Fundamental Housing Policy Reform

Ed Olsen
Professor of Economics
University of Virginia
Charlottesville, Virginia 22903
434-924-3443 (phone)
434-924-7659 (fax)
eoo@virginia.edu

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Subcommittee on Housing and Community Opportunity
Hearing entitled “The Section 8 Housing Assistance Program: Promoting Decent Affordable Housing for Families and Individuals Who Rent"
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Chairman Ney and members of the Housing and Community Opportunity Subcommittee, I welcome this opportunity to talk with you about reform of the Housing Choice Voucher Program. I speak from the perspective of a taxpayer who wants to help the less fortunate members of our society. I have no other interests in the matters under consideration at this hearing.

My views are influenced not only by this perspective but also by my knowledge of the systematic evidence about the effects of low-income housing programs. I have been involved in housing policy analysis since the late 1960s. Since then, I have done many empirical studies of the effects of low-income housing programs, and I have read carefully a very large number of other studies. During the Nixon Administration, I was an analyst on the Housing Policy Review Task Force that led to the Section 8 Certificate Program. As a visiting scholar at HUD during the Carter Administration, I worked on an evaluation of this program and reviewed the final reports from the Experimental Housing Allowance Program. More recently, I have written a paper assessing the adequacy of Fair Market Rents in the Voucher Program, another paper on the consequences for homelessness of income targeting in housing assistance programs, and a lengthy survey of what is known about the effects of low-income housing programs for a National Bureau of Economic Research volume on means-tested transfer programs. I also did a substantial amount of work as a consultant to the GAO on their recent study comparing the cost-effectiveness of tenant-based vouchers and major construction programs such as the Low Income Housing Tax Credit and HOPE VI.

Overview

Project-based assistance is the dominant form of housing assistance to low-income families in the United States. Almost three fourths of families served by low-income rental housing programs receive this type of assistance. HUD provides project-based assistance to more than three million families, the Low-Income Housing Tax Credit serves more than a million families, and the USDA's Section 515 program houses almost a half million families. The Housing Choice Voucher Program is the only U.S. housing program that provides choice-based housing assistance, and even this program now allows housing agencies to devote up to 20% of their HCV budget to project-based assistance.

Project-based assistance forces families to live in particular units in order to receive a subsidy. So it greatly restricts recipient choice among units meeting minimum housing standards. Furthermore, it shields suppliers from market forces. For all practical purposes, owners of subsidized projects do not have to compete for their tenants. This has serious consequences for the cost-effectiveness and other effects of project-based compared with choice-based housing assistance.

The Housing Choice Voucher Program is by far our country's best low-income housing program. It provides adequate and affordable housing for participants at a much lower cost to taxpayers than any other program. It has outperformed other housing programs in every market condition and for every type of family studied. Nevertheless, there is room for improvement in the Voucher Program, and my testimony will address the changes that will lead to the greatest improvement in its outcomes.

The Voucher Program also has an important role to play in fundamental reform of the current system of housing programs for low-income families. The major shortcomings of the system are its excessive reliance on project-based assistance and its failure to provide housing assistance to all of the poorest eligible families who ask for help. My testimony will explain the basis for this judgment and how changes in the Voucher Program can help overcome these shortcomings.

Finally, my testimony will address the Administration's proposal to convert the Voucher Program to a housing block grant to the states and the excessive concern about the Voucher Program's success rate.

Choice-Based Vouchers Outperform Project-Based Assistance

The Housing Choice Voucher Program is by far the most cost-effective program of housing assistance in the United States. Four major studies have estimated both the cost per unit and the mean market rent of apartments provided by housing certificates and vouchers and the largest older production programs, namely Public Housing, Section 236, and Section 8 New Construction.[1] The cost per unit includes the tenant's rent and all direct and indirect costs incurred by federal, state, and local governments. These studies are based on data from a wide variety of housing markets and for projects built in many different years. Two were expensive studies conducted for HUD by a respected research firm 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 of these production programs, even though all of these studies are biased in favor of the production programs to some extent by the omission of certain indirect costs.

Table 1 summarizes the results of these studies. The studies with the most detailed information about the characteristics of the housing provided by the programs found the largest excess costs for the production programs. Specifically, Mayo et al. (1980) estimated the excessive cost of public housing compared to housing vouchers for providing equally desirable housing to be 64% and 91% in the two cities studied and the excessive cost of Section 236 to be 35% and 75% in these two cities. Another study with excellent data on housing characteristics estimated the excessive cost of Section 8 New

[1] The studies are Mayo et al. (1980), Olsen and Barton (1983), U.S. Department of Housing and Urban Development (1974), and Wallace et al. (1981). Olsen (2000) provides a description and critical appraisal of the data and methods used in these studies as well as a summary of their results.

Construction compared to tenant-based Section 8 Certificates to be between 44% and 78% (Wallace et al., 1981).[2]

The recently completed GAO studies produced similar results for the major active construction programs – LIHTC, HOPE VI, Section 202, Section 515, and Section 811. Table 2 reports results based on the conceptually preferable life cycle approach.[3] The excess total cost estimates range from at least 12% for Section 811 to at least 27% for HOPE VI. These estimates are lower bounds on the excessive cost because some costs of the production programs were omitted. Most notably, the opportunity cost of the land and cost of preparing the site were omitted from the cost of HOPE VI projects. These are real costs to society of HOPE VI redevelopment. More generally, some costs of each production program were omitted. For example, some projects under each program receive local property tax abatements. The preceding results ignore this cost to local taxpayers.

It is often argued that production programs work better than tenant-based vouchers in the tightest housing markets. The GAO study contains evidence concerning whether production programs are more cost-effective than tenant-based vouchers in housing markets with low vacancy rates. In addition to the national estimates, the GAO collected data for seven metropolitan areas. The data for the GAO study refer to projects built in 1999. In that year, the rental vacancy rates in the seven metropolitan areas ranged from 3.1% in Boston to 7.2% in Baltimore and Dallas, with a median of 5.6%. The overall rental vacancy rate in U.S. metropolitan areas was 7.8%. So all of the specific markets studied were tighter than average. Only five of the largest seventy-five metropolitan areas had vacancy rates lower than Boston's. In each market, tenant-based

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[2] This study made predictions of the market rents of subsidized units based on two different data sets containing information on the rent and characteristics of unsubsidized units. The study did not collect information on the indirect costs of the Section 8 New Construction Program. These indirect subsidies include GNMA Tandem Plan interest subsidies for FHA insured projects and the forgone tax revenue due to the tax-exempt status of interest on the bonds used to finance SHFA projects. Based on previous studies, the authors argue that these indirect costs would add 20 to 30 percent to the total cost of the Section 8 New Construction Program. The range of estimates reported in the text is based on the four combinations of the two predictions of market rent and the lower and upper limits on the indirect costs.

[3] The GAO study also reports first-year excess costs of the production programs. The first-year cost of a production program is the sum of the annualized development subsidies and the tenant rent and other government subsidies during the first year of operation. The GAO estimates of excess cost of production programs based on this method are much higher than estimates based on the life-cycle approach. Olsen (2000, pp. 18-21) explains the shortcomings of first-year-cost methodology and how this approach can bias the results in either direction.

vouchers were more cost-effective than each production program studied. Table 3 reports the results for Tax Credit Program. The results for Section 202 and 811 are similar (GAO, 2002, pp.19-20).

Unlike the earlier cost-effectiveness studies, the GAO study did not compare the total cost of dwellings under the different programs that were the same with respect to many characteristics. Instead it simply compared the average cost of dwellings with the same number of bedrooms in the same metropolitan area or the same type of location (metropolitan or nonmetropolitan). It has been argued that the GAO results overstate the excessive costs of the production programs because these programs provide better housing than the units occupied by voucher recipients. Although it is true that units in recently completed projects under construction programs have typically been better than units occupied by households with certificates and vouchers, the existing evidence suggests that this difference is not great. Furthermore, the relevant quality of the housing under a construction program is not its quality when it is new but rather the average quality of housing provided over the life of the project. This quality typically declines substantially over time. The existing evidence suggests that, well before the units in subsidized projects reach the midpoint of their useful lives, they provide housing worse than the housing occupied by recipients of tenant-based vouchers and certificates.

Results from a number of previous studies illustrate these general points. Mayo et al. (1980) estimated separate statistical relationships between market rent and numerous characteristics of unsubsidized units and their neighborhoods for Pittsburgh and Phoenix in 1973 using data of extremely high quality. These estimated relationships were used to predict the market rents of subsidized units under public housing, Section 236, and housing allowances in 1973, and then housing price indices were used to express predicted market rents in 1975 prices. Table 4 reports the results. The public housing units involved were built between 1952 and 1974 and the Section 236 units between 1969 and 1975. So the results for public housing refer to units further along in the lives of their projects than Section 236 units, though none of these units had reached the midpoint of their useful lives. Even when they were quite new, Section 236 units were not enormously better than the units occupied by recipients of housing allowances, and well before the midpoint of their useful lives, public housing units were no better than the units occupied by recipients of housing allowances.

Wallace et al. (1981) used similar methods and data to estimate the market rents of randomly selected Section 8 Existing and New Construction units in 16 randomly selected metropolitan areas in 1979. Although none of the units under the Section 8 New Construction Program were more than a few years old at that time, the difference in the mean market rents of units under the two programs was less than 10 percent, namely $291 per month for Section 8 New and $265 for Section 8 Existing.

David Vandenbroucke's (U.S. Department of Housing and Urban Development, Office of Policy Development and Research) unpublished tabulations based on the 1991 American Housing Survey Metropolitan Sample paint a similar picture. He too used data of extremely high quality to estimate separate statistical relationships between market rent and numerous characteristics of unsubsidized units and their neighborhoods in a number of metropolitan areas and then used these relationships to predict the market rents of public housing units, units in privately owned HUD-subsidized projects, and units occupied by certificate and voucher holders. Table 5 reports the results. In eight of eleven metropolitan areas, the median market rents of the units occupied by recipients of certificates and vouchers was greater than the median market rents of units in public and privately owned HUD-subsidized projects, even though the housing projects had not reached the midpoint of their useful lives. In 1991, the median age of public housing units in the United States was about 23 years and the median age of the units in privately owned subsidized projects was about 14 years. Section 8 New Construction / Substantial Rehabilitation accounts for about half of these units, and the median age of these units was about 10 years in 1991. The median age of Section 236 units, which account for more than a fourth of the privately owned HUD projects, was about 18 years. None of the other privately owned projects were more than 32 years old. In short, the majority of public housing units had not reached the midpoint of their useful lives and the majority of privately owned projects were much younger.

In summary, the available evidence does not support the view that the GAO study understated the cost-effectiveness of the production programs because these programs provide better housing than tenant-based vouchers.

The GAO study will not be the last word on the cost-effectiveness of the programs studied. Improvements in its implementation of the life-cycle methodology are possible and desirable. Indeed, this should be the highest priority for research on housing policy. However, the GAO study provides the only independent cost-effectiveness analysis of these programs.

The bulk of the evidence on the cost-effectiveness of project-based assistance applies to units built or substantially rehabilitated under a subsidized construction program. The Experimental Housing Allowance Program provides evidence on the cost-effectiveness of project-based assistance to existing, previously unsubsidized housing. This is relevant for judging the likely outcome of recent legislation that gives housing agencies the authority to use the Housing Choice Voucher Program for this purpose.

One type of housing allowance tested in the Experiment was essentially identical to the housing voucher program that operated between 1983 and 1998. It offered each eligible family a subsidy that depended on the family's characteristics on the condition that the family occupy a unit meeting minimum housing standards. At the time of the Experiment, HUD operated the national Section 23 Existing Housing Program, the precursor of the Section 8 Existing Housing Program. Under one variant of this program, housing authorities rented existing apartments and sublet them to eligible families. This is analogous to the project-based component of the Housing Choice Voucher Program. Under the other variant called "finders keepers," eligible families found their own units meeting the minimum housing standards. This is analogous to the tenant-based component of the HCV Program.

One of the most important reports of the Experiment compared the total cost to the market rent of units occupied by recipients of the experimental housing allowances and major national housing programs, including the Section 23 Existing Housing Program. The results for one of the metropolitan areas studied provide clear evidence on the cost-effectiveness of tenant-based versus project-based assistance for existing housing (Mayo et al., 1980, pp. 134-139). All Section 23 units in Pittsburgh were leased by the housing authority and sublet to tenants. The ratio of total cost to market rent for these units was 1.67. For example, it cost $835 to rent a unit with a market rent of $500. The ratio for the tenant-based housing allowance program was 1.15.[4] Therefore, it cost 45% more to provide equally good housing when the housing authority negotiated the rent than when tenants found their own units.

This illustrates the powerful role of incentives in determining housing program outcomes. Obviously, recipients of housing assistance have greater incentives than the civil servants who operate housing agencies to get the best housing possible for the money. This swamped other differences between program recipients and administrators in determining the cost-effectiveness of the alternative programs.

Evidence Argues for Exclusive Reliance on Choice-Based Housing Assistance

The preceding evidence combined with other evidence on the effects of alternative methods of delivering housing assistance makes a strong case for total reliance on choice-based assistance.[5] If we compare programs of choice-based and project-based assistance that serve recipients equally well (that is, provide them with equally good housing for the same rent), the project-based programs will serve many fewer families with a given budget. No credible evidence shows that any type of project-based assistance is as cost-effective as choice-based vouchers in any market conditions or for any special groups. Therefore, many eligible families and the taxpayers who want to help them will gain if choice-based assistance replaces project-based assistance.

The magnitude of the gain from shifting from project-based to tenant-based assistance would be substantial. Even the smallest estimates of the excess costs of project-based assistance imply that shifting ten families from project-based to tenant-based assistance would enable us to serve two additional families. Since HUD provides project-based assistance to more than three million families, the Low-Income Housing Tax Credit serves more than a million families, and the USDA's Section 515 program houses almost a half million families, a total shift from project-based to tenant-based assistance would enable us to serve at least 900,000 additional families with no additional budget. The most reliable estimates in the literature imply much larger increases in the

[4] The administrative cost of the housing allowance program was about 15% of the total cost. This implies that landlords of housing allowance recipients received market rents for their units.
[5] See Olsen (2002) for a summary of the evidence on other effects of different housing programs.

number of families served. For example, the Abt study of the Section 8 New Construction Program implies that tenant-based vouchers could have provided all of the families who participated in this program with equally good housing for the same rent and served at least 72 percent more families with similar characteristics equally well without any additional budget.

Two main objections have been raised to exclusive reliance on tenant-based assistance. Specifically, it has been argued that tenant-based assistance will not work in markets with the lowest vacancy rates and construction programs have an advantage compared with tenant-based assistance that offsets their cost-ineffectiveness, namely they promote neighborhood revitalization to a much greater extent.

Taken literally, the first argument is clearly incorrect in that Section 8 Certificates and Vouchers have been used continuously in all housing markets for more than two decades. A more precise version of this argument is that tenant-based assistance will not work well in the some markets because these markets do not have enough vacant apartments that meet minimum housing standards and are affordable to voucher recipients. The conceptual defects of this argument are easy to understand, and it is inconsistent with the empirical evidence.

All vouchers authorized in a locality can be used even if the number of vacant apartments that meet minimum housing standards and are affordable to voucher recipients is less than the number of vouchers authorized. Some recipients offered vouchers already occupy apartments meeting the program's standards. In this case, the family can participate without moving. In the absence of assistance, these recipients typically devote a high fraction of their income to housing and skimp on other necessities. The housing voucher reduces their rent burden. Other families who are offered vouchers will live in housing that does not meet Section 8 standards. However, these apartments can be repaired to meet the standards. Similarly, vacant apartments that do not initially meet the program's standards can be upgraded to meet them. In short, we do not need new construction to increase the supply of apartments meeting minimum housing standards.

The evidence shows that these are not theoretical curiosities. The tenant-based Section 8 Certificate and Voucher Programs have substantially increased the supply of affordable housing meeting minimum housing standards. One detailed analysis is based on data from a national random sample of 33 public housing authorities in 1993 (Kennedy and Finkel, 1994). Thirty percent of all recipients outside of New York City continued to live in the apartments that they occupied prior to participating in the program (Kennedy and Finkel, p.15).[6] Forty one percent of these apartments already met the program's standards and 59% were repaired to meet the standards (Kennedy and Finkel, p.83). About 70% of all recipients outside of New York City moved to a new unit. About 48% of these apartments were repaired to meet the program's standards (Kennedy and Finkel, p.84). The rest moved to vacant apartments that already met the standards. Therefore, the apartments occupied by about half of the families that received certificates and vouchers outside NYC during this period were repaired to meet the program's standards. The previously mentioned sources contain similar results for NYC. In this city, only 31 percent of the apartments occupied by recipients had to be repaired to meet the program's standards.

The Housing Assistance Supply Experiment of the Experimental Housing Allowance Program provides even more powerful evidence on the ability of tenant-based vouchers to increase the supply of apartments meeting minimum housing standards even in tight housing markets. The Supply Experiment involved operating an entitlement housing allowance program for ten years in St. Joseph County, Indiana (which contains South Bend) and Brown County, Wisconsin (which contains Green Bay). These were smaller than average metropolitan areas with populations of about 235,000 and 175,000 people, respectively. The general structure of the housing allowance program in the Supply Experiment was the same as the Section 8 Voucher Program that HUD operated from 1983 until its merger with the new Housing Choice Voucher Program, except that homeowners were eligible to participate in the Supply Experiment. About 20 percent of the families in the two counties were eligible to receive assistance (Lowry, 1983, pp. 92-93). By the end of the third year when participation rates leveled off, about 41 percent of eligible renters and 27 percent of eligible homeowners were receiving housing assistance (Lowry, pp.24-25). Data for analysis was collected during the first five years of the experiment in each site. During that period, about 11,000 dwellings were repaired or

[6] The authors analyzed New York City separately from the other housing authorities.

improved to meet program standards entirely in response to tenant-based assistance and about 5,000 families improved their housing by moving into apartments already meeting these standards (Lowry, p. 24). This represented more than a nine percent increase in the supply of apartments meeting minimum housing standards. Tenant-based assistance alone produced a greater percentage increase in the supply of adequate housing in these localities in five years than all of the federal government's production programs for low-income families have produced in the past 65 years (Cutts and Olsen, 2002, p. 232). The annual cost per household was less than $3000 in today's prices.

The Supply Experiment sites were chosen to differ greatly in their vacancy rates and the size of their minority populations in order to determine whether the outcomes of an entitlement housing allowance program depend importantly on these factors. At the outset of the Supply Experiment, the vacancy rates in Brown and St. Joseph County were 5.1% and 10.6% (Lowry, p. 53). So the average vacancy rate in the two sites was almost exactly the average vacancy rate in 2000 for U.S. metropolitan areas (7.7%). In 2000, only 26% of the 75 largest metropolitan areas had vacancy rates less than the vacancy rate in Brown County at the outset of the experiment and 20% had vacancy rates greater than the vacancy rate in St. Joseph County. The participation rate differed little between the two sites. Indeed, it was higher in the locality with the lower vacancy rate (Lowry, p.122).

We do not need production programs to increase the supply of apartments meeting minimum housing standards. The Experimental Housing Allowance Program demonstrated beyond any doubt that the supply of apartments meeting minimum housing standards can be increased rapidly by upgrading the existing stock of housing even in tight markets. This happened without any rehabilitation grants to suppliers. It happened entirely in response to tenant-based assistance that required families to live in apartments meeting the program's standards in order to receive the subsidy.

Those who express concern about the ability of tenant-based assistance to work well in the tightest housing markets usually mention the low success rates in some localities. In discussing this matter, it is important to distinguish between an authority's so-called success rate and its ability to use Section 8 Vouchers. An authority's success rate is the percentage of the families authorized to search for a unit who occupy a unit meeting the program's standards within the housing authority's time limit. An authority's success rate depends on many factors including the local vacancy rate. The most careful study of success rates (Kennedy and Finkel, 1994) indicates that among localities that are the same with respect to other factors those with the lowest vacancy rates have the lowest success rates.

An authority's success rate bears no necessary relationship to the fraction of the authority's vouchers in use at any point in time. No matter what an authority's success rate, the authority can fully use the vouchers allocated to it by authorizing more families to search for apartments than the number of vouchers available. For example, if an authority has a success rate of 50 percent, authorizing twice as many families to search as the number of vouchers available will result in full utilization of the vouchers on average. If each housing authority adjusted its issuance of vouchers to its success rate in this manner, some authorities would exceed their budget and others would fall short in a given year. However, the national average success rate would be very close to 100 percent.

For many years, public housing authorities have over-issued vouchers and thereby achieved high usage rates despite low success rates. In recent years, they have had a reserve fund for this purpose, and current regulations call for penalties on authorities with usage rates below 95 and more recently 97 percent. According to HUD's Fiscal Year 2002 Performance and Accounting Report, the voucher utilization rate was 94 percent in that year. HUD's Budget Justifications submitted to Congress in February 2003 indicate that they expect the utilization rate to be even higher in 2003 and 2004.

The overwhelming majority of tenant-based certificates and vouchers are in use at each point in time. Even more would be in use if housing authorities were more aggressive in over-issuing vouchers. Although it is true that some families who are offered vouchers do not find housing that suits them and meets the program's standards within their housing authority's time limits, other eligible families in the same locality use these vouchers. This indicates clearly that the problem is not that there are no vacant apartments that meet program standards and are affordable to voucher recipients or apartments whose landlords are willing to upgrade them to meet program standards. In the tightest housing markets, these apartments are more difficult to locate. Unsubsidized families also have trouble locating apartments in tight housing markets.

The real issue is not whether tenant-based vouchers can be used in all market conditions but whether it would be better to use new construction or substantial rehabilitation programs in tight markets. Evidence from the GAO study mentioned earlier indicates that tenant-based vouchers are more cost-effective than production programs even in the tightest housing markets. Another key question is which type of assistance gets eligible families into satisfactory housing faster. The answer is clear. Tenant-based vouchers get families into satisfactory housing much faster than any construction program even in the tightest housing markets. By over-issuing vouchers, housing agencies can put all of their vouchers to use in less than a year in any market conditions. No production program can hope to match this speed.

How long does it take from the time that money is allocated for construction programs to the time that the first units are available for occupancy? Evidence is available for older production programs. Based on data on a national random sample of 800 projects built between 1975 and 1979, Schnare, Pedone, Moss, and Heintz (1982) found the mean time from application for project approval to completion of the project ranged from 23 months for Section 236 to 53 months for conventional public housing. Mean times ranged from 26 to 31 months for the variants of the Section 8 New Construction and Substantial Rehabilitation Program. Occupancy of the completed apartments required additional time. Although the authors did not report results separately for different markets, it seems reasonable to believe that these times were greater in the tightest housing markets because the demand for unsubsidized construction would be greatest in these locations.

The second major objection to the exclusive reliance on tenant-based assistance is that new construction promotes neighborhood revitalization to a much greater extent than tenant-based assistance. The evidence from the Experimental Housing Allowance Program is that even an entitlement housing voucher program will have modest effects on neighborhoods and the small literature on the Section 8 Voucher Program confirms these findings for a similar non-entitlement program (Lowry, 1983, pp. 205-217; Galster, Tatian, Smith, 1999B). These programs result in the upgrading of many existing dwellings, but this is concentrated on their interiors.

It is plausible to believe that a new subsidized project built at low-density in a neighborhood with the worst housing and poorest families would make that neighborhood a more attractive place to live for some years after its construction. The issue is not, however, whether some construction projects lead to neighborhood upgrading. The issues are the magnitude of neighborhood upgrading across all projects under a program over the life of these projects, who benefits from this upgrading, and the extent to which upgrading of one neighborhood leads to the deterioration of other neighborhoods.

The primary beneficiaries of neighborhood upgrading will be the owners of nearby properties. Since the majority of the poorest families are renters, it is plausible to believe that most of the housing surrounding housing projects located in the poorest neighborhoods is rental. Therefore, if a newly built subsidized project makes the neighborhood a more attractive place to live, the owners of this rental housing will charge higher rents and the value of their property will be greater. Since the occupants of this rental housing could have lived in a nicer neighborhood prior to the project by paying a higher rent, they are hurt by its construction. The poor in the project's neighborhood will benefit from the neighborhood upgrading only to the extent that they own the property surrounding the project.

With the passage of time, the initial residents will leave the neighborhood in response to the project and others who value a better neighborhood more highly will replace them. In short, housing programs involving new construction will shift the location of the worst neighborhoods to some extent. The aforementioned possibilities are rarely recognized in discussions of housing policy, let alone studied.

What has been studied is the extent to which projects under various housing programs affect neighborhood property values. The existing studies find small positive effects on average for some programs and small negative effects for others (Lee, Culhane, and Wachter, 1999; Galster, Smith, Tatian, and Santiago, 1999A, Chapter 4). No study finds substantial positive effects on average for any program.

In short, the usual objections to exclusive reliance on tenant-based vouchers have little merit. Tenant-based vouchers can be get recipients into adequate housing faster than production programs even in the tightest housing markets, and they are more cost-effective than production programs in all market conditions. We do not need production programs to increase the supply of adequate housing. Production programs do not have had a greater effect on neighborhood revitalization than tenant-based vouchers. Neither revitalizes neighborhoods to any significant extent.

Proposals to Shift Budget from Project-Based to Choice-Based Assistance

The available evidence on program performance has clear implications for housing policy reform. It indicates that Congress should shift the budget for low-income housing assistance from project-based to tenant-based housing assistance as soon as current contractual commitments permit and should not authorize any new programs involving project-based assistance. The following concrete steps will achieve these results.

First, the money currently spent on operating and modernization subsidies for public housing projects should be used to provide tenant-based vouchers to public housing tenants, as proposed by the Clinton Administration and by Senator Dole during his presidential campaign. To enable housing authorities to provide decent housing despite this loss in revenue, they should be allowed to rent their apartments to any household eligible for housing assistance for whatever rent this market will bear. Families with tenant-based vouchers would occupy many of these apartments. Other families eligible for housing assistance would occupy the rest. Housing authorities could raise additional money by taking advantage of the current regulation that allows them to sell projects. At present, they have little incentive to do it. Without guaranteed federal operating and modernization subsidies, many authorities may well decide to sell their worst projects. These are the projects that will be abandoned to the greatest extent by their tenants with vouchers, and they are the most expensive to operate. They should be sold in their current condition to the highest bidder in order to maximize the revenue available to modernize other projects. If housing authorities are unable to compete with private owners for their tenants, they should not be in the business of providing housing.

Second, contracts with the owners of private subsidized projects should not be renewed. Instead we should give their tenants portable vouchers and force the owners to compete for their business. Tenants who choose to move could be given a modest grant for moving expenses. This is far less expensive than continuing with these costly forms of project-based assistance.[7] It is important to realize that for-profit sponsors will not agree to extend the use agreement unless this provides at least as much profit as operating in the unsubsidized market. Since these subsidies are provided to selected private suppliers, the market mechanism does not insure that profits under the new use agreement will be driven down to market levels. If this is to be achieved at all, administrative mechanisms must be used. Proponents of all previous programs of this sort argued vigorously that their program would insure that excessive costs were not paid for apartments. Cost-effectiveness studies of these programs indicate that they failed miserably. There is no reason to believe that initiatives such as Mark-to-Market will produce better results. We should leave the job of getting value for the money spent to the people who have the greatest incentive to do it, namely, the recipients of housing assistance.

Third, the construction of additional public or private projects should not be subsidized. For example, no additional money should be allocated to HOPE VI. This program is an improvement over traditional public housing in that it avoids concentrating the poorest families at high densities in projects. However, the GAO study reveals that it is highly cost-ineffective compared with tenant-based vouchers that also avoid these concentrations. Similar remarks apply to the Low-Income Housing Tax Credit. Although the GAO results may not be sufficiently compelling to justify immediate termination of this program, they more than justify rescinding the recent indexing of the tax credit for inflation until a careful, independent analysis of the cost-effectiveness of the Tax Credit Program shows that this program is as cost-effective as tenant-based vouchers. Finally, there should be no new production programs. Any additional money for housing assistance should be used to expand the Housing Choice Voucher Program.

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[7] See Weicher (1997) for a detailed analysis of vouchering out project-based assistance.

Fourth, Congress should declare a moratorium on further project-based assistance under the Housing Choice Voucher Program until it can consider the results of a study that compares the cost-effectiveness of the already committed project-based vouchers with tenant-based vouchers. Sufficient money should be budgeted for this study to insure that credible results are produced.

Fifth, if Congress decides to convert the HCV Program to a housing block grant to the states, it should require that the entire budget of the program be used for choice-based assistance. Evidence indicates clearly that states would devote the bulk of an unrestricted housing block grant to project-based assistance. The HOME Investment Partnerships Program is a block grant to states and localities that permits either project-based or choice-based assistance. Contrary to the implications of the systematic evidence on the effects of different types of housing programs, states and localities have chosen to spend the bulk of their funds on project-based assistance. In 1995, states allocated 94% of their rental assistance to specific projects (Urban Institute, 1999, p. 86). Left to their own devices, it is reasonable to expect that they will do the same with the proposed block grant. Being close to the people does not provide any insight into the design of efficient housing programs. Therefore, the legislation converting the Voucher Program to a block grant should contain an explicit prohibition on the use of block grant funds for project-based assistance.

Housing Assistance Should Be an Entitlement for the Poorest Eligible Families

Unlike other major means-tested transfer programs, housing assistance is not an entitlement despite its stated goal of “a decent home and suitable living environment for every American family” (Housing Act of 1949). Millions of the poorest families are not offered any housing assistance, while a smaller number of equally poor families receive large subsidies. For example, an assisted family with one child and an adjusted annual income of $8000 living in an area with the average Fair Market Rent would have received an annual housing subsidy of $6000 from the Housing Choice Voucher Program in 2002 if it occupied an apartment renting for the FMR. The majority of families with the same characteristics living in that locality would receive no subsidy from any low-income housing program. Furthermore, the majority of the poorest eligible families are offered no assistance while many families with considerably greater income are assisted. About 34 percent of the families who receive tenant-based vouchers and certificates are above the poverty line, while 70 percent of families below the poverty line do not receive housing assistance from any HUD program.

The non-entitlement nature of housing assistance is a historical accident. Because the first significant housing program for low-income households involved the construction of housing, it was not possible to make it an entitlement for any significant number of families. Building millions of public housing units over a short period of time was infeasible. The income limits for eligibility were not designed to be consistent with the amount of money that the Congress wanted to devote to housing assistance.

Now that vouchers are used to provide housing assistance, the impossibility of building enough units to serve an enormous number of families provides no justification for maintaining a non-entitlement program. Almost all families eligible for housing assistance already live in housing. The majority of these units already meet housing standards. Other vacant units meeting housing standards are available. Many units can be inexpensively upgraded to meet housing standards. Little new construction is needed to provide adequate housing for all of the poorest families who would want to participate in the entitlement housing program that could be funded with the current budget for housing assistance.

In recent times, no one has attempted to explain why we should offer assistance to some, but not other, families with the same characteristics, and no one has provided a persuasive argument for denying assistance to the poorest families while providing it to otherwise identical families in the same locality whose income is two, three, or four times as large. It is often argued that we should not limit assistance to the poorest families because it is desirable to have a mix of incomes in subsidized housing projects. Obviously, this argument is not applicable to tenant-based assistance. Furthermore, the conflict between the desire to serve the poorest families and to avoid concentrating them in projects in programs of project-based assistance can be avoided by vouchering out these programs.

It is difficult to reconcile these features of the Housing Choice Voucher Program and all other low-income housing programs with plausible taxpayer preferences. In thinking about whether housing assistance should be an entitlement, it is helpful to think about how a nonrecipient who pays the taxes to support housing programs feels about dividing a fixed amount of assistance between two families that are identical in his or her eyes.

At one extreme, we could give one of the families the entire amount available for housing assistance. At the other extreme, we could divide it equally between them. The former is inconsistent, and the latter consistent, with plausible assumptions about taxpayer preferences. To say that two potential recipients are the same in the eyes of a taxpayer is to say that the taxpayer is willing to sacrifice the same amount for the same change in the consumption pattern of either family.

It is also reasonable to conclude that taxpayers place the highest value on helping the poorest families. Why else would almost all means-tested housing programs provide the largest subsidy to families with the smallest income?

Another strong argument for an entitlement housing assistance program for the poorest individuals and families is its effect on homelessness. The homeless are the poorest of the poor. Research indicates that an entitlement program of housing assistance for the poorest individuals and families would eliminate homelessness except for the chronic homeless who suffer from serious mental illness and substance abuse (Early and Olsen, 2002, p. 19).[8]

To say that housing assistance should be an entitlement for the poorest families is not to say that they have a natural right to it. Although some people hold this view, many others who think that housing assistance should be an entitlement reject it. They believe that the poorest families are entitled to whatever assistance their fellow citizens are willing to provide. To say that housing assistance should be an entitlement means that any eligible person who asks for housing assistance will get it. To favor an entitlement

[8] The chronic homeless require a more comprehensive approach. Existing supportive housing facilities will certainly be a part of the solution to dealing with these people. Due to the time necessary to determine eligibility, an entitlement housing assistance program for the poorest households will not eliminate the desirability of short-term facilities to house people who would otherwise live on the streets. Although we might want to fund them in a different manner, existing shelters would surely be among the short-term facilities used.

program of housing assistance is to reject the notion that we should provide assistance to one family and deny it to another identical family. Time limits, work requirements, and subsidy formulas that provide greater subsidies to families with some labor earnings rather than no labor earnings are completely consistent with an entitlement housing assistance program. They simply specify what a family is entitled to.

The preceding argues strongly that a program of housing assistance should be an entitlement for the poorest families. The usual argument against making housing assistance an entitlement is that it would be too expensive. Those who make this argument seem to have in mind delivering housing assistance to all currently eligible families using the current mix of housing programs and the current rules for the tenant's contribution to rent. This would indeed increase the amount spent on housing assistance greatly, though this magnitude has not been estimated. However, we do not have to make more than 40 percent of the population eligible for low-income housing assistance, we can reduce the fraction of housing assistance delivered through programs that are cost-ineffective, and we can reduce subsidies at every income level.[9] If we reduce the fraction of the population eligible for housing assistance, increase the fraction of families served by choice-based assistance, and reduce the subsidy at each income level under each housing program, the cost of an entitlement housing assistance program would be less than commonly assumed.

Indeed, it is easy to develop an entitlement housing assistance program with any level of cost desired. For example, we could have an entitlement housing assistance program without spending any additional money by a simple change in the Housing Choice Voucher Program, namely, reducing the subsidy available to each eligible family by the same amount. At current subsidy levels, there are many more families willing and able to use vouchers than can be funded with the current budget. As we reduce the subsidy at each income by the same amount, the number of families who want to participate will decline and waiting lists will shrink. If we reduce subsidies sufficiently and adjust the number of families served so as to spend the same amount on the program, all families who want to participate on the terms offered will receive assistance. We will

[9] See U.S. Department of Housing and Urban Development (2000, Table A-1) for the fraction of households eligible for housing assistance.

then have an entitlement housing assistance program for the poorest eligible families, thereby eliminating the horizontal inequities of the current program.

In discussions of housing policy, a common objection to this proposal is that no one would be able to find housing meeting the program's standards with the lower subsidies. This objection is logically flawed. We start from a position where many more people want to participate than can be served with the existing budget. If we reduce subsidy levels slightly, it will still be the case that more people want to participate than can be served. If we decrease the subsidy levels so much that no one wants to participate, we have decreased them more than the proposed amounts.

A more sophisticated argument against the proposal is that the poorest households will be unable to participate in the proposed program. The simple proposal above calls for reducing the guarantee under the Voucher Program (called the Payment Standard). This is the subsidy received by a household with no income. If the Payment Standard is less than the rent required to occupy a unit meeting the Program's minimum housing standards, then a household whose income and assistance from other sources is just sufficient to buy subsistence quantities of other goods would be unable to participate in the proposed Voucher Program. Previous studies (Olsen and Reeder, 1983; Cutts and Olsen, 2002) have shown that the Payment Standard exceeds the market rent of units just meeting the Program's minimum housing standards in all of the many metropolitan areas and bedroom sizes studied. The median excess varied between 33 to 80 percent between 1975 and 1993. Although refined estimates have not been made with more recent data, a rough estimate is that the median excess over all combinations of metropolitan area and number of bedrooms was 68 percent in 2001 (Cutts and Olsen, 2002, pp. 224-225). So a considerable reduction in the payment standard could occur almost everywhere without precluding participation by the poorest of the poor. However, the preceding proposal might lead to a particularly low participation rate by these households. This could be counteracted by a smaller reduction in the payment standard combined with an increase in the fraction of adjusted income that tenants are expected to contribute to their rent. For a given program budget, this would yield a higher participation rate by the poorest of the poor and a lower participation rate by other eligible households.

To say that housing assistance should be an entitlement is not to say that it should be designed to insure that all eligible families participate. An entitlement housing assistance program should provide no subsidy to families with incomes at the upper limit for eligibility to avoid the inequity that results from offering families with incomes just below the upper income limit a higher standard of living than families with incomes just above it. This implies that families with incomes just above the income limit for eligibility will be eligible for small subsidies. In order to get this subsidy, they will have to occupy a unit meeting particular housing standards, spend time filling out paperwork and dealing with program administrators, and reveal personal information. These are all inherent in operating a means-tested housing program. Furthermore, few enjoy accepting public or private charity. For all of these reasons, many families will choose not to participate in an entitlement housing assistance program. In addition, some eligible families will not be aware of their eligibility.

Although success rates in the Section 8 Voucher Program and participation rates in an entitlement housing assistance program depend on market conditions, the factors mentioned above are more important. That is, market conditions explain little of the variation in success rates in the Voucher Program. All other factors combined explain much more. The participation rate in the food stamp program in 1999 was 43% for eligible workers and 70% for eligible non-workers (Blank, 2002, p. 1114). This is not because eligible families could not find a grocery store or because there was no food on the shelves of grocery stores.

What would be the participation rate in an entitlement housing program? The participation rate was less than 50% in the entitlement housing assistance programs operated in the 1970s in Green Bay and South Bend as a part of the Experimental Housing Allowance Program, and it was higher in the metropolitan area with the lower vacancy rate. However, this is not to say that the participation rate in any entitlement housing assistance program would be less than 50%. The evidence from the Experiment indicates clearly that participation depends on the generosity of the subsidy and the program's minimum housing standards. The average annual subsidy in the sites where the entitlement programs were operated was about $3000 in today's prices. The average annual subsidy in the Housing Choice Voucher Program exceeds $6000. So we should expect a higher participation rate with the current subsidy schedule.

Since reducing current subsidies at each income level in the Housing Choice Voucher Program enough to implement immediately an entitlement housing assistance program for the poorest families would excessively disrupt the lives of current recipients, it is essential to phase in this program. Specifically, we could freeze Fair Market Rents at their current levels allowing inflation to erode real subsidy levels and simultaneously increase the number of vouchers authorized so that the budget of the Housing Choice Voucher Program continues to grow at the desired rate. At the current rate of inflation, this will lead to a slow rate of convergence to an equitable system of housing assistance, but it is surely better than maintaining the current system that offers assistance to a minority of families of each type.

Objections to Reducing Fair Market Rents Have Little Merit

Based on past discussions of Fair Market Rents in the Section 8 Existing Housing Program, representatives of housing authorities and many low-income housing advocates will oppose reducing real FMRs. This section explains why the most common objections have little merit.

It has been argued that lower FMRs would make it more difficult to locate a unit meeting the program's standards and thereby reduce the number of families who would want to participate. This argument is implicit in the official rationale for the current system for determining FMRs. According to HUD (1995, p. 1), "HUD sets FMRs to assure that a sufficient supply of rental housing is available to program participants."

Evidence from the operation of the certificate and voucher programs and the Housing Allowance Supply Experiment supports the view that a reduction in FMRs and hence subsidies will reduce the number of families who want to participate. Under the tenant-based Section 8 Program, the percentage of the families authorized to search for a unit who occupy a unit meeting the program's standards within the housing authority's time limit (the so-called success rate) is greatest for families who are eligible for the largest subsidy (Kennedy and Finkel, 1994, pp. 53-60). So the success rate under these programs depends not only on the availability of units meeting the program's standards but also the incentives that families have to locate them, and reducing the FMRs would reduce the success rate. In the entitlement housing allowance programs conducted in the South Bend and Green Bay metropolitan areas as a part of the Housing Allowance Supply Experiment, the participation rate was greatest for the families who were entitled to the largest subsidies (Lowry, 1983, pp. 116-119). Reducing the subsidy at each income level would have decreased participation rates.

Although reductions in FMRs would reduce the success rate under the current voucher program, it would not prevent vouchers from being used provided that the reductions are not too large. At current subsidy levels, there are many more families willing and able to use vouchers than can be funded with the current budget. When families who are offered vouchers do not find housing that suits them and meets the program's standards within their housing authority's time limit, other eligible families use these vouchers. No matter what an authority's success rate, the authority can fully use the vouchers allocated to it by authorizing more families to search for units than the number of vouchers available.

The effect of Fair Market Rents on success rates has been the dominant consideration in the policy debate concerning their level. The primary reason for this dominance is that housing authorities lobby vigorously for higher Fair Market Rents. Their motivations are easy to understand. With a given number of vouchers allocated to a housing authority, higher Fair Market Rents in a locality allow the housing authorities in that area to provide larger subsidies to their clients at little cost to *local* taxpayers. Higher FMRs also increase the success rates in the area and hence reduce the housing authority's workload without reducing its administrative fee. The same motivations explain why housing agencies use their discretion to set Payment Standards above Fair Market Rents and petition for even higher Payment Standards.[10] In discussions of FMR levels, it is rare for anyone to speak on behalf of the extremely poor families who are not currently offered housing assistance due to the large subsidies received by current recipients.

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[10] About 24% of voucher recipients receive a subsidy based on a payment standard in excess of the local FMR, while only 9% have a payment standard less than the applicable FMR (Finkel and Buron, 2001, Exhibit 3-5).

Advocates for low-income families often make a closely related argument against lower FMRs, namely, that reduced FMRs would force eligible families to spend more time searching for units meeting the program's standards. It is not reasonable to believe that people will behave in this manner. Lower FMRs should reduce the amount of time that each individual searches because this policy change will reduce the benefit of searching for a unit. The subsidy that would be received if the family finds a unit meeting the program's standards will be less. Total search time for all families offered a voucher will increase only if enough additional families are given the opportunity to receive housing assistance and thereby search for a unit meeting the program's standards. If total search time is lower with higher FMRs, it is only because eligible families are denied the opportunity to participate.

A variant of the preceding argument against reducing FMRs is that there are not enough vacant units meeting the program's standards available at rents below current FMRs to serve new program participants. The defects of this argument have already been explained.

Administration's Proposal to Convert Voucher Program to Housing Block Grant

The Bush Administration has proposed the conversion of the highly successful Section 8 Housing Choice Voucher Program to a housing block grant to states. S. 947 and H.R. 1841 provide justifications and the details of the proposal.

The official justifications for the Administration's proposal provide little reason to adopt it. The major justification offered by Administration spokesmen and in the proposed legislation is that much of the money that is budgeted for the Voucher Program is not spent. This justification has little merit. First, money not spent is not wasted. It is used for other private or public purposes. Second, almost all money appropriated is spent. According to HUD's Fiscal Year 2002 Performance and Accounting Report, the voucher utilization rate was 94 percent in that year. HUD's Budget Justifications submitted to Congress in February 2003 indicate that they expect the utilization rate to be even higher in 2003 and 2004. Clearly, the penalties on housing agencies with low utilization rates that Congress has enacted since 1999 have had the desired effect.

Finally, if housing agencies are spending a fraction of the amount that the Congress wants to spend on this program, there is a much simpler solution to the problem than the Administration's proposal. The Congress can simply increase the program's budget. For example, if Congress wants to spend $14 billion on this program in a year and the utilization rate is 95 percent, Congress should appropriate $14.74 billion. This is analogous to what housing agencies do to insure utilization rates near 100 percent despite the failure of many potential recipients who are offered vouchers to find acceptable units within the specified time. It is analogous to what college admissions officers do to insure the desired class size despite acceptance rates well below 100 percent.

Another justification for the program offered in the proposed legislation is the alleged complexity of the HCV Program. In fact, it is the least complex federal housing program. Furthermore, its complexity is easily reduced. For example, we do not have to allow for Payment Standards outside the range of 90% to 110% of the applicable FMR, and we do not have to allow numerous exceptions to the basic rules for determining income limits for eligibility. Finally, there is no good reason to expect states to structure programs that are less complex.

Jill Khadduri (forthcoming) provides much more persuasive arguments for converting the Housing Choice Voucher Program to a program of block grants to the states in her thorough and balanced analysis of its advantages and disadvantages. In short, she argues that a properly designed and scheduled conversion will improve the portability of vouchers, encourage desirable experimentation with program design, and reduce administrative cost by eliminating multiple housing agencies serving the same area. I have little to add to her analysis beyond emphasizing the importance of several restrictions of the use of the block grant.

In my judgment, if the legislation that converts the Voucher Program to a block grant does not specify explicitly that the money allocated to each state must be used exclusively for choice-based assistance, it will not be in the interest of taxpayers (except the few who are directly involved in provision of project-based housing assistance) and it will be extremely harmful to many of the poorest members of our society. Its advantages will be swamped by the disadvantages of the shift from choice-based to project-based assistance that will surely result from leaving this decision to state housing agencies.

Furthermore, the housing block grant should be used to foster an entitlement by tightening its income targeting requirements and creating incentives for increasing the number of the poorest families served. Simple modifications of the HANF proposal will achieve the desired result. The proposed legislation requires that not less than 75% of families receiving their first payment of tenant-based or homeownership housing assistance within each state have incomes that do not exceed 30 percent of the area median income (presumably with the standard adjustments for family size) but allows the HUD Secretary to waive this requirement based on evidence that is sufficient to convince the Secretary that it should be waived (S. 947 – 7(a)(2), H.R. 1841 – 6(a)(2)). To move towards an entitlement housing assistance program for the poorest households, the fraction of new admissions with incomes less than 30 percent of the local median should be increased, all additional new admissions should be limited to families with incomes less than 50 percent of the local median, and the Secretary's discretion to waive these rules should be eliminated. The proposed legislation also contains performance standards for determining whether states receive their full allotment under the block grant (S. 947 – 6(b), H.R. 1841 – 5(b)). States that serve a greater fraction of families with incomes less than 30 percent of the local median income should receive a higher performance rating. This together with the performance standard dealing with the number of families served will create incentives to reduce subsidies to recipients at each income level in order to increase the number of the poorest families served.

Conclusion

Given the current economic slowdown and the added expense of fighting international terrorism, it is clear that little additional money will be available for housing assistance over the next few years. The question is: How can we continue to serve current recipients equally well and serve some of the poorest families who have not yet been offered assistance without spending more money? The answer is that we must use the money available more wisely.

Research on the effects of housing programs provides clear guidance on this matter. It shows that we can serve current recipients equally well (that is, provide them with equally good housing for the same rent) and serve many additional families without any increase in the budget by shifting resources from project-based to tenant-based assistance. We should learn from our past mistakes and not heed the call for new production programs. Indeed, we should go further and terminate current production programs and disengage from project-based assistance to existing apartments as soon as current contractual commitments permit.

The stated goal of the Housing Act of 1949 is “a decent home and suitable living environment for every American family.” It is time that we delivered on that commitment. Contrary to popular opinion, this does not require spending more money on housing assistance. It can be achieved without additional funds by transferring funds from less cost-effective methods for delivering housing assistance to the most cost-effective approach and reducing gradually the large subsidies received by current recipients.

A properly designed and scheduled HANF proposal to replace the Housing Choice Voucher Program with a block grant to states will improve the portability of vouchers, encourage desirable experimentation with program design, and reduce administrative cost by eliminating multiple housing agencies serving the same area. However, if it does not preclude the use of the block grant funds for project-based assistance and at least maintain the current targeting of assistance to the poorest families, it will not be in the interest of taxpayers (except the few who are directly involved in provision of project-based housing assistance) and it will be extremely harmful to many of the poorest members of our society. Taxpayers will get less for their money, and fewer of the poorest families will be helped.

I appreciate the willingness of members of the Committee to listen to the views of a taxpayer whose only interest in the matters under consideration is to see that tax revenues are used effectively and efficiently to help low-income households.

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Table 1. **Excess Cost of Older Production Programs**

Program/Study	Localities	Projects Built	Excess Cost
Public Housing			
Olsen and Barton	NYC	1937-1965	14%
Olsen and Barton	NYC	1937-1968	10%
HUD	Baltimore, Boston, L.A., St. Louis, S.F., D.C.	1953-1970	17%
Mayo et al.	Phoenix	1952-1974	64%
Mayo et al.	Pittsburgh	1952-1974	91%
Section 236			
Mayo et al.	Phœnix	1969-1975	35%
Mayo et al.	Pittsburgh	1969-1975	75%
Section 8 NC/SR			
Wallace et al.	National	1979	44%-78%

Table 2. **Excess Cost of Active Production Programs (GAO, 2001, Life Cycle Approach)**

Program	Excess Cost
Low-Income Housing Tax Credit	16%
Hope VI	27%
Section 202	19%
Section 811	12%
Section 515	25%

Table 3. **Excess Cost of Tax Credits in Markets With Different Vacancy Rates (GAO, 2002, Life Cycle Approach)**

Metropolitan Area	Vacancy Rate	One Bedroom	Two Bedroom
Baltimore	7.2%	24%	24%
Boston	3.1%	6%	19%
Chicago	6.5%	34%	25%
Dallas/Fort Worth	7.2%	21%	21%
Denver	5.6%	40%	21%
Los Angeles	5.1%	11%	21%
New York	4.7%	21%	17%
All Metro Areas	7.8%	19%	14%

Table 4. **Market Rents of Units under Production Programs in Their Early Years Compared with Voucher Units**

City	Program		
	Section 236	Public Housing	Housing Allowance
Pittsburgh	$1826	$1748	$1626
Phoenix	$2417	$1918	$2084

Table 5. **Median Monthly Market Rents of Subsidized Units (1991)**

City	Program: Voucher and Certificate	Privately Owned Projects	Public Housing
Atlanta	$505	$400	$328
Baltimore	$460	$458	$373
Chicago	$475	$550	$440
Columbus	$375	$395	$340
Hartford	$593	$570	$543
Houston	$365	$325	NA
New York	$605	$578	$520
Newark	$568	$570	$500
San Diego	$480	$410	NA
Seattle	$475	$455	$445
St. Louis	$403	$378	$380