U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING POLICY IN THE NEW MILLENNIUM

Breakout Session: HOUSING VOUCHER POLICY

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MR. LUBELL: I would like to say we're on time. We're on time for the revised time, but we're -- I guess an hour late and we have until 3:30 so we've lost 15 minutes and I'm going to ask the speakers to cut back their remarks accordingly to eight minutes apiece. This discipline will be strictly enforced. We have a bouncer. He has a water bottle and it's all very complicated.

My name is Jeff Lubell. I'm the director of the policy development division in HUD's office of policy development and research. This panel has two objectives. The first is to try to bring everyone up to speed on some of the recent developments in housing voucher policy, and the second is to take a step back and look at some of the fundamental questions. We don't get much of a chance to do that, busy with day-to-day details, and this is a chance to try to attain the benefit of your input on where we are today and where do we need to go.

In particular, I ask the panelists to think about some of the fundamental questions such as, in addition to simply providing affordable housing, what are the primary purposes of the housing voucher program? Why do we use that mechanism as
opposed to other mechanisms to subsidize the cost of housing for low income families? This is a program that is currently administered, well-positioned, well designed to achieve those objectives.

Is the federal government playing the right role? Do we have the right mix between regulation and local discretion? What improvements should be made in the voucher program to help it achieve the goals of the voucher program and, more broadly, on a topic you've heard a little bit about already, what is the right mix between voucher demand side and supply side solutions. And are we there yet? Do we have to make some changes, and what do we need to do?

So I'm going to very briefly start with a very brief overview of some of the recent developments in voucher policy, and then I'm going to introduce our panelists and they're going to speak further on these subjects.

There have been a lot of changes actually in the voucher program over the last few years. I'm just going to outline three major developments. One is merger, second is devolution and the third is enhancement. On the merger front, we used to have two programs, the housing certificate program in
which there was a fixed fair market rent that
governed the maximum rental costs, and a more
flexible voucher program where families could choose
to pay more of their income to rent more expensive
apartments. They have now been merged into a single
program.

That merger is ongoing as we speak and
should be completed by the end of this fiscal year,
this coming fiscal year. So that's a major change.
It simplifies the program. It also allows some
families to spend somewhat more of their income. The
maximum they can spend now is 40 percent of their
income for rent. So they can spend 10 percent of
their income for rent above the local payment
standard.

The second major point is devolution. The
federal preference categories that used to dictate
which families receive priority for the limited
supply of available vouchers and public housing, for
that matter, have been eliminated. They've been
replaced with a similar of local discretion where
local housing authorities have the option of setting
the various preference categories so long as they
comply with the overall income targeting requirements
in the Section 8 program, the tenant based program.
It is a requirement to give vouchers to -- 75 percent of vouchers have to go to low income families. 75 percent of newly available vouchers to families with incomes below 30 percent of the area median income. That's a targeting level that's roughly comparable in terms of income levels to the targeting that existed prior, but how PHAs choose to get there is now their business as opposed to following federal preferences.

There is also other ways in which there has been devolution. For example, PHAs have greater discretion to set the subsidy levels, what we call the voucher payment standard. That determines the actual subsidy. They now can set those between 90 and 110 percent of the fair market rent.

The third is enhancement. Two weeks ago, or three weeks ago, HUD published the final rule that would allow Section 8 vouchers to be used for home ownership. This is a change that's been in the works for many, many, many, many, many, many years but it's finally a reality. It's been operating on a demonstration basis for about a year. And now any PHA that wishes to set up a Section 8 home ownership program can do so. So I encourage you all to look at that rule and think about how that affects housing voucher policy going forward.
HUD also recently adopted a policy that provided for increasing fair market rents in certain targeted areas. The increase affects two particular areas. There are two main prongs of the policy. One is to promote deconcentration and mobility objectives. Certain metropolitan areas have been identified where there is both a high concentration of voucher holders in a relatively small number of census tracts, and also where the distribution of affordable rental housing below the FMR appears to be fairly constricted, so there is not a wide distribution of affordable rental units. And those areas are going to receive an FMR based on the 50th percentile rather than the 40th percentile rent.

The second is essentially a safety mechanism to ensure that vouchers work everywhere. Where fewer than 75 percent of households that get a voucher are able to use it despite the PHA having raised its payment standard to 110 percent of the fair market rent, which is its maximum under the discretion. In those circumstances, PHAs will be able to obtain a payment standard that is based on the 50th percentile rather than the 40th percentile FMR. It's actually a slightly different mechanism. It's a payment standard increase rather than an FMR
increase but the standard is the same. And that rule was published on Monday. So again, a lot of new things happening.

And finally, there are two things that were included in the budget, and we won't know whether it will happen or not, but they're also enhancements. One is that the Administration included $50 million for a voucher success fund which is to fund businesses that will help families use their vouchers to obtain housing. The House bill included a similar provision that would allow PHAs to use unutilized funds to fund services. The Senate bill did not have a comparable provision and it's not clear what's going to happen to the final bill.

But the upshot of that, in terms of enhancement, is it is really an attempt to change the paradigm from handing families a piece of paper to handing them a home, helping them find a home. And even if it's not funded, it's something that I think will be increasingly on the agenda in the future as a way to make the voucher program work better and more acceptable.

Finally, there was a proposal in the Administration's budget to fund 10,000 production vouchers that would be used essentially to make the
marginal between tax credits and vouchers work better. There would be vouchers that would be
assigned to specific tax credit developments that would enable those developments to serve extremely
low income families. It would have the benefit of allowing the families to move and keep their
assistance, but it would have the benefit of allowing them to access some of the tax credit developments
that, until now, have not been able to reach extremely low income families.

So the bottom line of this is we have a simpler merged program that is enhanced, can be used
for home ownership, it can be used maybe as part of production, maybe changing the paradigm a little bit
to make it have a services component as well, and there is a lot of greater discretion at the local
level. So as you think about those major questions, think about the way in which the voucher program has
changed and updated, and hopefully there will be a chance to have questions, and also maybe some of the
panelists will speak about some of these developments as well.

So now let me very, very briefly introduce the panelists and I'm not going to do a long
introduction because you're familiar with most of
them, and because we don't have a lot of time but we are pleased to have with us -- I'm going to be introducing them in the order in which they will speak. Cushing Dolbeare, who is listed as a consultant, which is a wholly inadequate title to describe her current line of work. And I'm sure she's all well-known to you. A founder of the National Low Income Housing Coalition, she's been at various times the executive director of the National Coalition for the Homeless, the National Rural Housing Coalition, Meeting America's Housing Needs, and many, many other organizations.

Barbara Sard will next speak. She's the director of housing policy at the Center of Budget and Policy Priorities. She's also been managing attorney at greater Boston Legal Services and has taught at Harvard Law School.

We'll next be hearing from Jens Ludwig who is assistant professor of public policy at Georgetown University and a research affiliate of the Northwestern University, University of Chicago joint Center for Poverty Research. Jens has been working a lot and one of our cadre of scholars working on the Moving to Opportunity program.

Edgar Olsen is professor of economics at
the University of Virginia, and he's working with the
GAO on a study of the cost-effectiveness of housing
programs so we're hoping to hear some of the benefit
of that analysis.

Our next speaker will be Shelia Crowley
who is currently the president of the National Low
Income Housing Coalition, but also has 25 years of
experience in community organizing and development.
She's the founding director of the YWCA Woman's
Advocacy program which is a shelter and service
program for battered women and their children in
Richmond, Virginia.

And finally, we'll be hearing from Rod
Solomon, who is Deputy Assistant Secretary for Policy
Program and Legislation in HUD's Office of Public and
Indian Housing.

We were supposed to hear from Steve
Renahan. Steve unfortunately was ill so he was
unable to make it, and I am hoping that there are
representatives of housing authorities in the
audience who -- is there a representative of a
housing authority in the audience, anyone who works
for a housing authority or a Section 8 program? Or
some industry groups. Well, it will be great to have
your input at the end.
So eight minutes each and I'll be letting you know when your time is up. So Cushing? Thank you.

MS. DOLBEARE: I was realizing as I sat here that it was back in 1966 when I was director of the Philadelphia Housing Association, which was an advocacy group, and we thought that the way to solve the housing problem, at least in Philadelphia and probably in the whole country, was to have an entitlement to housing assistance, which is, in a complicated way that I won't try to explain, ultimately led -- had a hand, anyway, in leading to the experimental housing allowance program and then to something called section 23 and then to Section 8 and now what we call vouchers. So I have a long history of advocacy and involvement in this.

What I wanted to do today was not so much talk about the voucher program as to try to address some of the big picture issues that are the -- as I see it, the context of the voucher program. And without intending to criticize the nuts and bolts that other speakers are going to talk about about the current voucher program, to suggest some supplementary measures, which I think we need to consider in order to really get the level of housing
assistance to the scale that it needs to be in in this country if it's going to make an impact. So I want to talk about what the extent of the affordability problem is, the importance of developing a constituency for addressing it and then throw out some ideas for your consideration and exploration. And they're ideas. They're not proposals. But I would like to sort of sound you out on them anyway.

Firstly, we need to think big and set the context of the scale of the problem and then address what can and should be done. And the major issue I think is less the mechanics of the program and what we do than creating the necessary political will to really address the affordability problem at scale. And this is going to take big bucks, not as much as the cost of homeowner deductions but a substantial portion of what homeowner deductions cost us if we want to solve the problem.

And just to encourage us a little bit, in 1968, Congress passed housing legislation which called for 600,000 additional subsidized units every year until the problem was solved. If we had done that every year since 1968, we would now have 20 million households living in federally assisted
housing, either project based or tenant based. The last year of the Ford Administration produced more than 500,000 additional units of subsidized housing, mostly through the Section 8 program, which was then in its early days.

If we had maintained that level, we would have 14 million households living in subsidized housing now instead of fewer than 5 million. I think what we need to do, though, is not focus so much on how do we expand the voucher program as how do we get the political will to get the support and to look beyond the limits of HUD programs and tying rental assistance to other kinds of housing needs and opportunities, but that we need to think in terms of dealing with housing affordability as a mainstream problem.

The 1999 American Housing Survey found that one third of this nation's households had a significant housing problem. Almost half of all renters households, 48 percent, and a quarter of owner households. Now, that's the makings of a real constituency by -- if we can figure out how to tap it.

And I think one of the things we need to do is start talking about the scale of the problem as
being one third of this nation's households, not 5
million worst case housing needs. Actually, the
worst case housing needs is misleading because of the
way it's limited. It covers only about 39 percent of
all the households that have those housing problems
of paying more than half their incomes for housing or
living in seriously substandard housing and only
about 16 percent of all households with housing
problems.

So worst case needs is a fraction of the
problem. We should stop talking about 5 million
households with worst case housing needs and talk
about 33 million households with significant housing
problems and I think then we can begin to get the
level of conversation up closer to where it needs to
be.

90 percent of those households have cost
burden problems, affordability problems. They're
concentrated at the bottom of the income scale and
I'm not going to go into that, although I would like
to if I had time, but what I want to suggest is that
we need to move beyond HUD. Just as war is too
important to be left to generals, housing is probably
too important to be left to housers. And given the
constraints of the federal budget process and the
nature of HUD's programs and the complexity of its
to state and local governments and
private partners, it may be easier to address the
needs of the 30 million households with housing
affordability problems through one or more approaches
tied to mainstream programs.

Experience with welfare reform has given
us some important lessons. The first is that
millions of working Americans cannot, at least in the
short run, expect to earn enough to enable them to
attain decent housing without sacrificing other
necessities. I think there are three mainstream
federal programs that we ought to look at as a way of
dealing with the scale of the affordability problem.
And this is not intended to replace vouchers because,
as you'll hear, and know already, vouchers have
significant roles in the housing-related context.

But first of all, let's consider a measure
for working families. Now, expanding the earned
income tax credit by providing a housing add-on which
would cover the difference, let's say, between 50
percent of income and what they're actually paying
for housing. If they're getting the tax credit, if
they're paying more than half their income for
housing, I would love to say more than 30 percent but
let's begin with something that we might be able to get.

Then let's provide a mechanism for adding onto their earned income tax credit payable on a monthly basis and probably requiring some sort of creative administrative structure such as we created when the low income housing tax credit was adopted so it could be administered with sensitivity to local conditions. But let's do that. That would take care of working households.

For elderly households, let's make a comparable add-on to SSI, which would do the same thing. And for the other households, the nonelderly, nonworking households, let's fix the food stamp excess shelter deduction which has been in existence for years. I think it's capped at something like $200 a month now so it's not enough to really deal with the full measure of housing affordability, and not all food stamp recipients are eligible for it, but that's a mechanism for dealing with that other group of households.

That would put housing into the mainstream. I think it would enable us to develop a constituency for housing programs because I think one of the reasons that educators and employers and
health care people and others who all say, sure, we
know housing is important, we can't do our jobs, we
can't carry out our own functions if people don't
have secure housing situations, but they don't speak
up on the need for housing programs, and I think it's
because they don't understand them and they're
wondering if they'll say the wrong thing. And I
think that part of mainstreaming is getting to scale.
Part of mainstreaming is to provide some way of
developing a constituency where people are
comfortable articulating the need for expanding our
housing production.

And if I can find it here, I even have a
cost estimate. I calculated, just off the 1999
American housing survey, the affordable housing cost
gap. And that's the difference between 50 percent of
income and what households were actually paying for
housing. Now, most of them were low income
households and I have in my paper -- I will have in
the paper in the second edition, I guess, an estimate
by income range. But the total gap, the difference
between 50 percent of income that people were paying,
including a few moderate and even higher income
households that are probably stretching to buy homes,
was $81 billion per year. That's what it would cost
to provide a subsidy that would cover the difference between 50 percent of income and what they would pay.

Now, normally, you would figure that probably fewer than half those households would actually participate in the program even if it was available so it would be about $40 billion, let's say, that would be required to really make an enormous impact on the housing affordability problem. And I suggest that that's something that can be done this year. OMB and the Treasury estimate that the cost of homeowner deductions is going to be $100 billion to the Treasury.

So if we added what HUD is now spending on housing assistance and $40 billion more, it would still be a fraction of what upper income people get through the tax system. And I would suggest that one of the things we need to think about, if we look at housing problems in this new millennium, is how we get from here to where we ought to be.

MR. LUBELL: Thank you, Cushing. Barbara Sard will next speak.

MS. SARD: I always hate talking after Cushing because I feel like I lack vision and I'm stuck in the details. Let me just say that I think this is absolutely not an either/or proposition, that
it would be wonderful to have a more broad-based
attack on housing affordability. There are two
things we should know, that even were we to get to
what may be this nirvana Cushing has put out as a
vision, are very significantly different from the
voucher program.

One is people would still be paying 50
percent of their income for rent rather than paying
30 to 40 and, two, there would be nothing about
housing quality standards. That may be good or bad,
and may be a future issue which I'm not really going
to address, but, because the voucher program does
require that people who use vouchers live in decent
quality housing, that's one of -- maybe one of its
benefits. It's also one of its problems to locate
that housing and pay for it.

Let me just try to -- this is going to be
very hard to do in eight minutes but I'm going to
try. Is the voucher program effective? I would say
substantially. I think lately the voucher program
has been getting a bad name because of price run-ups
in various neighborhoods given the economy. But the
fact is that even today nationally, a recent study of
a number of major cities showed that 80 percent of
the families given vouchers were able to use them to
rent housing. That's been pretty standard, actually for many years now. And the overall percent of the vouchers out there that get used, even if a couple of families have to try before they succeed, from HUD's data looks today like it's at about 85 percent.

And there are some PHAs that manage to use 100 percent of their funds even if a couple of families have to try first. So is it working as well as it could? No. Is it substantially effective? Yes.

I think what's also very important to remember about the voucher program is that it is the only housing program we have ever thought of that grows and changes with family needs. Your family grows in size, the voucher grows in amount and you can take it to move to a new place. You can't do that so easily with project-based programs. Even to get a transfer can take years, if ever.

You get a job on the other side of town, the voucher moves with you. I could go on and on, but I think that this feature of vouchers is critical to their value and is something that housers tend not to think about enough. I'm going to leave it to Edgar to talk about why I think it's a more cost efficient program than project-based solutions. So
should the federal government expand the number of vouchers? Absolutely, yes.

Whatever we do on the housing production side, I would suggest that the best way to make sure that some of that supply increase is available to people with incomes under 30 percent of median is through vouchers. We have to do some things to make vouchers work in that context. But this morning, whether diplomatically or whether she really believes it, Cushing said in response to this question, should the subsidy be attached to the building permanently or not? And she said, well, it doesn't really matter. I happen to think it really does matter. It matters a lot that the family can use the voucher in that building with security but also leave that building and keep their voucher.

So what do we need to make the program work better so more families can succeed, and so they can succeed on the potential of the voucher program to help them live in better neighborhoods. I would suggest that mostly what we need is better management. Now, that is really boring but I think it's really true. We need some changes in HUD rules but not a lot. We mostly need to run the program better.
In some places, we also need an increase in housing supply, but we better be careful that that be an increase in supply that accepts vouchers or we're adding here and leaving the problem unchanged. We do not need more devolution. Indeed, I would suggest that HUD has created problems that it didn't need to by giving too much discretion to local agencies over a program that is inherently designed for mobility. And it's very difficult to move from place to place with a subsidy when the rules of the game change when you move.

You also, I think, do not need to make the rules any more landlord friendly than they already are. We've been through a series of so-called reforms that were designed to make more owners accept vouchers. I've heard anecdotes both ways about the effect of those rule changes. No evidence that I know of. And I think it's interesting that there are no more rule changes pro-landlord that are even on the table anymore in any big way, and I think that's a good thing.

So what do I recommend? A lot of the things that I think need to be improved about the voucher program could be done by PHAs if they were to do it, but that's not so likely to happen, which
leads to my recommendations. To improve the local administration of the voucher program, HUD should increase the amount of training and technical assistance it does for PHAs and it should publicize -- it should gather information about and publicize the best practices. Now, it would also be great if the best practice judgments were based on some evaluation and assessment.

HUD has some new policies that I think are very powerful sticks, but they're only going to operate as sticks to improve local management if people know about them. In the new formula for how Section 8 funds are renewed, there is really a provision that amounts to use it or lose it; that if a PHA doesn't use enough of its money, it's going to permanently get some of it taken away. There is nothing that scares PHAs like that.

On the other hand, when I've spoken to groups of Section 8 administrators, 90 percent of them don't know the rule exists. Well, that's not going to be an effective stick as similar changes could be done in the management assessment tool, but fundamentally, nothing I've recommended so far is going to make a big difference, and I think we really have to confront the need to change the basic
delivery system for the voucher program.

To deliver a national income-like subsidy for housing through 2,700 local agencies, an average of more than 50 per state, in some metropolitan areas more than 50 separate agencies, is absolutely irrational. No one would ever have designed this delivery system if you were to start from scratch this way and I don't think that we will get big improvement until we fundamentally change it.

For reasons I can't get into, I don't think the answer necessarily is to go to state administration, though I once did. If you had asked me this question five years ago. I think we need to consolidate and regionalize and to get there, I think HUD needs to use every means at its disposal. I tried to lay out some in the paper.

Beyond that, I think there are three key areas where HUD could make policy changes that would help. HUD has already made an important step, I think, on the policy that Jeff mentioned in terms of increasing the fair market rent in some areas and the payment standard FMR relation in others, but it's actually not going to amount to much in the way of dollars. It's about a $30 to $70 increase even for the areas that are going to benefit from it. There
are many areas of the country where costs are 
escalating that genuinely need a larger increase in 
their payment standards. It's important that HUD 
simplify the process of getting exceptions on the 
payment standards approved. 

I think we are likely to see some major 
changes in the rules that govern how vouchers can be 
project-based to support development efforts. I 
won't go into that more because I think it's all 
going to change, but I think that's another very 
important area for growth. And I think we're missing 
an extraordinary opportunity that the current federal 
housing supply programs, tax credit homes, CDBG, now 
all say you can't discriminate against voucher 
holders, but there are no rules that implement those. 
There is no enforcement and, fundamentally, the 
requirement not to discriminate is not enough. We 
need requirements to accept, not just not to 
discriminate. 

That leads into my third recommendation 
of, HUD, in combination with the Department of 
Justice, should be working to enforce the 
antidiscrimination laws, because I think that would 
make a huge -- potentially major impact on the 
acceptance of vouchers if it were done right. I
think there is more potential there than I'm convinced is real but we should try.

I was very struck yesterday in the home ownership panel how there seems to be consensus that discrimination in mortgage lending is just wrong. I mean, we just all believe that. Yet somehow we think it's okay for people to say, oh, I don't take vouchers, even when we know that the sentence of, oh, I don't take vouchers is mostly a proxy for discrimination.

And finally, because my time is up, I just want to reiterate the point Jeff made before. I think that vouchers have to get coupled more than they have been with services to help people actually obtain housing and obtain better housing, and we have to work at ways to do that.

MR. LUBELL: Thank you, Barbara. Our next speaker will be Jens Ludwig.

MR. LUDWIG: Thanks, Jeff. After those two presentations, my topic is going to be embarrassingly small picture and detailed oriented. What I'm going to do is spend a couple minutes talking about two of the objectives that you might want for housing policy. One would be to reduce economic segregation; that is, increase access to low
poverty areas for low income families, and the second
is to improve the nonhousing outcomes of low income
families as if you believe that neighborhood
conditions have causal effects on the behaviors of
low income families. What can housing policy do to
improve those outcomes. And specifically what I'll do
is I'll talk about what we've learned so far from
HUD's Moving to Opportunity experiment about the
ability of housing vouchers to achieve both of these
objectives.

Let me start by providing you with just a
very quick overview of MTO. For those of you who
don't know, MTO has been in operation since 1994 in
five cities, Baltimore, Boston, Chicago, L.A. and New
York. Eligibility is restricted to low income
families with kids living in public housing.
Families are randomly assigned to one of three
treatment groups.
The experimental group gets the offer to
relocate with vouchers or certificates to private
market housing. If they move, they have to go to
census tracts with very low property rates, less than
10 percent, and then there is a counseling component
for the experimental group as well. Families can
also be assigned to Section 8 only comparison group.
They get a chance to move with vouchers or certificates. Their relocation outcomes are not constrained.

And finally, there is a control group that gets no additional services under MTO.

One of the first interesting findings from MTO is that relocation rates, in the Baltimore site where I've been working, the relocation rate for families assigned to the experimental group is just over half. Not surprisingly for the Section 8, only comparison group families that can move wherever they like, the relocation is higher, on the order of 75 percent. And that general pattern -- those figures vary across sites, but the general pattern is quite consistent across the five MTO cities.

The other interesting thing about their relocation outcomes in MTO is that Section 8 only families who can go wherever they can find housing, wherever they would like, wind up going. So what this chart shows is this is a proportion of families in a treatment group. The dark bar is family assigned to the Section 8 only group. The lighter bar is families assigned to the experimental group. And on this axis, you have the neighborhood poverty rate.
And what you can see is these are the lowest poverty census tracts, less than 10 percent. These are the census tracts that the experimental families, if they move, are required to move into. And what you can see is that only about one eighth of Section 8 only families who relocate voluntarily go to the lowest poverty census tracts. So at least at the MTO --

UNIDENTIFIED SPEAKER: Jens, the top group was the people who didn't move at all?

MR. LUDWIG: Yes, that's right. That's right. And see, you can see the clustering of families who don't move in the baseline very high poverty areas. So see, this is a different way -- let me see if I can get this right. This is a map of Baltimore and shows you exactly where the families are. The green circles here show the control group families. These are the baseline neighborhoods. The blue squares here show the post-program locations of the families assigned to the Section 8 only group. And what you can see is they tend to be clustered around the baseline neighborhoods and the red triangles show the post-program locations of the experimental groups. There is much greater dispersion for the experimental group who have some
constraint imposed on where they move.

The big question for a lot of people has been what are the effects on mobility treatment on the outcomes of families. In Baltimore, we have obtained arrest data from the Department of Juvenile Justice and what you can see here, the dark bar is the experimental group, the gray bar is the Section 8 only comparison group and the light bar is control. And what you see is substantial reductions in the violent crime arrest rate for kids in Section 8 only and the experimental group compared to the controls. The change in the violent crime arrest rate across treatment groups occurs disproportionately among robberies, so these aren't just changes in fist fights that wind up in an arrest. These are serious crimes. On the other hand, you do seem to see some increase in property offenses for the experimental group. These are disproportionately larceny offense, which involve no contact between the perpetrator and the victims and no chance of injury. So from a societal perspective, I think we would be delighted to trade-off some robberies for more larceny thefts, but there are obviously distributional issues that are not relevant.
We're currently working on a paper right now that lists the effects in the Baltimore site on key standardized test scores, and the results will be striking to those of us who predicted that there would be no effect on standardized test scores on kids through the first four years. Same layout for the treatment groups. And what you see is an increase of about 25 percent in standardized reading tests for kids age 5 to 12. What you would need to spend in increased school spending to achieve increased test scores like this would be absolutely enormous. And only for the experimental group do you see substantial improvements in math tests for kids as well.

So these are big gains, and only four years out. Within the first four years following random assignment.

And finally, we've obtained welfare records from the State of Maryland for household heads in Baltimore and what you see is no statistically significant difference in welfare receipt rates between the Section 8 only comparison group and the control group, but you do see a difference of about 6 percentage points between the experimental group and the control group, which is
equal to about 15 percent of the welfare receipt rate among the controls.

So that's actually the general overview of the findings and I think they raise some difficult questions to think about for those of us interested in having policy, including it seems to be the general pattern that the experimental treatment which steers families to lower poverty areas seems to have a more substantial effect on families who actually go and more substantial effect on average family outcomes as well. So bigger benefit to steer families to lower poverty areas but lots of other both political and housing market difficulties.

I think the second point that I want to make is one of the things that we don't know yet, which is obviously important for the overall evaluation of MTO as a public policy or housing vouchers as a public policy is, what are the effects of the increased mobility MTO families on the residence of destination neighborhoods. That's something we haven't learned yet from the initial round of the MTO evaluation but that's something that the next round of the evaluation will be looking at.

And the third thing I want to do is close by noting that the MTO program population is
self-selected population of public housing residence. They volunteered for the program. And whether these -- these results are absolutely enormous. Whether these results generalize to the full population of public housing residents in the country we don't know and we need to look at more representative populations in larger scale studies to learn the answer to that question. Thank you.

MR. LUBELL: Our next speaker is Ed Olsen. MR. OLSEN: Well, since my time is short, I'll limit my remarks to three important questions in housing policy related to vouchers. First, what should be the primary goal of voucher policy and housing policy generally; second, should we use a mix of vouchers and production programs to deliver housing subsidies; third, should money from the tenant based voucher program be allocated to particular projects. If I had more time, I would have discussed whether fair market rents under vouchers should be increased, but I'll leave that for the general discussion.

In my view, the primary goal of housing assistance should be to ensure that all households live in adequate housing, no matter what definition of adequate housing is used, which problem is most
severe for extremely low income households. Housing programs can be and have been used to increase consumption of other goods by low income households by reducing their rent burden.

However, since we have other programs to increase overall consumption of goods such as the earned income tax credit, TANIF, supplemental security income and increase the consumption of specific other goods such as the food stamp program and Medicaid, I feel this is a secondary goal of housing programs.

Many argue that we should use a mix of vouchers and production programs to deliver housing subsidies to low income households. The systematic evidence on the cost of providing equally desirable housing under different programs lends no support to this view. Five major studies have estimated both the cost per unit and the mean market rent of units provided by housing certificates and vouchers and important production programs, public housing, section 236 and Section 8 new construction.

These studies are based on data from a wide variety of housing markets and for projects built in many different years. Three were multimillion dollar studies conducted for HUD by
respected research firms during the Nixon, Ford, Carter and Reagan administrations. They are unanimous in finding that housing certificates and vouchers provide equally desirable housing at a much lower total cost than any project based assistance that's been studied, even though all of these studies are biased in favor of project based assistance to some extent by the omission of certain indirect costs.

The studies with the most detailed information about the characteristics of the housing provided by the programs found the largest excess cost of production programs. One study estimated the excessive cost of public housing compared to housing vouchers for providing equally desirable housing to be 64 percent and 91 percent in the two-city study and the excessive costs of section 236 to be 35 percent and 75 percent in these two studies.

Another study estimated the excessive cost of Section 8 new construction compared to Section 8 certificates to be 37 percent even when all indirect costs of the Section 8 new construction program are ignored. And these indirect costs are substantial. They include the Ginnie Mae tandem plan intrasubsidy for FHA insured projects and the foregone tax revenue
due to the tax exempt status of the interest on bonds
used to finance state housing finance agency
projects.

The consequence of using these costly
methods for delivering housing subsidies has been
that several million of the poorest households who
could have been provided with adequate housing at an
affordable rent with the money that Congress
appropriated for housing assistance have continued to
live in deplorable housing.

Although few units have been built under
HUD's construction programs in recent years, there
has been a tremendous resurgence in project based
assistance via the tax system, especially the low
income housing tax credit, federal block grants to
state and local governments and substantial
additional subsidies to public housing and privately
owned HUD projects in the form of project based
vouchers and operating and modernization subsidies.

We already spend enough money to provide
adequate housing to all poor households at reasonable
rents. The reason that so many households continue
to live in deplorable housing is that we spend such a
large fraction of this money on inefficient delivery
mechanisms. I see no advantages of project based
assistance to offset its costs and effectiveness.

And I agree with Barbara's analysis of the many advantages of tenant based assistance.

And therefore, I don't think we should use a mix of vouchers and construction programs. We should move as rapidly as is feasible to replace all project based assistance with vouchers.

Since these programs are completed, the details of the operation of the older programs have changed and additional construction programs have been developed. Furthermore, the old studies were not designed to answer a key question. That is one we still argue about, but we can answer, and that question is: Are there any market conditions under which construction programs are more cost-effective than vouchers, tenant based vouchers? This is surely one of the most important unanswered questions related to housing policy. Producing a definitive answer to this question for all major types of project based assistance currently in operation should be at the very top of HUD's research agenda.

I want to say a few words about project based -- whether we should use money from the tenant based voucher program for projects. I think the answer to that ought to be obvious from what I've
just said but I want to amplify a little bit.

So what are the consequences of assigning a voucher that could be used for tenant based assistance to a particular project? To the best of my knowledge, it doesn't increase at all the total amount of money for housing assistance. It merely decreases the number of households who receive housing assistance. Instead of one eligible household occupying an adequate unit in a private market using the voucher and another one occupying an adequate unit in a project, one household occupies a unit in a project.

This may enable a recipient to occupy somewhat better housing than that household would occupy under the tenant based voucher program, though previous research indicates that even when they are new, the market rents under construction programs are not much higher than the market rents of units occupied by households with tenant based vouchers.

Doing this may also provide additional profits to developers. I have no interest in doing that. When we have so many extremely poor people living in deplorable housing, I don't think that either of these justifies assigning vouchers to particular projects.
Some people argue for providing additional assistance to projects built under construction programs in the form of project based vouchers to prevent the loss of units from the stock of housing permanently devoted to serving low income households.

Since the estimates mentioned earlier indicate that all forms of project based assistance that have been studied are cost ineffective, and since tenant based vouchers have many other advantages, I don't think we should attempt to prevent the loss of these units from the permanently subsidized stock.

At the end of the use agreement, when the owner comes to the end of a use agreement -- and this wouldn't apply to public housing but to private projects. When the owner comes to the end of a use agreement, the owner is only going to agree to continue in the program if the tenant rent plus all of the direct and indirect subsidies is greater than or equal to the market rent of the unit. Otherwise, they will drop out of the program. Designing subsidies to selected suppliers that ensures that the subsidies plus tenant rent is just equal and exactly equal to the market rent is utterly impossible. You cannot design such a program. Any feasible program will provide excessive subsidies and therefore be
cost ineffective.

The background paper that we've got for this session gives several arguments for raising fair market rents under the voucher program. I would argue for lowering, though not by the same percentage everywhere. Under voucher programs, fair market rents determine the maximum subsidy available to each household. The higher the fair market rent, the higher the maximum subsidy. At the fair market rents that have prevailed in the past, there are many more eligible households that wanted to receive vouchers than could be served with the money appropriated.

To the best of my knowledge, all housing authorities have waiting lists and in many, perhaps most areas, the waiting lists would be even longer if they were not frequently closed. Among the majority of eligible households that receive no housing assistance are millions of households who live in seriously inadequate housing and hundreds of thousands of others who live on the street or in shelters.

With a fixed budget, raising fair market rents means providing better housing and better neighborhoods for those lucky people who are able to get vouchers at the expense of people who are
identical in every respect who are not able to get the voucher. It's pouring more people into a smaller number of people. I would rather have the money spread more evenly among those people who really need it.

MS. CROWLEY: I wonder if Jeff arranged for me to follow Ed for some reason. My observation about the discourse on low income housing, and then ultimately what the policy is on low income housing, is that we are fraught with false dichotomies and that we spend a lot of time in debates about project based versus tenant based, or public housing versus assisted housing or vouchers versus production, or home ownership versus rental and that people stake out their positions on one side of the debate or the other and become very fixed in those.

Although I have seen some people whose decisions have switched over time, and switched back too, but we tend to have this notion that there is a very singular way of looking at things. And I think that that's fairly unnecessary and counterproductive. The sort of political environment demands that we have a strategy de jour. This year it's production, last year it was preservation. It's whatever seems to be the most salient in the political discourse.
My view is that there is no single strategy and that if we -- at least if we start today from where we are in our housing policy, then we have to look at a multiprong strategy. And the idea is basically to try to achieve some level of homeostasis, some balance. And when we get out of whack, we know that we have to then tinker with one piece or the other. And of course we're not in any state of homeostasis yet, and that's because we're grossly underfunded, we're grossly underresourced. But if we got to the level of resources, then how could we achieve that.

The National Low Income Housing Coalition's position is that we should be paying attention to preservation and that is the preservation of both existing public housing units and project based units. We do not, in any way, advocate maintaining lousy housing and people should not be forced to live in housing that is unacceptable or in places that they do not want to be. But we, on the other hand, as the nation, we have made a significant investment in this housing and without a guarantee that we would replace all those units, if we decided to not have those units today, we would be in very serious trouble. So we think that we should
be proud of what we've done and that those buildings should be respected as we respect other public buildings.

Clearly we need new production. One more thing about preservation, just as I was listening to Ed's remarks. The other thing about preservation is that these units are people's homes and they care a lot about their homes and the work that we do with residents tells us that, regardless of what the policy is, this is where they live and this is where they want to be and that we need to respect that.

The second issue is -- the second prong to strategy is new production. There is a big new production chat going on next door. We think that's very exciting. In some form or another, subsidized or not subsidized, we have to continue to add to the stock of housing if we want it to work.

The third is of course more vouchers and better vouchers. There are lots of problems with voucher utilization. There are good solutions to fixing vouchers and we need to continue to do that.

We also need to do continued -- continue to work on income based solutions and Cushing has outlined several that I think are really exciting, as well as the other things that we can work on related
to income. And so in any given community, I think the emphasis will be different based on what the historical housing system has been, and then what they see as their housing needs and what's going forward. But I think, at the end of the day, we have to recognize that in no community are there sufficient resources to do anywhere near what needs to be done, so people live in a constant state of frustration. They're always sort of limping along, feeling inadequate, feeling like they're just making little, tiny, incremental steps.

So the question is not whether or not vouchers are good or bad per se, or whether we should prefer vouchers or not over some other kind of form of housing assistance, but what's the right kind of mix of vouchers, preservation and production for any given community and how well informed are the local officials about what their choices are and about what the consequences of their choices are.

When I came to the National Low Income Housing Coalition two years ago, my very first meeting with our state coalition people, and these are folks who are out doing housing work in all the states, they were absolutely enraged over the problems with voucher utilization. That was just
absolutely palpable that they had all sorts of vouchering outgoing on and that they couldn't get anywhere. People were stuck, vouchers weren't being used. It was a major issue for these people who are doing housing work at the local level.

So we said, okay, let's get a handle on it. So we gathered up all the research that had been done about vouchers and voucher utilization. We did a major literature review on that, and we had a couple of dialogues where we brought together experts with varying perspectives. We did a little survey of voucher administrators. I'll do an Anthony Downs but I won't sell it to you. You can get this study on our Web site. But I command it to you.

What we found, no surprises, are that the factors that inhibited voucher use are multiple. There are lots of them, and that you cannot make any blanket statement about what's inhibiting it in any given community. So there is low vacancies, there is inadequate stock, there is poor FMRs, there is discrimination either against somebody because they're poor, but because they're a voucher holder or the proxy for race or disability. There is objections to doing business with the PHAs. There are no incentives to be in the program. There is the
administrative clumsiness of the nature of portability. There are personal issues of tenants, either skills or poor credit records. There are things like that, lack of security deposit.

And then there is, as Barbara said, sort of inept management that happens at the voucher administrator level, PHA or otherwise. The most notable one in my life is the Virginia Housing Development Authority, which had a significant amount of money taken back for failure to put the dollars out there. It had nothing to do with whether or not they were needed.

So I think it's very difficult for us to structure a national solution that will encompass everything in order to improve voucher utilization. I think we've got some good starts in increasing the FMR and adding the services, the pieces in the C map, the lose it or use it, long overdue, long overdue policy. I think we clearly need a regional administrative structure. The multiple jurisdiction structure, as Barbara referenced, is very outdated.

A couple of pieces, though, that I want to add to the mix in terms of solutions -- and I go back to some research that I did earlier on implementation of federal policy at the local level, specifically
looking at the consolidated plan and how it is that
local jurisdictions understood what they were to do
with the consolidated planning process. It was a
qualitative analysis. It was looking for meaning.

And one of the things that I came away
from that study with, and that has resonated through
all the discussion with vouchers and other housing
policy issues, is the lack of, in the context of
devolution, the lack of a countervailing force at the
local level. So that we can make all these rules in
Washington, develop all these policies, send them out
there and if nobody is paying attention to whether or
not they get enforced, it is a lot of waste of our
time.

And so I have this notion -- it's an idea,
it's not a proposal yet but a notion about, at the
local level, there is somebody whose primary motive
it is to make sure that housing resources get used to
their maximum advantage. Who knows how many vouchers
are supposed to be in that community? Who knows what
the utilization rate is? Who's tracking that? Along
with a variety of other kinds of things, I think
that's a very good use of HUD dollars. It should not
go through local government. It should be a direct
line to the advocacy community that you would create
the kind of relationships and tensions at the local level to do that.

I am going to close by one more thing, and this comes both out of our discussions about voucher utilization and also my experience with the consolidated plan, is that HUD has to be willing to use the authority that it has and exercise that in very strategic and important ways. And I think HUD has many tools that are wasted for lack of the political will to use them.

MR. LUBELL: Thank you, Shelia. And our final speaker will be Rod Solomon and we've only got about a half an hour for questions.

MR. SOLOMON: Thanks, Jeff. Since I'm a replacement speaker for our housing authority guy from Los Angeles, I'll first of all try to even yield some time back to the industry representatives and, second, mostly talk about implementation issues, although Ed Olsen said a number of things where I would like to take the bait, though. I'll make one comment on one which is on the costs. It's hard to tell in these short presentations how far we're going or exactly what we're covering but at least in the public housing -- ongoing public housing versus vouchers, one of the things that we found is that it
varies enormously by city, region, type of
development and so on and I urge that we look a
little -- that the major generalizations -- really
there has to be more done on it than that.

-- program back in my earlier days and
some of this may be drawn from that. In terms of
implementation issues that I can see since the
program was overhauled by Congress in 1998, I think
that the increases in the fair market rents that are
proposed were and are absolutely essential, that you
can argue at what level rents the individuals ought
to be responsible, but in a number of markets, we
just weren't even getting -- either getting the lease
ups or being able to have a reasonable
decomposition of the units that were able to come
into the program without that.

And I also think that, especially in
markets where there is substantial numbers of
vouchers going in where, for instance, public housing
demolition is taking place on a large scale and so
on, that something to improve the counseling and
support efforts of the families, either the
Administration's voucher success fund or something
just like it has just really got to be added in.

A couple of things about some of what
Barbara said, I think that the issue about the markets and whether we're getting more units and so on is very serious. As Barbara said, we took a number of steps like eliminating the so-called take one, take all rule that landlords said constrained them, eliminating extra notices and so on to try to encourage increased landlord participation. I agree that it's really not clear whether it's happening. And actually, already more proposals in Congress to do more of that. We ought to try to get a handle on what's happened already.

I want to emphasize the importance of the business issues. It's the antithesis of what Cushing was doing. It's the nuts and bolts of, you know, you can talk about how many people we're reaching and all of that, but whether what we've even got is going to work ends up relying greatly on things like how fast do the landlords get paid, how promptly can the inspections get made when a unit comes up. Particularly in the larger cities, in the more recent years, can the housing authority respond to complaints about what's alleged to be criminal activity in the voucher units, whether it really is or whether it isn't. Are they doing outreach to the landlords to try to get more in? All those nuts and
bolts things.

To an extent, HUD can help drive that through its management assessment program. Even though our management assessment program is just starting up, I think in some ways it doesn't do that and we're going to have to make some more changes to try to make some of those things happen.

The voucher program has become -- other than the home ownership deduction for all of us homeowners -- the largest housing subsidy program I believe that we have now. So we've really got to take the kinds of steps that folks are talking about to make this thing work. Thanks, Jeff.

MR. LUBELL: Thank you, Rod. And I'm now going to open the floor up. I know a lot of the panelists would probably like to address each other's issues, but I would like to get some input from the panel and I actually first want to offer an opportunity to any PHA directors or representatives if they have any comments.

UNIDENTIFIED SPEAKER: I run a Section 8 program myself. We are, as you know, the intermediaries. CLAP is a group that represents about 60 of the largest public housing authorities, and collectively they do administer a significant
portion of the tenant based Section 8 vouchers. And
everything has been very interesting. Really, we
have had the same experience and our surveys of our
memberships on the Section 8 utilization issue really
reflects a lot of what Shelia has said. It's a very
complicated issue.

And the reality is that -- the fact that
it's so complicated is really not reflected well. In
the appropriations process, every year, when this
issue surfaces, there is a lot of hullabaloo about
the utilization rate and access money and fund
recaptures and poor management on the part of housing
authorities. HUD doesn't do much to sort of dispel
or sort of clarify those issues. In fact, this year,
during the appropriations process, one of the things
that surfaced was a list of the worst culprit housing
authorities, the idea being that there were just a
few large housing authorities that accounted for the
bulk of recaptures.

Well, I think that, in fact, what the
numbers reflect is simply that the large housing
authorities, even if they're utilizing 98 percent of
their vouchers, 2 percent of a very large program
accounts for a very large pot of money. And it's
not -- you know, so that sort of -- it also doesn't
help to clarify the situation for the Congressional
appropriators.

There are a lot of issues -- our survey
has shown, just like Shelia said, that there are a
lot of factors and it's going to require a lot of
tools. Our members also really do -- I mean, as
Barbara said, there is a real serious disconnect
between the rules and the regulations and the
incredible amount -- and it's new in the program with
the mergers and the flexibilities and the devolution.

There is a real disconnect between that here in
Washington and at the local level, and our members
are all saying that they want training. They want
technical assistance. So I do really think that
that's a big part of it. And I think the industry
groups need to be more involved, and I think the PHAs
need to do a better job but these are -- I think
these are good lessons.

MR. LUBEELL: Thank you. I just want to
call people's attention to -- there is a background
paper in the booklet that actually outlines a lot of
the changes that have been made over the last few
years in an effort to improve both success and
utilization rates and a lot of them are kind of small
so I'm not going to go through them all now. I mean,
small in terms of technical, but I think they will make a big impact and I agree completely that housing agencies are undergoing a lot of changes right now, and they need a lot of help and a lot of technical assistance and I think HUD can do a better job in trying to do training and to make sure that you have the tools you need.

I don't know, Denise, do you want to say anything on behalf of the housing authorities?

UNIDENTIFIED SPEAKER: It's hard to sit here and be quiet. I think I sat next to you at lunch yesterday. If I had known what you were going to say, I might have spilled some iced tea on you. But I have to take exception to your theory about it being more economical to use tenant based systems and you're talking about preserving the project based programs. Well, of course landlords are not going to stay in the program if they can't get the market rent. That's the whole idea behind the Section 8 programs.

And as Shelia pointed out, these are people's homes. They've lived there maybe 20 years or more, and to say to them, we're sorry, we're going to voucher out this unit and give you this little voucher and you might have to move 20 miles away
because that's the closest neighborhood where a landlord will rent to you is not, I don't think, good housing policy.

MR. LUBELL: I think a smooth transition. I'm not talking about -- under the Section 8 program, they have things called sticky vouchers that you can either stay in place and get something or you can move and you have the option.

UNIDENTIFIED SPEAKER: And that's fine but ultimately the stock goes away.

UNIDENTIFIED SPEAKER: No, it doesn't actually.

UNIDENTIFIED SPEAKER: Yes, it does go away. Once that family moves from that unit with that voucher, then if another enhanced voucher order comes to that building, it's a regular subsidy voucher. It's not enhanced anymore. So the stock goes away from those people that were in there previously. There is still physical stock there but it's not affordable to the same people. So preservation is a big concern and it's clearly cheaper to preserve those units that were built 20 years ago and are in excellent condition than to build new.

UNIDENTIFIED SPEAKER: Do you have any
evidence on that? Any empirical evidence?

UNIDENTIFIED SPEAKER: I think we can find some. But I also agree with what CLAP is saying, because clearly our housing authority members strive to operate significant voucher programs in compliance with the rules, but the rules are complicated and every year their fees have been cut. The same appropriators that complain that PHAs don't know what they're doing in operating the program are the same people who took away the preliminary fee that helps to counsel the tenants on where the units are and how to move there.

So people talk out of both sides of their mouth, and I think while there are some housing authorities that probably can use some training or maybe should lose their voucher assistance and it should go to somewhere else, I think the majority of PHAs, and by the way, of the 3,300 public housing authorities, there are about 1,300 that don't have public housing. They just administer the Section 8 program. I don't think that's a well-known fact, but I'll shut up.

MR. LUBELL: Thank you, Denise. And I would like to hear from this gentleman here and then Ted Van Dyke from PHADA and then Chris. That will be
the order. Please go ahead.

UNIDENTIFIED SPEAKER: Two brief comments. The first is, I think in a lot of ways the most interesting thing going forward is to learn more about the issues that have been raised about utilization, and I'm eager to download this study that Shelia Crowley referred to because I think we need to --

MS. CROWLEY: We'll even sell it to you too.

UNIDENTIFIED SPEAKER: But secondly, on this issue, I think we began to talk as if this is some ideological thing of vouchers versus supply side programs. And I don't think it is unless cost-effectiveness is viewed as an ideology and unless you view being able to help more people with a fixed budget, and unfortunately we live in a world of fixed budgets, as an ideological point of view.

Yesterday as well as today I've heard a number of people say we need to preserve a mix of housing programs but not really able to articulate exactly why that is other than we currently have a mix. And going forward -- I mean, I would agree -- I think this is what Ed is saying and I would agree that -- I'm not saying turn down a public housing
unit, throw people out of every supply side unit we have but going forward, I think vouchers and demand side programs are the way to go, not because I have an ideological ax to grind, but because every study that has been done, as Ed says, that has looked at the costs and benefits of providing housing assistance says that for a given dollar of expenditure, you can help more people or help a given individual more with a voucher or some other demand side subsidy. And when I see credible evidence that there are conditions under which that's not so, then I'm wrong and I change my mind.

MR. LUBELL: Thank you. Ted?

MR. VAN DYKE: I just wanted to make a couple of comments. One is, as was mentioned earlier today, the public housing authorities are the organizations that are providing the affordable housing to the really lowest, poorest people in the country, and they're the only players out there so you have to be very careful. There is a symbiosis for more housing authorities between the Section 8 and the low income public housing program, and to do something like hold a Section 8 program away from the public housing authorities would do irremediable harm.
to them and would affect the whole delivery system of
affordable housing.

Secondly, on that voucher utilization,
it's a difficult program to run a Section 8. It's
not something where you actually have X number of
units that you've got to fill. It's this thing where
you pass out these certificates and some people can
find people, some people can't find them. It
fluctuates over time, and the natural reaction is to
be somewhat conservative. You don't want to issue
more certificates than you can actually house people,
so you have to be very careful and if difficulties
emerge, then your utilization rate drops.

So it's a tricky program to run from that
perspective as well.

UNIDENTIFIED SPEAKER: Let me add one
thing. And this is something we would love to work
more with the industry groups to get the word out but
there are two things -- a couple of things that
should be helping housing authorities deal with that
particular problem. One is that the MTCS system, the
tenant reporting system, is now going to report
voucher issuances as well as voucher lease-ups. That
will enable you to accurately record your success
rate so you will know how many vouchers you need to
issue at any given time in order to fully utilize your funds. So it's very important that people start following that and start using that system because I think it will be very helpful.

Second, as you'll see in the background paper, is there are some new protections for overexpenditure of funds. If you inadvertently expend some of your firms, you can tap your reserve funds so you don't need to be quite as cautious as you did in the past about shooting for the 100 percent utilization factor.

So part of the answer to this expenditure of fund things are these somewhat technical kinds of things that are described in the background paper and that may or may not be well-known out in the field. And part of I think our challenge is to provide that assistance and get the word out.

Ed, I'm going to give you 30 seconds to respond.

UNIDENTIFIED SPEAKER: That's fine. This is just a suggestion. I think this reserve fund is a very good idea. Just give the authorities enough of a reserve so they can overcommit. It's just like college admissions offices do. They want so many people, they know that they're not going to get
everyone so that they can pretty much keep all of your vouchers in use and get as much money as you can for the vouchers allocated.

UNIDENTIFIED SPEAKER: And the reserve idea is a very good idea. It needs to be a little bit larger to make this go.

UNIDENTIFIED SPEAKER: -- hold back the reserves.

UNIDENTIFIED SPEAKER: Well, they're down to two months. You have two months.

UNIDENTIFIED SPEAKER: We'll have to see how the authorities get reimbursed, I think.

MR. LUBELL: Thank you. Chris.

UNIDENTIFIED SPEAKER: I have a sort of basic question. I've heard around the country that individual communities like cities and counties could decide not to accept Section 8 vouchers. All they have to do is pass a resolution and then HUD backs out of that community.

UNIDENTIFIED SPEAKER: They can decide not to administer the loan, but they cannot, as far as I know, decide not to allow people to live with vouchers in that community.

UNIDENTIFIED SPEAKER: The law says that if there is no housing authority that is able and
willing to administer the program, then HUD would administer the program, which, in practice, we would do it through a contractor. In reality, I can't think of a place where we're having to do that except where a well-known agency is not unwilling to, but unable, to administer.

UNIDENTIFIED SPEAKER: Chris, are you asking about people -- actually like a zoning law saying no Section 8s can live there? Because I've never heard of such a thing.

UNIDENTIFIED SPEAKER: I don't have a legal authority on rules but numerous cities in the metropolitan Atlanta area have passed city council resolutions saying that they will not accept Section 8 housing.

UNIDENTIFIED SPEAKER: Who will not accept Section 8 housing?

UNIDENTIFIED SPEAKER: City of Conyers.

UNIDENTIFIED SPEAKER: No, I'm sorry. No private landlord can accept a Section 8 voucher in that city?

UNIDENTIFIED SPEAKER: That's what I'm not clear about and I thought maybe somebody here would have the answer to that.

UNIDENTIFIED SPEAKER: In the state of
Georgia, there are astonishingly few local housing agencies. It's almost all administered by the state.

UNIDENTIFIED SPEAKER: So they can tell the state they don't want them?
UNIDENTIFIED SPEAKER: No.
UNIDENTIFIED SPEAKER: If you find out more about that, you should let us know because that sounds like an anomaly.

UNIDENTIFIED SPEAKER: I have something to add. I live in the city of Fredericksburg, Virginia, which has Section 8 vouchers administered by the Department of Social Services and is in the throes of a bunch of opt-outs at this point, which means that there is going to be a whole bunch of people whose housing was project based and, therefore, not -- the local department of social services had nothing to do with it. Well, now they're going to be getting vouchers and it means that the voucher management system in the department of social services is going to be sorely taxed because they're going to have a whole bunch more vouchers to administer. And in that case, the city government so far has said we're not going to administer any more vouchers. We won't do it.

And so, although they're getting
persuaded, and the ministers are talking to them and
all that, butted in that case, it would fall back to
the Virginia housing development authority. But it
has to do with not accepting new vouchers. It has to
do with the transfer of the management of the subsidy
from HUD and its relationship with the project based
owners to the vouchering out and then needing
somebody at the local level to manage the new
vouchers.

UNIDENTIFIED SPEAKER: What about the
project based? If a private person wants to build an
apartment building and have a certain number of
Section 8, is there not a review process where the
community has to vote to accept the Section 8
physical units before HUD supports these vouchers in
that area?

UNIDENTIFIED SPEAKER: Well, we haven't
had much new project basing in so long that it's --
or, yeah, a few Section 8 project based certificates.
The only thing I can think of like this is we have
had a few communities across the nation who have
said, for various reasons, I don't want to run the
voucher program. In instances I can think of, it was
anymore. And in those instances, HUD has to
either -- has to find someone to run them with
respect to the individual vouchers. And this has
already been said. I don't think they can -- I'm not
aware of ordinances trying to say that vouchers can't
be used somewhere.

UNIDENTIFIED SPEAKER: Actually, you raise
an interesting point about the difference between
vouchers and production in that sense because I think
what you might be referring to is 213(d). And if you
want -- and the local government does have to accept
a production program.

MR. LUBELL: Barbara?

MS. SARD: I'm not sure this is helpful,
but one thing I wanted to add, because it's been a
real issue in Massachusetts, which may get at part of
this kind of issue, is when there are new vouchers
out there for which housing agencies can apply. One
issue that importantly affects the people in that
community is, does their agency seek those new
vouchers. And there are many cases where there is a
political decision made frequently when the housing
agency is either technically part of local government
or the local government still controls the appointees
to the housing agency, there is a conscious political
decision made that we don't want any more of these.
And that's a local decision about which HUD can do
nothing in its current structure. And I would suggest indeed that's one more reason why you shouldn't have so many local agencies, because if you had an agency that operated on a regional basis, the people of that particular town would not get injured by that kind of decision.

UNIDENTIFIED SPEAKER: I want to follow up on that. In Atlanta, years ago the housing authority was formed. The state law said that authority could operate anywhere in the metropolitan area unless other PHAs came into existence. And so everybody did their own PHA, happened to not have any units or any vouchers, as far as I know, simply to keep PHAs out of there. Is that legal, that PHAs be formed and not do any work?

UNIDENTIFIED SPEAKER: Sounds like a question of state law and it sounds like the answer is yes.

UNIDENTIFIED SPEAKER: Except that it probably violates fair housing law and could be effectively challenged.

UNIDENTIFIED SPEAKER: Should refer that to FHE&O.

MR. LUBELL: I want to ask a question, which is is anyone here involved in any of the dozen
or so Section 8 home ownership demonstration sites?

There have been about a dozen Section 8 home ownership sites that have been experimenting with the use of Section 8 vouchers for home ownership and I was just wondering if anyone had experience?

Well, I'm going to open it up. We have about 10 more minutes for questions. Go ahead.

UNIDENTIFIED SPEAKER: How long is the guarantee? Is it part work and affordable?

UNIDENTIFIED SPEAKER: In the final rule, the voucher on a mortgage of 20 years or more, the guarantee will extend for 15 years. That's more than the proposed rule. The proposed rule had been for 10 years. And in a mortgage that's less than 10 years, the guarantee is 10 years. These are standardized times so they're not going to vary from place to place. And as for portability, Rod, do you want to answer that question?

MR. SOLOMON: Yes. The program is portable where the jurisdiction that the person wants to live has a home ownership program. If they don't, then it isn't. On that rule, since we just put it out, of course now the question is, okay, how broadly is this going to be used and is it -- how useful is it and so on. I think the GSEs always, to some
extent, can push it along or not.

One of the things -- the biggest issue
that we had in discussions about the final rule -- we
may find other things that we didn't think enough
about, but HUD felt that you needed a -- that at
least in the early years, if there was going to be a
resale, you needed a subsidy recapture. The way it
works, it phases down over 10 years. And also the
way it works is if a homeowner reinvests in more
housing in another home or in improvements for their
own home, there is no recapture. So it should be --
it shouldn't get in the way but the question is going
to be, people need to understand it and figure out
how it works and all of that.

And at least in our preliminary
conversations, that's been something where there are
many, many programs across the United States that do
that kind of thing. It shouldn't be a problem, but
that will be one of the things we're watching as this
program starts to be implemented around the country.

UNIDENTIFIED SPEAKER: So when is there
recapture?

UNIDENTIFIED SPEAKER: The way it works is
there is a recapture if you were -- if the homeowner
sold or refinanced in the first 10 years and didn't
buy another home, didn't reinvest.

UNIDENTIFIED SPEAKER: Or skims the equity.

UNIDENTIFIED SPEAKER: Basically.

UNIDENTIFIED SPEAKER: But let's say you've got a home equity loan, you can skim from that.

UNIDENTIFIED SPEAKER: I wouldn't characterize it, no, but the recapture would be if it's not going back into housing one way or the other.

MR. LUBELL: Okay, thanks. One of the interesting questions in that program, for those of you who don't know, essentially says that where the ongoing costs of purchasing of home are less than or equal to the cost of renting, then if you get a mortgage, you can use a voucher to buy a home. So it doesn't provide any funds for down payment. So that's one of the issues.

And also, these families are obviously very low income or extremely low income families, and there are going to be some concerns about the extent to which they can sustain changes in income and changes in repair costs, and part of the challenge of this program is going to be able to make sure that we
provide the supports that are necessary to make the
program work. But I'm very excited about it even as
I'm sort of, I have to say, a little scared.

Any family with a voucher who has income
in excess of the minimum wage full time income is
eligible to participate. There is no upper income
limit other than the Section 8 limits. Up to 80
percent is the limit on who you can give a voucher
to, although at least 75 percent of vouchers have to
go to below people 30 percent of area median. The
limit on when you lose your voucher is different.
The limit on when you lose your voucher is when 30
percent of your adjusted income is greater than the
subsidy and stays that way for six months.

You could potentially lose your subsidy,
but at that point, you would have ability to pay.
Those are also not included within the subsidy. So
part of the challenge here in making this program
work is to ensure that there are -- I mean, you have
CDBG funds, and you have potentially TANIF funds and
you have home funds, other sorts of locally
controlled funds. There is a provision in HR 1776 to
provide grants for these kind of costs but that
hasn't been enacted at least as of today.

(Inaudible.)
MR. LUBELL: Well, that's a very good question. I know there have been discussions --

UNIDENTIFIED SPEAKER: Well, there have been discussions both with lenders and the GSEs, as the rule was developed. The rule also says that -- it has some rules about housing authorities having capacity to do this because this is actually a deeper subsidy than even the old section 235 program. It needs a lot of care, needs concerns about counseling the families, loan terms, et cetera, et cetera. The housing authorities either need to have some experience with this or need to partner with people who do. There are really many things to watch as we try to get this going.

UNIDENTIFIED SPEAKER: Are you worried that the two-tier FMR that you're installing is going to have an unfair aspect in this home ownership program that Section 8 participants in certain areas of the country will be able to have higher -- would be able to buy houses at the 50th FMR percentile while participants in other areas of the country will only be able to buy houses at the 40th percentile and some participants are going to be able to buy better houses than others?

MR. LUBELL: I'm actually not worried and
I'll tell you why. The first is that FMRs already vary by area. So it is already the case that someone in New York City is going to be able to afford a much larger mortgage with their voucher than someone in a rural area, for example. It's also the case that housing and rental costs don't necessarily track each other. So that may be an inefficiency in the program, but it does mean that we can't predict with any accuracy what the effect of raising FMRs by about $50 or $70 is going to be. It's not necessarily the case that it's going to be unfair.

The organization that I was before, the Center of Budget and Policy Priorities, was doing some analysis in connection with NAR of home prices, and we found essentially that there are about half the metropolitan markets where the FMR was adequate to buy an adequate home and about half of it wasn't. And it's not necessarily the case that 50th or 40th is the right answer to that. It's the case that there is a different relationship between rental and housing costs in different markets. And I think that's the major inequity, if you may, in terms of how this is made is that we're tracking a rental program and not a home ownership program but there are some good reasons for that. We don't necessarily
I want to create a whole new program for those.

MS. SMITH: I'm from the Housing Assistance Council, and I just want to make a couple of points and ask a couple of questions about vouchers in rural areas. First off, we were doing a -- we recently completed case studies of vouchers in rural areas and we were calling around trying to find areas to study and we found out there are plenty of areas in the country where there is no voucher program. And maybe there is. Maybe it's a statewide program, but the word doesn't get out and the local authority doesn't even know that a person wanting voucher assistance can go to the state capitol.

So we shouldn't assume that it's a program that is not only not accessible to everybody because of waiting lists. It's not accessible to everybody just because of geographic disparities.

The other thing is that we found that supply is a real issue in rural areas. I'm wondering if any of the class efficiency studies that looked at the efficiency of demand versus supply programs were looking at rural areas.

UNIDENTIFIED SPEAKER: No, they were in all urban areas.

MS. SMITH: So that might be an area where
supply program --

UNIDENTIFIED SPEAKER: That's a good question and we should have a careful study on this issue.

MS. SMITH: The other question I had is, are any of the ownership demonstrations in rural areas or nonmetro areas?

UNIDENTIFIED SPEAKER: That would help the rural areas a lot.

MR. LUBELL: Why don't you start by -- you wanted to address one issue.

MS. SARD: At the risk of being very unpopular to those representing rural interests, I think the history of the Section 8 program has been to overfund rural areas. Now, there may be serious problems in people in those rural areas knowing where to apply. Those are two different questions.

Until 1998, the housing statute required a set-aside of 25 percent of all new vouchers to nonmetropolitan areas and I'm not sure what HUD's analysis of recent data has shown, but when I looked at some of this earlier, one of the problems in utilization of vouchers nationally is that the population has shifted away from where historically vouchers had been allocated to lead to an oversupply
relative to need in rural areas.

Now, I'm not saying that there aren't distribution issues and access issues, but it isn't an inequity in funding.

MR. LUBELL: Rod, do you know if there are any demonstrations in rural areas?

MR. SOLOMON: Well, there are several demonstrations that are statewide. I know that. Colorado is one that comes to mind that's specifically for persons with disabilities. There are a number of regional ones. But I think now that there is a final rule, that demonstration were -- they mostly were approved in the last six months in any event and that now any housing authority in the country can undertake this program. So more importantly is what's going to happen now.

MS. SARD: And I do suggest that rural areas will be able to benefit from the homeowner's programs.

UNIDENTIFIED SPEAKER: I'm not sure what the basis is of you saying that there is an oversupply of vouchers in rural areas.

MS. SARD: I think they oversupply relative to need, I said, in those rural areas. But poor people -- per poor person or per needy person in
rural areas, my data shows there is more vouchers
than is true in urban and suburban areas.

MR. LUBELL: We have exactly three minutes
and I'm going to give the panel -- I'm sorry. Okay.
Very quickly.

UNIDENTIFIED SPEAKER: The current status?
Is project basing possible and is that only allowed
in unimpacted areas?

MR. LUBELL: Why don't we have Rod first
and then Barbara on this question and then we'll
conclude. That's actually a good question on which
to conclude.

MR. SOLOMON: It's possible under the laws
to project base up to 15 percent of the housing
authority's vouchers. There have been substantial
complaints about whether the system is very workable
the way it is now in the regulations and Barbara,
among others, has been working with many of us to see
if we can improve that situation.

MS. SARD: What was the rest of your
question?

UNIDENTIFIED SPEAKER: Is it only allowed
in unimpacted areas?

MS. SARD: HUD's reg, which was issued
under the old project based certificate program that
has since been eliminated, and there hasn't been a
new reg because it's on a long list of regs to be
issued, does have site and neighborhood standards, if
you're familiar. There is nothing in the statute
that says one way or another. I'm not real familiar
with how site neighborhood standards work, but my
sense is if you do it right, you can always get
around it to site anywhere you want.

And I do think there is some likelihood
that this will all change in the current
appropriations act and we don't know what the shape
of that will be.

MR. LUBELL: That's a very uncertain note
on which to end, but if we had had this conference
two days earlier, if they had gotten their act
together on the bill, they would have gotten the act
passed on time, we would have been able to have a
more substantive conversation on that area. But I
want to thank all of you and I look forward to
hearing your input and feel free to send us e-mails
and call us and let us know any further thoughts that
you didn't get a chance to express today. Thank you.