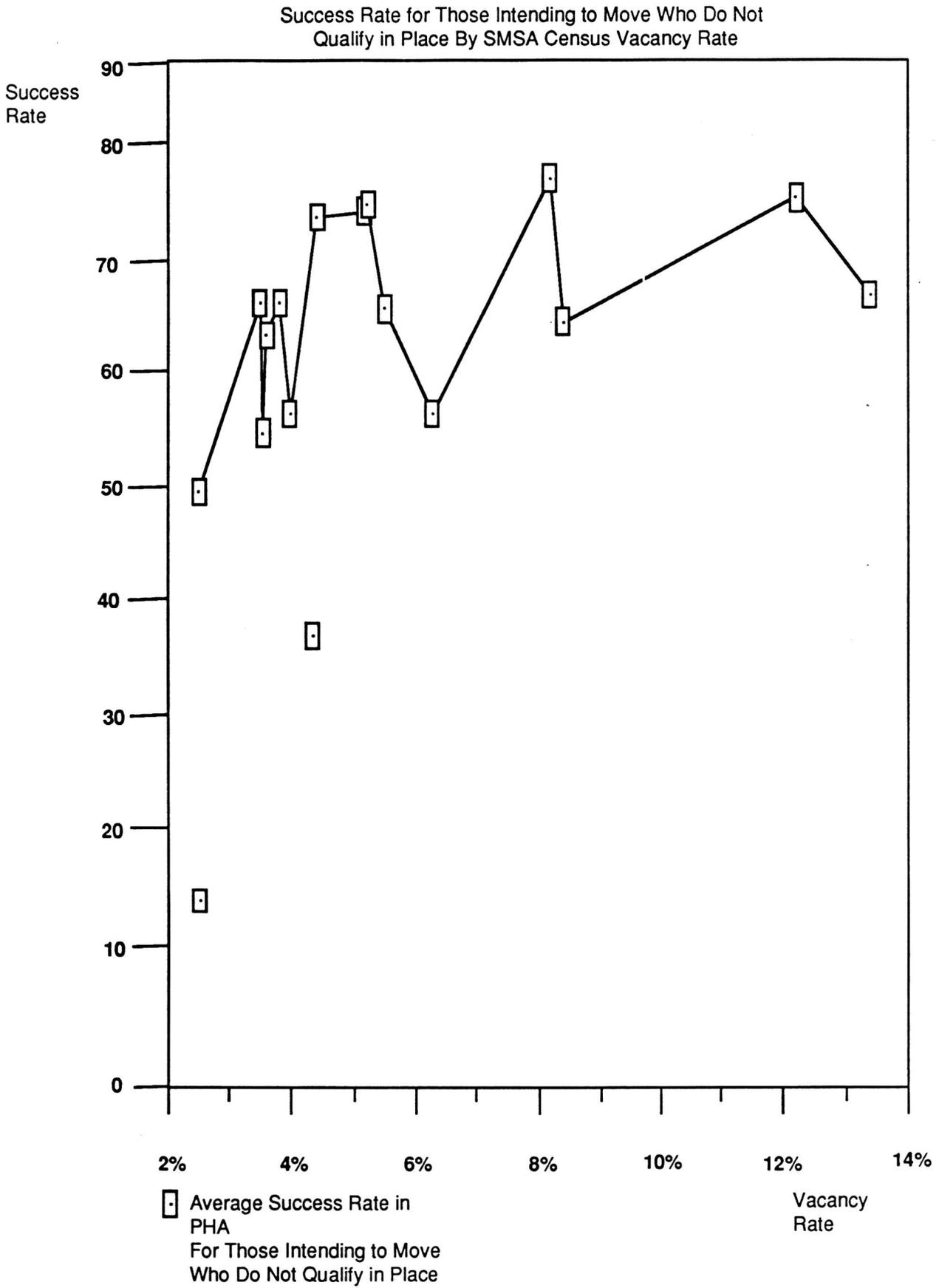


Figure 3.1 B



If we divide the turnovers in the denominator by 12 to get monthly turnovers we can create a rough measure of number of units available per household that moves.

The two success rates of Figure 3.1 are plotted against vacancies per mover in Figures 3.2A and 3.2B. Again there is little apparent connection.

3.6 Terminations in the First Year

It is possible that the differences in program rules could affect the retention of recipients as well as initial success rates. Table 3.16 shows the percent of recipients who terminated on or before their first annual recertification. The termination rates are an identical 11 percent in the two programs. The modestly higher success rates of Housing Voucher enrollees are not offset by lower retention rates among recipients. Reasons for termination are very similar in both programs. More than 40 percent of families terminated voluntarily, while about 30 percent were terminated at the initiative of the PHA or landlord. (See Table B.15B in Appendix B.)

Figure 3.2 A

Success Rate By Index of Vacancies Per Person Moving

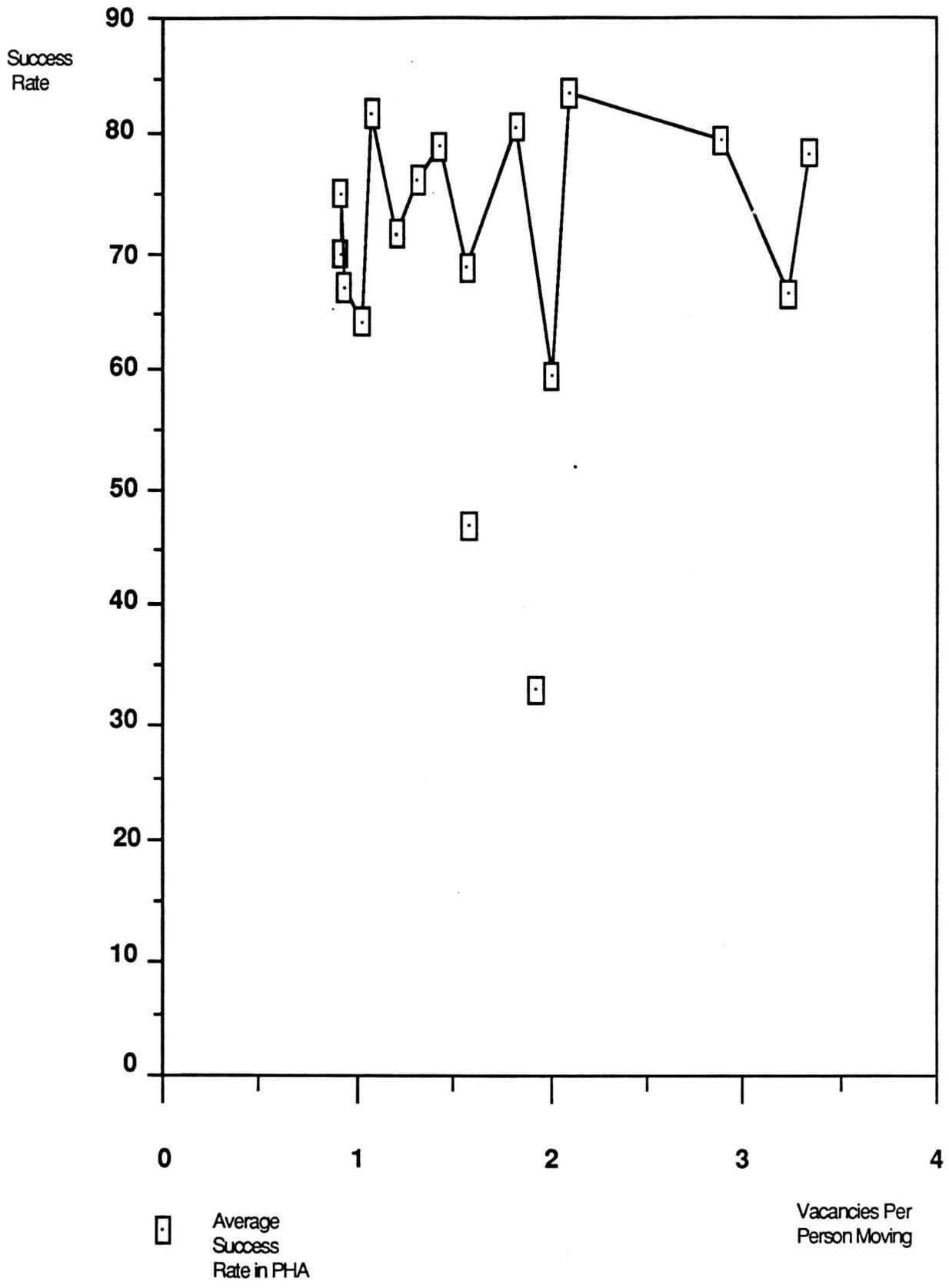


Figure 3.2B

Success Rate for Those Intending to Move Who Do Not Qualify in Place By Vacancies Per Person Moving

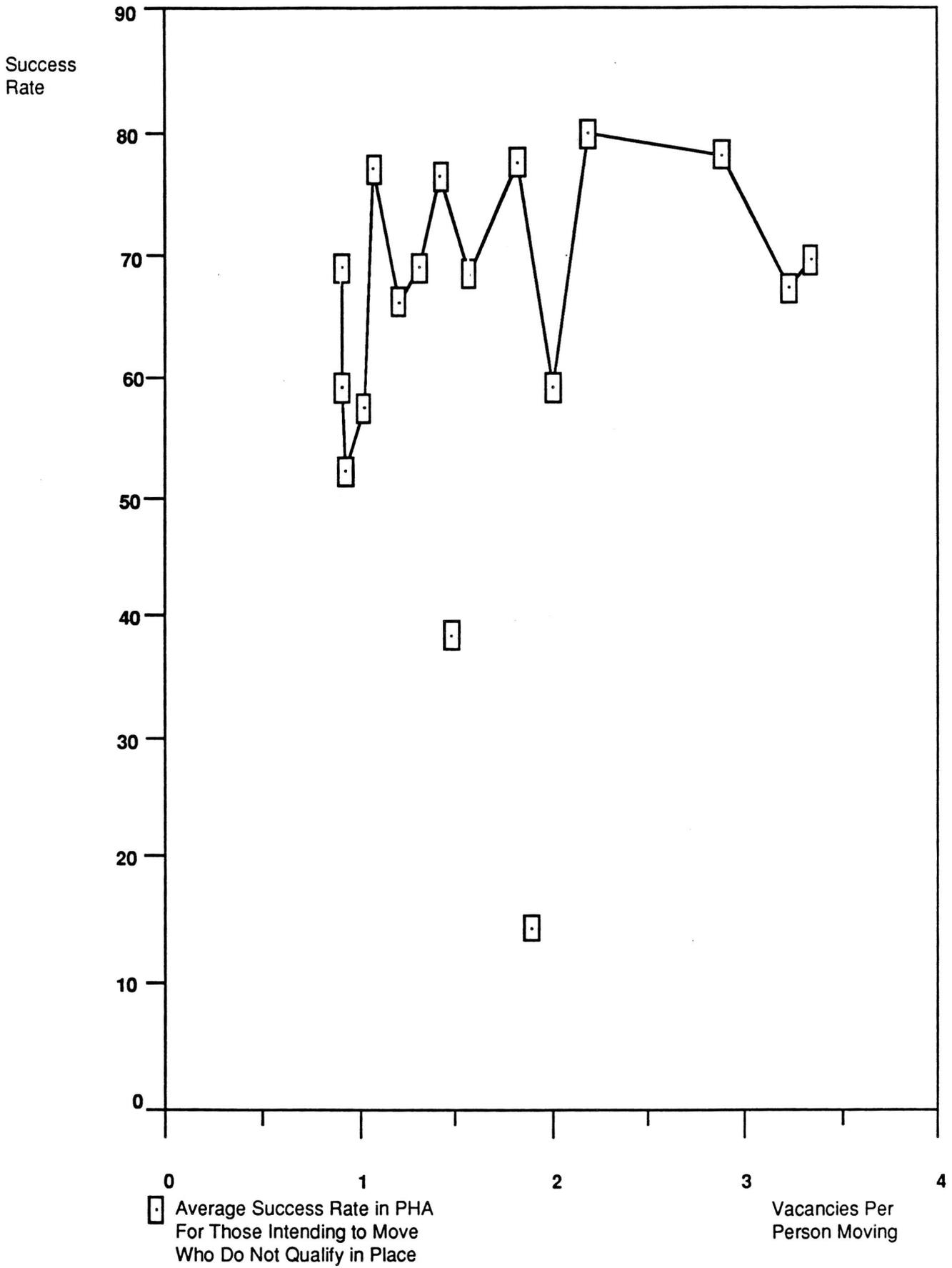


TABLE 3.16

TERMINATION RATES AFTER ONE YEAR^a
(NATIONAL PROJECTIONS)

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
Overall	11.0%	11.1%	0.1 pts	1.4 pts	0.08

^aSee Appendix F for details.

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

CHAPTER FOUR

RECIPIENT RENTS

This chapter compares the gross rents of units occupied by recipients in the two programs. In Section 4.1, we consider both the level of rents paid and the change in rents. In Section 4.2 we then examine the way in which these vary between recipients who remained in their pre-program units and recipients who moved. Section 4.3 discusses the way in which recipient rents changed during the recipient's first year in the program.

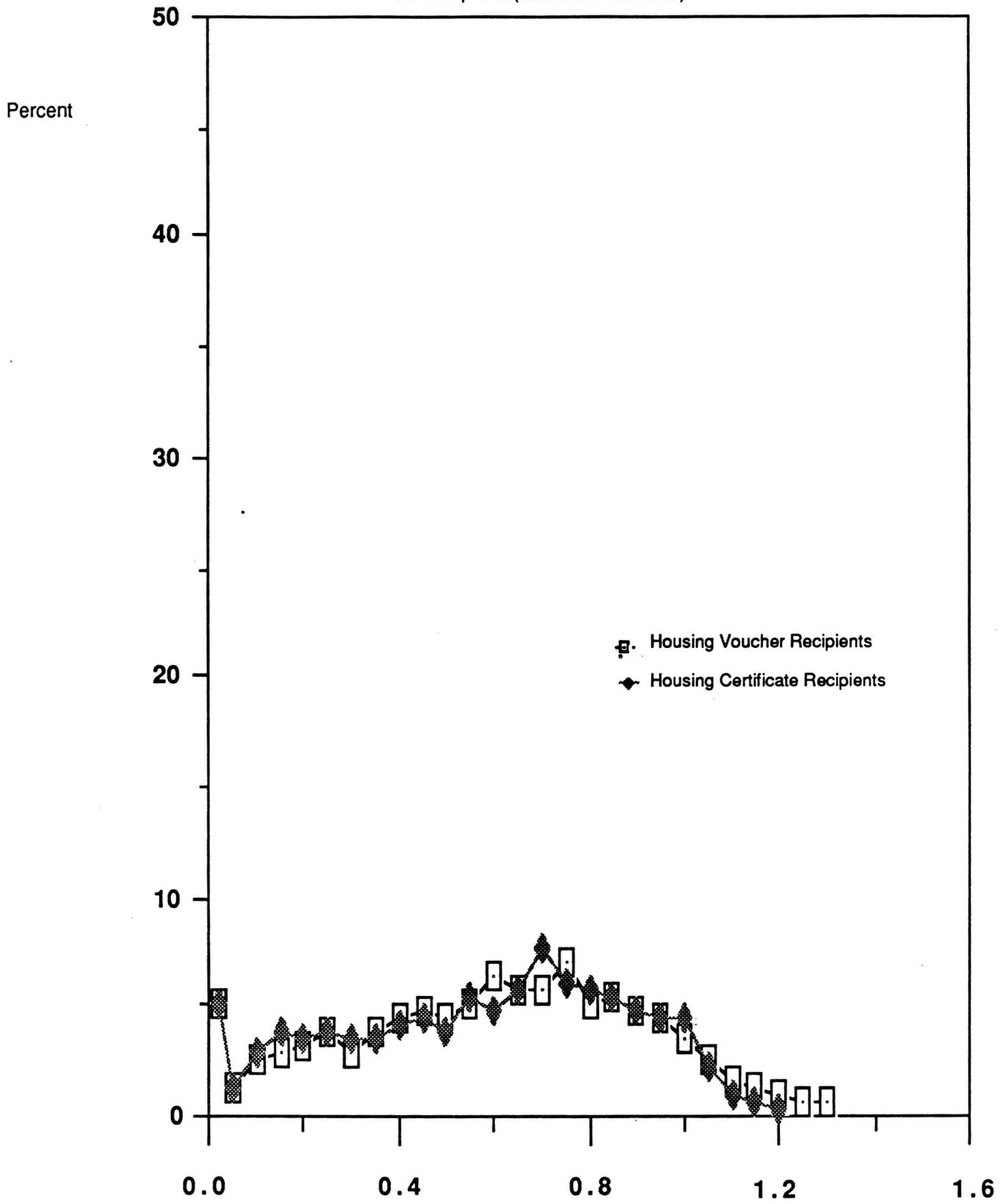
4.1 Overall Recipient Rents

The tenant contribution in the Certificate Program is determined by tenant income rather than the cost of the units they rent. Accordingly, recipients in the Certificate Program are expected to lease units with rents close to the allowed maximum, at least if they move. In contrast, the tenant contribution under the Housing Voucher Program does vary dollar for dollar with unit rent over a large range of rents and the unit rent is not restricted by any ceiling or allowable rents. Accordingly, we expect that rents in the Housing Voucher Program will be less tightly tied to the Payment Standard or FMR. In theory, the average recipient rent in the Housing Voucher Program could be higher or lower than the average rent in the Certificate Program. Given the slightly higher success rate observed for the Housing Voucher Program in the previous chapter, however, we would expect average Housing Voucher Program recipient rent to be somewhat higher as well.

These expectations are confirmed by Figures 4.1 and 4.2, which show the distribution of the ratio of pre-program and recipient gross rents to the FMRs in each program. As shown in Figure 4.1, the pre-program rents of recipients in both programs are quite broadly distributed in relation to the FMRs. In contrast, the distribution of recipient rents, shown in Figure 4.2, is quite different in the two programs. In the Certificate Program, recipient rents are tightly distributed around the FMRs. Over 43 percent of Certificate Program recipients have rents between 95 and 100 percent of FMRs. The PHAs do appear to have taken full advantage of their ability to grant exceptions to

Figure 4.1

Distribution of the Ratio of Pre-Program Gross Rents to FMRs:
All Recipients(National Estimates) *

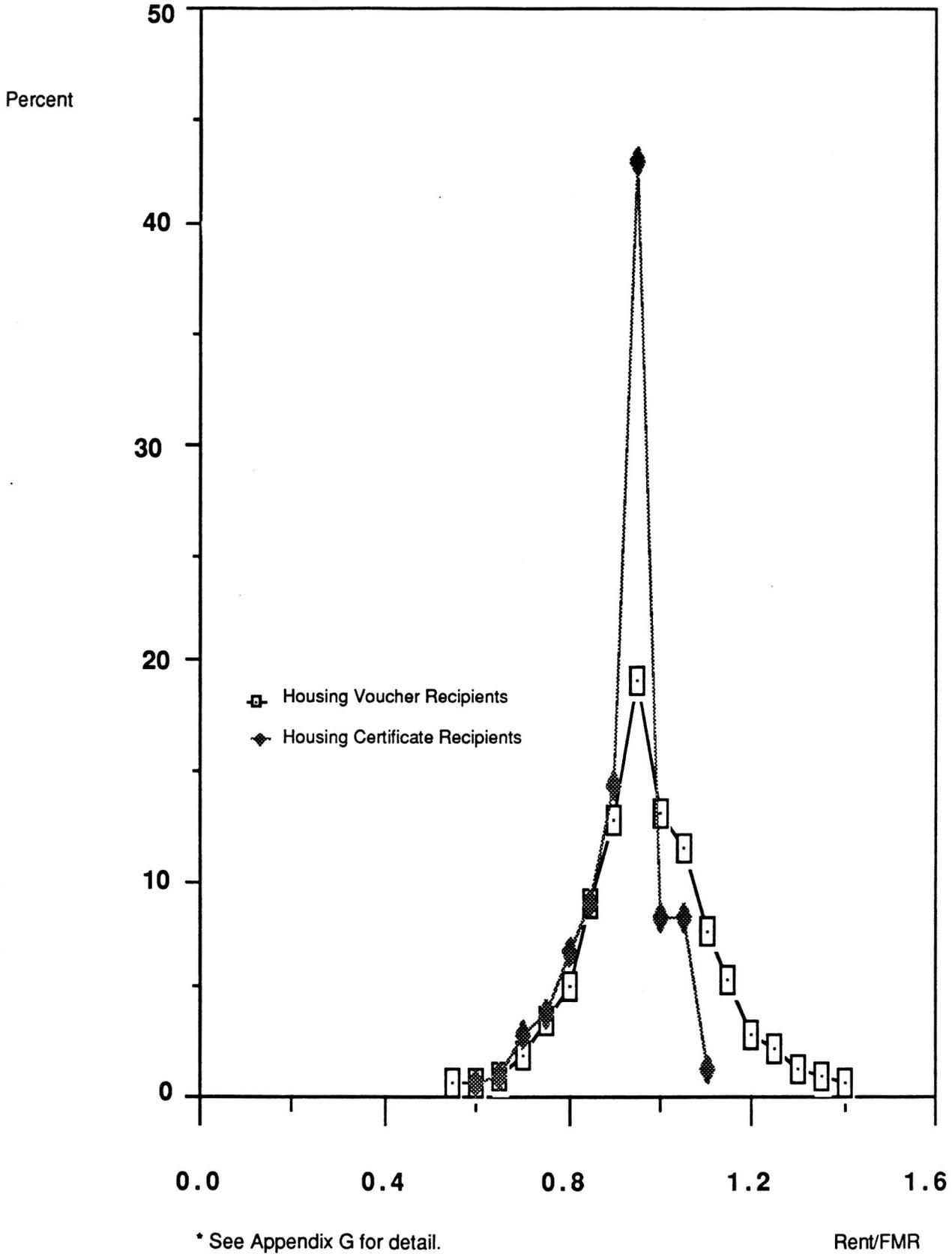


* See Appendix G for detail.

Rent/FMR

Figure 4.2

Distribution of the Ratio of Recipient Gross Rents to FMRs :
All Recipients (National Estimates)*



* See Appendix G for detail.

Rent/FMR

the FMRs: about 19 percent had rents above the FMRs.¹ The distribution of Housing Voucher recipient rents shows more variation and is centered at a higher ratio. Interestingly, Housing Voucher rents still appear to cluster around the FMR to a much greater extent than pre-program rents, as shown in Figure 4.2.

These distributions are subject to several special factors that may influence their interpretation. They include both recipients who moved and those who stayed in their pre-program units, two groups that might be expected to have very different patterns of unit rents. The pre-program rents also include cases where enrollees were not paying the full rent for their pre-enrollment unit, most often because they were sharing their unit with another family. This would, of course, spread out pre-program rents in relation to recipient rents. Subsequent sections explore these issues, but while they illuminate the patterns of recipient rents and rent changes, they do not alter the underlying impression generated by Figures 4.1 and 4.2.

On average, recipients in both programs rented units that were substantially more expensive than their pre-program units (Table 4.1). The increase in recipient gross rents was, however, somewhat larger in the Housing Voucher Program. Housing Voucher recipients started with average pre-program rents that were about 3 percent (\$9 per month) higher than those paid by Certificate Program recipients. Housing Voucher recipient rents were 6 percent (\$26 per month) higher. This reflects an 11 percent greater change in rent for Housing Voucher recipients. However, the change in gross rents in both programs is large--\$179 and \$162 per month, or 63 percent and 59 percent above pre-program rents for Housing Voucher and Certificate Program recipients, respectively.

To the extent that we tend to think of rents as rough indicators of the quality of housing, the changes in gross rents shown in Table 4.1 may be somewhat misleading. As already mentioned in connection with Figure 4.1, a substantial number of recipients shared their pre-enrollment units with other families, often paying little or no rent. Others received assistance in

¹The very small number of Certificate Program recipients above the allowed maximum exception of 110 percent of FMR may reflect either actual errors or simply reporting errors.

TABLE 4.1

GROSS RENTS^a
(NATIONAL PROJECTIONS)

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
<u>All Recipients</u>					
Pre-Program Gross Rents	\$283.59	\$274.48	\$9.11	\$3.57	2.55**
Initial Recipient Gross Rents	463.03	436.60	26.43	3.78	7.00**
Change in Gross Rents ^b	179.22	162.14	17.08	4.00	4.27**

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

paying rent. Overall, about one-third of recipients had not been paying full rent in their pre-enrollment units--a quarter because they shared their pre-enrollment units with another family, the rest because they received other assistance (for example, from friends or relatives) or worked for the landlord (Table 4.2).¹

As expected, recipients paying full rent had markedly higher pre-program gross rents, similar recipient rents, and markedly smaller increases in gross rents. The average increase in gross rent for those paying their full pre-program and program rents was \$121.34 in the Housing Voucher Program (or 35 percent of the average pre-program gross rent) and \$100.71 in the Certificate Program (or 30 percent of the average pre-program gross rent). In contrast, the increase for non-full rent Housing Voucher recipients was \$285.16 (an increase equal to 161 percent of average pre-program gross rent) and for non-full rent Certificate Program recipients was \$267.81 (or 154 percent of average pre-program gross rent). The difference between the programs in the increase in gross rents was similar: \$20.63 per month more in the Housing Voucher Program for recipients paying full rent, and \$17.35 more for recipients who were not paying full rent.

4.2 Rents and Mobility

We expect that the pattern of recipient rents may be quite different depending on whether recipients remain in their pre-program unit or move to a new one. As shown in Table 4.3, 63 percent of recipients moved in each program, the others remaining in their pre-program unit. The change in recipient gross rents was in fact strongly associated with moving. Recipients who moved from their pre-program units had increases in gross rents of \$256 per month in the Housing Voucher Program and \$231 per month in the Certificate Program--roughly five times the increase registered by recipients who did not move, and significantly larger in the Housing Voucher Program as compared with the Certificate Program.

¹In addition, a handful of recipients in both programs rented units that were otherwise subsidized, such as units in 236 projects. In the breakdowns by Full Rent and Non-Full Rent, we have simply included these in the Non-Full Rent group.

TABLE 4.2

FURTHER DETAIL ON RECIPIENT GROSS RENTS^a

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t-statistic
Percent of Recipients Who					
Paid Full Rent	64.4%	62.8%	1.6 pts	1.7 pts	0.97
Did Not Pay Full Rent	35.6	37.0	NA	NA	NA
Subunits	24.9	24.5	0.4 pts	1.3 pts	0.31
Received Other Assistance or Worked for Landlord	10.8	12.6	-1.8	1.2	1.48
For Full Rent Recipients					
Pre-Program Gross Rent	\$341.84	\$333.29	\$8.56	\$4.53	1.89‡
Initial Recipient Gross Rent	463.59	434.36	29.23	3.96	7.38**
Change in Gross Rent ^b	121.34	100.71	20.63	5.24	3.93**
For Non-Full Rent Recipients					
Pre-Program Gross Rent	\$176.98	\$173.41	\$3.57	\$6.68	0.53
Initial Recipient Gross Rent	462.03	440.39	21.64	5.68	3.81**
Change in Gross Rent ^b	285.16	267.81	17.35	7.64	2.27**
F-Tests for Difference Between Groups					
Pre-Program Gross Rent	1441.45** (1,3366)	1358.24** (1,3196)	0.66 (1,6562)	NA	NA
Initial Recipient Gross Rent	0.31 (1,3433)	10.03** (1,3262)	4.98* (1,6695)	NA	NA
Change in Gross Rent	1153.97** (1,3366)	1329.79** (1,3195)	0.24 (1,6561)	NA	NA

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

TABLE 4.3

INITIAL RECIPIENT RENTS BY MOBILITY^a
(NATIONAL PROJECTIONS)

	Housing Voucher <u>Program</u>	Certificate Program	Difference		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
Percent of Recipients Who Move from Their Pre-Program Unit	63.2%	63.1%	0.01 pts	1.4 pts	0.08
Recipients Who Stay in Their Pre-Program Unit					
Pre-Program Gross Rent	362.21	350.84	11.36	6.85	1.66‡
Initial Recipient Gross Rent	411.59	396.72	14.87	4.29	3.46**
Change in Gross Rent ^b	49.69	46.15	3.54	5.52	0.64
Recipients Who Move from Their Pre-Program Unit					
Pre-Program Gross Rent	237.14	229.04	8.09	4.48	1.81‡
Initial Recipient Gross Rent	493.02	459.94	33.07	5.53	5.98**
Change in Gross Rent ^b	255.77	231.13	24.64	5.17	4.77**
F-Statistics for Differences Between Groups					
Pre-Program Gross Rent	752.58** (1,3365)	698.23** (1,3197)	0.25 (1,6562)	NA	NA
Initial Recipient Gross Rent	10006.29** (1,3432)	1245.05** (1,3264)	33.07** (1,6696)	NA	NA
Change in Gross Rent	1948.53** (1,3365)	1554.54** (1,3196)	10.15** (1,6561)	NA	NA

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

Recipients who stayed in their pre-program units had higher average pre-program rents and much smaller average increases in gross rents than those who moved. Housing Voucher recipients who stayed in their pre-program units had somewhat higher pre-program and recipient gross rents than similar Certificate Program recipients. There was, however, no material difference between the programs in terms of the increase in gross rents for recipients who did not move; the increase was roughly \$50 in the Housing Voucher Program and \$46 in the Certificate Program, or 13.7 and 13.2 percent of average pre-program gross rents, respectively.

Movers. Now consider the results for movers in more detail (Table 4.4). As before, a better appreciation of the nature of the change in gross rents may be obtained by excluding recipients who were sharing their pre-program unit or otherwise paying less than full rent, as well as the few recipients who were in otherwise subsidized housing. The pattern is the same found for all recipients. Among recipients who move, those paying full rent start out with much higher pre-program rents, increase their rents less, but still have somewhat higher recipient gross rents than recipients who were not paying full rent in their pre-enrollment unit. For both groups the increases in rents are larger under the Housing Voucher Program than under the Certificate Program, though the difference between the programs is somewhat larger for those paying full rents.

Figures 4.3 and 4.4 show the distributions of the ratio of program and pre-program gross rents to FMRs for recipients who paid full rent in both their program and pre-program units and who moved. We would expect the association between recipient rents and FMRs in the Certificate program to be most marked for recipients who moved. As shown in Figure 4.3, pre-program rents were quite spread out in both programs. On the other hand, as shown in Figure 4.4, full-rent recipients in the Certificate Program who moved had rents very tightly clustered around the FMRs, with almost 48 percent between 95 and 100 percent of FMRs. Indeed, even the fairly dramatic graphics of Figure 4.4 fail to convey how tight the distribution was. Among the 48 percent of Certificate Program movers who had rents between 95 and 100 percent of FMR, almost half had rents exactly equal to the FMR.

For the Housing Voucher program, we expect recipients who move should offer the clearest picture of the recipients' responses to the absence of rent

TABLE 4.4

FURTHER DETAILS ON RECIPIENT RENTS FOR RECIPIENTS WHO MOVED^a

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
Percent of Recipients Who					
Moved and paid full rent	33.9%	32.2%	1.7 pts	1.5 pts	1.13
Moved and did not pay full rent	29.3	30.8	-1.6	1.3	1.19
Recipients who moved and paid full rent prior to enrollment					
Pre-program gross rent	\$310.06	\$305.19	\$4.87	\$5.30	0.96
Recipient gross rent	506.60	468.40	38.20	6.95	5.50**
Change in gross rent	196.12	163.42	32.70	7.83	4.18**
Recipients who moved and did not pay full rent prior to enrollment					
Pre-program gross rent	152.88	149.35	3.53	5.76	0.61
Recipient gross rent	477.27	451.05	26.22	5.80	4.52**
Change in gross rent	324.25	302.66	21.60	6.41	3.37**
F-statistic for difference between groups					
Pre-program gross rent	871.44** (1,2022)	803.59** (1,1930)	0.03 (1,3952)		
Recipient gross rent	88.94** (1,2077)	78.87** (1,1986)	10.41** (1,4063)		
Change in gross rent	480.10** (2,2022)	582.70** (1,1930)	1.82 (1,3952)		

** = Significant at 0.01 level

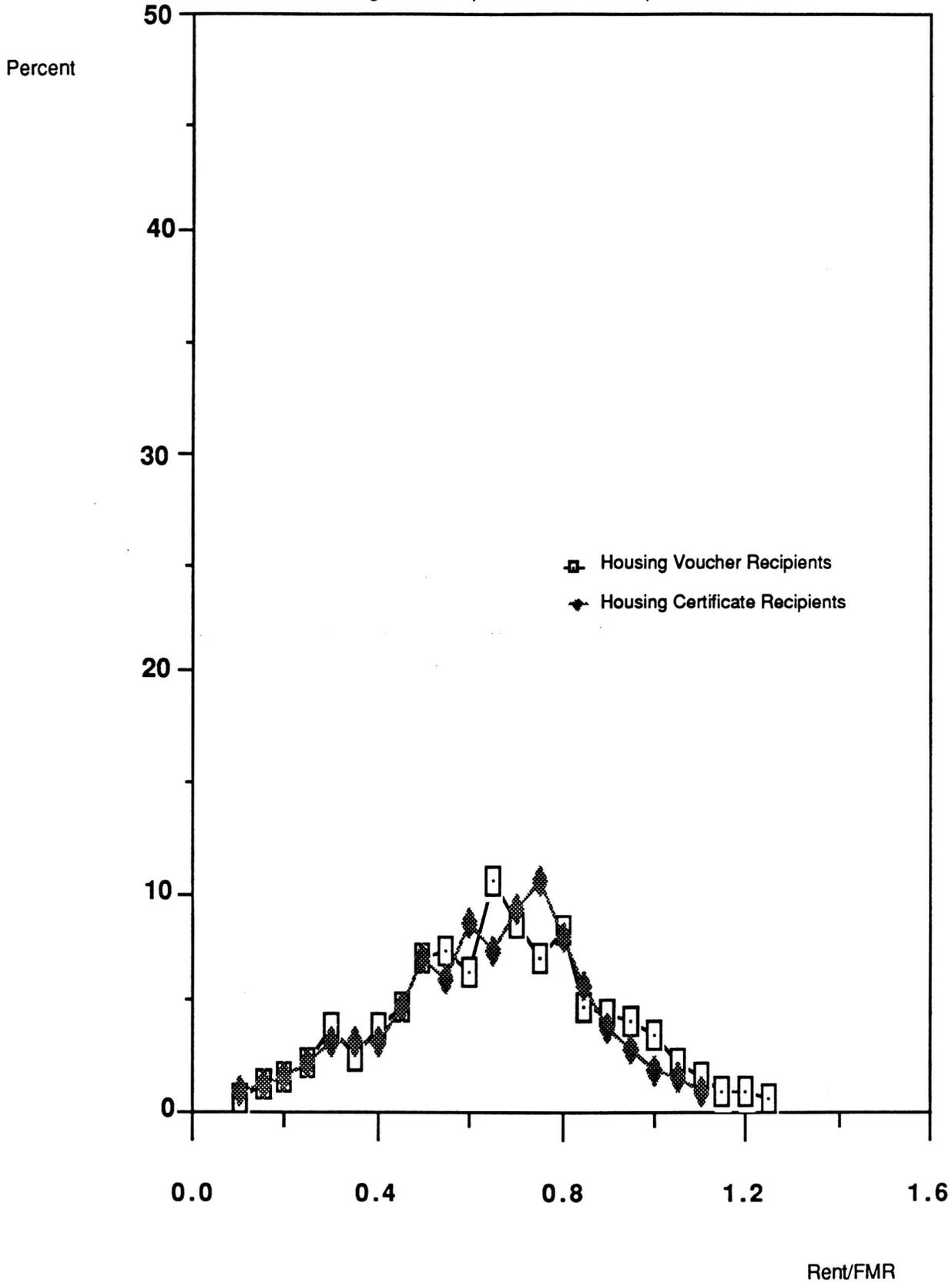
* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

Figure 4.3

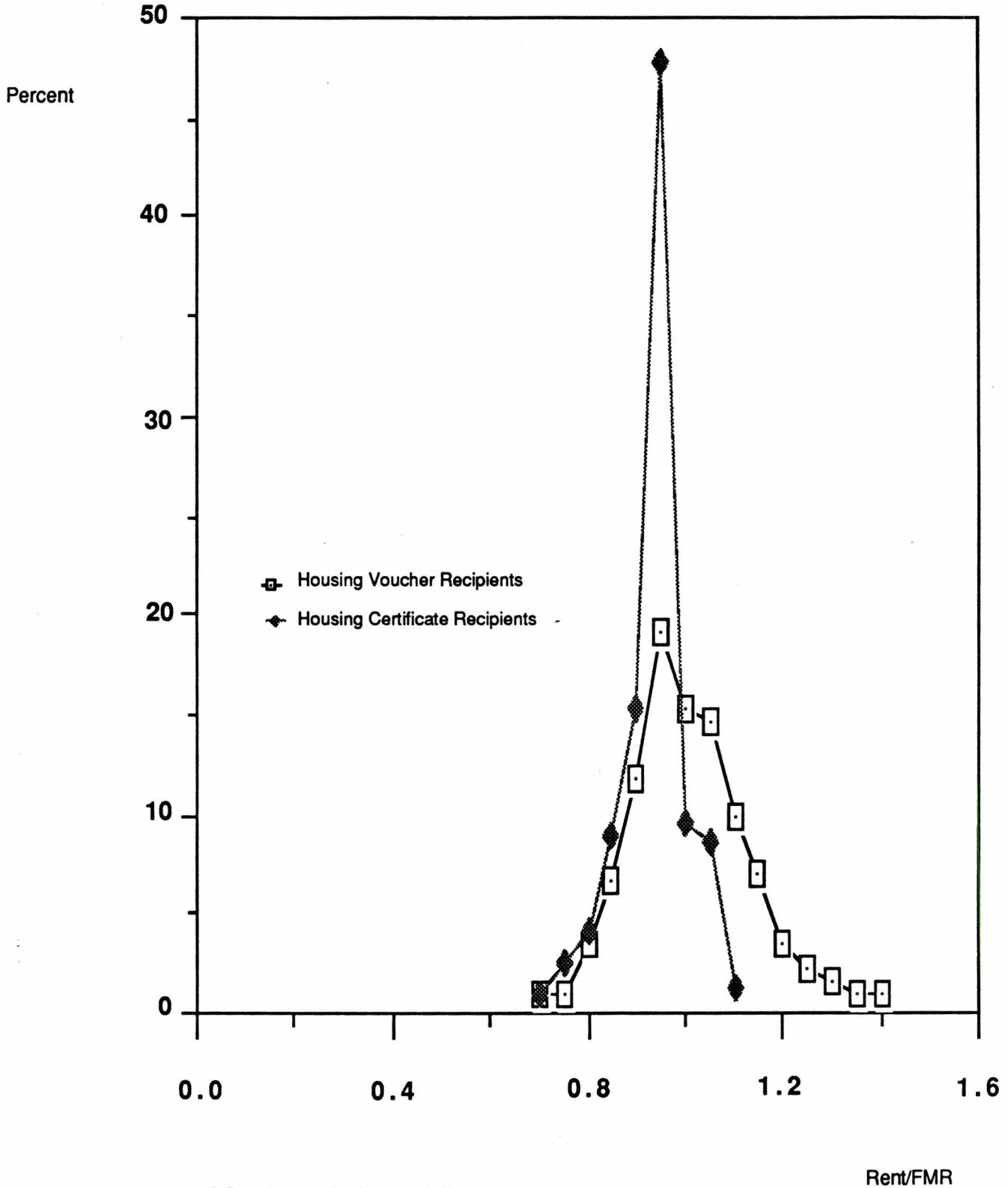
Distribution of the Ratio of Pre-Program Gross Rents to FMRs:
Recipients Who Moved to Otherwise Unsubsidized Units and Paid Their
Full Pre - Program Rent (National Estimates) *



* See Appendix G for detail.

Figure 4.4

Distribution of the Ratio of Recipient Gross Rents to FMRs:
Recipients Who Moved to Otherwise Unsubsidized Units and
Paid Their Full Pre - Program Rent (National Estimates) *



* See Appendix G for detail.

limits in the Housing Voucher program. In fact, as in the distribution for all recipients, among recipients who move, the ratio of recipient rents to FMRs is somewhat higher on average and more dispersed in the Housing Voucher Program than the the Certificate program. Nevertheless, the relationship of Housing Voucher recipient rents to FMRs is still strong compared with that of pre-program rents.

Some idea of the extent of the association between recipient rents and FMRs or Payment Standards can be obtained by comparing the R^2 s from regressions of pre-program and recipient gross rent on FMRs. Since FMRs do reflect local housing costs, we expect some relationship and, as Table 4.5 shows (considering only recipients who move and who paid full rents in both their pre-enrollment and recipient units), the regression of pre-program rents on FMRs yields a modest R^2 of 0.21 for Housing Voucher recipients and 0.22 for Certificate recipients (correlations of 46 and 47 percent, respectively). The regression mean square errors are reasonably large and equal to about 35 percent of average pre-program rents. In contrast, the R^2 for the regression of recipient rents on FMRs in the Certificate Program is 0.88 (a correlation of 94 percent) with a standard error of only \$43 per month, or 9 percent of average recipient rents. The association for Housing Voucher recipient rents is weaker, but still quite strong--an R^2 of 0.76 (correlation of 87 percent), with a standard error of \$76 per month, or 14 percent of average recipient rents.

The association between recipient rents and FMRs in the Housing Voucher Program would be expected if FMRs were generally above the level of spending that recipients would normally choose and if there were a very sharp association between the probability that a unit meets program requirements and rents near the FMR--specifically if units with rents below the FMRs were very unlikely to meet requirements whereas all units above the FMRs were very likely to meet requirements. In fact examination of the relationship between the proportion of Housing Voucher enrollees who qualified in place and their pre-enrollment rent levels, shown in Figure 4.5, suggest that this may be the case.

Alternatively, the discussion of Chapter 3 (Section 3.4) suggested that Housing Voucher households might most often have rented their units from landlords who were well acquainted with the Certificate Program. Since the

TABLE 4.5

UNWEIGHTED REGRESSION OF PRE-PROGRAM AND PROGRAM GROSS RENTS ON FMRs AND PAYMENT STANDARDS

(For households that paid their full pre-program rent and moved to units not otherwise subsidized)

	<u>Housing Voucher Program</u>			<u>Certificate Program</u>		
	<u>R²</u>	<u>Residual Standard Deviation</u>	<u>CV^b</u>	<u>R²</u>	<u>Residual Standard Deviation</u>	<u>CV^b</u>
Regression of Pre-Program Rents ^c	0.21	\$119	37%	0.22	\$116	36%
	R = 81 + 0.48 FMR (14) (0.03)			R = 70 + 0.50 FMR (14) (0.03)		
Regression of Program Rents ^c	0.76	\$76	14%	0.88	\$43	9%
	R = -1 + 1.05 FMR (9) (0.02)			R = 8 + 0.95 FMR (5) (0.01)		

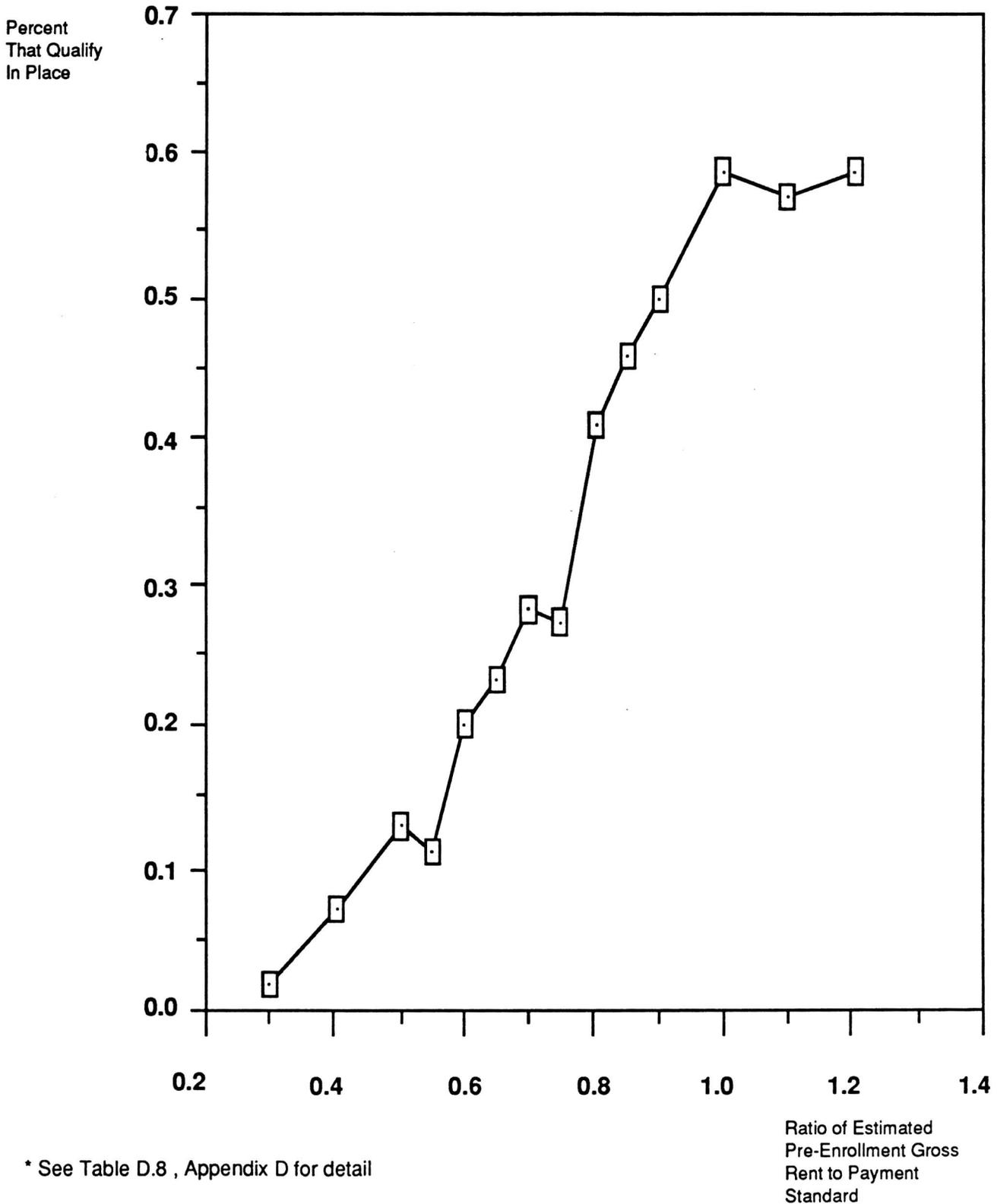
^aExcludes households that did not move, that either shared their pre-enrollment unit with another household or received help in paying the rent, or that moved to units in otherwise subsidized projects.

^bThe coefficient of variation is the estimated standard deviation of the regression residual expressed as a percent of the dependent variable mean.

^cNumbers for regression equations in parentheses show the standard errors of estimate for the coefficient.

Figure 4.5

Relationship Between the Proportion of Housing Voucher
Enrollees Qualifying in Place and the Ratio of
Their Estimated Pre-Enrollment Gross Rent to Payment Standards
(Excluding Subunits) *



vast majority of existing Section 8 recipients in all of the Demonstration sites were in the Certificate Program, it seems possible that Housing Voucher landlords frequently set rents based on Certificate Program rules. In this case, program differences could be much more substantial if a Housing Voucher program became the dominant (or only) program in an area.

Stayers Now consider the patterns of initial recipient rents for recipients who stayed in their pre-enrollment unit. Changes in gross rent for full rent and non-full rent stayers are shown in Table 4.6. Very few recipients who qualified in place were not paying their full pre-enrollment rents. As with recipients who moved, those paying full pre-program rent had higher average pre-enrollment gross rents, smaller increases in gross rents, but still somewhat higher recipient rents than those not paying full rent.

The pattern of differences between the programs is, however, quite different for movers and stayers. There is no material difference between the programs for the few stayers who were not paying full rent. For stayers who were paying full rent, recipient rents were higher in the Housing Voucher Program, but the difference reflects high pre-program rents rather than any larger increase in rents. As indicated in Chapter 3, the absence of rent limits in the Housing Voucher Program allowed more enrollees with higher rents to qualify in place. There was, however, no material or significant difference in the subsequent changes in rent; it appears that the extra shopping incentives provided by the Housing Voucher Program are no more effective in resisting rent increases than the rent reasonableness tests and the FMR ceilings in the Certificate Program.

The pattern of program effects is unchanged if we examine the rents of recipients who qualified in place with and without repairs. As might be expected, recipients who qualified in place without repairs started with somewhat higher average rents. Furthermore, they had smaller increases in rents than recipients whose units were repaired in order to qualify. There was no significant difference between the programs in the change in gross rent for either group.

Olsen and Reeder have proposed that because of the FMR ceiling Certificate Program recipients who qualify in place tend to have units with abnormally low rents for the level of housing they represent. Accordingly, they expect that such units may register fairly large increases as rents

TABLE 4.6

FURTHER DETAIL ON RECIPIENT RENTS FOR
RECIPIENTS WHO STAYED IN THEIR PRE-ENROLLMENT UNITS^a

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t-statistic
Percent of Recipients Who					
Stayed and paid full rent	30.5%	30.5%	-0.0 pts	1.1 pts	0.06
Stayed and did not pay full rent	6.3%	6.4%	-0.1 pts	0.9 pts	0.05
Recipients who stayed and paid full rent					
Pre-program gross rent	\$376.47	\$362.91	\$13.55	\$5.90	2.30*
Recipient gross rent	415.72	398.38	17.34	4.76	3.64**
Change in gross rent ^b	38.96	35.13	3.83	4.02	0.95
Recipients who stayed and did not pay full rent					
Pre-program gross rent	291.20	292.73	-1.53	12.44	0.12
Recipient gross rent	391.74	388.61	3.13	19.46	0.16
Change in gross rent ^b	101.30	98.95	2.35	19.37	0.12
F-statistic for difference between groups					
Pre-program gross rent	151.10** (1,1241)	113.29** (1,1162)	2.47 (1,2403)		
Recipient gross rent	19.37** (1,1252)	5.13* (1,1172)	4.08* (1,2424)		
Change in gross rent	104.27** (1,1241)	118.35** (1,1161)	0.03 (1,2402)		

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

TABLE 4.7

RENTS FOR RECIPIENTS WHO QUALIFIED IN PLACE WITH AND WITHOUT REPAIRS^a

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t-statistic
Qualified in place without repairs					
Pre-program gross rent	\$365.92	\$354.37	\$11.56	\$6.73	1.72‡
Recipient gross rent	404.17	392.47	11.70	3.13	3.73**
Change in gross rent ^b	38.55	38.86	-0.31	6.44	0.05
Qualified in place with repairs					
Pre-program gross rent	355.37	344.84	10.53	9.18	1.15
Recipient gross rent	424.49	404.63	19.85	7.24	2.74*
Change in gross rent ^b	68.46	59.12	9.34	7.18	1.30
F-statistic for difference between the two groups					
Pre-program gross rent	3.22‡ (1,1233)	2.74‡ (1,1157)	0.02 (1,2390)		
Recipient gross rent	20.79** (1,1245)	11.83** (1,1167)	2.00 (1,2412)		
Change in gross rent	32.79** (1,1233)	14.97 (1,1156)	1.70** (1,2389)		

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

adjust to catch up with market levels. Since the Housing Voucher Program does not impose rent limits, we would expect smaller increases in that program, consistent with the findings for recipients who qualify in place without repairs. Alternatively, one could argue that the larger rent increases reflect the fact that the Certificate Program creates less of an incentive for recipients to resist new increases (up to the FMR ceiling). However, the Housing Voucher Program showed larger average increases for recipients who qualified in place with repairs, suggesting that differences in bargaining were not essential. Indeed, regression analysis of rent changes among recipients who qualified in place, presented in Appendix E, suggested that in both programs recipients who qualified in place and had pre-enrollment rents below FMRs, tended to increase their rents by about 60 percent of the difference between pre-enrollment rents and FMRs. For those with pre-enrollment rents above the FMR, the two programs seemed to have different effects. Certificate Program recipients who qualified in place and had pre-enrollment rents above the FMRs, tended to reduce their rents by an average of 60 percent of the excess; Housing Voucher recipients tended to show reductions equal on average to only 11 percent of the gap.¹

4.3 Changes in Recipient Rents During the First Year

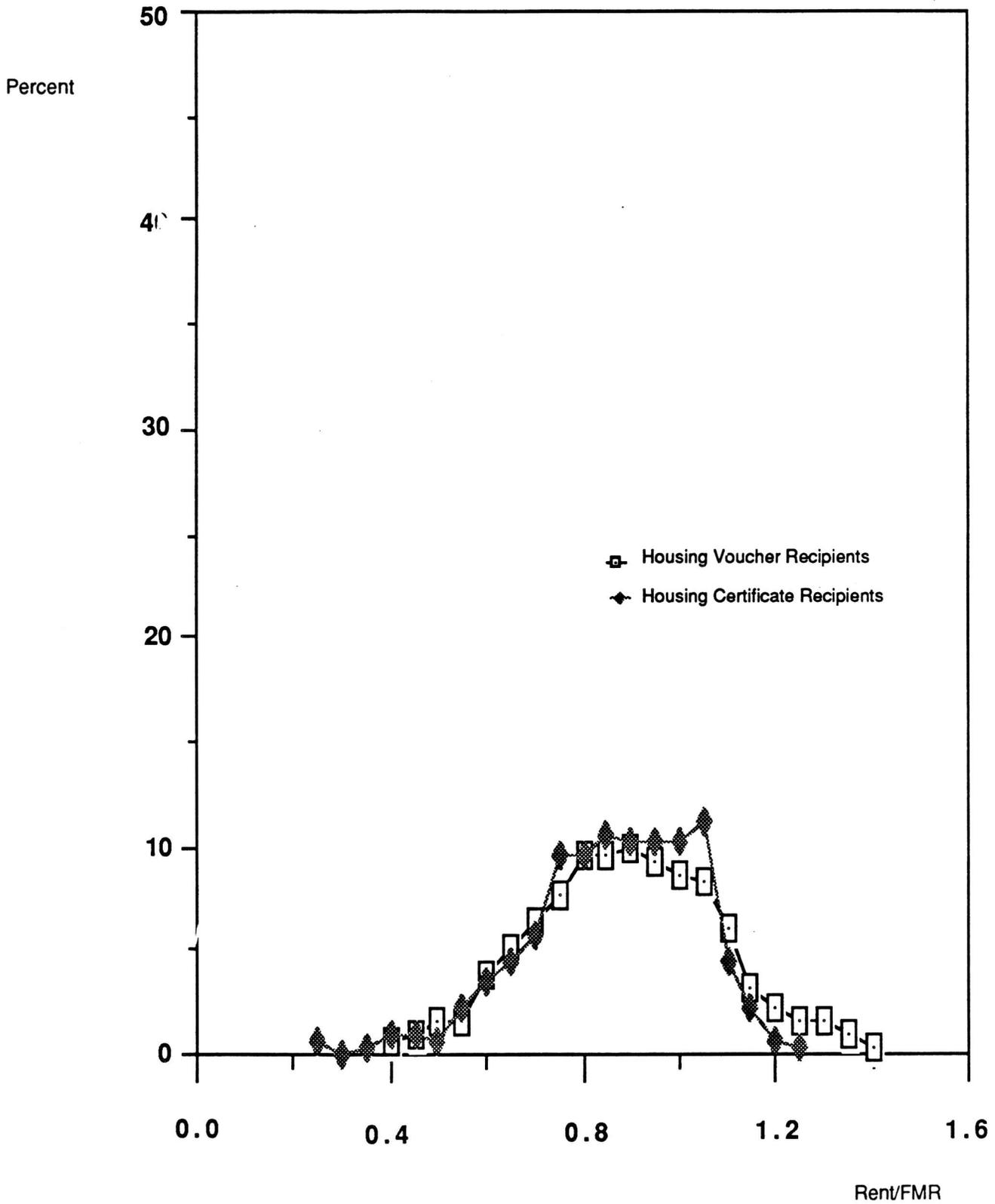
Recipients are recertified at intervals of approximately one year, and recertification generally corresponds to lease renewal or moves to new units. In the Certificate Program, recertification is accompanied by adjustment factors that set limits on the allowable increase in rents for those who do not move. Likewise, Certificate recipients who move are subject to the ceiling imposed by the current HUD FMR schedules. In the Housing Voucher Program, in contrast, no program limit is placed on increases in rents (or on the rents paid by those who move). We might expect that changes in rent at recertification would be different in the two programs.

As discussed in Chapter 3 (and Appendix B), of the 7,525 Housing Voucher and Certificate program recipients in the Demonstration, 4,315 became recipients early enough that we could observe the results of their recertification. Of these, 524 left the program (before or during recertification), leaving 3,791 recertified recipients.

¹See Table E.14.

Figure 4.6

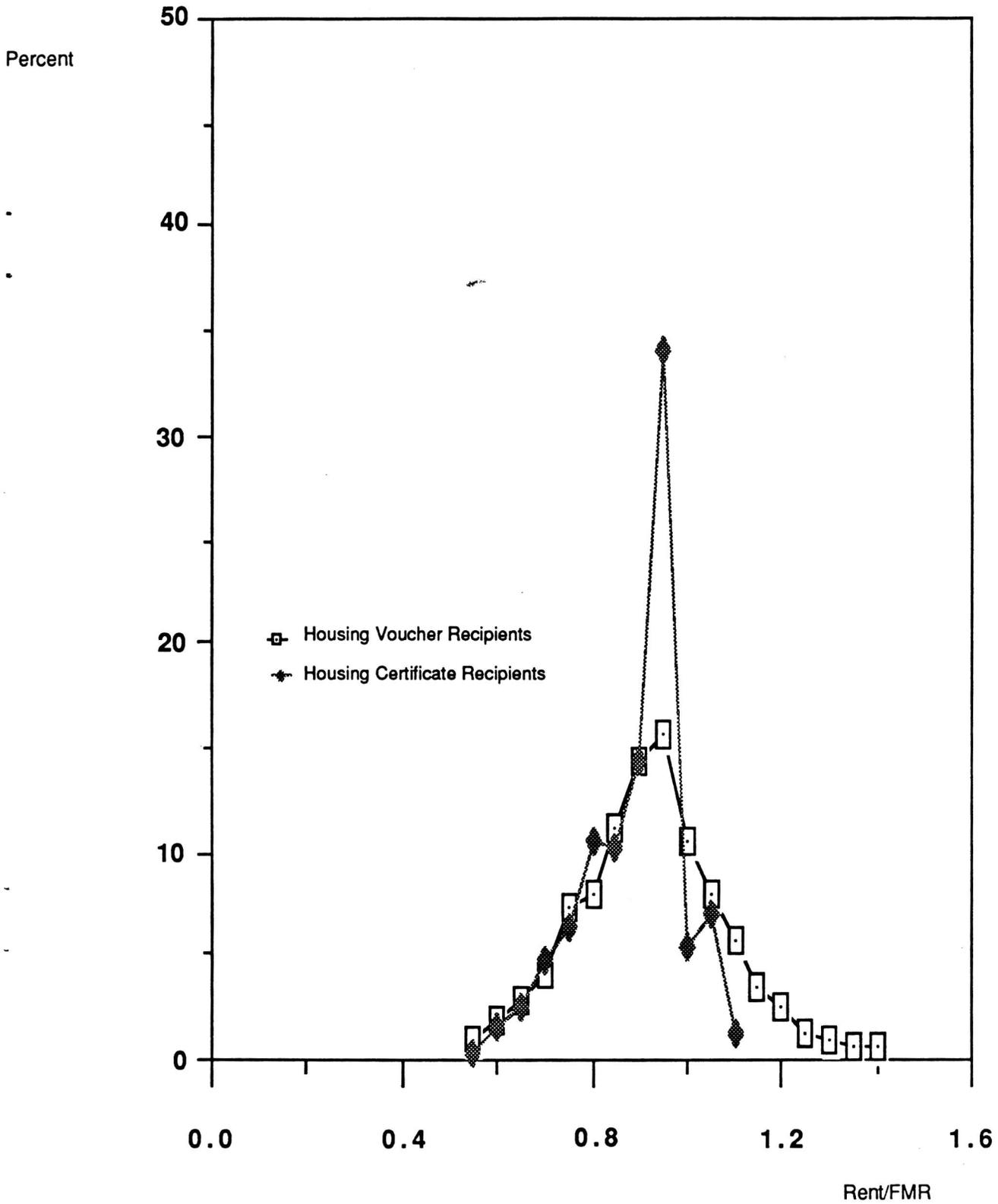
Distribution of the Ratio of Pre-Program Gross Rents to FMRs :
Recipients Who Qualified in Place and Paid Their Full Pre-Program
Rent (National Estimates)*



* See Appendix G for detail.

Figure 4.7

Distribution of the Ratio of Recipient Gross Rents to FMRs:
Recipients Who Qualified in Place and Paid Their
Full Pre-Program Rent (National Estimates) *



* See Appendix G for detail.

Overall there was no significant difference between the changes in gross rents in the two programs. As shown in Table 4.8, average Housing Voucher gross rents increased by \$18.73 per month, or 4.1 percent of average initial gross rents, while average Certificate Program gross rents increased by \$20.84 per month, or 4.9 percent of average initial gross rents.

The pattern of changes for movers and stayers is more interesting. Relatively few recipients moved from their initial unit--16.6 percent in the Housing Voucher Program and 14.6 percent in the Certificate Program (Table 4.9). Housing Voucher recipients who moved had significantly higher initial rents than those who stayed. In contrast, there was no significant difference in initial rents between movers and stayers in the Certificate Program. Housing Voucher movers had substantially smaller increases in gross rents than Certificate Program movers (\$27 per month as compared with \$44 per month)--with the result that Housing Voucher movers, who started with rents that were higher than Certificate Program movers, ended up with rents that had the same average difference from Certificate Program movers as between Housing Voucher stayers and Certificate stayers. It appears that some Housing Voucher recipients with unusually high initial rents later moved to bring their rents more in line with those of other recipients. For households that stayed in their initial unit, there was literally no difference between the two programs in the change in rents during the first year.

TABLE 4.8

CHANGE IN RECIPIENT GROSS RENTS AT RECERTIFICATION^a

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t-statistic
Initial Recipient Gross Rent	\$454.86	\$429.59	\$25.27	5.43	4.65*
Recertification Gross Rent	473.37	450.20	23.17	5.18	4.47**
Change in Gross Rent ^b	18.73	20.84	-2.58	2.41	1.07

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

TABLE 4.9

RENTS AT RECERTIFICATION BY RECIPIENT MOBILITY
DURING THEIR FIRST YEAR IN THE PROGRAM^a

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
Percent of Recipients Who Moved During Their First Year	16.6%	14.6%	2.0 pts	1.7 pts	1.15
For Recipients Who Move					
Initial Recipient Rent	466.82	430.98	35.85	8.75	4.10**
Recertification Rent	492.53	470.10	22.12	13.47	1.64‡
Change in Rent ^b	26.52	44.26	-17.74	11.82	1.50
For Recipients Who Stay					
Initial Recipient Rent	450.28	427.97	22.30	5.54	4.02**
Recertification Rent	467.86	445.06	22.08	5.21	4.38**
Change in Rent ^b	17.18	16.50	0.68	2.09	0.33
t-Statistics for Difference Between Movers and Stayers					
Initial Recipient Rent	2.73**	0.66	1.73‡	NA	NA
Recertification Rent	3.85**	5.10**	0.10	NA	NA
Change in Rent ^b	2.67**	9.59**	3.97**	NA	NA

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details

^bChange figures may not equal the difference between pre and post figures due to missing values.

CHAPTER FIVE

RECIPIENT HOUSING

Chapter 4 found that Housing Voucher recipients had average gross rents that were about six percent higher than Certificate Program recipient contract rents. For recipients who stayed in their pre-program units, the difference was four percent, mostly reflecting higher pre-program rents. For recipients who moved from their pre-program units, the difference was seven percent, due mostly to larger increases in rents paid from pre-program levels. One immediate question raised by the differences in recipient rents in the two programs is what they mean in terms of differences in actual housing conditions. This question is especially salient here, because there is reason to believe that the two programs may lead people to shop for housing in different ways, so that differences in rents paid may not reflect differences in housing obtained.

We can think of the rent paid for any particular housing unit as having two parts. First there is the real housing offered by the unit, the amount of housing services provided by its size, location, and amenities. Second is the price of the housing services. The rent of the unit is then equal to the amount of housing services provided by the unit times the price of housing services. We often expect that units in a given area with higher rents will offer more housing services--that is, that they will be larger or offer greater housing or locational amenities than units with lower rents. At the same time, it is clear that differences in rent do not always reflect only differences in the quantity and quality of housing services offered by the units, but often also reflect differences in the price of housing services. Most obviously, rents for very similar units vary from one city to another or from one time to another. But prices vary within a city as well. Most people who have searched at all extensively for rental housing have found that apparently comparable units in comparable neighborhoods rent for sometimes quite different amounts. This may be due to a variety of factors, but in any case means that unit costs do not always reflect their average market value.

On average, of course, exceptionally good or bad deals cancel out, so that the average rents paid by a group of households may well reflect the average market value of their units. There is reason to believe, however,

that some groups of households may be better or worse shoppers than others and that housing programs may affect the shopping behavior of recipients. This means that average rents paid by recipients could either over- or underestimate the market value of their units.

The discussion of Chapter 2 pointed out that, within the rents allowed by the Housing Certificate program, the amounts that Housing Certificate recipients pay for housing out of their own pockets are fixed. Renting one unit that costs more than another does not change what a Certificate recipient pays. This suggested that, as was found in Chapter 4, Certificate recipients would tend to rent units near the allowed maximum rent (at least if they moved). It also suggests that Certificate recipients may have less incentive to shop carefully for housing, since their unit rents do not affect what they pay out of their own pockets.

Certificate program recipients still have two sorts of incentives for seeking out better housing deals. First, a Certificate holder must find housing that meets program occupancy and quality standards within the allowable rent limits. If acceptable units are not readily available for rents at or below the program ceiling, this may require extensive shopping. This shopping is enforced both by the FMR ceiling on recipient rents and the requirement that the PHA certify that the rent is reasonable. Second, a Certificate household that shops carefully may expect to obtain better housing for its money. Even though its housing expenditure will not change, it will still be better off to the extent that it is able to obtain better housing.

The Housing Voucher program removes the first incentive; Housing Voucher program recipients do not have to rent units for less than a maximum rent or have their rents certified as reasonable. Of course, Housing Voucher recipients still have the same incentive as Certificate recipients to get the most housing that they can for any given rent. But Housing Voucher recipients have another incentive as well--to pay the lowest rent they can commensurate with the level of housing they want. In the Housing Voucher program the fruits of more or less effective shopping are directly reflected in what the tenant pays, which might provide a greater incentive to shop carefully than the possibility of finding a better unit for the same cost.

Program differences in shopping behavior may continue after recipients have first qualified. In particular, once a household is a recipient in the

Certificate program, it has no reason to negotiate annual rent increases with landlords; as long as the landlord will accept the HUD-established adjustments, the Certificate recipient's situation is unchanged. In contrast, if Housing Voucher payments are adjusted, the Housing Voucher recipient can reduce his or her out-of-pocket costs to the extent that landlords do not raise rents by the full amount of the adjustment.

PHA rent reasonableness tests may also lead directly to different prices through the effects of PHA negotiations with landlords. To the extent that PHAs deal with a large number of units, they may simply have better information on what can be found than individual recipients. Since landlords also have imperfect information, PHAs may also enjoy an advantage in negotiating with landlords and may even be able to exert a degree of monopsony power among landlords likely to participate in the Section 8 program.

Differences in prices paid by recipients in the two programs may also arise even if there is no difference in the way that recipients go about looking for housing. It turns out that it is quite possible for recipients in both programs to obtain the same average level of housing for any given rent, but have different average rents for a given level of real housing. For example, the Certificate Program rent ceiling may simply prevent enrollees with higher priced units from becoming recipients. In this case recipients paying a certain rent would indeed get the same average level of housing in both programs. But if we compared the average rent paid for a given level of housing, the Certificate Program would show lower average rents simply because enrollees with higher rents (above the FMR) would have been excluded. More generally, this situation can arise if the programs simply change the distribution of recipient rents without excluding enrollees.

The core data used to examine differences in recipient housing came from evaluations of recipient units conducted by staff of Research Triangle Institute, under subcontract to Abt Associates. These evaluations collected information on the physical characteristics of units and their surrounding areas. Brief interviews, conducted at the same time as the evaluation, elicited information on recipient ratings of their unit and neighborhood as well as details as to unit rents and the various services and utilities included in the rent. This information was supplemented by program records on recipient rent, income, and demographic characteristics, plus information on

pre-program housing taken from interviews of recipients when they first entered the program.

Housing evaluations were conducted for a sample of recipients in 10 of the 20 Demonstration sites. Approximately 90 evaluations were completed for each program in each site for a total of just under 1800 evaluations. The recipients selected for evaluation were a random sample of recipients in the two programs as of June 1987, stratified according to whether recipients had moved from or stayed in their pre-program units. The evaluations themselves were conducted between the last week of August 1987 and January 1988. This information was used to estimate average rental costs as a function of unit and neighborhood characteristics. These estimated cost functions (called hedonic indices) were then compared to estimate possible systematic differences in the prices paid by recipients in the two programs.

As discussed in Chapter 1, the Demonstration PHAs consisted of 18 urban PHAs and 2 statewide PHAs. The 18 urban PHAs were a probability sample of all larger urban PHAs and results for this sample can be extrapolated to all large, urban PHAs. The 10 PHAs chosen for housing evaluations were not a probability sample of the Demonstration PHAs. Only some of the Demonstration PHAs had large enough recipient samples to provide the minimum number of observations necessary for estimation of hedonic indices within each site. The housing evaluation PHAs were chosen from among these to provide a reasonable mix of PHA sizes and regions.

Accordingly, results for the PHAs included in the housing evaluation sample cannot be extrapolated to the universe of all larger urban PHAs. At the same time, it seemed useful to develop summary estimates. To do this, we assigned the sampling weights of the 18 urban PHAs to the 10 housing evaluation PHAs based on size and region. The resulting estimates are not scientific estimates of results for all large, urban PHAs with known sampling distributions. They are, however, reasonable summary statistics.

5.1 Recipient Rents in the Housing Evaluation Sample

The recipients included in the housing evaluation sample show patterns of rents similar to those found for all recipients. As shown in Table 5.1, the average recipient rent in the housing evaluation sample was about \$40 per month higher than the average for all recipients in both programs, but the

TABLE 5.1

COMPARISON OF RECIPIENT GROSS RENTS IN THE HOUSING EVALUATION
SAMPLE WITH THE ENTIRE RECIPIENT SAMPLE

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>
Initial recipient gross rent (all recipients)	\$463.03	\$436.60	\$26.43
Current recipient gross rent (housing evaluation sample)	503.98	478.86	25.12
Difference	40.95	42.26	-1.31

Source: Table 4.1 and Leger and Kennedy, 1989, Table 2.2.

difference between the two programs was almost identical in both samples. The generally higher rents reflect both the housing markets in the specific PHAs included and the fact that some recipients in the housing evaluation sample had been in the program long enough to have been recertified and thus have had their rents increased above their initial recipient levels.

In addition, the analysis of recipient rents for the housing evaluation sample was based on contract rent rather than gross rent. Gross rent is equal to contract rent plus program allowances for utilities not included in the rent. Rather than rely on the schedule of allowances we analyzed contract rent, taking into consideration whether utilities were included in the rent.

Using contract rent makes little difference to the overall patterns of recipient rents, as shown in Table 5.2. Overall, Housing Voucher recipients had significantly higher contract rents, due mostly to a significantly larger increase in contract rents. Housing Voucher recipients who were still in their pre-enrollment unit at the time of the housing evaluation had higher program contract rents than similar Certificate Program recipients. As for the overall recipient sample, there was no significant difference between the programs in the increase in rents for recipients who remained in their pre-enrollment unit. In the housing evaluation sample, however, there is no significant difference in pre-program contract rents either. Given the errors of estimate, however, this does not represent a significant deviation from the pattern for the overall recipient sample shown earlier in Table 4.3. Accordingly, as for the overall recipient sample, we suspect that the difference between the programs in recipient rents for those who stay in their pre-enrollment unit is largely due to differences in pre-program rents. As in the overall recipient sample, Housing Voucher recipients who move also have higher contract rents, largely reflecting larger increases in rent.

5.2 Findings

The program rental cost functions presented in this chapter were based on regression of recipient contract rents on the variables shown in Table 5.3. Statistical tests indicated that the equations should be estimated separately for movers and stayers and within these groups for each site and program. Accordingly, we estimated separate equations for each program in each site for movers. We did not have enough observations to estimate separ-

TABLE 5.2

RECIPIENT CONTRACT RENTS IN THE HOUSING EVALUATION SAMPLE

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t- statistic
All recipients					
Pre-program contract rent	\$250.67	\$246.88	3.78	6.92	0.55
Program contract rent	448.99	424.00	24.99	5.42	4.61**
Change in contract rent	198.47	177.28	21.18	7.56	2.80*
Percent of recipients who had moved from pre-program unit	69.5%	68.9%	0.5 pts	1.8 pts	0.28
Recipients who were still in their pre-program unit					
Pre-program contract rent	\$329.77	\$321.79	7.98	16.63	0.48
Program contract rent	405.50	390.34	15.16	8.71	1.74‡
Change in contract rent	74.93	68.54	6.39	16.82	0.38
Recipients who had moved from their pre-program unit					
Pre-program contract rent	\$217.35	\$214.21	3.14	8.72	0.36
Program contract rent	468.32	438.38	29.95	6.92	4.33**
Change in contract rent	251.37	224.36	27.02	9.75	2.77**

Source: Leger and Kennedy, 1989, Tables 2.3, 2.5.

TABLE 5.3

BASIC RENTAL COST FUNCTION SPECIFICATION

Specification

$$R = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_R X_R + \beta_s d_m + \epsilon$$

where:

- R = Unit contract rent
- X₁ ... X_R = Descriptors of unit characteristics
- d_m = Variable identifying recipients in mover stratum
- β₀ ... β_s = Unknown coefficients, estimated separately for each program in each PHA

Housing Variables Used

Tenure	Amenities	Neighborhood
Related to landlord	Average evaluator rating of condition	Rural area
Length of tenure (log of months)	Log of building age	Commercial/industrial activities in neighborhood
	Kitchen equipment provided	Abandoned buildings (evaluator)
Unit Size	Air conditioning provided	Abandoned buildings (tenant)
Square feet per room	No heat in unit	Cleanliness of surrounding parcels
Number of bathrooms	Number of hazards	Scaled median value of owner-occupied units in tract
Log (number of rooms)	Condition of common halls	Scaled median rent of renter-occupied units in tract
	Amenities in bathroom	
Building Type	Amenities in halls	
Single family detached	Balconies/porches/windows	
Duplex or two-family	Amenities per room in other rooms	
Single family row house		
Highrise		

Source: Leger and Kennedy, 1989, Table 3.1.

ate equations for stayers. For these recipients we estimated equations for each program in each site, pooling movers and stayers, and then used the coefficients to estimate differences for recipients who stayed.

As shown in Table 5.4, both sets of equations predicted unit costs reasonably well. For the mover equations, the average adjusted R^2 was about 0.6 with a coefficient of variation¹ of 11 to 12 percent. For the pooled equation, the average adjusted R^2 was again about 0.6 with an average coefficient of variation of 12 to 14 percent.

We used the equations estimated for each program to compare the prices paid by recipients in the two programs. For each site we divided the difference between the average contract rent paid by Housing Voucher and Certificate Program recipients into two pieces:

1. A difference in prices. We took the estimated amount that Housing Voucher recipients would have paid for the average housing obtained by Certificate recipients and subtracted the amount actually paid by Certificate recipients. This was a direct estimate of how much more (or less) the average Housing Voucher recipient would pay for the same housing as Certificate Program recipients.
2. A real difference in housing. This is the difference between the difference in contract rent in the two programs and the difference in prices paid. Alternatively, the same number can be obtained by valuing the difference in the average housing of recipients in the two programs using the Housing Voucher prices. This was an estimate of the value of the real difference in housing under the two programs.²

The results are shown in Table 5.5. Among recipients who had moved from their pre-program unit, the average rents were \$29 per month, or 6.7 percent, higher in the Housing Voucher Program. We estimate that \$19 of this difference was due to 4.3 percent higher prices paid by Housing Voucher recipients. The remaining \$10 represents a significant 2.3 percent greater value of recipient housing in the Housing Voucher Program.

¹The coefficient of variation is the regression standard error as a percent of the mean rent.

²Alternatively, one may evaluate price effects in terms of the Certificate Program cost of the Housing Voucher bundle and the real housing change using Certificate Program prices. This sometimes makes a substantial difference in the estimates. The valuation presented here is the preferred one (see Appendix D).

TABLE 5.4

OVERALL STATISTICS FOR THE RENTAL COST REGRESSIONS^a
(Housing Evaluation Sample)

	<u>Ten Housing Voucher Program Regressions</u>	<u>Ten Certificate Program Regressions</u>
<u>Mover Regressions</u>		
<u>Adjusted R-Square</u>		
Range	0.49 to 0.81	0.30 to 0.77
Mean	0.62	0.59
<u>Coefficient of Variation^b</u>		
Range	7% to 16%	6% to 14%
Mean	12.2%	10.5%
<u>Pooled Mover/Stayer Regressions</u>		
<u>Adjusted R-Square</u>		
Range	0.42 to 0.77	0.35 to 0.76
Mean	0.62	0.59
<u>Coefficient of Variation^b</u>		
Range	11% to 21%	11% to 14%
Mean	13.6%	11.5%

^aSeparate regressions were estimated for each site-program combination (20 regressions).

^bThe root mean squared error of the regression as a percent of mean contract rent.

Source: Leger and Kennedy, 1989, Table 3.2.

TABLE 5.5

DECOMPOSITION OF DIFFERENCES IN CONTRACT RENT
(Housing Evaluation Sample)

	<u>Movers</u>	<u>Stayers</u>
<u>Contract Rent</u>		
Mean Housing Voucher contract rent	\$468.20	\$405.50
Mean Certificate Program contract rent	\$438.98	\$390.34
Difference in contract rent:		
Dollars	\$29.22	\$15.16
Percent	6.7%	3.7%
<u>Decomposition of Housing Voucher Prices</u>		
Cost of Certificate bundle	\$458.01	\$407.47
Difference in price (standard error)	\$19.03** (6.14)	\$17.13 (10.52)
Percentage difference in price	4.3%	4.4%
Difference in real housing (standard error)	\$10.18‡ (5.37)	\$-1.97 (8.40)
Percentage difference in real housing	2.3%	-0.5%

** = Significant at 0.01 level

* = Significant at 0.05 level

+ = Significant at 0.10 level

Source: Leger and Kennedy, 1989, Table 3.3.

Among recipients who stayed in their pre-program units, average rents were \$15 per month or 3.7 percent higher in the Housing Voucher Program. We estimate that this was entirely due to higher prices paid by Housing Voucher recipients in this group. Indeed, the actual estimates are that despite their higher average rents, Housing Voucher recipients who remain in their pre-enrollment units actually have slightly worse housing. However, the error of estimate is larger for this group, and neither the estimated difference in prices nor the estimated real difference in housing is significant.

More detailed examination of the price differences between the two programs revealed an interesting pattern. If we regress actual Certificate Program recipient rents against the estimated Housing Voucher rents for the Certificate recipients' units, we do not find that Certificate Program rents are simply lower than the estimated Housing Voucher rents. Instead, as illustrated in Figure 5.1, average actual Certificate Program rents are higher than Housing Voucher rents at lower levels of real housing and lower than Housing Voucher rents at higher levels of real housing. In other words, at lower levels of real housing, Certificate recipients on average pay higher prices than Housing Voucher recipients; at higher levels of real housing Certificate recipients on average pay lower prices than Housing Voucher recipients.

We can also reverse the regression and regress the estimated Housing Voucher rents on actual rents, as shown in Figure 5.2. For movers, the two programs coincide--that is, the expected value of housing obtained for a given actual rent is the same in both programs. For stayers, the lines diverge. At lower rents, Certificate recipients who qualify in place obtain less real housing on average than Housing Voucher recipients who qualify in place; at higher rents, the pattern is reversed and Certificate recipients who qualify in place receive more real housing on average than Housing Voucher recipients.

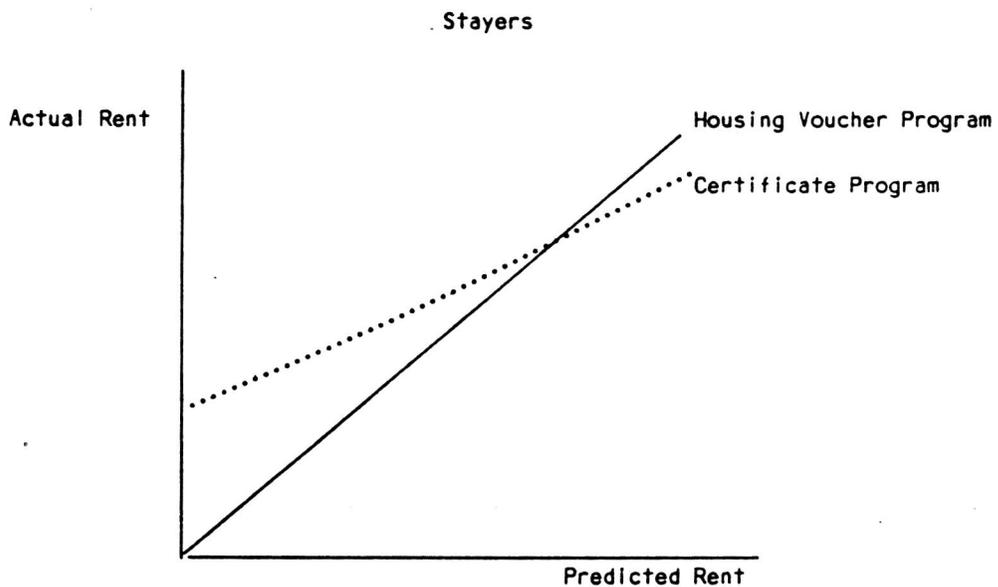
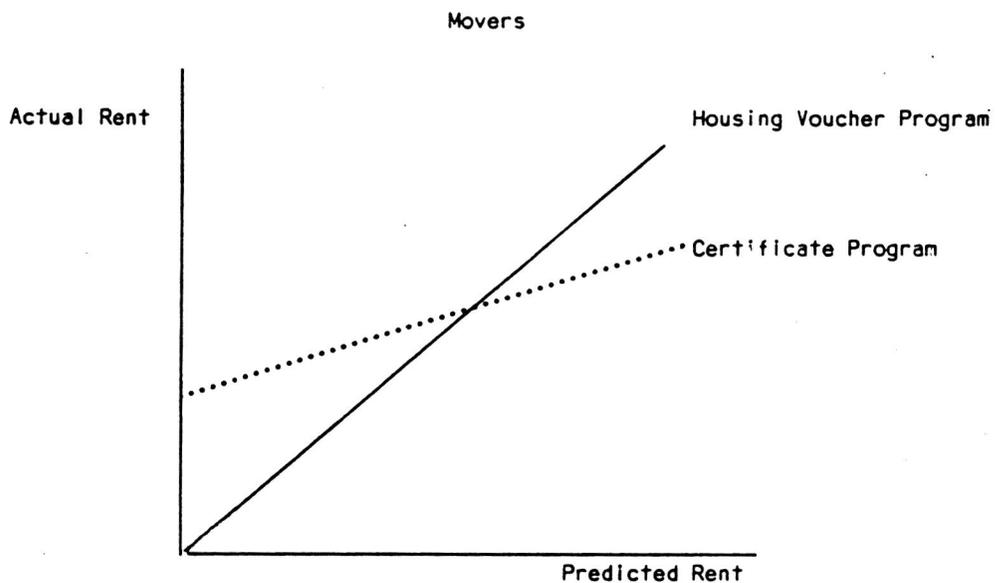
In the next section we discuss alternative interpretations for these findings.

5.3 Further Examination of Price Differences In the Two Programs

As presented in the previous section, Housing Voucher recipients who move had an average contract rent that was 6.7 percent higher than the average contract rent of Certificate Program recipients who move. This higher average

FIGURE 5.1

SCHEMATIC REPRESENTATION OF THE REGRESSION OF
ACTUAL RENT ON PREDICTED RENTS^a

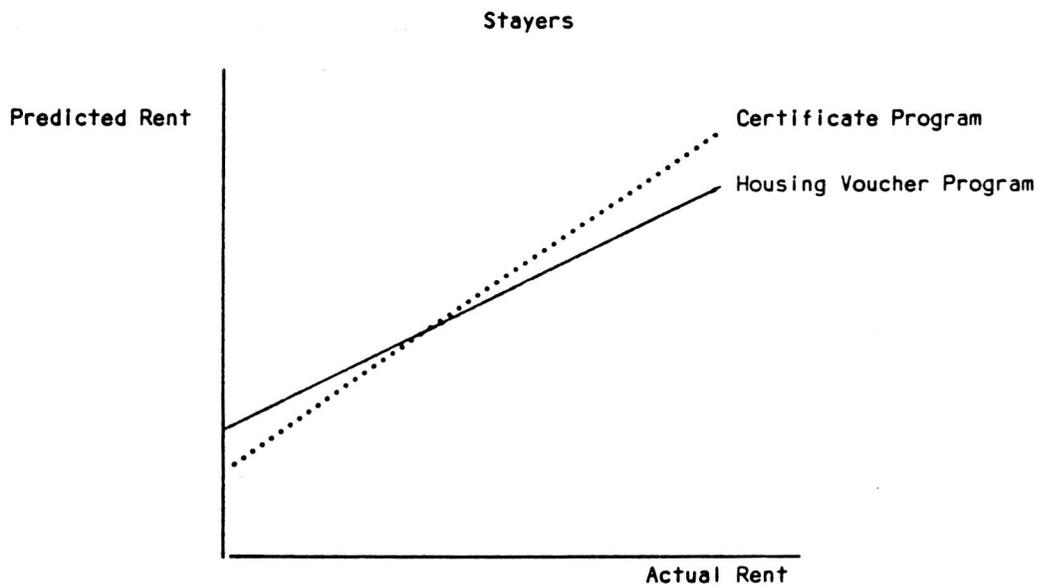
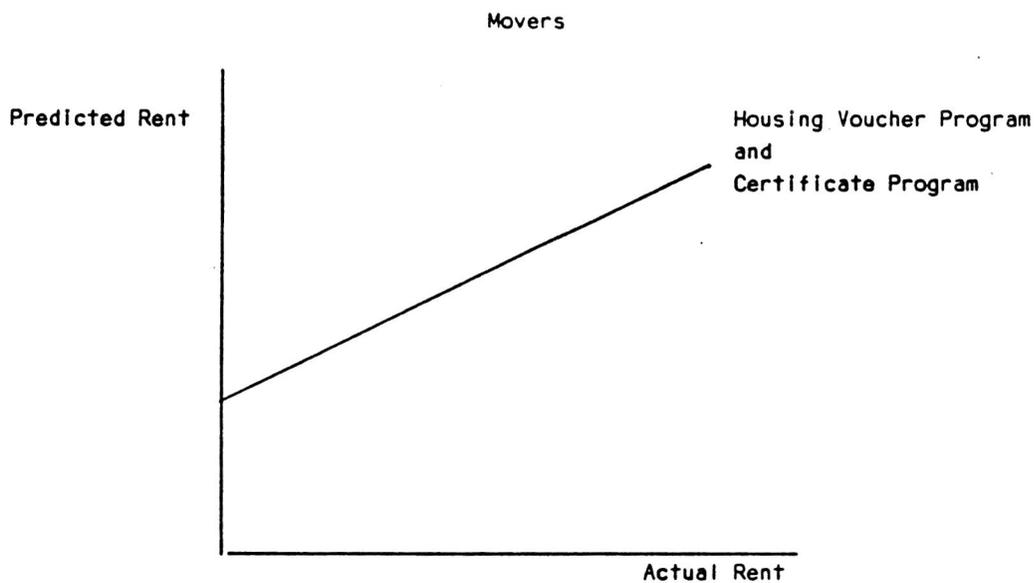


———— = Housing Voucher Program
..... = Certificate Program

^aSee Table E.27 for details.

FIGURE 5.2

SCHEMATIC REPRESENTATION OF THE REGRESSION OF
PREDICTED RENTS ON ACTUAL RENT^a



———— = Housing Voucher Program
..... = Certificate Program

^aSee Table E.27 for details.

rent reflects the combination of a 2.3 percent higher average level of real housing and a 4.3 percent higher price per unit of real housing. Further examination of the relationship between rent and real housing for individual recipients in Figure 5.1 showed that Certificate recipients who moved paid higher prices than Housing Voucher recipients at lower quality levels and lower prices at higher quality levels. Conversely, Figure 5.2 showed that the average real housing obtained for a given rent was the same in both programs. Unfortunately, as discussed below, the patterns of Figure 5.1 and 5.2 are subject to some bias. Even so, they suggest some alternative reasons for the observed difference in average prices.

As discussed in the beginning of this chapter, the initial finding of lower average prices in the Certificate Program could arise in many ways. Some of these are excluded by the results of Figure 5.1. Thus for example, if lower Certificate Program prices reflected PHA bargaining or some general tendency of Housing Voucher recipients to end up paying more for the same housing, we would expect Certificate recipients to pay less at any level of housing. In fact, we found that Certificate recipients paid more at lower levels of housing and less at higher levels.¹

A pattern of higher Certificate Program prices at lower quality levels and lower Certificate Program prices at higher quality levels is not unreasonable. Housing Voucher recipients face the marginal cost of housing set by the market; if they decide to rent one unit that is more expensive than another, their out-of-pocket costs increase accordingly. Certificate holders, however, face a different cost structure, depending on the rent of the unit being considered. At lower quality levels where units are likely to rent well below the FMR, Certificate Program recipients pay no additional out-of-pocket costs for higher rent units. They have no incentive to economize on rent, whereas Housing Voucher recipients face dollar-for-dollar increases in out-of-pocket costs for each additional dollar increase in rent charged by the landlord. However, when rents are near the FMR, the situation is different. A Housing Voucher recipient can occupy a higher rent unit by paying the additional cost

¹As discussed in Appendix D, because we use Housing Voucher rents to estimate real housing, we would expect the regression of rent on real housing in the Certificate Program to be rotated even if prices were the same in the two programs. However, the expected size of this effect is smaller than that found in Figure 5.1.

out of his or her own pocket. A Certificate Program recipient can only occupy a unit with rents above the FMR if they are willing to leave the program and lose their entire subsidy. Thus, at higher quality levels, where unit rents are more likely to be above the FMR, the Certificate holder has a larger incentive to economize on rent.¹

This pattern of incentives would be expected to create the pattern of price differences shown in Figure 5.1--with Certificate recipients paying higher prices for lower quality units, where they have a relatively smaller incentive to shop, and lower prices for higher quality units, where they must shop more intensively in order to meet the Certificate Program rent ceilings.

Another possible explanation for this pattern is that, while not actually trying to economize on rent, Certificate holders, when looking at units at a quality level that can be bought for around the FMR, look only at units with rents that are below the FMR. Units of the same quality in a housing market will not have identical rents, but rents that vary around a central tendency. Because Certificate holders look only at units with rents below the FMR, this distribution is truncated, and only those units that are better than average deals get into the program.

Under this explanation in prices for Voucher and Certificate holders such as we observed would be generated would be generated by differences in the rents selected for consideration, not by pricing differences across programs. In other words, Certificate and Voucher holders would in fact obtain similar quality housing at identical rents. However, since Voucher holders generally select somewhat higher rent units for consideration, these higher search rents would lead to higher average prices.

We tested this interpretation by seeing whether or not the average level of housing quality obtained at a given rent was the same in the two programs. As indicated by the regression in Figure 5.2, for recipients who move, the average level of housing quality obtained is the same in the two programs. Unfortunately, as discussed in Appendix D, the comparison of the

¹Similarly, landlords faced with the Certificate Program ceilings may be tempted to agree to modest reductions in rent if they would bring the unit within the ceiling or to propose increases up to the ceiling.

regression lines in the two programs is subject to biases that may conceal real differences in the actual relationship of rents and housing services. Thus, we cannot be sure which of these interpretations is correct.

In either case, the pattern of price differences is generated by Certificate Program recipients' need to select units with rents below the program ceiling. This has two effects. First, we know that enrollee success rates are higher in the Housing Voucher Program. Overall it appears that about six percent of Housing Voucher recipients would not qualify under a Certificate program.¹ Presumably, there are Housing Voucher recipients with rents above the Certificate Program ceilings. Thus some of the selection on rent probably comes about by simply excluding higher rent recipients from the Certificate Program. It is clear that the Certificate Program also leads recipients to change the rent that they consider. Figure 4.2 showed that whereas 18 percent of Certificate recipients had rents above the FMR (as allowed under the exception rules), 45 percent of Housing Voucher recipients had rents above the FMR. If the 6 percent of Housing Voucher recipients excluded from the Certificate Program all come from this group, then we would calculate that Certificate Program ceilings exclude 6 percent of Housing Voucher recipients, grant exceptions to 18 percent, and induce 21 percent to obtain units within the ceilings.

For recipients who were still in their pre-enrollment units, the results are less conclusive. Housing Voucher recipients who stayed had average contract rents that were 3.7 percent higher than the average contract rent in the Certificate Program. We estimated that this difference was entirely due to higher prices. However, the differences in prices was not statistically significant. Furthermore, much of the difference in rent was due to differences that were present before recipients enrolled in the programs. The pattern of relative prices by level of housing quality found for movers also applied to stayers (Figure 5.1). But the regression of real housing on rent was significantly different in the two programs (Figure 5.2). Certificate recipients appeared to obtain less housing on average than Housing Voucher

¹From Table 3.1, the success rates in the two programs are 61 and 65 percent. Thus we would expect that 94 percent ($= 0.61/0.65$) of Housing Voucher recipients would also qualify under the Certificate Program.

recipients at lower rents and more housing than Housing Voucher recipients at higher rents. This suggests that in addition to selection effects, the incentives provided by the two programs may in fact have affected the outcome of negotiation between tenants and landlords for recipients who do not move. Again, however, the results of Figure 5.2 may be materially biased.

5.4 Other Findings

The lack of any large differences in housing between the two programs was confirmed by detailed examination of unit and locational features. Average ratings of unit condition and quality were slightly higher in the Housing Voucher Program, but the differences were small (2 percent or less) and only statistically significant for evaluator ratings of overall unit quality. There were no significant differences between the two programs in other ratings, in an overall measure of housing adequacy, or in any of a large number of specific amenities. Nor were there any significant differences between the two programs in recipient ratings of their neighborhoods, or in the median income or rent of the Census tracts in which units were located.

We were also able to compare the program and pre-program housing of recipients in terms of unit size, recipient ratings of units and neighborhoods, and characteristics of the Census tracts in which they lived. There were no significant differences between the programs in the level or change in these measures. However, recipients in both programs showed significant increases over pre-program levels. Averaging estimates for the two programs, the average number of rooms per person in recipient units was 18 percent higher than in pre-program units. As might be expected, among recipients who stayed in their pre-program unit, there was no change in the average recipient rating of their units. Recipients who moved rated their new units 16 percent higher than their pre-program units and their new neighborhoods 10 percent higher. The average per capita income in tracts occupied by recipients who moved was 4 percent higher than that in the tracts in which they had previously lived. Similarly, median rents in these tracts were 9 percent higher.

Averaging the results for the two programs, non-minority recipients who moved had previously lived in Census tracts in which 21 percent of the residents were minorities. They moved to Census tracts with somewhat smaller proportions of minority residents, 19 percent, but the change is not statis-

tically significant. Black (non-Hispanic) recipients who moved had previously lived in tracts in which 76 percent of the population were minorities. They moved to tracts in which 74 percent of the population were minorities. Again, this difference is not significant. Nor was there any significant change in the percent of the tract population who were either black or Hispanic. Hispanic recipients who moved moved to tracts with a significantly lower degree of minority concentration--from tracts in which on average 73 percent of the population was minority to tracts in which on average 63 percent of the population was minority.

CHAPTER SIX

TENANT CONTRIBUTION AND RENT BURDEN

Both the Housing Voucher and Certificate Programs essentially divide a recipient's rents between the part paid out of pocket by the recipient, called the tenant contribution, and the part paid by the program, called the assistance payment. This chapter discusses tenant contributions, the next chapter assistance payments. Since average Housing Voucher recipient rents are higher than average Certificate Program rents, we know that at least one of the two payments--tenant contribution or assistance payments--must also be higher. In fact, as we shall see in this chapter and the next, about 37 percent of the difference in initial recipient rents between the two programs is financed by a \$10 per month higher Housing Voucher tenant contribution and the rest by a \$17 per month higher average Housing Voucher assistance payment. After recertification, average recipient rents were still higher in the Housing Voucher Program, though somewhat less so than initially. However, after recertification 76 percent of the difference was financed by a \$18 per month higher Housing Voucher tenant contribution and the rest by a \$6 per month higher assistance payment.

Tenant contributions under the two programs are compared in Section 6.1. A major issue in judging tenant contributions is how to determine when they are reasonable and when excessive. A standard approach has been to express the weight of a tenant's contribution in terms of rent burden, defined by out-of-pocket housing costs as a percent of income. Recipient rent burdens are compared in Section 6.2. Rent burdens are often criticized as not recognizing differences in individual families' capacities to pay. Accordingly, an alternative measure based on the poverty index is discussed in Section 6.3. Finally, Section 6.4 describes changes in tenant contributions and rent burdens at recertification.

6.1 Tenant Contribution

As shown in Table 6.1, average tenant contributions in the Housing Voucher Program were \$153 per month, almost \$10 per month, or 7 percent, higher than the average tenant contribution in the Certificate Program. The higher rents paid by Housing Voucher recipients were partly funded by the higher Housing Voucher assistance payments reported in the next chapter and

TABLE 6.1

INITIAL TENANT CONTRIBUTIONS^a
(NATIONAL PROJECTIONS)

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t-statistic
Pre-Program Tenant Contribution	\$283.59	\$274.48	9.11	3.60	2.55**
Recipient Tenant Contribution	153.36	143.62	9.85	4.82	2.04*
Change in Tenant Contribution ^b	-129.71	-130.77	1.06	4.55	0.23
<u>Full Rent Recipients</u>					
Pre-Program Tenant Contribution	341.84	333.29	8.56	4.53	1.89‡
Recipient Tenant Contribution	158.37	152.68	5.69	4.14	1.37
Change in Tenant Contribution ^b	-183.25	-180.53	-2.72	4.59	0.59
<u>Non-Full Rent Recipients</u>					
Pre-Program Tenant Contribution	176.98	173.41	3.57	6.68	0.53
Recipient Tenant Contribution	144.31	128.06	16.25	6.85	2.37*
Change in Tenant Contribution ^b	-31.73	-45.18	13.46	9.10	1.48

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

partly by higher tenant contributions. Interestingly, the reduction in tenant out-of-pocket costs from pre-program levels was almost identical in the two programs (about \$130 per month). Overall, the higher tenant contributions in the Housing Voucher Program reflect higher pre-program out-of-pocket costs.

As with other outcomes, changes in tenant contributions are materially affected by whether the recipient paid the full rent for his or her pre-enrollment unit. Among those who were paying full rent, the reduction in tenant contribution was dramatic, mirroring the smaller increase in rent discussed in Chapter 4. Among those who were not paying the full rent for their pre-enrollment unit, the programs essentially allowed them to obtain their own housing, for which they paid full rent, at a slightly smaller out-of-pocket cost than they had sustained before.

We can further disaggregate recipients by whether they moved from or stayed in their pre-enrollment unit, as shown in Table 6.2, which presents figures for full-rent movers, non-full rent movers, and stayers.¹ In both programs, the largest average decrease in tenant contribution occurs for recipients who stay in the pre-program units. Stayers in the Housing Voucher program reduce their tenant contributions by 61 percent of pre-program levels, while stayers in the Certificate Program reduce theirs by 56 percent. This simply reflects the patterns of recipient rents discussed in Chapter 4. Stayers have the highest average pre-program rents and the smallest subsequent increases in rent. Accordingly most of their assistance payment is applied to reducing their out-of-pocket costs.

Movers then follow the patterns already indicated for full rent and non-full rent recipients. Despite the substantial rent increases reported in Chapter 4, full rent movers also substantially reduce their out-of-pocket costs, by 44 percent in the Housing Voucher Program and 51 percent in the Certificate Program. Non-full rent movers achieve only modest reductions in out-of-pocket costs--4 percent in the Housing Voucher Program and 16 percent in the Certificate Program.

¹As discussed in Chapter 4, the number of non-full-rent stayers is very small. Accordingly, we have elected in this chapter to treat all stayers together.

TABLE 6.2

TENANT CONTRIBUTION AND MOBILITY^a

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
<u>Full Rent Movers</u>					
Pre-Program Tenant Contribution	\$310.06	\$305.19	4.87	5.30	0.92
Recipient Tenant Contribution	173.11	148.00	25.11	4.45	5.65**
Change in Tenant Contribution ^b	-136.48	-156.49	20.01	3.74	3.49**
<u>Non-Full Rent Movers</u>					
Pre-Program Tenant Contribution	152.88	149.35	3.53	5.76	0.61
Recipient Tenant Contribution	145.30	125.09	20.21	6.95	2.91**
Change in Tenant Contribution ^b	-5.79	-23.78	17.98	8.99	2.00**
<u>Stayers</u>					
Pre-Program Tenant Contribution	362.21	350.84	11.36	6.85	1.66‡
Recipient Tenant Contribution	141.59	155.00	-13.92	4.54	2.96**
Change in Tenant Contribution ^b	-220.36	-195.96	-24.40	4.51	5.41**

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

As this discussion indicates, while the overall reduction in tenant contribution was similar in the two programs, there are significant differences in the way in which this reduction is allocated among movers and stayers. Stayers in the Housing Voucher Program reduced their tenant contributions by \$220 per month, which was \$24 or 12 percent more than the \$196 reduction for Certificate stayers. In contrast, full-rent movers in the Housing Voucher Program reduced their tenant contributions by \$136 per month, which was \$20 or 13 percent less than the reduction for full-rent Certificate Program movers. Likewise non-full rent movers in the Housing Voucher Program reduce their out-of-pocket costs by only \$6 per month, which is \$18 less than the \$24 per month reduction for non-full rent movers in the Certificate Program.

These differences reflect the program rules. The relationship between a recipient's rent and his or her tenant contribution (out-of-pocket costs for housing) was illustrated in Figure 2.2 of Chapter 2 for the situation in which Payment Standards equal FMRs. As shown there, a tenant's contribution is lower in the Housing Voucher Program than in the Certificate Program if the recipient's rent is below the FMR and higher if the recipient's rent is above the FMR. Tenant contributions in the Housing Voucher Program will also be higher than in the Certificate Program to the extent that Payment Standards are less than FMRs.

Stayers are more likely to have rents well below the FMR and thus have lower tenant contributions in the Housing Voucher Program than they would in the Certificate Program. On the other hand, as discussed in Chapter 4, Housing Voucher recipients who move are more likely to have rents above the FMRs, and thus higher tenant contributions than they would have had in the Certificate Program.

6.2 Rent Burden

Out-of-pocket housing costs are frequently characterized in terms of rent burden--that is, out-of-pocket housing costs expressed as a percent of income--which are then judged against putative norms. For many years the norm was 25 percent of income. This figure had no particular justification and indeed appears to have originated in the practice by the owners of 19th century mill towns of charging workers one week's salary a month for rent (see

Feins and Lane, 1981). More recently, HUD has used 30 percent of income as the putative norm in setting tenant contributions for the Certificate Program. We lack a convincing rationale for any particular norm and suspect that even among low-income families, a given rent burden is much more serious for the very poor than for those with incomes closer to the low-income eligibility limits. Accordingly, an alternative measure of excessive tenant contributions based on the poverty index is discussed in the next section.

In addition, rent burdens suffer from a problem common to ratios. If incomes are very low, even trivial rents can translate into very large rent burdens. This is particularly problematic here. Our income data are taken from program files and represent the PHA's best estimate of what the recipient's income will be in the coming year. These estimates are sometimes quite low, which may be reasonable on a temporary basis, but can affect rent burden numbers. For this reason, this section first discusses overall average rent burdens and then repeats the discussion in terms of recipients with annual incomes of at least \$3,600 (monthly incomes of at least \$300). With this restriction we can at least be sure that a percentage point difference in rent burden corresponds to at least a \$3 change in monthly out-of-pocket rent.

With the exception of some special cases, the Certificate Program is structured to fix the tenant contribution at 30 percent of net income. The Housing Voucher Program gives up this close determination of tenant contribution in order to remove ceilings on recipient rents. The average recipient rent burden in the Housing Voucher Program was almost 35 percent, or four percentage points above the 31 percent level in the Certificate Program (Table 6.3). As with tenant contributions, the decrease in rent burden from pre-enrollment levels was large in both programs and not significantly different between the two programs--a reduction of 33 points in the Housing Voucher Program and 35 points in the Certificate Program.

As shown in Table 6.4, the reductions in rent burden in the Housing Voucher and Certificate programs were not significantly different for recipients paying full pre-enrollment rent who moved (37 and 41 points, respectively), were significantly larger in the Housing Voucher Program for recipients who stayed in their pre-enrollment units (a 53 point reduction as compared with a 47 point reduction), and significantly smaller for non-full rent recipients who moved (a 2 point as compared with a 12 point reduction).

TABLE 6.3

RENT BURDENS^a

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
<u>All Recipients</u>					
Pre-Program Rent Burden	67.3%	65.4%	1.9 pts	1.8 pts	1.05
Recipient Rent Burden	34.9	30.8	4.1	2.6	1.58
Change in Rent Burden ^b	-32.7 pts	-34.5 pts	1.9	2.0	0.92
<u>Full Rent Recipients</u>					
Pre-Program Rent Burden	79.4%	75.4%	4.0	2.1	1.93‡
Recipient Rent Burden	33.7	30.9	2.9	2.3	1.25
Change in Rent Burden ^b	-46.1 pts	-44.5 pts	-1.6	1.9	0.82
<u>Non-Full Rent Recipients</u>					
Pre-Program Rent Burden	45.0%	48.1%	-3.1	3.3	0.94
Recipient Rent Burden	37.0	30.7	6.3	3.0	2.13*
Change in Rent Burden ^b	-8.0 pts	-17.4 pts	9.4	4.5	2.08*

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

TABLE 6.4

RENT BURDENS BY MOBILITY^a

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
<u>Full Rent Movers</u>					
Pre-Program Rent Burden	75.9%	71.7%	4.2	2.6	1.62
Recipient Rent Burden	39.3	30.6	8.7	3.4	2.55**
Change in Rent Burden ^b	-37.2 pts	-41.1 pts	3.9	3.0	1.28
<u>Non-Full Rent Movers</u>					
Pre-Program Rent Burden	40.7%	42.7%	-2.0	3.5	0.58
Recipient Rent Burden	39.0	30.7	8.3	3.0	2.75**
Change in Rent Burden ^b	-1.6 pts	-12.0 pts	10.4	4.8	2.18**
<u>Stayers</u>					
Pre-Program Rent Burden	80.2%	78.4%	1.8 pts	2.8 pts	0.65
Recipient Rent Burden	27.6	31.1	-3.6	1.1	3.16**
Change in Rent Burden ^b	-52.7 pts	-47.3 pts	-5.5	2.6	2.12*

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

The important difference between the two programs in terms of rent burdens is not the small difference in average burdens, but the very large difference in the distribution of rent burdens, shown in Figures 6.1 through 6.3. Overall, 97 percent of Certificate Program recipients have rent burdens between 25 and 35 percent of net income. In contrast, only 33 percent of Housing Voucher recipients have rent burdens in this range. In both programs, there is a scattering of extraordinary high rent burdens, which probably reflect households with temporarily very low net incomes.

This is not surprising. Except for special exceptions connected with welfare rents or families with very large deductions from net income, the Certificate Program assistance payments are set to create tenant contributions equal to 30 percent of income. Indeed, it was this objective that tied assistance payments to rents and thus in turn required ceilings on recipient rents in order to limit payments. The Housing Voucher Program undoes this close connection between assistance payments and rents in order to remove the restrictions on recipient rents. As a result, it permits a wider variation in recipient rent burdens.

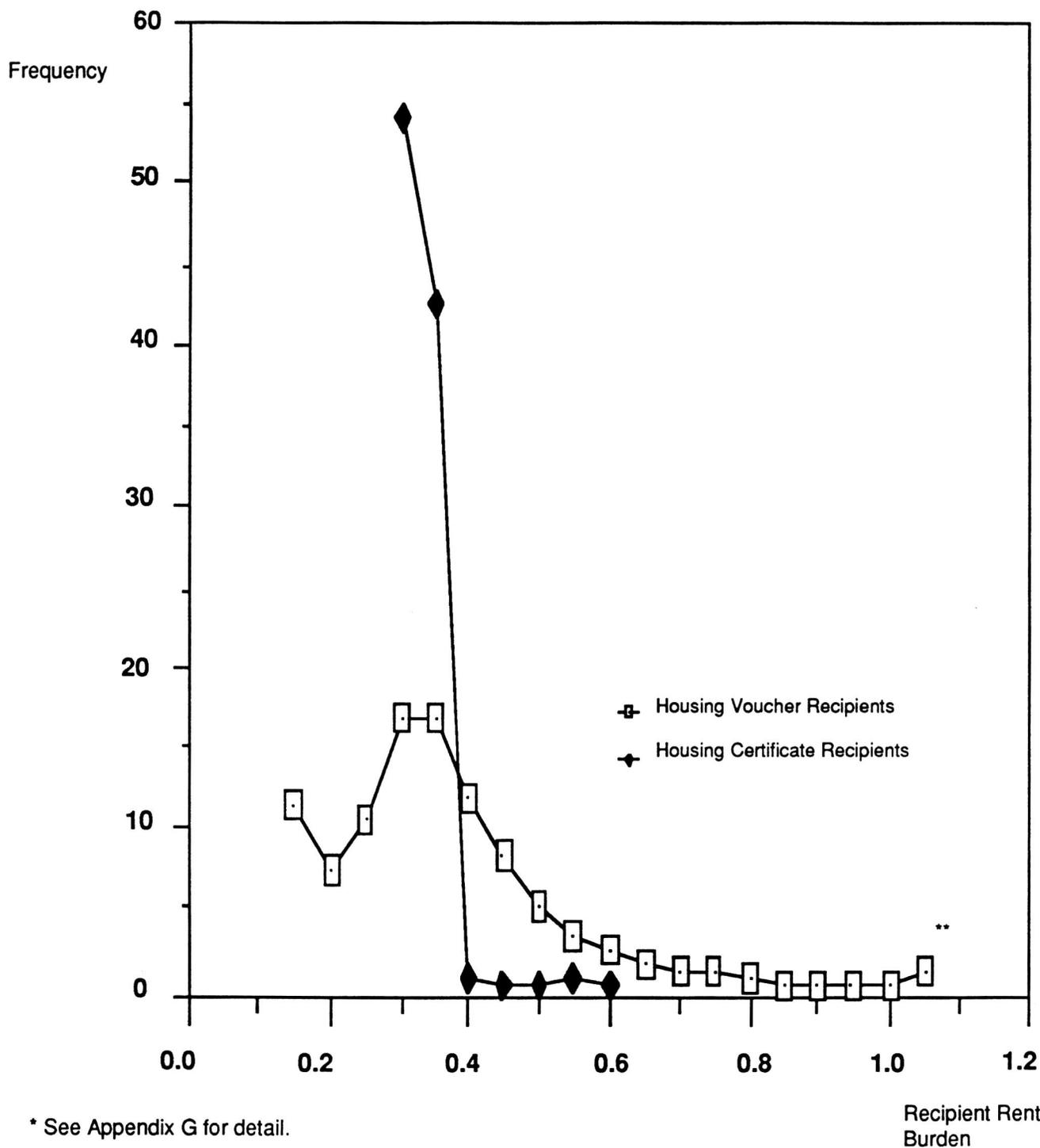
As already noted, one of the dangers of analyzing average rent burdens is that the averages may be unduly distorted by households with very small (near zero) incomes, for whom very small differences in rent can translate into very large differences in rent burden. Tables 6.5 and 6.6 repeat the comparisons of Tables 6.3 and 6.4 for households who had incomes of at least \$3,600 per year. Some of the contrasts are different in detail, but the overall patterns are maintained.

6.3 Budding Measure

The major criticism leveled at the rent/income ratio as a measure of rent burden is its assumption that having a rent equal to a given percentage of income imposes the same burden on all families, regardless of their income level. For example, it can be argued that families with incomes well below the poverty level cannot afford anything for housing, that for these recipients, at least, any tenant contribution is too much. The lack of a strong justification for any particular rent-to-income ratio makes it extremely difficult to defend any particular ratio as a policy goal. In fact average rent-to-income ratios vary considerably with income. Given average pre-pro-

Figure 6.1

Distribution of Recipient Rent Burdens
All Recipients (National Estimates) *

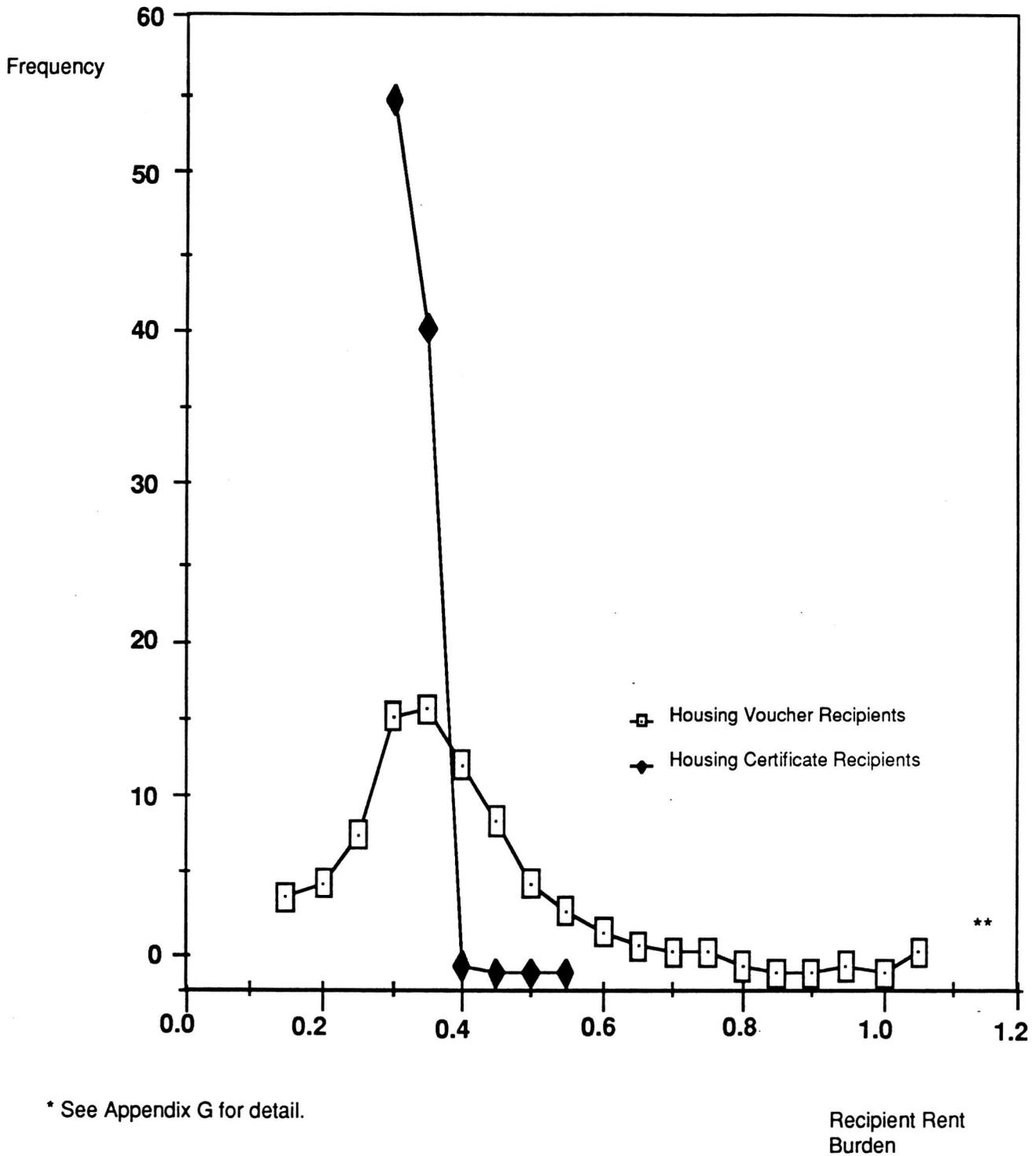


* See Appendix G for detail.

** The small incidence of very high rent burdens, including some greater than 100 percent, reflects cases in which recipients have very low net incomes. This may be due to scheduled deductions from gross income. Alternatively, since income is estimated by PHA staff at enrollment it may reflect recent and sudden drops in income associated with unemployment, for example.

Figure 6.2

Distribution of Recipient Rent Burdens
Recipients Who Move (National Estimates) *

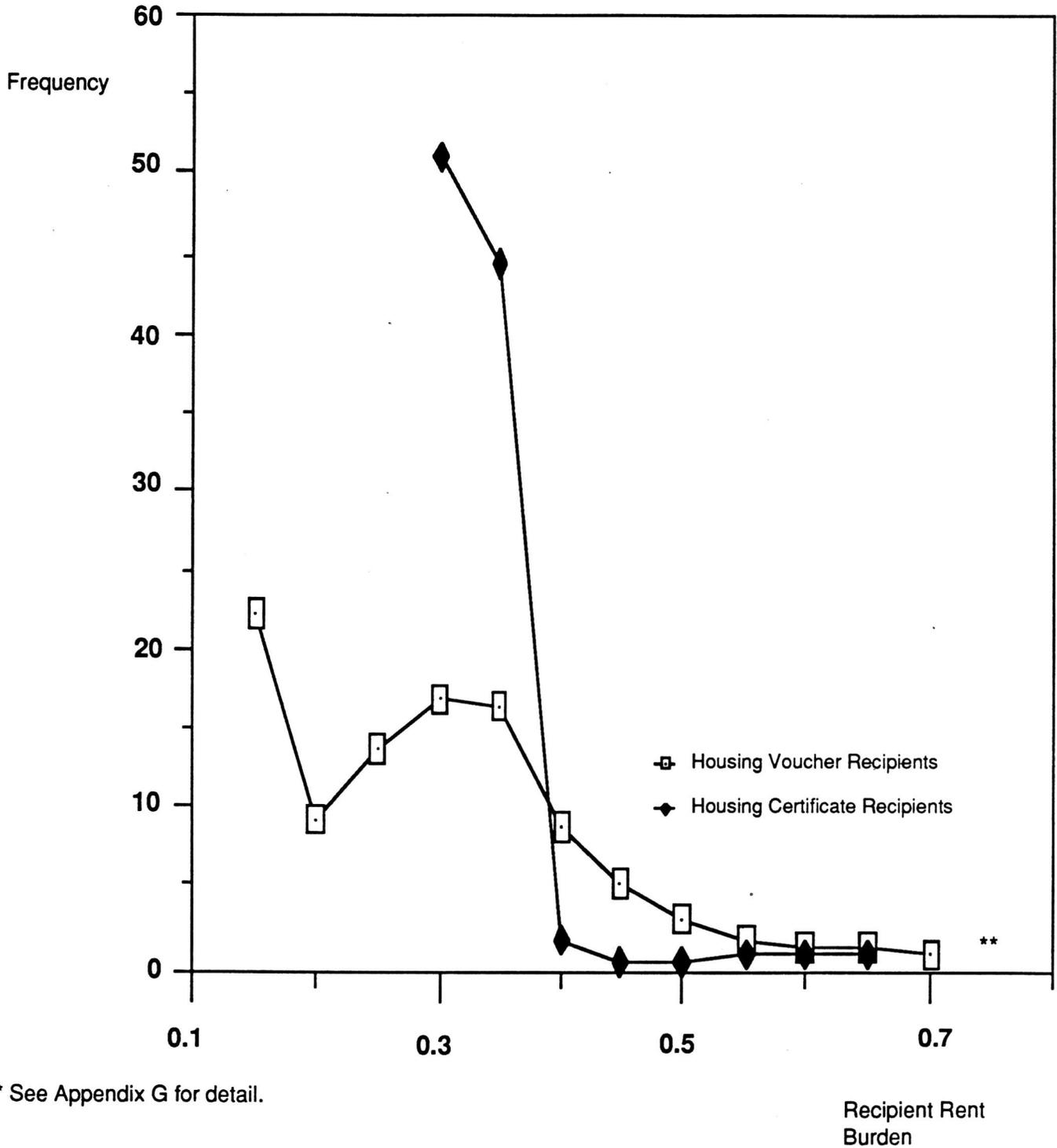


* See Appendix G for detail.

** The small incidence of very high rent burdens, including some greater than 100 percent, reflects cases in which recipients have very low net incomes. This may be due to scheduled deductions from gross income. Alternatively, since income is estimated by PHA staff at enrollment it may reflect recent and sudden drops in income associated with unemployment, for example.

Figure 6.3

Distribution of Recipient Rent Burdens : Recipients
Who Stay in Their Pre-Program Unit (National Estimates) *



* See Appendix G for detail.

** The small incidence of very high rent burdens reflects cases in which recipients have very low net incomes. This may be due to scheduled deductions from gross income. Alternatively, since income is estimated by PHA staff at enrollment it may reflect recent and sudden drops in income associated with unemployment, for example.

TABLE 6.5

RECIPIENT RENT BURDENS FOR RECIPIENTS
WITH ANNUAL INCOMES OF AT LEAST \$3,600^a

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t-statistic
<u>All Recipients</u>					
Pre-Program Rent Burden	58.9%	56.9%	2.0 pts	1.4 pts	1.43
Recipient Rent Burden	32.1	30.5	1.6	1.1	1.44
Change in Rent Burden ^b	-26.8 pts	-26.4 pts	-0.4	1.3	0.36
<u>Full Rent Recipients</u>					
Pre-Program Rent Burden	68.8%	67.9%	0.8	1.1	0.71
Recipient Rent Burden	31.3	30.7	0.5	1.0	0.49
Change in Rent Burden ^b	-37.6 pts	-37.3 pts	-0.4	1.1	0.33
<u>Non-Full Rent Recipients</u>					
Pre-Program Rent Burden	41.5%	41.3%	0.2	1.6	0.12
Recipient Rent Burden	32.5	30.3	2.3	1.0	2.29*
Change in Rent Burden ^b	-8.9 pts	-10.9 pts	2.0	2.0	1.00

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

TABLE 6.6

RECIPIENT RENT BURDENS BY MOBILITY FOR
RECIPIENTS WITH ANNUAL INCOMES OF AT LEAST \$3,600^a

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
<u>Full Rent Movers</u>					
Pre-Program Rent Burden	61.4%	63.0%	0.5	1.4	0.32
Recipient Rent Burden	35.6	30.5	5.1	1.1	4.58**
Change in Rent Burden ^b	-27.8 pts	-32.4 pts	4.7 pts	1.4	3.30**
<u>Non-Full Rent Movers</u>					
Pre-Program Rent Burden	36.0%	35.4%	0.6	1.5	0.40
Recipient Rent Burden	34.1	30.2	3.9	1.0	3.96**
Change in Rent Burden ^b	-1.8 pts	-5.1 pts	3.3	2.0	1.69‡
<u>Stayers</u>					
Pre-Program Rent Burden	71.7%	71.1%	0.6 pts	1.0 pts	0.56
Recipient Rent Burden	26.8	30.7	-3.9	0.8	5.20**
Change in Rent Burden ^b	-44.9 pts	-40.4 pts	-4.6	1.0	4.30**

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

gram rent burdens of over 65 percent, it may be difficult to defend reducing the rent burdens of some households to 30 percent instead of using the same funds to bring more households to 40 percent.

To address this issue, Budding (1980) proposed an alternative measure of rent burden based on the poverty index. Specifically, Budding proposed that we measure the burden imposed by a given level of housing expenditures by comparing family income net of housing costs with poverty income net of the implicit poverty allowance for housing. Thus,

$$\text{Budding's Measure of Rent Burden} = \frac{Y - R}{P_Y - P_R}$$

where

- Y = Monthly income
- R = Monthly out-of-pocket costs for housing
- P_Y = Poverty income
- P_R = Poverty rent¹

The main problem in using the Budding measure to compare programs is that it in effect seems to place the entire burden of redressing incomes below poverty on the housing program's assistance payments. Since housing programs are not intended to operate as the sole or even principal income support program, differences among programs may be unnecessarily obscured by the fact that they leave many recipients in poverty.

The Budding measures reinforce the conclusions with respect to rent burden (Tables 6.7 and 6.8). Under the Budding measure there is no significant difference between the programs in either the level or change in income net-of-housing costs. Again, this reflects modestly but significantly smaller increases in income net of housing for movers and significantly larger increases for stayers. This exacerbates the fact, true in both programs, that full-rent stayer recipients have substantially higher incomes after housing costs than recipient movers.

¹For a description of the derivation of poverty rent, see Appendix B.

TABLE 6.7

BUDDING INDEX^a

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
<u>All Recipients</u>					
Pre-Program Index	50.6%	51.4%	-0.7 pts	1.0 pts	0.72
Recipient Index	76.8	77.4	-0.6	0.9	0.69
Change in Index ^b	26.5 pts	26.1 pts	0.4	0.9	0.44
<u>Full Rent Recipients</u>					
Pre-Program Index	42.1%	43.7%	-1.6	1.1	1.41
Recipient Index	76.6	77.5	-0.9	1.3	0.69
Change in Index ^b	34.8 pts	33.9 pts	0.9	0.9	0.98
<u>Non-Full Rent Recipients</u>					
Pre-Program Index	59.3	68.0	1.2	1.9	0.65
Recipient Index	66.4	67.3	-0.9	1.4	0.66
Change in Index ^b	7.5 pts	9.2 pts	-1.7	1.6	1.03

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

TABLE 6.8

BUDDING INDEX BY MOBILITY^a

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
<u>Full Rent Movers</u>					
Pre-Program Index	42.7%	44.1%	-1.4	1.6	0.88
Recipient Index	66.1	71.1	-5.0	1.4	3.66**
Change in Index ^b	23.6 pts	27.2 pts	-3.5	0.9	3.82**
<u>NonFull Rent Movers</u>					
Pre-Program Index	59.5%	59.8%	-0.3 pts	2.2	0.14
Recipient Index	61.1	64.6	-3.5	1.3	2.76**
Change in Index ^b	1.9 pts	4.7 pts	-2.8	1.5	1.87‡
<u>Stayers</u>					
Pre-Program Index	44.2%	44.3%	-0.1	1.5	0.06
Recipient Index	88.8	83.5	5.2	1.5	3.54**
Change in Index ^b	44.7 pts	39.1 pts	5.6	0.9	6.05**

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

6.4 Changes at Recertification

Both tenant contributions and rent burdens increased more at recertification in the Housing Voucher Program than in the Certificate Program, though the difference between the programs is only significant for tenant contribution (Tables 6.9 and 6.10). As we shall see in the next chapter, this is largely due to the fact that Payment Standards were often not increased to match increases in FMRs.

TABLE 6.9

TENANT CONTRIBUTION AT RECERTIFICATION^a

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t-statistic
Initial tenant contribution	\$148.15	\$142.13	6.02	5.71	1.05
Tenant contribution at recertification	169.40	151.87	17.53	6.87	2.55*
Change in tenant contribution ^b	20.76	9.44	11.32	4.54	2.49*

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

TABLE 6.10

RENT BURDEN AT RECERTIFICATION^a

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t-statistic
Initial rent burden	33.6%	31.4%	2.2 pts	2.3 pts	0.96
Rent burden at recertification	34.9%	30.8%	4.1 pts	1.7 pts	2.47*
Change in rent burden ^b	1.2 pts	-0.6 pts	1.8 pts	1.4 pts	1.29

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

CHAPTER 7

HOUSING ASSISTANCE PAYMENTS

By definition, assistance payments are equal to the difference between recipient gross rent and tenant contribution. All of the findings in this chapter are accordingly implicit in the results of Chapters 4 and 6. At the risk of some redundancy, it seems worthwhile, however, to discuss assistance payments directly, recognizing that the patterns of the earlier chapters will recur.

The chapter starts with a comparison of average assistance payments in the two programs for all recipients together and separately for recipients who move from or stay in their pre-program unit. While differences in average payments between the programs are important for budgetary purposes, they are modest relative to the level of payments. For recipients, differences in the distribution of payments may be more important than differences in average payments. Section 7.2 examines the way in which payments in the two programs are associated with recipient income and rent.

The housing assistance payments in the two programs are used to finance increases in recipient rents and reductions in recipient out-of-pocket costs relative to pre-program levels. Section 7.3 discusses how this allocation varies between the two programs and, within the programs, by whether recipients move from or stay in their pre-program unit and whether they were paying full rent in their pre-program unit.

Finally, Section 7.4 discusses the way in which assistance payments change at recertification.

7.1 Assistance Payments in the Two Programs

Average initial assistance payments under the Housing Voucher Program were \$310 per month, or 5.7 percent above the average payment of \$293 per month in the Certificate Program (Table 7.1). Differences in payments between the two programs may reflect differences in average recipient income, differences in the Payment Standards and FMRs, or the effect of program rules on the calculation of assistance payments. In both programs payments vary with income and any difference between the programs in average recipient

TABLE 7.1

INITIAL ASSISTANCE PAYMENTS^a
(NATIONAL PROJECTIONS)

	Housing Voucher <u>Program</u>	Certificate <u>Program</u>	Difference		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
Housing Assistance Payments	\$309.67	\$293.09	\$16.58	4.49	3.69**
Annual Net Income	5692.86	5649.79	43.06	60.80	0.71
Payment Standard or FMR	455.93	460.41	-4.49	2.91	1.54
Assistance Payments If:					
Average Net Income Equals the Certificate Program					
Average in Both Programs	319.65	293.09	17.66	NA	NA
Payment Standard Equalled FMR					
	314.15	293.09	21.06	NA	NA
Both Income and Payment Standard Equal to Certificate Program Income and FMRs					
	315.23	293.09	22.14	NA	NA

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

income will translate into a difference in payments. Beyond this, Figure 2.1 in Chapter 2 showed how housing assistance payments to an individual recipient varied with recipient rents when the Housing Voucher Payment Standard and Certificate Program FMR are equal. In general, the Housing Voucher payment to a given recipient is greater than the Certificate Program payment if the recipient's rent is below the FMR and equal when the recipient's rent equals the FMR. However, if the Certificate Program grants an exception and allows a recipient to rent a unit above the FMR ceiling, then the Certificate Program assistance payment will be larger than the assistance payment under the Housing Voucher Program.

Furthermore, PHAs have some flexibility with respect to Payment Standards. Specifically, while Payment Standards were set equal to FMRs at the beginning of the Demonstration, PHAs did not have to increase Payment Standards to match subsequent increases in FMRs. Housing Voucher payments are lowered relative to Certificate Program payments when the Payment Standard increases by less than the FMR.

The higher Housing Voucher payments are not the result of any differences in recipient income.¹ As shown in Table 7.1, average recipient annual net income was very slightly higher in the Housing Voucher Program. Had the income level been exactly the same as that of the Certificate Program, average Housing Voucher payments would have been about a dollar higher than their actual levels. Housing Voucher payments are reduced by the fact that some PHAs did not increase Payment Standards to match increases in FMRs. Had Payment Standards been increased to match FMRs, Housing Voucher payments would have been about \$4.50 higher. With both Housing Voucher income and Payment Standards equal to Certificate income and FMRs, the difference in average assistance payments would have been \$22 per month or 7.6 percent of average Certificate Program payments.

Average assistance payments to movers are substantially larger than those to stayers in both programs (\$333 per month for movers as compared with \$270 for stayers in the Housing Voucher Program and \$323 and \$242 for movers

¹All national estimates are based on a common distribution of bedroom sizes in the two programs, so that differences in the bedroom size composition cannot be a source of differences in average FMRs. We have ignored the effects of special rules pertaining to gross income and welfare.

and stayers, respectively, in the Certificate Program), as shown in Table 7.2. These differences reflect three factors--the higher incomes of stayers, their smaller average Payment Standard or FMR due to smaller household size, and in the Certificate Program, the lower average rents paid by stayers.

Recipients who stayed in their pre-program units were by definition occupying housing that met or could be repaired to meet program requirements. As might be expected, they had higher average incomes than recipients who moved. They also had a smaller average household size. As shown in Table 7.3, higher incomes and smaller household size account for \$56 of the \$63 difference between payments to movers and stayers in the Housing Voucher Program and \$57 of the larger \$81 difference in the Certificate Program.

The remaining differences between average assistance payments for movers and stayers of \$7 per month in the Housing Voucher Program and \$25 per month in the Certificate Program should reflect differences in payments associated with differences in rent. In the Housing Voucher Program, payments are only reduced when rents fall below an amount equal to the maximum assistance payment plus 10 percent of total income (the Housing Voucher "corner" in Figure 2.1 of Chapter 2). As indicated at the bottom of Table 7.3, only 5 percent of Housing Voucher recipients who moved had rent below this level, as compared with 17 percent of Housing Voucher recipients who stayed in their pre-program unit. It seems likely that the residual \$7 per month difference in payment to movers and stayers in the Housing Voucher Program reflects the larger percentage of stayers with rents low enough that Housing Voucher payments were reduced. In the Certificate Program, assistance payments are reduced dollar for dollar as rents are below FMRs. We have not calculated the average extent to which rents fall below FMRs. However, the last set of figures in Table 7.3 compares the percentages of movers and stayers with rents at least 10 percent below FMRs (for whom the reduction in payments would have been substantial). As shown there, rents more than 10 percent below FMRs were not uncommon and were much more frequent among stayers than among movers.

Program rules also mean that, as was shown in Table 7.2, differences in average assistance payments between the two programs are themselves quite different for movers and stayers. The difference in the two programs' average housing assistance payments is almost three times larger for recipients who stay in their pre-enrollment unit than for those who moved. Recipients who

TABLE 7.2

INITIAL ASSISTANCE PAYMENTS TO MOVERS AND STAYERS^a

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>		
			<u>Mean</u>	<u>Standard Error</u>	<u>t-statistic</u>
Percent of Recipients Who Move from Their Pre-Enrollment Unit	63.2‡	63.1‡	0.01 pts	1.4 pts	0.08
Initial Assistance Payments to:					
Recipients Who Move	\$332.79	\$323.15	\$9.64	\$4.82	2.00**
Recipients Who Stay in Their Pre-Enrollment Unit	270.00	241.71	28.29	4.44	6.37**
Difference Between Movers and Stayers (t-statistic)	62.79 (29.24)**	81.44 (30.59)**	18.65 (5.48)**	NA	NA

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

TABLE 7.3

SOURCES OF DIFFERENCES IN AVERAGE ASSISTANCE PAYMENTS
TO MOVERS AND STAYERS^a

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>
Average payment to movers	332.79	323.15
Average payment to stayers	270.60	241.71
Difference	62.79	81.44
Difference due to:		
Lower mover income	19.98	16.26
Higher mover Payment Standard or FMR	35.94	40.28
Residual difference	6.87	24.90
Reasons for residual difference:		
Percent of recipients with rents low enough that Housing Voucher payments are reduced		
Movers	5.3%	10.5%
Stayers	17.0	18.8
Difference	11.7 pts	8.3 pts
Percent of recipients with rent less than 90 percent of FMR so that Certificate Program payments are reduced by at least 10 percent of FMR		
Movers	12.4%	16.5%
Stayers	38.0	37.1
Difference	25.6 pts	20.6 pts

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

stayed had an average Housing Voucher assistance payment of \$270 per month, \$28 or 12 percent above the \$242 per month average in the Certificate Program. Recipients who moved had an average Housing Voucher assistance payment of \$333 per month, \$10 or 3 percent above the \$323 per month average in the Certificate Program. Put another way, of the \$17 higher average assistance payment in the Housing Voucher Program, 63 percent goes to the 37 percent of recipients who are stayers and 37 percent goes to the 63 percent of recipients who are movers. This undoubtedly reflects the fact that, as discussed above, stayers in both programs are more likely to be renting units with rents below the FMRs, that is in the range in which Housing Voucher payments are larger than Certificate payments.

7.2 Assistance Payments and Recipient Income and Rent

Although important for budgetary purposes, the overall difference in assistance payments between the two programs is not large compared to the level of payments. In terms of recipients, differences in the distribution of payments may be more important than differences in the average payment. We have already seen that differences in payments were materially larger for stayers, for whom the average Housing Voucher payment was 12 percent higher than in the Certificate Program, than for movers, for whom the average Housing Voucher payment was only 3 percent higher. This section examines the way in which payments in the two programs are associated with recipient incomes and rents.

Certificate Program payments are directly tied to both rents and income, whereas (except at very low rents) Housing Voucher payments are only tied to income. We can characterize these differences in associations in terms of the regression of payments on income and rents. Payments will of course vary substantially across PHAs and bedroom size categories, whereas our concern is with how they vary within these categories. Accordingly Table 7.4 presents regression coefficients and R^2 statistics for the partial-partial regression of the variation of payments within PHA/bedroom size categories against the variation in income or rents within these categories. We present regressions for assistance payment against:

- Gross rent
- Net income

TABLE 7.4

COMPARISON OF THE DETERMINANTS OF PAYMENTS IN THE TWO PROGRAMS:
REGRESSION OF PAYMENTS ON INCOMES AND RENTS CONTROLLING FOR PHA AND
BEDROOM SIZE (WEIGHTED)^a

<u>Independent Variable</u>	<u>Housing Voucher Program</u>	<u>Housing Certificate Program</u>
Degrees of freedom	3490	3324
<u>Monthly Gross Rent</u>		
Coefficient	0.1671**	0.9373**
t-statistic	11.69	44.80
R ²	0.038	0.376
Correlation	0.194	0.614
<u>Monthly Net Income</u>		
Coefficient	-0.2791**	-0.2797**
t-statistic	117.75	64.45
R ²	0.799	0.55
Correlation	0.894	0.745
<u>Monthly Total Income</u>		
Coefficient	-0.2583**	-0.2580**
t-statistic	103.53	59.84
R ²	0.754	0.519
Correlation	0.869	0.720
<u>Monthly Income Above Poverty</u>		
Coefficient	-0.2362**	-0.2395**
t-statistic	79.87	53.69
R ²	0.646	0.464
Correlation	0.804	0.682
<u>Budding Housing Cost Deficit</u>		
Coefficient	-0.2419**	-0.2904**
t-statistic	95.83	84.65
R ²	0.725	0.683
Correlation	0.851	0.827

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aEach regression represents a partial-partial regression in which variations in both the dependent and independent variables associated with PHAs and bedroom size categories within PHAs have been removed.

- Total income
- The difference between a household's total income and its poverty level income
- The Budding "Housing Cost Deficit"--the payment needed to bring family income net of its housing costs up to the poverty level income net of the implicit poverty income housing expenditure.

The regression coefficients for the various income measures are, as expected, almost identical in the two programs. However, controlling for PHA and bedroom size, income accounts for 65 to 80 percent of the remaining variation in payments in the Housing Voucher Program as compared with 46 to 56 percent in the Certificate Program. In contrast, payments in the Certificate Program are much more highly correlated with gross rents than they are in the Housing Voucher Program, though the correlation with income is higher than the correlation with rent in both programs. Interestingly, there is relatively little difference between the programs in terms of the correlation of assistance payments with the Budding housing cost deficit measure.

How this trade-off is to be judged probably depends on how one views the variation in recipient rents. Other things equal, we tend to require that assistance payments vary with income on the grounds of equity. To the extent that one regards variations in recipient rents as the result of recipient choice and effort in searching for housing, then the natural temptation would be to hold payments independent of rents as in the Housing Voucher Program. To the extent that one sees the variation in recipient rents as generated by luck or other factors outside of the recipient's control, then one is tempted to adjust payments to at least partially offset differences in rent. To the extent that one believes that variations in recipient rents arise from both sets of factors, then one is left with the usual problem of balancing the incentive efforts of offsetting variations in rents against the equity implications. Both programs adopt the second position in adjusting payments to meet variations in average housing costs across cities. Where they differ is in their response to variation within sites.

7.3 How Housing Assistance Payments Are Used

Housing assistance payments may be used to finance increased housing expenditures or reduced rent burdens. To give some idea of how assistance payments are used, Table 7.5 shows the average value of the ratio of the change in recipient gross rent to the housing assistance payment. Although this figure probably overstates the extent to which the program leads recipients to increase their housing expenditures, we will use it as a measure of the way in which assistance payments are used.¹

Overall, Housing Voucher recipients' changes in gross rent averaged almost 55 percent of their assistance payment--modestly but significantly higher than the 52 percent figure for the Certificate Program. Roughly speaking it appears that about half of the assistance payment is used to cover increased expenditures while the other half reduces recipient out-of-pocket costs.

How assistance payments are used would be expected to be quite different for recipients who move from their pre-program units and those who stay in their pre-program units. We expect changes in rents to be much smaller for those who stay in their pre-program units than for those who move.² As expected, for recipients who stay in their pre-enrollment unit, increases in rent only account for about 16 percent of their assistance payment, and this is not significantly different between the two programs. For recipients who move, increases in rent account on average for 72 percent of the Certificate

¹The problem is that rents change anyway, especially when people move. Counting the total change in the rent thus overstates the effect of the program, especially if recipients were likely to move anyway. It seems unlikely, however, that such selection effects constitute a large proportion of the large changes in rent reported below in Chapter 4. Further, such selection effects are strongest on variables that directly relate to program requirements. For a program similar to the Housing Voucher and Certificate Programs, the Demand Experiment found a substantial selection effect on the change in the proportion of recipients living in standard housing, but no selection effect on the change in expenditures (see Kennedy, 1980, p. 176ff; and Friedman and Weinberg, Appendix IX).

²There is, of course, a danger in comparing outcomes across the two programs for movers and stayers; differences may reflect differences in which recipients move or stay rather than differences in program effects. Given the similarity in mobility rates, this seems unlikely.

TABLE 7.5

RATIO OF CHANGE IN RENTS TO ASSISTANCE PAYMENTS^a

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t-statistic
All Recipients	54.9%	51.5%	3.4 pts	1.6 pts	2.14*
Recipients Who Move					
All Movers	77.4	72.3	5.1	2.1	2.41*
Full Rent Movers	58.9	51.0	7.5	2.3	3.32**
Non-Full Rent Movers	99.8	95.0	4.8	3.7	1.30
Recipients Who Stay	16.7	16.4	0.3	1.6	0.16

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

Program assistance payment and a significantly higher 77 percent of the Housing Voucher payment.

Increases in rent for full rent movers are a substantially larger proportion of assistance payments and significantly higher in the Housing Voucher Program (59 percent) than the Certificate Program (49 percent). Increases in recipient gross rent paid among movers not paying their full pre-enrollment rent accounted for almost all of the assistance payment in both programs.

7.4 Assistance Payments After Recertification

Average assistance payments fell at recertification by \$3 per month, or 1 percent, in the Housing Voucher Program, while rising by \$11 per month, or 4 percent, in the Certificate Program (Table 7.6). After recertification, average Housing Voucher payments were only \$6 per month or 2 percent higher in the Housing Voucher Program. This difference was not statistically significant, so that we cannot reject the possibility that in a national program average Housing Voucher payments to recipients would equal average Certificate Program payments after the first annual recertification.

The reason for the increase in assistance payments in the Certificate Program was increases in FMRs, which offset reductions due to increases in average recipient incomes. Housing Voucher recipients had almost identical reductions in payments due to increased income, but average Payment Standards were only increased by \$8, just over a third of the \$22 increase in average FMRs in the Certificate Program. Had PHAs decided to adjust Payment Standards to match increases in FMRs, Housing Voucher payments would have increased as much as Certificate Program payments.

TABLE 7.6

RECIPIENT PAYMENTS AT ANNUAL RECERTIFICATION^a

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t-statistic
Initial Assistance Payment	\$306.71	\$287.46	19.25	4.84	3.98**
Assistance Payment after Recertification	303.53	297.91	5.62	5.24	1.07
Change in Assistance Payment ^b	-3.04	10.59	-13.62	3.94	3.46**
Sources of Change in Assistance Payments					
Change due to change in annual net income	-11.72	-11.42	-0.30	2.55	0.12
Change due to change in Payment Standards or FMRs	7.84	22.42	-14.58	3.92	3.72**
Sources of Differences in Assistance Payments at Recertification					
If average income equaled the Certificate average income in both programs	304.64	297.91	6.37	NA	NA
If changes in Payment Standards had matched changes in FMRs	318.11	297.91	20.20	NA	NA
If initial and subsequent levels of Payment Standards had matched FMRs	320.92	297.91	23.01	NA	NA
If incomes and Payment Standards had matched	322.03	297.91	24.12	NA	NA

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSee Appendix F for details.

^bChange figures may not equal the difference between pre and post figures due to missing values.

CHAPTER EIGHT

ADMINISTRATIVE COSTS

The analysis of administrative costs in the Housing Voucher and Certificate programs is the object of a separate report.¹ The analysis is based on estimates of administrative activities and costs for a sample of some 5,000 Housing Voucher and Certificate participants and 1,400 recipients in 13 to 16 of the urban PHAs included in the Demonstration.

The purpose of the Administrative Costs Report was both to estimate the total administrative costs of each program and to determine whether one program is more or less expensive to administer than the other. This analysis required a special data collection effort in the Spring of 1986, including the completion of time sheets and activity counts by staff members in urban PHAs for a period of two months, interviews with managers and department heads and extracts from PHA financial records, such as expenditure reports.

This chapter summarizes the approach to the study and presents its major findings.

8.1 Approach to the Estimation of Administrative Costs

The overall approach to estimation of administrative costs was largely designed to address two facts about the information available for administrative costs. First, the costs associated with the Certificate Program are not directly observable. If the Certificate Program were the only program administered by PHAs, we could simply record actual PHA administrative costs and relate them to the number of units under lease. In most cases, however, PHAs administer several programs. We can determine the wages and salaries paid to staff who work exclusively on the Certificate Program, but we have to allocate the wages and salaries of staff who either work on or provide supervisory or support services to several programs. Similarly, many non-labor costs for office space, equipment, and supplies are only recorded in aggregate. These costs also need to be allocated to specific programs in order to determine the

¹Leger and Kennedy, 1988.

actual costs of the Certificate Program. The development and testing of such allocation rules was a central step in the estimation of administrative costs.

The second key element in determining our approach to estimating administrative costs was the fact that administrative activities could be defined so that the cost of carrying out an activity once would be the same in the two programs. Cost differences could then be expressed in terms of differences in the number of times activities had to be carried out times the common program costs. An approach based on common costs per activity materially strengthened the analysis. There would usually be good reason to discount costs associated with the initial implementation of a new program such as the Housing Voucher Program. In addition, costs of administration of the Housing Voucher Program within the Demonstration involved Demonstration requirements as well as program requirements. Even within the Demonstration, Housing Voucher administrative costs could not be segregated easily; the Housing Voucher Program was both relatively small in scale and always carried out by staff who also worked on the Certificate Program.

These problems were all met by the fact that the similarities between the administrative requirements of the two programs allowed us to characterize administrative costs in terms of common costs per activity and potentially different frequencies of activities. This allowed us to take maximum advantage of information on current costs from the well-established Certificate Program and information on program differences in activities per case from the large samples of Housing Voucher and Housing Certificate Program recipients in the Demonstration.

The administrative procedures of the Housing Voucher and Housing Certificate Programs are very similar.¹ Indeed, the analysis of administrative costs in the two programs was based on the fact that the activities required by the two programs were, with two exceptions, identical. Thus, differences in administrative costs will generally arise from differences in

¹PHAs had to make minor modifications in their procedures for both the Certificate and Housing Voucher programs in the Housing Voucher Demonstration to accommodate data collection requirements. Costs related to Demonstration activities were recorded separately during the data collection period and are not included in the cost estimates presented in this report.

the number of times activities are required rather than differences in the type of activities.

The two exceptions to this rule are the determination of rent reasonableness in the Certificate Program and periodic review of Payment Standards and budgets in the Housing Voucher Program. In the Certificate Program, PHAs are required to assure that participating families are paying reasonable rents based on the local housing market and may directly negotiate the rent with the landlord. In the Housing Voucher Program, this function is removed and the burden of assessing the appropriateness of rents is transferred to the family. Thus, costs directly associated with determination of rent reasonableness for specific units are only included in the costs of the Certificate Program.

Review of Payment Standards in the Housing Voucher Program is required by the mechanism used to fund Housing Vouchers, as described in Appendix D. The costs estimated in this report do not include any allowance for differences in budget monitoring or Payment Standards review associated with the Housing Voucher mechanism. In order to maintain initial comparability between the Housing Voucher and Certificate Programs in the Demonstration, PHAs were not allowed to adjust the Housing Voucher Payment Standard during the first year of operations. Thus, in the Spring of 1986, when most of the detailed cost data used in this report were collected, most PHAs had not even begun to plan for Payment Standards review. Nor had most PHAs, still in the process of meeting initial Demonstration enrollment targets, really had to address the budget monitoring requirements of the Housing Voucher funding mechanism. The costs associated with this activity seem likely to be minimal. PHAs now collect and process the sort of enrollment, payments, and tenant rent information that is likely to be needed for budget monitoring and Payment Standards review. The impact of the Housing Voucher funding mechanism seems more likely to involve changes in coordination and information transmission than material changes in PHA administrative costs.

Otherwise, the same types of administrative activities are involved in both programs. Some of these activities are required by program regulations (e.g., eligibility determination, inspections, annual recertification), while others are initiated by families' specific needs (e.g., counseling services, requests for extensions of Certificates of Housing Vouchers). These activ-

ities can be grouped into three main categories--intake, maintenance, and termination, as shown in Table 8.1.

Intake activities include all the activities involved in a family becoming a recipient. As shown in Table 8.1, these activities can be further divided into issuance activities and housing search activities. The first set of activities are issuance activities. Families apply for assistance and are generally placed on a waiting list. As program openings become available, applicants are selected from the waiting list and, if they are certified as currently eligible, briefed on the program and issued a Housing Voucher or Housing Certificate. This completes issuance.

The next step in intake is housing search. In order to become a recipient, the Housing Voucher or Certificate holder must obtain housing that meets program requirements. This involves inspection to assure that the unit meets physical and occupancy standards and (in the Certificate Program) limits on gross rent. The PHA may offer more or less extensive support and counseling during the housing search. If the family succeeds in finding a suitable unit, a lease and contract must be signed and approved. If the family does not succeed in finding a unit within a certain period of time, its Housing Voucher or Certificate expires and it leaves the program.

Once intake is completed, the family becomes a recipient. Maintenance activities include all the activities involved in maintaining a recipient. These include making monthly payments plus recertification of eligibility, inspection of units, and re-leasing on a periodic basis or in connection with moves to different units. Again, the PHA may provide various supportive services. As with intake activities, rent reasonableness and rent negotiations for the maintenance of recipients are confined to the Certificate Program. In addition, they were further limited to households that moved. Discussions with the PHAs indicated that rent reasonableness/rent negotiation costs for recipients who re-leased in place were minimal--the PHA relying on its prior determination of rent reasonableness for the unit and the allowable rent increase factor set by HUD.

Termination of payments is required when a family leaves the program. The costs associated with resolution of any remaining obligations to the landlord due to claims for reimbursement for vacancy loss or damages under the Housing Certificate or Housing Voucher contact were included under complaint

TABLE 8.1

TYPES OF ADMINISTRATIVE ACTIVITIES
IN THE HOUSING VOUCHER AND CERTIFICATE PROGRAMS

I. INTAKE

1.1 Issuance

Application Taking and Processing
Selection
Eligibility Determination (Certification/Verification)
Briefing and Issuance

1.2 Housing Search

Inspection
Follow-Up Inspections (for units requiring response)
Interim Recertification (during housing search)
Supportive Services
Extensions
Rent Reasonableness and Rent Negotiations (Certificate Program
only)
Leasing
Expiration

II. MAINTENANCE

Payment
Annual/Interim Recertification
Re-Leasing in Place
Re-Leasing Movers
Rent Reasonableness and Rent Negotiations (Certificate Program
movers only)
Extensions/Movers
Annual Reinspections (for stayers) and New Inspections (for movers)
Complaint and Follow-Up Re-Inspections
Complaint Handling (including vacancy loss and damage claims)
Supportive Services

III. TERMINATION

Termination of Payments

handling rather than termination. This reflects the fact that such costs may be associated with moves, for example, as well as terminations.

The three kinds of administrative costs are incurred at different points in a participant's involvement with the program. Intake costs are incurred in first enrolling the recipient; maintenance costs while the recipient remains in the program; and termination costs when the recipient leaves. Finally, we can then group these three cost categories into two types of costs:

- The Initial Intake Costs associated with first filling a newly funded program slot, and
- The Continuing Costs associated with maintaining a slot including maintenance costs plus the termination and intake costs associated with recipient turnover.

Maintenance costs are of critical importance, since they are incurred on a continuous basis for each unit funded. Initial intake costs, on the other hand, are associated only with start-up. They are one-time costs that are incurred only when new units are funded under an Annual Contributions Contract (ACC). The costs associated with intake to replace turnover are included under continuing costs.

Estimation of intake, maintenance, and termination costs begins by expressing each of these in terms of the costs of the specific administrative activities that were listed earlier in Table 8.1. In general, the administrative costs associated with the i^{th} recipient in the j^{th} PHA can be expressed as the sum of activities times costs:

$$(1) \quad AC_{ij} = \sum_m n_{mij} C_{mj}$$

where

AC_{ij} = the administrative costs associated with the i^{th} recipient in the j^{th} PHA,

n_{mij} = number of times the m^{th} activity is performed on behalf of the i^{th} recipient in the j^{th} PHA, and

C_{mj} = costs of performing the m^{th} activity in the j^{th} PHA.

This characterization of administrative costs in terms of the sum of costs per unit activity times the frequency of activities was especially useful for this study. The Housing Voucher and Certificate Programs are each variants of the Section 8 Existing Housing Program and share certain basic features. In both programs, families are selected from the same waiting list and are required to follow the same procedures from the time they apply to the time they either become recipients or surrender their Certificate or Housing Voucher. Once a Housing Voucher family starts receiving assistance, it is treated administratively in the same way as a Certificate family.

However, while the types of administrative activities required in the two programs are the same, the intensity or frequency per recipient may be different. For example, in order for eligible families selected from the waiting list to become recipients in either program, they must obtain housing that meets the program's requirements. If participants in one program are more successful in becoming recipients than participants in the other, the first program will require fewer applicants to fill a given slot.

Expressing administrative costs as a function of cost per unit activity times the number of activities reflects the similarities and differences between the two programs. Because the types of activities in the two programs are the same, we can assume that the costs per unit activity are also the same. What may differ is the number of activities per recipient.

This conceptual scheme was particularly suited to the data available for the Demonstration. Every PHA in the Demonstration also administered a large Certificate Program in addition to the flagged Certificates and Housing Vouchers for which Demonstration data were collected. Because the costs per unit activity were the same in both programs, we could use all of the PHA's current Housing Voucher and Certificate administrative activities to estimate costs per unit activity. This in effect gave us a large pool of administrative events and staff on which to estimate costs per unit activity. Similarly, the large number of families studied in the Demonstration were used to determine differences between programs in the number of activities per recipient.

8.2 Definition and Frequencies of Activities

In determining frequencies and costs per unit activity, the appropriate unit is often obvious--for example, one inspection, one extension, or one recertification. In other cases, units could be defined to take advantage of program similarities. For example, the steps involved in issuance are identical in the two programs and have the same relative frequencies. Since eligibility rules are the same, for example, it requires no more eligibility certifications to produce one eligible candidate in one program than in another. The only thing that can differ is the number of issuances that are required to obtain a successful recipient. Accordingly, the unit costs of application, selection, certification/verification and briefing/issuance are defined in terms of the costs associated with issuing one Housing Voucher or Certificate to an eligible applicant. The frequency (issuances per recipient) is determined by the success rate. Finally, for an activity such as counseling/support services, the unit cost is simply defined in terms of an hour of reported staff counseling/support services. The frequency is the number of hours reported per recipient.

Information on the frequency of activities was available for each family studied in the Demonstration. This information was collected on the research forms described in Appendix B. Costs were combined to provide estimates of continuing costs and initial intake costs. Intake activities refer to the activities required to bring one unit under lease, from application to lease-up. Because some eligible families issued a Housing Voucher or Certificate do not become recipients, it is necessary to include the activities performed on behalf of both successful and unsuccessful families. The Demonstration data files were organized to allow us to associate issuances of Housing Vouchers or Certificates with specific Housing Voucher or Certificate slots. Accordingly, we could assemble counts of all the activities associated with filling a specific slot by adding together the records for all the families issued a Housing Voucher or Certificate in connection with that slot.

Frequencies for continuing costs were developed in terms of the activities associated with a recipient during the first year of payments. This reflects the fact that certain maintenance activities, such as recertification and reinspection, are performed once a year, generally on the anniversary date of the Housing Assistance Payment or Housing Voucher Contract between the PHA

and the landlord. Other activities can occur at any time during the year at the initiative of the PHA or the family. Using a year-long observation period for each recipient insures that required annual activities as well as sporadic activities are reflected in the costs.

If a recipient family remains in the program for the full year, continuing activities are simply those associated with annual recertification/reinspection and the other activities which may have occurred during the year (such as interim recertifications, the inspection and leasing associated with a move to another unit, or support services provided to the family). If the recipient family terminates during the year, continuing activities then include the maintenance and termination activities for that family, as well as the intake activities required to bring a new family into the program and the maintenance activities for the new family during the remaining months in the year.¹

Since initial intake costs refer to the one-time costs involved in starting up a new program slot, the frequencies of initial intake activities are expressed in terms of numbers per slot. Continuing costs, on the other hand, are associated with the maintenance of recipients plus the costs of terminating and replacing recipients who leave the program. The frequencies of continuing cost activities are expressed in terms of numbers per recipient year--that is the number of activities associated with having a slot used for twelve months.

8.3 Establishing Unit Costs for Each Activity

The Housing Voucher and Certificate Programs require a basic set of activities to insure that program requirements are met at each stage of a family's participation in the program (see Table 8.1, above). These "case management" activities generate administrative costs through salaries and wages for the staff time required to carry them out. The same staff also spend a certain amount of time on miscellaneous activities, which may include

¹Maintenance activities for a replacement family during the remaining months of the year were estimated by using the activities for an appropriate number of months for a similar family in the same site, the same program, and the same bedroom size, drawn at random from families that did not terminate during the year.

anything from coffee breaks to staff meetings, training, or general paperwork not connected with specific cases.

Case Management Labor Cost per Activity: Staff members in the PHA's Section 8 or Leased Housing Unit completed a detailed daily timesheet for a period of two months during the Spring of 1986. They were asked to allocate their time daily among various activities, including the individual case management activities listed in Table 8.1, as well as activities in support of other programs, and activities that could not be assigned to a specific program. Hours were translated into costs by multiplying the time reported on each timesheet by the staff member's hourly wage or salary rate.

During the same two-month period, PHA staff provided counts of the number of times a given activity was performed (e.g., the number of certifications completed or the number of inspections conducted). The direct labor hours and costs for each case management activity were obtained by dividing the total case management labor costs charged to a given activity by its corresponding product count. Case management direct labor costs refer to the costs of time charged directly to a specific activity. They do not include supervisory costs or costs of resources spent on more general activities (non-case activities).

Non-Case Labor Costs and Non-Labor Expenses: Case management activities are generally performed by staff members in a Section 8 or Leased Housing Unit. This unit usually administers rental assistance programs other than the Section 8 Existing Housing Program, such as the Section 8 Moderate Rehabilitation Program or programs providing Certificates or Housing Vouchers in support of the Rental Rehabilitation Program. Staff may work on more than one program. In any case, the costs associated with the overall supervision of the unit must be allocated among the different programs. Furthermore, the Section 8 Unit seldom operates in isolation. It is usually part of a larger organization--the Public Housing Authority in most cases, or a metropolitan, county or state level organization in other cases--that administers such programs as conventional public housing projects, modernization programs, or rehabilitation of housing under CBDG. This larger organization includes overhead departments that directly or indirectly perform activities in support of the Housing Voucher and Certificate Programs. The costs of these departments must also be taken into consideration in estimating the total costs of administer-

ing the Housing Voucher and Certificate Programs. Finally, PHAs provide benefits to their employees and incur non-labor expenses, such as rent, supplies and travel expenses, which also are part of program costs.

The cost for a given activity is therefore not only the wages and salary costs incurred in directly performing the activity, but also the indirect costs of other time spent by case management staff, supervision and administrative support, fringe benefits, and non-labor costs. Each of these cost elements is described in Table 8.2 and was estimated separately for each PHA. Data sources are also shown in Table 8.2.

Once the total costs for each element described in Table 8.2 were computed, they were allocated to specific case management activities using a loading factor. A loading factor assures that a given category of non-case costs, for example, overhead costs, are allocated to each case management activity in proportion to its direct labor costs.

The factor loadings used in the Administrative Costs analysis reflect our best judgment in allocating overhead labor costs and non-labor costs among all the programs administered by PHAs. The loading factors used for overhead and non-labor costs were developed by first identifying the overhead and non-labor costs associated with each operating division in the PHA and then, for the divisions involved with operation of the Housing Voucher or Certificate Programs, expressing allocated overhead and non-labor costs as percentages of direct labor in the divisions. The key is the original allocation of overhead and non-labor costs to the PHA divisions. In each case, we allocated overhead and non-labor costs using a "composite" method. For overhead costs, these were based on detailed information obtained during interviews with the managers of non-Section 8 departments that performed some activities in support of the Housing Voucher or Certificate Programs. For non-labor costs, we first, to the extent possible, identified the non-labor costs associated with each operating unit in the PHA. We then allocated all remaining non-labor costs to each operating unit in proportion to its share of total PHA labor costs (including allocated overhead labor costs). Allocated and associated non-labor costs for a unit were then allocated to programs based on their share of the unit's labor (including overhead labor).

We tested the sensitivity of costs to three other allocation rules. First, many PHAs have their own rules for allocating non-labor and overhead

TABLE 8.2

ADMINISTRATIVE COST ELEMENTS

<u>Category</u>	<u>Definition</u>	<u>Data Source</u>
Casework Direct Labor	The wage and salary costs of staff time directly spent carrying out the activities involved in processing individual families (cases) in the program	Time sheets
Non-Casework Direct Labor	The wage and salary costs of case-worker time not directly associated with specific program casework activity (such as, for example program wide staff meetings, general filing, or training) plus the costs of immediate supervision and support within the PHA Section 8 or Leased Housing unit	Time sheets
Total Direct Labor	The wage and salary costs of Case-work and Non-Casework Direct Labor	Time sheets
Overhead Labor	The wage and salary costs of overall PHA management and support staff (such as personnel, finance, central office maintenance, and so forth) associated with the program	PHA expenditure reports and interviews with PHA managers
Fringe Benefits	The cost of the fringe benefits (including payroll taxes, insurance, vacation and holidays, and leave) associated with all direct and overhead labor allocated to the program	Interviews with PHA staff members, expenditure reports, PHA-specific documents
Non-Labor Costs	Non-labor costs associated with both direct and overhead labor, including office rent and supplies, as well as non-labor costs directly incurred for the program (such as auto expenses for housing inspectors).	Expenditure reports, interviews with PHA staff members

labor costs, and these provide obvious alternatives where they exist. We could also use either of two simple allocation rules. One rule would be to allocate costs to each program in proportion to the number of staff; the second, in proportion to the number of units in the program. Arguments can be made for each one of these depending on the particular costs involved. Thus, for example, personnel costs and office space costs seem likely to accrue to the number of staff (perhaps weighted by salary) while central records units may be more appropriately allocated in terms of the numbers of units.

Overall, the results were quite reassuring. Our allocations generally agreed with the PHA allocations. Use of the PHAs' own rules for allocating both overhead and non-labor costs only changes estimated costs by plus or minus 6 to 8 percent.

8.4 Comparing Costs with Reimbursements

Estimating costs in terms of initial intake costs and continuing costs allows for ready comparison of estimated costs with current reimbursements. HUD has historically funded PHA Section 8 administrative costs by providing for one-time initial intake payments to cover the intake costs associated with initially filling a recipient slot and continuing payments to cover the costs associated with the maintenance, termination, and replacement of recipients. In conformance with this reimbursement structure, the analysis in this report distinguishes between initial intake costs associated with initially filling a given "recipient slot" and continuing costs.

The actual administrative cost reimbursement schedules in effect at the time of the analysis for the Housing Voucher and Certificate programs are summarized in Table 8.3. There are three components--the Administrative Fee, the Preliminary Fee, and the Hard-to-House Fee.

The Ongoing Administrative Fee is intended to reimburse PHAs for continuing costs. The fee is paid each month based on the number of units under a Housing Assistance Program (HAP) or Housing Voucher contract on the first day of that month. The amount of the fee per unit month is calculated as a percent of the two-bedroom Fair Market Rent (FMR), published by HUD each year for each area of the country.

TABLE 8.3

REIMBURSEMENT SCHEDULES IN THE HOUSING VOUCHER AND CERTIFICATE PROGRAM
(Spring 1986)

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>
Monthly Ongoing Administrative Fee For Units Under Lease at the Beginning of the Month (as a percent of the Two-Bedroom FMR)	6.5%	7.65%
Ceiling on Preliminary Fee for Newly Authorized Units	\$215	\$250
Hard-to-House Fee (for Each Move by a Hard-to-House Family)	\$45	\$45

The Preliminary Fee is intended to reimburse PHAs for initial intake costs involved in bringing newly authorized "slots" under lease. The preliminary fee is a cost-justified, one-time fee of up to \$215 in the Housing Voucher Program and \$250 in the Certificate Program for each newly authorized unit.

Hard-to-House Fee. In addition to the Preliminary Fee and Administrative Fee described above, PHAs receive a hard-to-house fee each time that a "hard-to-house" family moves in order to become a recipient or moves to a new unit once it receives assistance payment. A hard-to-house family is defined as a household with 3 or more minors. This hard-to-house fee may be part of reimbursements for initial intake costs (when a hard-to-house family moves to become the first recipient in a newly funded slot) or continuing costs (when a hard-to-house family moves to become a recipient in a slot vacated by termination or when a hard-to-house recipient family moves to another unit).

8.5 Summary of Key Findings on Costs and Reimbursements

Costs and Reimbursements

Table 8.4 summarizes key findings with respect to program costs and reimbursements. In each case the table presents both our estimate of the average value for all larger urban PHAs (excluding Los Angeles) and the confidence interval--the range of values within which we can be almost sure the actual value falls, taking into account the error of estimate. For example, the first entry indicates that our estimate of average continuing costs per recipient year in the Housing Voucher Program is \$257 per year, based on the sample of PHAs and recipients included in the Housing Voucher demonstration. Taking into account the error of estimate associated with this sample, we are able to say that actual average continuing costs are almost sure to lie between \$206 and \$308 per recipient year.¹

The main findings indicated in the table are as follows. First, there is no material difference in the estimated overall administrative costs of the two programs. The best estimates for the difference in either initial intake

¹Specifically, the range shown is the 95 percent confidence interval. This means that among all possible samples like that drawn for the Demonstration, we estimate that similarly constructed intervals will include the true value of average continuing costs 95 percent of the time.

or continuing costs indicate that the Housing Voucher Program is very modestly less expensive. However, actual Housing Voucher costs may well be either less than or greater than Certificate Program costs, as indicated by the range of estimates.

Second, there are significant differences in each program between the costs incurred by the PHAs and the amounts paid to the PHAs to cover these costs. Average reimbursements for continuing costs in the Housing Voucher Program are estimated to be between \$39 and \$127 per recipient year greater than costs. The mean estimate is \$83 per recipient year or about 32 percent above costs. Similarly, reimbursement for continuing costs in the Certificate Program are estimated to be between \$89 and \$187 above costs, with a mean estimate of \$138 or 53 percent above costs. The greater over reimbursement in the Certificate Program reflects the higher reimbursement schedule used for that program. As discussed in Section 8.4, the reimbursement for continuing costs consists of the Administrative fee, which is higher in the Certificate Program (7.65 percent of the two bedroom FMR for each unit under lease on the first of the month, as compared with 6.5 percent for the Housing Voucher Program) and the hard-to-house fee, which is the same for both programs (\$45 for each family that moves to become a recipient or moves to another unit while continuing to receive assistance).

On the other hand, reimbursements for initial intake costs are well below actual costs. For the Housing Voucher Program, reimbursements for initial intake costs are estimated to be between \$94 and \$624 below actual costs, with a mean estimate of \$359 or 62 percent of costs unreimbursed. For the Certificate Program, reimbursements for initial intake costs are estimated to be between \$85 and \$601 below costs, with a mean estimate of \$343 or 57 percent of costs unreimbursed. Again, the difference between the two programs reflects differences in reimbursement schedules. The Preliminary fee for the Certificate Program is set at \$250 per recipient slot as compared with \$215 in the Housing Voucher Program.¹

¹PHAs also receive additional reimbursements connected with hard-to-house families who move to become recipients. These fees are the same in both programs--\$45 for each move by a hard-to-house family.

TABLE 8.4

SUMMARY OF KEY FINDINGS ON COSTS AND REIMBURSEMENTS
National Projections for Large Urban PHAs (Excluding Los Angeles)

		<u>Housing Voucher Program</u>	<u>Housing Certificate Program</u>	<u>Difference</u>
<u>Continuing Costs Per Recipient Year</u>				
Average Costs	Mean	\$257	\$261	-\$5
	Confidence Interval ^a	\$206 to \$308	\$206 to \$316	-\$38 to \$28
Average Reimbursements ^b	Mean	\$340	\$400	-\$60
	Confidence Interval ^a	\$313 to \$366	\$369 to \$431	NA
Average Over (under) Reimbursement	Mean	\$83	\$138	-\$55
	Confidence Interval ^a	\$39 to \$127	\$89 to \$187	NA
<u>Initial Intake Costs Per Recipient Slot</u>				
Average Costs	Mean	\$579	\$598	-\$19
	Confidence Interval ^a	\$315 to \$843	\$341 to \$855	-\$75 to \$37
Average Reimbursements ^b	Mean	\$219	\$255	-\$36
	Confidence Interval ^a	\$217 to \$221	\$253 to \$257	NA
Average Over (under) Reimbursement	Mean	-\$359	-\$343	-\$16
	Confidence Interval ^a	-\$624 to -\$94	-\$601 to -\$85	NA

^aThe confidence interval is the 95 percent confidence interval and indicates the range within which the actual average is very likely to lie, given the error of estimate.

^bAverage reimbursements include hard-to-house fees.

Source: Timesheets, Product Counts and other secondary data (see Appendix E), Housing Search Log and Continued Participation Form.

As discussed in Section 8.1, continuing costs are of critical importance, since they are incurred on a continuous basis for each unit funded. Initial intake costs, on the other hand, are associated only with start-up. They are only incurred when a slot is first funded (intake costs associated with replacing recipients who leave the program are included in continuing costs). The relative importance of intake and continuing costs depends on the time a slot remains in place. A standard figure used for Certificate Program slots is 15 years. Thus, if initial intake costs were amortized over a 15-year period, total annual costs would be continuing costs plus 12 percent of initial intake costs. In terms of the mean estimates of Table 8.4, we would estimate that total annual costs and reimbursements in the two programs are:

	<u>Housing Voucher Program</u>	<u>Housing Certificate Program</u>
Total Cost Per Recipient Year (Including Amortized Initial Intake Costs)	\$326	\$333
Total Reimbursement Per Recipient Year (Including Amortized Preliminary Fees)	\$366	\$431
Total Over (Under) Reimbursement Per Recipient Year	\$40	\$98
Percent of Reimbursements	(11%)	(23%)

On the other hand, the total costs actually incurred in any given year (as opposed to costs amortized over a slot "lifetime") depend simply on the mix of old and new recipient slots funded in that year. The total costs shown above would be incurred in a year in which program funding levels increased by 12 percent more than inflation (so that the number of program slots was increased by 12 percent). On the other hand, if no new slots were added, only continuing costs would be incurred, whereas if the number of program slots was increased by more than 12 percent, total costs in that year would have to allow for a greater share for initial intake costs.

Activity Frequencies and Comparison of Housing Voucher and Certificate Program Costs

Table 8.5 compares continuing and initial intake costs in the Housing Voucher and Certificate Programs. The t-statistic shown in the last column is used to assess the probability that differences as large as the observed difference could have arisen by chance if in fact the two programs had the same costs.¹ Differences between the two programs in both initial intake and continuing costs are statistically insignificant. For continuing costs, slightly (but not significantly) higher maintenance costs in the Housing Voucher Program are offset by slightly (but not significantly) lower turnover costs. For initial intake costs, issuance costs are the same. Since the costs of one issuance are by definition identical for the two programs, the only possible source of variation in issuance costs between the two programs is differences in success rates (and hence the number of issuances required to obtain one recipient). The first year results from the Housing Voucher Demonstration which were used to calculate administrative costs found no significant differences in success rates between the two programs (see Kennedy and Finkel, 1987). The findings of slightly higher success rates for the larger samples available for this report (see Chapter 3) would reduce estimated Housing Voucher costs.

The \$19 difference in initial intake costs between the two programs arose in the subsequent search costs involved in providing supportive services, inspecting units, and actually leasing a unit. This difference in housing search costs, though small, is statistically significant. It appears that the lower housing search costs may be entirely accounted for by rent reasonableness determination. In the Certificate Program, PHAs are required to determine whether the rents of recipient units are reasonable in terms of local market conditions. Certificate Program recipients may not rent units that are not determined by the PHA to have reasonable rents. This rent reasonableness determination is eliminated in the Housing Voucher Program. Based on the estimated costs of rent reasonableness determination, the savings

¹Statistical significance is indicated by the symbol +, *, or ** printed next to the t-statistic, reflecting the standard test levels of a 10 percent, 5 percent or 1 percent probability that differences as large as those observed would arise by chance.

TABLE 8.5

ADMINISTRATIVE COSTS IN THE HOUSING VOUCHER
AND CERTIFICATE PROGRAMS

National Projections for Large Urban PHAs (Excluding Los Angeles)

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>	<u>t-Statistic for Difference</u>
<u>Continuing Costs per Recipient Year</u>				
Overall Costs	257	261	-5	
Standard Error ^a	10.25	13.07	16.62	-0.289
Total Error ^b	26.00	27.95	16.62	-0.289
Maintenance Costs	202	194	8	
Standard Error ^a	7.80	7.17	10.45	0.794
Total Error ^b	25.72	23.99	10.45	0.794
Turnover Costs	54	67	-13	
Standard Error ^a	9.36	13.25	16.23	-0.807
Total Error ^b	9.36	13.25	16.23	-0.807
<u>Initial Intake Costs Per Recipient Year</u>				
Overall Costs	579	598	-19	
Standard Error ^a	19.70	20.40	28.37	-0.668
Total Error ^b	134.62	131.34	28.37	-0.668
Issuance Costs	359	359	0	
Standard Error ^a	16.88	17.52	24.33	-0.010
Total Error ^b	104.47	101.24	24.33	-0.010
Housing Search Costs	220	239	-19	
Standard Error ^a	4.45	4.32	6.21	-3.010**
Total Error ^b	33.93	34.50	6.21	-3.010**

**Significant at the 0.01 level (two-tailed).

*Significant at the 0.05 level (two-tailed).

^aReflects only sampling variation within PHAs.

^bIncludes upper bound on effects of sampling variation across PHAs.

Source: Timesheets, Product Counts and other secondary data sources (see Appendix B), Housing Search Log and Continued Participation Form.

involved would almost exactly equal the \$19 difference in subsequent housing search costs. No significant difference was observed for other intake activities; the number of inspections and follow-up inspections was also the same in both programs.

It was also hypothesized that families in the Housing Voucher Program would locate an acceptable unit faster than Certificate families, thereby reducing the time spent searching and the need for supportive services from the PHA. However, the number of extensions granted to Housing Voucher families was not significantly lower than for Certificate families. The number of hours of supportive services provided tended to be slightly higher in the Housing Voucher program, although not significantly so. Examination of the data reported on the Family Service Record for families searching did not identify systematic differences in the reasons for contacts. In some sites Housing Voucher families tended to contact the PHA more often than Certificate families to check on what its portion of the rent would be for a unit renting for a certain amount. These types of contacts might decrease as families become better acquainted with the payment calculation formula in the Housing Voucher program.

As with initial intake, the only significant difference observed in the frequencies of continuing activities performed in the two programs concerns rent reasonableness, which is only performed in the Certificate Program. Rent reasonableness determinations are required in the Certificate Program each time that a Certificate family moves to a new unit. Since only 12 percent of recipients moved during the first year, however, this had no substantial impact on continuing costs. Reported supportive services are slightly higher for the Housing Voucher program, but the difference is not significant. It has been hypothesized that Housing Voucher families would move more often than Certificate families, either because of the greater freedom of choice offered to Housing Voucher recipients or because families might initially assume higher housing expenses than they could sustain. However, no difference in mobility rates was observed during the first year of

the demonstration. Similarly, turnover averaged 13 percent in each program. The number of follow-up inspections is also similar.¹

Variations in Costs and Reimbursements Across Sites

Both continuing costs and initial intake costs vary significantly across PHAs. With only 16 PHAs for initial intake costs and 13 PHAs for continuing costs it was not possible to conclusively analyze the sources of variation in costs. The Administrative Costs report examines total variation across PHAs in terms of several factors--variations in casework hours, wages, non-casework direct labor costs, and indirect costs (fringe benefits, overhead, and non-labor costs). The investigation identified some patterns, but did not allow us to draw generalizable conclusions.

Reimbursements for continuing costs are based on FMRs and therefore vary across sites. Table 8.6 indicates that the variation across PHAs in cost/reimbursement differences is, in fact, significant. The positive correlation² between continuing costs and reimbursement across PHAs suggests that the use of FMRs to scale ongoing reimbursements at least partially tends to adjust payments to variations in costs. Those variations however do not fully match variations in costs.

In the case of initial intake costs, reimbursements do not vary to offset variations in costs, since the maximum allowable reimbursement for initial intake costs is the same for all PHAs, apart from small variations associated with fees for hard-to-house families.³

¹Turnover rates for the larger samples available for this report averaged 11 percent in both programs (see Section 3.5).

²The correlation was calculated as minus the quantity

$$\frac{[\text{SD}(\text{Difference})]^2 - [\text{SD}(\text{Costs})]^2 - [(\text{SD}(\text{Reimbursement}))^2]}{2 [\text{SD}(\text{Costs})] [\text{SD}(\text{Reimbursement})]}$$

where SD = Variation across PHAs for costs, reimbursement and reimbursement minus costs, respectively.

³The negative correlation between initial intake costs and reimbursements is an artifact produced by a single high cost site. Excluding this site, the correlation is zero, which is what would be expected, since maximum reimbursements are essentially the same for all PHAs (apart from minor variations in hard-to-house fees per intake).

TABLE 8.6

VARIATION IN COST REIMBURSEMENT DIFFERENCES ACROSS PHAs

National Projections for Large Urban PHAs (Excluding Los Angeles)	Continuing Costs		Initial Intake Costs	
	<u>Housing Voucher</u>	<u>Housing Certificate</u>	<u>Housing Voucher</u>	<u>Housing Certificate</u>
<u>Reimbursements Minus Costs</u>				
Mean Difference	\$83	\$138	\$-359	\$-343
Std. Dev. of Difference Across PHAs ^a	72.004	76.412	534.001	521.056
F-statistic for Difference Across PHAs (Do F)	12.72**	7.06**	108.59**	73.23**
Coefficient of Variation For Difference Across PHAs	0.868	0.554	-1.487	-1.519
Correlation of Reimbursement and Costs Across PHAs ^a	0.549	0.526	-0.362	-0.556

**Significant at the 0.01 level.

^aThe statistical significance of the correlation across PHAs was not tested.

CHAPTER NINE

PATTERNS OF OUTCOMES ACROSS DEMOGRAPHIC GROUPS

This chapter discusses the way in which outcomes and differences in outcomes between the two programs vary across demographic groups. Section 9.1 describes the demographic composition of recipients in terms of age, race/ethnicity, household size, income, and household composition. Section 9.2 then examines the extent to which outcomes vary across these groups.

9.1 Description of the Recipient Population

We start by describing the composition of the recipient population in the sample of large urban PHAs. Table 9.1 presents basic facts on the age, race/ethnicity, household size, and income of recipients in the two programs. The modal age group for heads of household is 25 to 34; just under 20 percent are elderly. Roughly two-thirds of recipients are from minority groups. Two-thirds have children. On average recipients' total income is roughly 80 percent of the poverty level. Roughly 28 percent had incomes at or above poverty and less than 4 percent had incomes equal to or greater than 150 percent of poverty. Most households get more than two-thirds of their income from a single type of source. The dominant source is welfare (about 45 percent), followed by social security (about 24 percent) and earnings (20 percent).

More than 21 percent of recipients were listed by PHAs as handicapped. Handicapped households were not particularly likely to be elderly and most often consisted of a handicapped individual living alone (Table 9.2).

Over 85 percent of recipient households did not have a spouse present (including single person households). Of those without a spouse, almost 90 percent were female-headed. Both households with and households without spouses were likely to have children and, in this population, had the same average income as a percent of poverty (Table 9.3).

We can break down households into groupings based on bedroom size and the number of adults (Table 9.4). This grouping is associated with several other descriptors, as shown in Tables 9.5A and B. In particular, all two or more bedroom families are very likely to have children. As might be expected,

TABLE 9.1

DEMOGRAPHIC PROFILE OF RECIPIENTS

<u>Demographic Characteristic</u>	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>	<u>t-Statistic for Difference</u>
<u>Age of Head of Household</u>				
>62	19.2%	19.3%	-0.1 pts	0.19
50 to 61	8.4	8.7	0.3 pts	0.43
35 to 49	21.8	20.3	1.4 pts	1.34
25 to 34	35.1	35.2	-0.1 pts	0.08
<25	15.6	16.5	-0.9 pts	0.97
<u>Race/Ethnicity of Head of Household</u>				
Non-minority	37.6	37.2	0.4 pts	0.48
Black (non-Hispanic)	45.3	45.3	-0.0 pts	0.02
Hispanic	14.8	15.2	-0.3 pts	0.45
Other	2.2	2.3	-0.0 pts	0.13
<u>Income</u>				
Average ratio of total income to poverty income (x 100)	80.4	79.8	0.5 pts	0.75
Percent with income of:				
<50% of poverty level	19.1	19.4	-0.3 pts	0.33
50% to 75% of poverty	30.5	30.2	0.3 pts	0.30
75% to 100% of poverty	22.3	23.3	-1.0 pts	0.93
100% to 125% of poverty	17.8	16.8	1.0 pts	1.21
125% to 150% of poverty	6.3	6.9	-0.6 pts	1.09
>150% of poverty	4.0	3.4	0.6 pts	NA
<u>Source of Income</u>				
More than half of household income comes from:				
Earnings	21.7	21.2	0.5 pts	0.47
Social Security	27.7	26.5	1.2 pts	1.40
Welfare	46.4	49.0	-2.6 pts	2.24*
Other	3.0	2.2	-0.8 pts	1.97**
No single source	1.2	1.1	0.1 pts	0.33
More than two-thirds of household income comes from:				
Earnings	20.4	19.7	0.7 pts	0.68
Social Security	24.7	23.4	1.3 pts	1.65†
Welfare	44.2	46.3	-2.1 pts	1.80†
Other	2.8	1.8	1.0 pts	2.45*
No single source	7.9	8.7	-0.9 pts	1.28
<u>Household Size</u>				
Household size (# persons)	2.51	2.51	0.01 pts	0.38
Presence of children				
Percent with children	65.7%	65.3%	0.4 pts	0.66
Percent without children	34.3	34.7	0.4 pts	0.66
Average number of children (when present)	1.97	2.00	0.4 pts	NA

TABLE 9.2

HANDICAPPED STATUS

<u>Characteristic</u>	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>	<u>t-Statistic for Difference</u>
All recipients				
Handicapped	21.8%	21.1%	0.7 pts	0.85
Non-handicapped	79.2	79.9	-0.7	0.85
Elderly Recipients				
Handicapped	26.6	28.9	2.3 pts	0.94
Non-handicapped	73.4	71.1	-2.3	0.94
Non-Elderly Recipients				
Handicapped	20.6	19.2	1.5 pts	2.00*
Non-handicapped	79.4	80.8	-1.5	2.00*
Percent of Handicapped Who Are:				
Elderly	23.4	26.5	3.1 pts	1.43
Non-elderly	76.6	73.5	-3.1	1.43
Living alone	72.5	73.5	-1.0 pts	0.59
Not living alone	27.5	26.5	1.0	0.59
Mean Total Income				
Handicapped	\$6256.77	\$6275.82	\$-19.05	0.18
Non-handicapped	6701.86	6629.94	77.92	1.04
<u>Mean Ratio of Total Income to Poverty (x 100)</u>				
Handicapped	93.8%	95.2%	-1.4 pts	0.98
Non-handicapped	76.6	75.7	0.9 pts	1.09

TABLE 9.3

HOUSEHOLD COMPOSITION, PRESENCE OF SPOUSE

	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>	<u>t-Statistic for Difference</u>
Percent with Spouse:				
Not present	86.8%	87.4%	-0.6 pts	0.67
Present	13.2	12.6	0.6	0.67
For Those With Spouse Present:				
Percent with children	71.5%	65.2%	6.3 pts	4.91**
Percent without children	28.5	34.8	-6.3	4.91**
Average number of children for households with children	2.4	2.5	0.1	NA
Average annual total income	\$8549.22	\$8651.63	\$-102.41	0.51
Average ratio of annual total income to poverty (x 100)	82.8%	84.8%	-2.1 pts	1.01
For Those With Spouse Not Present:				
Percent female-headed	88.6%	89.7%	-1.1 pts	1.32
Percent not female-headed	11.4	10.3	1.1	1.32
Percent with children	64.8	65.3	-0.5 pts	0.84
Percent without children	35.2	34.7	0.5	0.84
Average number of children in households with children	1.9	1.9	-0.0	NA
Average annual total income	\$6311.25	\$6249.33	\$61.92	0.96
Average ratio of total income to poverty (x 100)	80.0%	79.1%	0.9 pts	1.15

TABLE 9.4

EXTENDED BREAKDOWN OF HOUSEHOLD TYPES

<u>Demographic Characteristic</u>	<u>Housing Voucher Program</u>	<u>Certificate Program</u>	<u>Difference</u>	<u>t-Statistic for Difference</u>
Single person elderly	15.7%	15.9%	-0.2 pts	0.31
Single person handicapped	12.0	11.0	-0.9 pts	1.38
Other zero or one bedroom	8.8	9.7	-0.9 pts	1.55
Two bedrooms, one adult	34.1	34.5	-0.4 pts	0.66
Two bedrooms, more than one one adult	7.8	7.0	0.8 pts	1.20
More than two bedrooms, one adult	13.6	14.8	-1.2 pts	1.93‡
More than two bedrooms, more than one adult	8.0	6.9	1.1 pts	1.74‡

TABLE 9.5A

CORRELATES OF HOUSEHOLD COMPOSITION (HOUSING VOUCHER RECIPIENTS)

	Percent Elderly	Average Household Size	Presence of Children	Income as a Percent of Poverty	Earnings	Percent with More Than Half of Income From:			
						Social Security	Welfare	Other	No Single Source
Single person elderly	100.0%	1.0 persons	0.0%	110.8%	2.4%	80.3%	14.6%	1.8%	1.0%
Single person handicapped	0.0	1.0	0.0	89.0	2.7	61.7	32.0	1.8	1.7
Other zero or one bedroom	23.4	1.96	49.8	86.3	19.9	31.5	45.0	3.1	0.4
Two bedrooms, one adult	0.9	2.49	100.0	70.9	27.2	5.8	62.4	3.9	0.8
Two bedrooms, more than one adult	10.1	3.06	72.6	82.2	38.8	22.1	31.1	5.5	2.6
More than two bedrooms, one adult	1.1	4.20	100.0	62.9	22.7	4.8	69.3	1.7	1.5
More than two bedrooms, more than one adult	2.1	5.05	99.1	69.3	47.5	7.0	40.5	3.6	1.4
F-statistic across groups	92,567.37** (6,3396)	84,898.40** (6,3395)	118,370** (6,3396)	6025** (6,3392)	2560** (6,3396)	16236** (6,3396)	3813** (6,3396)	95** (6,3396)	48** (6,3396)

TABLE 9.5B

CORRELATES OF HOUSEHOLD COMPOSITION (CERTIFICATE RECIPIENTS)

	Percent <u>Elderly</u>	Average Household <u>Size</u>	Presence of <u>Children</u>	Income as a <u>Percent of Poverty</u>	Percent with More Than Half of Income From:				
					<u>Earnings</u>	<u>Social Security</u>	<u>Welfare</u>	<u>Other</u>	<u>Single Source</u>
Single person elderly	100.0%	1.0 persons	0.0%	107.7%	1.4%	81.4%	15.8%	0.7%	0.7%
Single person handicapped	1.0	1.0	0.0	90.6	2.9	60.9	34.1	1.9	0.2
Other zero or one bedroom	19.3	1.92	46.7	84.4	20.1	30.4	47.4	1.3	0.8
Two bedrooms, one adult	0.9	2.48	99.2	69.8	26.4	4.3	66.2	2.6	0.6
Two bedrooms, more than one adult	11.6	3.08	67.6	84.0	42.5	19.1	33.6	2.6	2.2
More than two bedrooms, one adult	0.3	4.23	100.0	64.5	25.0	3.1	67.3	3.4	1.3
More than two bedrooms, more than one adult	4.6	5.05	94.6	70.5	42.2	8.3	42.4	2.5	4.6
F-statistic across groups	79,201** (6,3224)	87,003** (6,3224)	98,430** (6,3224)	5209* (6,3224)	2302** (6,3224)	17472** (6,3224)	3592** (6,3224)	58** (6,3224)	202** (6,3224)

having more than one adult helped to raise the ratio of income to poverty. Usually, however, the ratio of income to poverty income is lower among the larger household sizes than for the zero or one bedroom groups.

Previous chapters frequently distinguished households that were sharing their pre-enrollment unit from those who were not. Table 9.6 compares the profiles of the two groups. Subunit households were generally younger, more likely to have children (though fewer children), less likely to be handicapped, more likely than non-subunits to consist of a single adult with children, and generally poorer than non-subunits.

9.2 Variation in Outcomes Across Demographic Groups

This section will compare the outcomes for various demographic groups--specifically:

- Age: elderly/nonelderly
- Race/ethnicity: white-Anglo, black, Hispanic
- Household Type:
 - Single person elderly
 - Single person handicapped
 - Other zero or one bedroom
 - 2 bedroom, 1 adult
 - 2 bedroom, 2 or more adults
 - 3 or more bedrooms, one adult
 - 3 or more bedrooms, 2 or more adults
- Source of income: earnings/welfare/social security

We have chosen to focus on two measures of interest--success rates and rent burdens among households with net incomes greater than \$3600 per year. The comparisons are made in terms of national estimates for each group. Thus differences among groups may reflect differences associated with the PHAs in which the groups tend to be concentrated, differences associated with other demographic factors, including any variation across household size in the relationship between program payments and market rents or stringency of requirements, or differences directly attributable to the groups being examined.

Table 9.7 presents success rates by group. In general there is little variation in program effects. Housing Voucher success rates are generally 3 or 4 percentage points higher than Certificate success rates. There is some indication that Housing Voucher success rates may have been especially larger

TABLE 9.6

COMPARISON OF PROFILES OF SUBUNITS AND NON-SUBUNITS

	<u>Housing Voucher Program</u>			<u>Certificate Program</u>		
	<u>Non-Subunit</u>	<u>Subunit</u>	<u>Difference</u>	<u>Non-Subunit</u>	<u>Subunit</u>	<u>Difference</u>
Percent where age of head of household is:						
>62	24.0%	4.6%	-19.4 pts**	23.6%	6.5%	-17.1 pts
50 to 61	9.7	4.3	-5.4 **	9.5	5.8	-3.7**
35 to 49	24.0	15.2	-8.8**	23.0	12.3	-10.7**
25 to 34	32.6	43.0	10.4**	32.8	42.3	9.5**
Less than 25	9.7	32.9	23.2**	11.1	33.1	22.0**
Percent with children	61.5%	78.2%	16.7 pts	60.8%	79.0%	18.2 pts**
Percent without children	38.5	21.8	-16.7	39.2	21.0	-18.2**
Average number of children where present	2.1	1.7	-0.4 ^a	2.1	1.7	-0.4 ^a
Percent handicapped	23.2%	17.8%	-5.4 pts**	22.6%	16.2%	-6.4 pts**
Percent not handicapped	76.8	82.2	5.4**	77.4	83.8	6.4**
<u>Household Type, Percent Who Are:</u>						
Single person elderly	19.7	3.9	-15.8 pts**	19.5	5.6	-13.9 pts**
Single person handicapped	11.4	13.5	2.1‡	10.9	11.0	0.1
Other zero or one bedroom	7.9	11.5	3.6**	8.6	13.1	4.5**
Two bedrooms, one adult	29.2	48.8	19.6**	29.7	49.2	19.5**
Two bedrooms, more than one adult	8.2	6.6	-1.6	7.8	4.7	-3.1**
More than two bedrooms, one adult	14.2	12.1	-2.1*	15.5	12.8	-2.7**
More than two bedrooms, more than one adult	9.4	3.5	-5.9**	8.0	3.7	-4.3**
<u>Average ratio of income to poverty (x 100)</u>	83.9	69.7	-14.2 pts**	83.1	69.7	-13.3 pts**

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

^aSignificance of difference not tested.

TABLE 9.7

SUCCESS RATES BY DEMOGRAPHIC GROUP
(NATIONAL ESTIMATES)

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t-statistic
<u>Age</u>					
Elderly	71.5%	66.5%	5.0 pts	2.6 pts	1.90‡
Non-elderly	63.5	60.0	3.5	1.3	2.66**
F-statistics for difference between groups	9.85** (1,3459)	5.70* (1,3290)	0.03 (1,6749)		
<u>Race/Ethnicity</u>					
Non-minority	76.5	73.3	3.2	2.7	1.17
Black, non-Hispanic	63.3	60.1	3.2	2.3	1.41
Hispanic	52.8%	48.3%	4.5 pts	2.6 pts	1.74‡
F-statistic for difference between groups	170.95** (2,3294)	162.60** (2,3140)	2.76‡ (2,6439)		
<u>Household Type</u>					
Single person elderly	72.7%	68.4%	4.3 pts	3.8 pts	1.14
Single person handicapped	64.8	60.3	4.5	5.4	0.83
Other person one bedroom	50.4	51.2	-0.8	3.7	0.21
Two bedrooms, one adult	69.6	65.4	4.2	2.0	2.15*
Two bedrooms, more than one adult	66.9	65.9	1.0	8.6	0.12
Three or more bedrooms, one adult	62.0	57.7	4.4	4.0	1.10
Three or more bedrooms, more than one adult	63.5	58.8	4.7	4.1	1.14
F-statistic for difference between groups	396.67** (5,3396)	204.09** (5,3224)	11.74 (5,6620)		
<u>Source of Income</u>					
Earnings	69.6%	64.9%	4.6 pts	2.8 pts	1.62
Welfare	71.9	66.3	5.6	2.2	2.51*
Social Security	61.1	58.7	2.4	2.1	1.16
F-statistic for differences between groups	45.65** (2,3013)	21.22** (2,2860)	0.77 (2,5873)		

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

for non-minorities (who had lower success rates than minorities in both programs). Differences may also have been smaller for non-elderly or handicapped one bedroom households, though the error of estimate is too large to be confident of this.

Otherwise, the same patterns of success rates across demographic groups were observed in both programs. Elderly households had higher success rates. Non-minorities were more successful than minorities, with the lowest success rates among Hispanics. In terms of household type, non-elderly or handicapped one bedroom households had the lowest success rate. Interestingly, despite the higher success rates of the elderly, households having more than two-thirds of their income from social security had the lowest success rate. There was no material difference between the success rates of those whose income was predominantly earnings and those whose income was predominantly welfare.

Tables 9.8 and 9.9 present recipient rent burdens and changes in rent burden by demographic group. In order to avoid large differences in rent burden that can occur when small differences in tenant contribution are associated with very low net incomes, we have restricted the tables to recipients with net incomes of at least \$3600 per year. As was shown in Chapter 6, for this income group the difference in average rent burden between the two programs was small (1.6 points) and not statistically significant. Furthermore, there was almost no difference between the programs in the amount of reduction from pre-program levels. However, Housing Voucher recipients who qualified in place had lower rent burdens and those who qualified by moving higher rent burdens than the corresponding Certificate recipients.

Comparing rent burdens in the two programs, elderly recipients in the Housing Voucher Program had somewhat lower rent burdens. Blacks, larger households, and those whose main source of income was earnings had higher rent burdens. For the remaining groups there was little or no difference. These differences may be associated with differences in mobility.

Only some of these differences are maintained for changes in rent burden. The elderly had significantly larger reductions in the Housing Voucher Program. Indeed this was the only group for which program differences were significant. For example, although Blacks have smaller reductions in rent burden than other recipients, this is true for both programs; there is no

TABLE 9.8

RECIPIENT RENT BURDENS BY DEMOGRAPHIC GROUP FOR RECIPIENTS
WITH INCOMES OF MORE THAN \$3600
 (NATIONAL ESTIMATES)

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t-statistic
<u>Age</u>					
Elderly	28.7%	30.0%	-1.3 pts	1.0 pts	1.29
Non-elderly	32.4	30.7	1.7	1.1	1.50
F-statistics for difference between groups	35.16** (1,2830)	42.15** (1,2720)	22.10** (1,5550)		
<u>Race/Ethnicity</u>					
Non-minority	30.6%	31.0%	-0.4 pts	1.0 pts	0.44
Black, non-Hispanic	33.3	30.1	3.2	1.0	3.09**
Hispanic	29.4	30.5	-1.0	1.3	0.79
F-statistic for difference between groups	68.70** (2,2685)	162.14** (2,2585)	92.25** (2,5770)		
<u>Household Type</u>					
Single person elderly	27.9	30.0	-2.1	1.2	1.78‡
Single person handicapped	29.2	30.0	-0.1	1.5	0.54
Other person one bedroom	30.7	30.5	0.2	1.6	0.13
Two bedrooms, one adult	34.0	31.0	3.1	1.3	2.78**
Two bedrooms, more than one adult	33.4	31.0	2.4	1.3	1.82‡
Three or more bedrooms, one adult	33.1	30.6	2.5	1.7	1.44
Three or more bedrooms, more than one adult	31.1	30.4	0.7	1.5	0.43
F-statistic for difference between groups	505.80** (6,2770)	601.53** (6,2656)	331.54** (2,5426)		
<u>Source of Income</u>					
Earnings	32.3%	30.0%	2.3 pts	1.0 pts	2.17*
Welfare	30.0	30.0	0.0	1.0	0.00
Social Security	32.5	31.3	1.2	1.9	0.67
F-statistic for differences between groups	31.93** (2,2448)	1338.17 (2,2334)	17.61** (2,4782)		

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

TABLE 9.9

CHANGE IN RECIPIENT RENT BURDEN FROM PRE-PROGRAM LEVELS FOR RECIPIENTS
WITH ANNUAL NET INCOMES OF MORE THAN \$3600 BY DEMOGRAPHIC GROUPS
(NATIONAL ESTIMATES)

	Housing Voucher Program	Certificate Program	Difference		
			Mean	Standard Error	t-statistic
<u>Age</u>					
Elderly	-36.5 pts	-31.6 pts	-4.9 pts	2.1 pts	2.31*
Non-elderly	-26.4	-27.8	1.4	1.2	1.13
F-statistics for difference between groups	49.07** (1,2792)	7.38** (1,2668)	9.66** (1,5460)		
<u>Race/Ethnicity</u>					
Non-minority	-33.2%	-33.0%	-0.2 pts	1.4 pts	0.16
Black, non-Hispanic	-22.7	-23.5	-0.8	1.6	0.47
Hispanic	-32.4	-30.7	-1.7	3.1	0.54
F-statistic for difference between groups	136.08** (2,2647)	111.58** (2,2533)	2.08 (2,5108)		
<u>Household Type</u>					
Single person elderly	-39.3	-32.3	-7.0	2.0	3.57**
Single person handicapped	-31.9	-32.3	0.3	2.3	0.15
Other person one bedroom	-24.7	-24.8	0.0	2.7	0.02
Two bedrooms, one adult	-25.0	-27.2	2.2	2.3	0.98
Two bedrooms, more than one adult	-20.6	-24.1	3.5	2.8	1.23
Three or more bedrooms, one adult	-30.1	-31.3	-1.2	3.0	0.40
Three or more bedrooms, more than one adult	-25.2	-25.1	0.2	3.2	0.05
F-statistic for difference between groups	580.72** (6,2331)	171.67** (2,2603)	101.17** (2,5334)		
<u>Source of Income</u>					
Earnings	-14.8	-15.5	0.7	1.9	0.37
Welfare	-32.5	-29.8	-2.7	2.3	1.21
Social Security	-35.4	-36.2	0.8	1.8	0.45
F-statistic for differences between groups	371.04** (2,2413)	372.72** (2,2413)	6.97** (2,4699)		

** = Significant at 0.01 level

* = Significant at 0.05 level

‡ = Significant at 0.10 level

material difference between the programs in the reductions for racial and ethnic groups. Two bedroom families may have smaller reductions and welfare families larger reductions in the Housing Voucher Program than in the Certificate Program, but the differences are not statistically significant.

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