U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-6000

ASSISTANT SECRETARY
FOR POLICY DEVELOPMENT AND RESEARCH

To: Chris Edley

From: Michael A. Stegman mas

Subject: Material for Housing Policy Working Group

Date: June 26, 1993

==

Enclosed is the material that I promised to supply the working group on housing assistance and economic independence. I will be pleased to provide the group additional materials as the needs arise. Included in this package is the following:

1. Background paper prepared for the welfare reform working group entitled "Background Information on Federal Low-Income Rental Housing Assistance and Family Self-Sufficiency."

2. Revised set of HHS Tables on "making work pay" which add housing assistance to the pre-work transfer resource base of the dependent family.

3. Graph of shortage/surplus of affordable rental housing units compared to renters by income as % of local median income

4. Data on the characteristics of recipients of Federal low-income housing assistance, and those in need.

5. Background on HUD's proposed Moving to Opportunity Demonstration.

6. Limited data on state and local expenditures for low-income housing assistance.

7. HUD estimates of "worst case' housing needs.

8. Overview of HUD's Family Self-Sufficiency program.

9. An article that specifically deals with the high transaction costs of using the low-income housing tax credit entitled "The Excessive Costs of Creative Finance: Growing

Inefficiencies in the Production of Low-Income Housing," by Michael A. Stegman.

10. Chapter 2 from a recently published monograph on affordable housing by Mark White, entitled: Affirmative Measures: Using Land-Use Controls to Provide Affordable Housing." This chapter deals with Mount Laurel and other type of state/local incentives to include affordable housing in market rate developments.

BACKGROUND INFORMATION ON FEDERAL LOW-INCOME RENTAL HOUSING ASSISTANCE & FAMILY SELF-SUFFICIENCY INITIATIVES

prepared for the Welfare Reform Working Group

by

Office of Policy Development and Research,
The Department of Housing and Urban Development

May 28, 1993

Background information on low-income rental housing assistance, as it relates to the mandate of the Working Group on Welfare Reform, Family Support and Independence

1. Forms of Rental Housing Assistance

HUD has three basic types of programs to assist low-income households to obtain decent, safe, and sanitary housing: public housing, Section 8 tenant-based assistance, and Section 8 project-based assistance.

Public housing consists of projects owned and usually managed by local government public housing agencies (PHAs). Units in these projects are generally rented to families with Federal preferences (rents greater than 50 percent of income, involuntarily displaced, severely inadequate unit). Tenant contributions to rent are set at 30 percent of countable income. HUD guarantees to pay the PHA the difference between a formula-based assessment of its cost requirements and its rental income. 1.3 million households live in public housing.

Section 8 tenant-based assistance (certificates and vouchers) subsidizes the rents of low income families who live in privately owned units, with preferential targeting to Federal preference holders. The housing may be multifamily, single family, or mobile home. A family may choose to rent "in place" (where they live already) or move to another unit, but the unit must pass annual inspections against minimum housing quality standards. HUD sets a Fair Market Rent (FMR) for the area from data on recent moves by renters. Owners of units renting to voucher holders receive the difference between the FMR and 30 percent of the household's countable income from the PHA. Owners of units renting to certificate holders usually may not charge more than the FMR; they receive in subsidy the difference between actual rent and 30 percent of household countable income. About 1.1 million households benefit from tenant-based assistance.

About 1.7 million households live in privately owned multifamily housing whose owners receive Section 8 and other project-based assistance. These projects were built over several decades with various forms of Federal incentives. HUD negotiated the reservation of certain units for low-income households within each of these projects, either prior to construction or after the project became financially or physically troubled. The owner's subsidy is the difference between a HUD-determined rent (not necessarily the FMR) and 30 percent of household income.

These programs are not entitlements. If more low-income households seek assistance than there are units available, assistance is allocated by length of time on a waiting list, subject to Federal and local preferences. Also, in the public housing and Section 8 project-based programs, potential tenants are subject to the screening procedure of the PHA or private owner. In the Section 8 tenant-based program the tenant must find an adequate unit whose owner agrees to rent to that tenant.

Since 30 percent of income goes for rent, a 30 percent tax is in place on any increase in earnings.

2. Characteristics of Non-Elderly Assisted Households, 1989

Source: Characteristics of HUD-Assisted Renters and Their Units in 1989 (Based on American Housing Survey of 1989 and Follow-On Study)

Incomes

The median reported income of public housing resident households in 1989 was $6,571; the number would be slightly lower if elderly households were excluded. Median reported income of voucher/certificate households was $7,060 (which would be slightly higher without the elderly). Median reported income of households receiving Section 8 project-based assistance was $8,074, which again would be slightly higher with the elderly excluded.

Percentages of non-elderly households reporting below-poverty incomes were as follows:

Incomes as % of poverty line	Public housing	Section 8 tenant-based	Section 8 project-based
Below 50	27.5%	30.3%	19.2%
50-99	37.5	36.2	28.4

Income Source:

Wages constituted the majority of reported income for 35.1% of non-elderly public housing residents, 43 percent of Section 8 tenant-based households, and 58.7% of Section 8 project-based households.

Means-tested transfers are an important source of income for assisted households. 58.4% of non-elderly public housing households reported receipt of AFDC or SSI in the past 12 months. The corresponding figures for Section 8 tenant based and project-based households are 54.9% and 28.9%, respectively.

Food stamp receipt was reported by 61% of non-elderly public housing households, 63.1% of non-elderly Section 8 tenant-based households, and 36.3% of non-elderly Section 8 project-based households.

As with all self-reported income figures, these should be used with caution. For the nation as a whole, only about two-thirds of those who would be expected to report AFDC receipt in the past 12 months actually report it to the AHS interviewers.

Education

Percentages of non-elderly household heads completing given levels of schooling are shown in the table below, by form of housing assistance. Columns may not add to 100 percent because of rounding.

Years completed	Public housing	Section 8 tenant-based	Section 8 project-based
8 or less	18.4%	11.7%	6.8%
9-11	28.5	25.1	20.6
12	32.7	43.0	45.0
Beyond High School	20.4	20.5	27.6

Assets

Of non-elderly public housing residents, 83.8 percent report no savings or investments. The corresponding figures are 81.9 percent and 66.5 percent for Section 8 tenant-based and project-based assisted non-elderly households, respectively.

3. Characteristics of Public Housing Residents, 1992

Total households 1.3 million, of whom:

452,000	elderly
416,000	single parent with child(ren)
150,000	two or more adults w/child(ren)
140,000	handicapped/disabled
70,000	two or more adults w/o children
74,000	other

Of households with children:

	single parent	2+ adults
Female head	97%	58%
Number in household	3.3	4.7
Black	65%	42%
Hispanic	13%	28%
Non-hispanic white	20%	24%
Age of head	32	38
Welfare[*] major source of income	59%	33%
Wages major source of income	26%	49%
Avg. income	$6146	$8740

Source: Multifamily Tenant Characteristics System, November 1992

[*] In principle this could be either AFDC or SSI, but for the great majority it will be AFDC.

4. AFDC Families by Type of Shelter Arrangement, FY 1989

Total: 3.8 million

In public housing: 9.6% (365,000)
HUD or other rent subsidy: 13.9% (528,000)
Owner-occupied: 4.7%
Unsubsidized private rental: 62.9%
Group Quarters: 1.6%
Rents Free: 6.5%
Unknown: 0.7%

Source: Characteristics and Financial Circumstances of AFDC Recipients, FY 1989, Department of Health and Human Services, Family Support Administration, Office of Family Assistance

Note: This is the most official tabulation of the overlap between housing assistance and AFDC, but the proportion of AFDC recipients receiving housing assistance is probably higher than stated. State Quality Control program officials probably rely on self-report by recipients for this item, and the Section 8 programs are not accurately reported in surveys. HUD does not have an administrative source of data on the AFDC/Section 8 overlap in place.

5. Housing Problems of Very-Low-Income Renters with Children

Absolute numbers are in thousands of households; Columns (3) through (6) sum to column (2), except for rounding

(1) Category	(2) Total	(3) Having Worst-Case Needs[1]	(4) Other Housing Problems[3]	(5) No Housing Problems	(6) Assisted
Total	5,867	2,117	1,531	530	1,688
Percent	100.0	36.1	26.1	9.0	28.8
Female Head, No Spouse	3,626	1,380	651	223	1,371
Percent	100.0	38.1	18.0	6.2	37.8
Receive Welfare Income[2]	2,388	908	352	112	1,016
Percent	100.0	38.0	14.7	4.7	42.5
Three or More Children	1,842	635	573	107	528
Percent	100.0	34.5	31.1	5.8	28.6

[1] Very low-income renters have worst-case needs if they receive no housing assistance and have: (1) excess rent burden (greater than 50 percent of income) or (2) a severely inadequate unit. The great majority of households in this category have only excess rent burden.

[2] Usually AFDC, although the question includes SSI. Welfare income is under-reported.

[3] Very low-income renters have other housing problems if they receive no housing assistance and have: (1) rent burden between 30 and 50 percent of income; (2) a moderately inadequate unit; or (3) crowded quarters (more than one person per room).

Source: American Housing Survey 1989.

6. Estimated Impact of Housing Assistance on AFDC Households

Source: Regressions from 1989 American Housing Survey and Follow-On Study conducted by Sandra Newman and Ann Schnare, unpublished paper, 1993

Dependent Variable	Public Housing	Section 8 Tenant-Based	Section 8 Project-Based
Physical Defects	-41%*	-44%*	-43%*
Housing Cost to Income Ratio	-53%*	-45%*	-34%*
Persons per Room	-12%*	-10%*	-15%*
Subjective Neighborhood Satisfaction (Scale of 1-10)	-16%*	+ 3%	- 8%
Crime Problem	+21%*	+12%	+ 2%

*Significant at the .01 level.

- The basis for comparison in the table above is an otherwise similar household receiving welfare but not housing assistance.

- Thus, controlling for other factors, a welfare household will live in a structure with 41 percent fewer physical defects if admitted to public housing than if receiving no housing assistance. The family will have a rent burden 53 percent lower, and will have 12 percent less persons per room, but will have 16 percent less "satisfaction" with the neighborhood and will be 21 percent more likely to complain of a crime problem in the neighborhood, than if it did not live in public housing.

7. Section 8 Subsidies at Different Income Levels in Four Cities, 1992

	Columbus, OH.	Kansas City, MO.	Seattle, WA.	Denver, CO.
Annual Fair Market Rent (2 Bdrm.,includes utilities)	$5,472	$5,412	$6,492	$6,072
AFDC Maximum Grant (3 persons), annual	$4,008	$3,594	$6,372	$4,272
Amount of Section 8 to Maximum Grant recipient	$4,270	$4,334	$4,460	$4,790
Amount of Section 8 at $8,000 income	$3,072	$3,012	$4,092	$3,672
Amount of Section 8 subsidy at $11,570 income (poverty line for 3 persons)	$2,001	$1,941	$3,021	$2,601
Amount of Section 8 subsidy at $16,000	$672	$612	$1,692	$1,272
50% of Area Median Income (Defines Very Low Income)	$17,450	$19,200	$19,750	$19,450
Phase-out level for Section 8	$18,240	$18,040	$21,640	$20,240

Source: Mark Shroder and Jill Khadduri, unpublished, 1992.

8. Programs Linking Housing Assistance with Family Independence

The two most complex programs linking housing assistance with the economic progress of the household are Family Self-Sufficiency (FSS) and Family Investment Centers (FIC). They are described further in the side-by-side table on page 12. Other related programs are:

Public Housing Early Childhood Development Grants, a competitive program funded for $5 million in FY 1993. It provides funds for child care and child development services in selected public housing projects. It was first enacted in 1983.

Family Unification, a set-aside of Section 8 tenant-based assistance awarded competitively. Child welfare agencies and PHAs in selected cities must use the assistance to help families avoid the need for foster care placement of children. It was first enacted in 1990, and is funded for FY 1993 at $75 million. The first awards were made last year.

Section 8 Home Ownership was first enacted in 1992, and does not require an appropriation. The use of Section 8 funds to subsidize mortgage payments on a unit owned by the assisted family, rather than by a landlord, is permitted under this program. The PHA may make this option available to FSS participants at its discretion, and must make it available to families receiving Section 8 who have earnings at least two times greater than the Fair Market Rent. The option will be most useful to families in rural areas and very depressed urban communities. The regulations for the home ownership option are being drafted.

Step-Up is an administrative mechanism for expedited approval of pre-apprenticeship programs for young adults employed by PHAs. These programs otherwise encounter Fair Labor Standards difficulties. The first Step-Up program, in Chicago, began in 1992. No legislative authorization or appropriation is required.

Public Housing Comprehensive Transition Demonstration, the Charlotte Demonstration, was authorized in 1988. It eliminates the marginal taxes in the AFDC, Food Stamp, and public housing programs for the residents of selected public housing projects. The residents must in turn comply with a self-sufficiency contract which is embedded in the lease, so that violation of the contract is grounds for eviction. The demonstration is ongoing. Implementation to scale would require an appropriation, but for the limited scale of this demonstration, one project in Charlotte, N.C., no appropriation has been required.

9. Family Self-Sufficiency and Family Investment Centers: A Side-by-Side Comparison

Program Feature	FSS	FIC
Program Enacted	1990	1990
Program Operator	PHA	PHA
Program voluntary	No for PHA Minimum program size is the number of new units of Section 8 & public housing development	Yes for PHA
	Yes for residents	Yes for residents
Program participants	Public housing residents and Sec. 8 participants	Public housing residents
Contract of Participation	Yes, an individualized agreement is signed with each head of family, specifying family obligations and services the FSS program will provide	No
Program Coordinating Committee	Yes, representatives from public and private organizations in the community with access to resources needed by the program help design and implement the FSS program	No
Action plan	Yes	No

Rent protection	Yes, while in program increases in earned income do not increase rent until adjusted income equals 50 percent of median; any amounts that would have gone to increased rent are deposited in an escrow account. Between 50 and 80 percent of median, the amount deposited in escrow does not increase as income goes up. At 80 percent of median, the protection is ended	Yes, while in program and for up to 18 months after ending program and entering first job earnings and benefits can't be included in income for rent calculation purposes
Escrow account	Yes	No
Funding provided	Operating costs: Additional operating subsidy to cover cost of program operation may be paid for public housing FSS programs; Sec. 8 programs must pay cost out of Section 8 fee. Operating subsidy can be paid for a unit used as an FSS site	Operating costs: Can pay for cost of service coordinator Facility renovation: Can pay for renovation, etc. of existing units, common space, or facilities near public housing property to accomodate provision of services Service costs: can pay up to 15 percent of cost of services if funds aren't available elsewhere
Comprehensive program	Yes, individually tailored to each family	Not required

FY 1993 Appropriation	Not required	$25 million

HHS Original Table 1 "Welfare Without Work (President's Budget)"

	Alabama	Pennsylvania	California
AFDC	$1,968	$4,836	$7,488
Food Stamps	3,395	2,534	1,739
Total	5,363	7,370	9,227

Counterpart to Table 1 -- Household Receives Section 8 Tenant-Based Assistance

	Alabama	Pennsylvania	California
AFDC	$1,968	$4,836	$7,488
Food Stamps	3,395	2,534	1,739
Housing*	4,834	6,445	7,990
Total	10,197	13,815	17,217

*Section 8 assistance varies by housing market and by type of unit. The figure given is for a two-bedroom unit in the largest city in the state. The value of project-based assistance, where the family does not choose the unit, would be less.

HHS Original Table IIIA "Full-time Work with Welfare (President's Budget)"
(No Child Care Expenses)

	Alabama	Pennsylvania	California
Earnings	$8,500	$8,500	$8,500
Taxes	(845)	(650)	(650)
Work Expenses	(1,080)	(1,080)	(1,080)
EITC	3,282	3,282	3,282
AFDC	0	0	1,016
Food Stamps	1,945	1,945	1,640
Total	11,802	11,997	12,709

Counterpart to Table IIIA
Household Receives Section 8 Tenant-Based Assistance

	Alabama	Pennsylvania	California
Earnings	$8,500	$8,500	$8,500
Taxes	(845)	(650)	(650)
Work Expenses	(1,080)	(1,080)	(1,080)
EITC	3,282	3,282	3,282
AFDC	0	0	1,016
Food Stamps	1,945	1,945	1,640
Housing*	2,874.00	5,346.00	7,381
Total	14,676.00	17,343.00	20,089

(Continued)

HHS Original Table IIIa Continued
Full-Time Work (With Child Care Expenses)

Child Care	(2,089)	(2,089)	(2,089)
Total	10,340	10,535	10,620

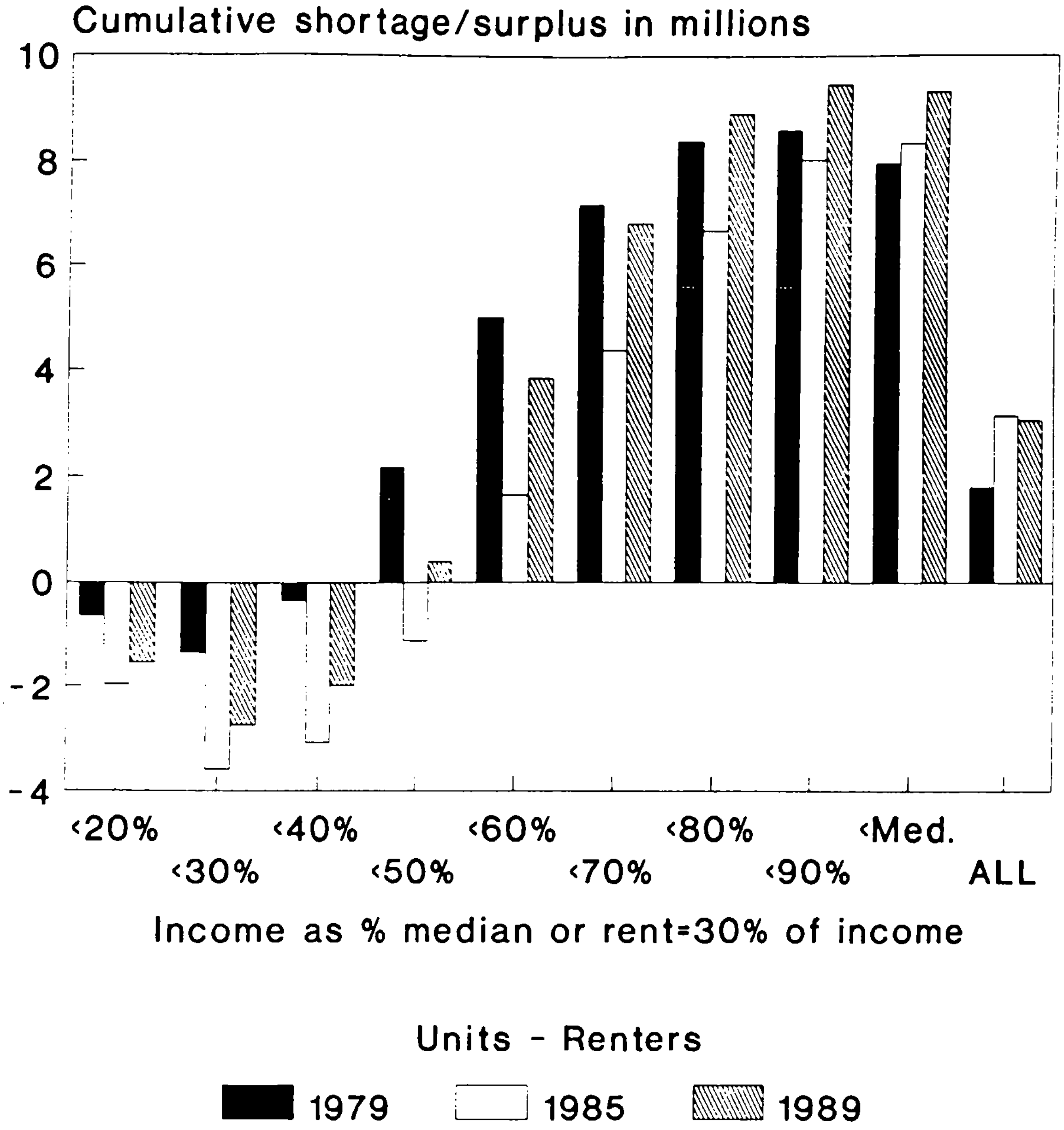
Counterpart to Table IIIa Continued
With Child Care Expenses and Section 8 Tenant-Based Assistance

Child Care	(2,089)	(2,089)	(2,089)
Housing[*]	3,501	5,973	8,008
Total	13,214	15,881	18,627

[*] Section 8 assumptions the same as in counterpart to Table 1.
HUD treats out of pocket child care expenses as reductions in countable income.

H

SHORTAGE/SURPLUS OF AFFORDABLE RENTAL UNITS COMPARED TO RENTERS BY INCOME AS % OF LOCAL MEDIAN INCOME, 1979, 1985, 1989



Specified rental units or renters,
excluding No cash rent
SOURCE: Annual/American Housing Surveys

8.

Family Self-Sufficiency

Program description. Family Self-Sufficiency (FSS) was authorized by the National Affordable Housing Act of 1990. It is operated by Public Housing Agencies (PHAs). PHAs receiving new increments of Section 8 funding or public housing development funding are, in general, obliged to set up an FSS program. The minimum number of families to be enrolled in this program is, in general, equal to the number of incremental Section 8 and/or public housing development units received from FY 1992 appropriations forward, plus units received under special competitive awards from FY 1991 appropriations. The participants in FSS are families receiving housing assistance, but FSS participation is not mandatory for assisted families, and, under the amendments of the Housing and Community Development Act of 1992, housing assistance may not be delayed to any family because of refusal to participate in FSS.

In FSS, a contract of participation is signed between the PHA and the assisted family. The contract specifies the obligations that the family will perform in order to become self-sufficient and milestones of progress in that process. It also specifies the services that the PHA will obtain in the community to help the family become self-sufficient. Such services might include child care, job training, education, parenting or financial management classes, substance abuse counseling, and transportation. To facilitate obtaining these services, the PHA is obligated to set up a Program Coordinating Committee of local service providers and other public and private organizations. The initial contract length must not be more than 5 years, but contracts may be renegotiated at the discretion of the PHA and the family.

In assisted housing generally, the tenant contribution to rent is set at 30 percent of adjusted income. Once enrolled in FSS, however, any *increases* in the tenant contribution (because of increases in family income) are deposited in an escrow account so long as family income remains below 50 percent of area median income. (Above 50 percent of area median income, the escrow deposit is frozen at the level obtained at 50 percent of area median income.) Under the program as originally designed, the escrow payment would be returned to the family when all forms of housing assistance ended, and would be forfeited if the family failed to leave housing assistance within ten years of enrollment or if found noncompliant with the terms of the contract. Under amendments in the Housing and Community Development Act of 1992, the escrow must also be released to the family upon leaving the Aid to Families with Dependent Children program; upon completion of contract milestones, the PHA may also release escrow funds to the family to use for an FSS-related purpose, or as partial down payment on a home under the Section 8 homeownership program also authorized in the 1992 Act.

The FSS program requires the services of a case manager (service coordinator) for the participant families. It may also entail other costs, if PHAs cannot obtain necessary services from other agencies without cost. Additional operating subsidy to cover the cost of program operation may be paid for public housing FSS programs. Operating subsidy may also be paid for a public housing unit used as an FSS site. Section 8 FSS program costs must be paid out of the Section 8 administrative fee; no increase in this fee for FSS participants is authorized.

Program Status. Many PHAs have begun to enroll families in FSS. In addition, HUD has encouraged those PHAs who operating programs under the precursors to FSS (Project Self-Sufficiency, Operation Bootstrap) to convert their program to the FSS model.

HUD will be monitoring the FSS program through the Multifamily Tenant Characteristics System (MTCS), the national database which presently has admission and/or annual recertification records for most public housing residents and will be expanding to tenant-based Section 8 assistance recipients as well. PHAs will be required to fill out an addendum to the admission/recertification form for FSS participants. HUD submitted the MTCS addendum for OMB approval on May 26th. A copy is attached.

Family Self-Sufficiency Addendum

to form HUD-50058

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No 2577-XXXX (exp X/

Head of Household's Last Name:

First Name:

Date of Birth (mm/dd/yy)

Social Security Number

Effective Date of Action (mm/dd/yy

DRAFT

Section I. FSS Report Category (check one)

☐ FSS Enrollment Report
☐ FSS Progress Report
☐ FSS Exit Report

Section II. Family Information

1. Answer this question only if this is an FSS Enrollment Report.
Did the Family receive an FSS selection preference because of related service program participation?
☐ Yes If "Yes," which program? → ☐ JOBS ☐ JTPA ☐ Other
☐ No

2. Current Employment Status of Head of Household:
☐ Employed: ☐ Full Time (35 hours per week or more)
☐ Part-time (less than 35 hours per week)
Check the box if the head of household is employed at the time this FSS Addendum is being completed. Otherwise leave blank.

3. Years of School Completed by the Head of Household (0-16):
☐ Years of School Completed by Head of Household. Enter the highest grade of education or years of formal schooling the head of household completed.

4. Does the Family Receive:
Food Stamps? ☐ Yes ☐ No
Medicaid? ☐ Yes ☐ No
(Note that a household that no longer receives welfare such as AFDC or SSI may receive Medicaid coverage for one year.)

5. Is the Family currently receiving services from:
JOBS? ☐ Yes ☐ No
JTPA? ☐ Yes ☐ No
JOBS and JTPA are defined under the instructions for Section II, line 1, above.

Section III. FSS Services

1. Initial Start & End Dates of Contract of Participation: (mm/yyyy)
☐ to ☐

2. Contract Date Extended to: (mm/yyyy)
☐ (If applicable)

3. No. of Family Members with Individual Training & Services Plan
☐ Adult family members, including the head of household, with Individual Training and Services Plans included as exhibits to the FSS Contract of Participation. This is the maximum number that may be entered in any box of the family services table in Section III, line 4. (with the exception of Child Care).

4. Family Services Table: Enter the number of adult participating family members in the appropriate columns
(a) Enter the number of family members with an Individual Training & Services Plan who *need* the service;
(b) Enter the number of family members with an Individual Training & Services Plan who *received* the service since the last report;
(c) Enter the number of family members with an Individual Training & Services Plan who have successfully *completed* education/training

	Number of Household FSS Participan		
Services	(a) Contract Identified Service Needs	(b) Service Provided Since Last Report	(c) Education Training Completed
Education/Training			
Remedial			
High School/GED			
Post Secondary			
Vocational/Job Training			
Job Search/Job Placement			
Transportation			
Health Services			
Counseling			
Alcohol/Substance Abuse			
Personal and Parenting Skills			
Household Mgmt. & Budget Skills			
Homeownership Counseling			
Child Care (Record number of children)			

Section IV. FSS Account Information

1. Current FSS Account Monthly Credit $
2. Current FSS Account Balance $
3. FSS Account Amount Disbursed to the Family $

Section V. Exit Information (Complete only for FSS Exit Report)

Reason for Exit:
☐ Completed Contract of Participation
☐ Left the HA's FSS Program without Completion
  ☐ Left Voluntarily
  ☐ Asked to Leave Program
  ☐ Left because Essential Service was Unavailable
  ☐ Contract Expired but Family did not Fulfill Obligations

5a **Question:** What are housing program recipient characteristics and housing needs?

Although HUD's sources of program data on assisted households are being improved, the only consistent data comparing residents of public housing and privately-owned subsidized projects as well as recipients of tenant-based certificates and vouchers comes from the American Housing Survey. The attached table recasts material from Characteristics of HUD-Assisted Renters and Their Units in 1989.[3] For a variety of tenant characteristics, it shows the shares of renters who have very low-incomes and thus have prime income-eligibility for HUD assistance, and the proportion of income-eligible renters who receive assistance. Briefly:

- Blacks are more likely than other groups to be income-eligible and, when eligible, to receive assistance.
- Close to 90% of households headed by elderly females are income-eligible, and those income-eligible are more likely to receive housing assistance than any other type of household.
- One-person and 6+ person households are most likely to be eligible; large households are least likely to be assisted.
- Three-quarters of households with children and one adult are income-eligible and one quarter receive assistance.
- Eligible unassisted renters are very likely to have excessive rent burdens. Almost four-fifths pay more than 30% of income for rent and utilities. Their median rent/income ratio is 46%, double that of renters who are not income-eligible (i.e. those with incomes above 50% of median).
- Seven percent of eligible unassisted renters live in housing with severe physical problems and 11 percent have moderate problems. Seven percent of these households are crowded.
- Forty percent of assisted households receive some income from wages and salaries, and almost 30% receive most income from this source. Essentially all of those reporting welfare income or food stamps are income-eligible, and three-eighths are in assisted housing.
- Eligible households are most likely to be assisted in the Northeast (36%) and least likely in the West (22%). In all regions except the Midwest, eligible households in the suburbs are least likely to receive housing assistance.

Further detail on program differences in tenant characteristics is attached. Public housing and private projects tend to have older households, public housing and certificates/vouchers poorer ones.

---

[3] Connie H. Casey, 1992, HUD-1346-PDR.

Household Characteristics of Renters, 1989, and percent assisted or income-eligible*

	Total Assisted Renters		Total Income-Eligible Renters		Percent of Income-Eligible Assisted	Total Renter Households		Percent of Renters Income-Eligible
	Number	Percent	Number	Percent		Number	Percent	
Total Households	4070	100	13808	100	29%	33767	100	41%
Race and Origin								
White	2254	56	9267	67	25%	26143	77	35%
Non-Hispanic	1891	46	7593	55	25%	22884	68	33%
Hispanic	392	10	1673	12	23%	3258	10	51%
Black	1640	40	3882	28	42%	6070	18	64%
Other	147	4	660	5	22%	1554	5	42%
Total Hispanic	442	11	1902	14	23%	3701	11	51%
Household Composition								
2 or more persons	2324	57	8163	59	28%	21947	65	37%
Married couples								
Elderly (65+)	124	3	412	3	30%	910	3	45%
Nonelderly	420	10	2242	16	19%	9625	29	23%
Other male								
Elderly (65+)	33	1	105	1	31%	173	1	61%
Nonelderly	141	3	789	6	18%	3448	10	23%
Other female								
Elderly (65+)	83	2	267	2	31%	430	1	62%
Nonelderly	1523	37	4347	31	35%	7361	22	59%
1 person	1746	43	5645	41	31%	11820	35	48%
Male								
Elderly (65+)	183	4	510	4	36%	721	2	71%
Nonelderly	239	6	1358	10	18%	4767	14	28%
Female								
Elderly (65+)	994	24	2281	17	44%	2541	8	90%
Nonelderly	330	8	1496	11	22%	3791	11	39%
Total female	2930	72	8391	61	35%	14123	42	59%
Total elderly	1417	35	3575	26	40%	4775	14	75%
Total eld. female	1077	26	2548	18	42%	2971	9	86%
Persons in Household								
1 person	1746	43	5645	41	31%	11820	35	48%
2 persons	811	20	2873	21	28%	9357	28	31%
3 persons	659	16	2106	15	31%	5314	16	40%
4-5 persons	704	17	2493	18	28%	5987	18	42%
6+ persons	150	4	692	5	22%	1289	4	54%
Median	1.9		1.9			2.0		
Persons per Room								
0.50 or less	2398	59	7785	56	31%	20128	60	39%
0.51 to 1.00	1515	37	5041	37	30%	11918	35	42%
1.01 or more	157	4	982	7	16%	1722	5	57%
Number of Children under 18								
None	2233	55	7754	56	29%	20867	62	37%
1	732	18	2120	15	35%	5394	16	39%
2	625	15	2052	15	30%	4338	13	47%
3 or 4	388	10	1618	12	24%	2814	8	57%
5 or more	92	2	265	2	35%	354	1	75%
Hshlds w/children	1837	45	6054	44	30%	12900	38	47%
w/1 adult	1017	25	2954	21	34%	4042	12	73%
As % of all hshlds	55		49			31		

Household Characteristics of Renters, 1989, and percent assisted or income-eligible*

	Total Assisted Renters		Total Income-Eligible Renters		Percent of Income-Eligible Assisted	Total Renter Households		Percent of Renters Income-Eligible
	Number	Percent	Number	Percent		Number	Percent	
Total Households	4070	100	13808	100	29%	33767	100	41%
Median Income	$7,320		$7,901			$18,192		
Median Rent	$189		$295			$418		
Rent/Income Ratio								
Less than 20%	555	14	1116	8	N.A.	7550	22	15%
20 to 24%	386	9	960	7	N.A.	4000	12	24%
25 to 29%	732	18	1525	11	N.A.	3455	10	44%
30 to 34%	592	15	1394	10	N.A.	2641	8	53%
35 to 39%	293	7	1089	8	N.A.	1736	5	63%
40% or more	835	21	5961	43	N.A.	7268	22	82%
No cash rent or negative income	168	4	278	2	N.A.	2367	7	12%
Not reported	508	12	1483	11	N.A.	4750	14	31%
Median (excl. 2 previous lines)	30		39			28		
Income Source								
Wages and salaries	1647	40	7347	53	22%	26097	77	28%
Business	71	2	339	2	21%	1913	6	18%
Soc. sec./pensions	1774	44	4651	34	38%	6601	20	70%
Interest/dividends	159	4	731	5	22%	3327	10	22%
Rental income	50	1	169	1	30%	1138	3	15%
Welfare or SSI	1552	38	4099	30	38%	4273	13	96%
Alimony/child supp	329	8	915	7	36%	1880	6	49%
Other	255	6	1079	8	24%	3189	9	34%
Food Stamps	1664	41	4619	33	36%	4706	14	98%
Region								
Northeast	1156	28	3191	23	36%	7281	22	44%
Midwest	891	22	3404	25	26%	7400	22	46%
South	1391	34	4377	32	32%	11072	33	40%
West	632	16	2837	21	22%	8014	24	35%
Metropolitan location								
Inside MSA	3432	84	11510	83	30%	28318	84	41%
Central cities	2367	58	7288	53	32%	15532	46	47%
Suburbs	1066	26	4223	31	25%	12787	38	33%
Outside MSA	638	16	2299	17	28%	5449	16	42%

SOURCE: Characteristics of HUD-Assisted Renters and Their Units in 1989
Connie Casey, 1992, HUD-1346-PDR. Derived from American Housing Survey.

*Income-eligible renters include all those assisted and unassisted renters with income below 50% of area median ("very low-income" renters)

Characteristics of HUD-Assisted Renters and Their Units in 1989

Prepared by:
Connie H. Casey
Housing and Demographic
Analysis Division
Office of Policy Development
and Research

March 1992

CHARACTERISTICS OF HUD-ASSISTED RENTERS AND THEIR UNITS IN 1989

Introduction

Policy makers, analysts, and proponents of housing assistance for low-income families need reliable information on the size, composition, and quality of the assisted housing stock and the characteristics of its occupants. To produce this information, the Department of Housing and Urban Development (HUD) undertook special research to identify assisted households who are also surveyed in the biennial American Housing Survey (AHS). This paper describes these research efforts and presents the results.

The reported data represent assisted households and units in all 50 states and the District of Columbia, but do not represent units in Puerto Rico, Guam, or the Virgin Islands. These data are the first statistically valid description of assisted households available since 1979 and the first statistically valid description of assisted units ever published. HUD plans to replicate this analysis every two years with each new AHS.

A. Organization of the Paper

This paper presents data on assisted households and units at three levels of detail.

Appendix III contains approximately 250 pages of tables produced by the Census Bureau. This is the most detailed information available from the research. A short statement at the beginning of the Appendix explains its organization.

At the end of this paper and prior to the Appendices, there are five tables, produced by HUD, which summarize the information in Appendix III in 11 pages. In addition to condensing the data, these Tables report percent distributions which are generally not found in Appendix III.

The text of the paper contains a number of short, topical tables with accompanying commentary. Its structure follows the organization of the five summary tables:

Table 1 and Section 1 summarize the characteristics of householders (i.e., heads of households).

Table 2 and Section 2 summarize the composition and financial characteristics of households.

Table 3 and Section 3 summarize the structural characteristics and location of units.

Table 4 and Section 4 summarize the condition of units.

Table 5 and Section 5 summarize tenant opinions of their units and neighborhoods.

B. Organization of the Data

Information is available for all assisted households combined and additionally for three program categories:

- conventional public housing,
- Section 8 certificate and voucher holders, and
- privately-owned assisted housing projects.

The last category includes these housing programs: rent supplement; Section 221(d)(3) Below Market Interest Rate; Section 202 elderly; Section 236; Section 8 new construction, substantial rehabilitation and moderate rehabilitation; and some other smaller programs. The essential feature of this category is that assistance is given directly to privately-owned projects containing a number of units which are subsequently rented to low-income households at subsidized rents. In public housing, assistance is also directed to projects, but the projects are owned by Public Housing Authorities or Indian Housing Authorities which are instrumentalities of local governments or Indian tribes. In the Section 8 certificate and voucher programs, assistance is given directly to the low-income household which is free to choose its own unit.

This report also presents information on three comparison groups:

- all renters,
- all income-eligible renters, and
- all unassisted, income-eligible renters.

The income-eligible renters are those households who would qualify for admission to assisted housing on the basis of their reported income. This group includes households who are living in assisted units and households who receive no housing assistance. Figure 1 shows how the various groups relate to one another. Tables 1-5 contain data on all seven groups.

Generally, it is most appropriate to compare characteristics of assisted tenants, such as their income or race, to income-eligible renters or all renters. These comparisons show how assisted households are similar to or different from those eligible for assistance or all renters. For the characteristics of assisted units, such as rent or quality, the more appropriate comparison groups are to units occupied by all income-eligible, unassisted renters and all renters. These comparisons show whether the assisted units are better than the typical unit of an income-eligible, unassisted household and how they compare to the typical rental unit.

It must be emphasized that since many of these data are based on small samples, caution should be used when the estimate for a given characteristic or the difference among programs is small. For more information on reliability, see Appendix I.

C. Source of the Data

The American Housing Survey (AHS) collects detailed information on units and their occupants every two years. Unfortunately, while this large sample contains many assisted units, it had been impossible to determine which units are assisted. HUD undertook two complementary efforts to overcome this difficulty.

To identify public housing and private assisted projects, HUD asked all public housing authorities and all private sponsors of subsidized multifamily rental projects to list the mailing addresses of all units in assisted projects under their management. The Census Bureau matched these assisted housing addresses with the approximately 17,000 renters responding to the AHS, who represent the 33,767,000 total renter households in the United States. (Each sample case represents about 2,000 renters.) Public housing units were matched separately, and all other subsidy programs were matched as a group. Of the 1.3 million public housing units reported to HUD, 221 cases were matched, so that each identified sample public housing case represents over 6,000 units. Of the 1.5 million other permanently-subsidized units reported to HUD, 298 were matched, for a representation rate of 5,500 units per sample observation.

Identification of voucher and certificate holders in the AHS was accomplished in a different manner. Field interviewers from the Census Bureau took lists of sampled AHS renter households to all identifiable local agencies who manage the certificate and voucher programs in the areas in which the AHS is conducted. The Census interviewers matched their AHS sampled renters against the local agency files of certificate and voucher holders. A total of 440 matches were identified to represent the approximately 1.1 million certificate/voucher households. Thus, each sample case represents about 2,400 units, similar to the AHS national sample rate for total renters.

At HUD's request, the Census Bureau produced data tables identical to those published for total renters in the 1989 AHS for each of the types of assisted rental units: public housing, certificate/voucher, and HUD-subsidized, privately-owned, project-based units. Additional sets of tables also were produced for households who are eligible for HUD assistance (with incomes less than 50 percent of local median income) but do not receive housing assistance from HUD, and for total renters (these tables are slightly different from the published AHS renter tables since they include some of the refinements included in the subsidized tables). These tables are included in Appendix III of this analysis.

Overview

In 1989, there were 33,767,000 renter households in the United States, of which 13,808,000, or 41 percent, had incomes low enough to be considered eligible for housing assistance under various HUD subsidy programs. Roughly 4,070,000 households were residing in HUD-assisted rental units in 1989, representing 12 percent of total renters and 29 percent of income eligible renters. Of the total assisted households, 1,360,000 lived in public housing units, 1,060,000 were receiving assistance through housing vouchers or Section 8 existing certificates, and 1,650,000 lived in private, project-based units under various other HUD subsidy programs.

The following two sections of this report discuss characteristics of householders and of households. The distinction between these two terms is that a "householder" is, generally, the person or one of the persons in whose name the house or apartment is owned or rented (prior to 1980, the concept "head of household" was used); while a "household" consists of all the persons occupying a housing unit. Thus, householder characteristics refer to a specific person, whereas household characteristics refer to the occupants as a group.

Section 1: Householder Characteristics

A. Race and Ethnicity of Householder

HUD's assisted housing programs serve Black householders at a higher rate than their share of total income-eligible households, particularly in the public housing and certificate/voucher programs; and serve White householders at a lower rate. Among all income-eligible (assisted and unassisted) renter households in 1989, about 67 percent were White, 28 percent were Black, 14 percent were Hispanic (any race), and 5 percent were of other race or ethnicity. About 40 percent of all assisted renters are Black and 56 percent are White. The proportion of Hispanic householders in assisted housing was 11 percent, while the "other" race or ethnicity households were 4 percent.

Race and Ethnicity

Race/ Ethnicity	Public Housing	Certificate/ Voucher	Private Project-Based	Total Income-Eligible Renters
White	44%	57%	66%	67%
Black	53%	40%	30%	28%
Hispanic	12%	12%	9%	14%
Other	3%	3%	4%	5%

B. Age of Householder

The median age of assisted renter householders (50 years) was considerably higher than the median age of all income-eligible renters (41 years). Both public housing and private, project-based householders had a median age of 56 years, and about 40 percent were elderly (65 or older). In contrast, the age distribution of certificate/voucher householders was similar to that of total income-eligible renters.

Age of Householder

Age of Householder	Public Housing	Certificate/ Voucher	Private Project-Based	Total Income-Eligible Renters
Under 35	21%	42%	27%	39%
35 - 64	41%	35%	33%	35%
65 or older	38%	23%	40%	26%
Median age	56	40	56	41

C. Education of Householder

Householders in public housing units had the lowest level of educational attainment in the three types of assisted housing. Fully 20 percent of public housing tenants had less than an eighth grade education, while an additional 36 percent had not completed high school. The median years completed of unassisted eligible renters was the same as all eligible renters, 12.2 years.

Education of Assisted Tenants

Education	Public Housing	Certificate/ Voucher	Private Project-Based	Total Income-Eligible Renters
Less than 8 years	20%	11%	10%	13%
Less than High School graduate	56%	42%	38%	41%
Median Years	11.4	12.2	12.3	12.2

D. Years in Unit

Renters in assisted units had lived in their present unit longer than total renters, with only 61 percent of assisted tenants having occupied their current unit for less than five years compared to 75 percent of total renters. Among assisted households, public housing tenants had the longest tenure. Certificate/voucher tenants had tenure experiences most like unassisted eligible renters.

Years in Same Unit

Years in Unit	Public Housing	Certificate/ Voucher	Private Project-Based	Unassisted Income-Eligible Renters
At least five	47%	33%	37%	29%
10 or more	27%	16%	14%	15%

Section 2: Household Characteristics

A. Household Composition

Only 13 percent of assisted households were married couple families in 1989, a smaller proportion than the 19 percent among total income-eligible renters and a much smaller proportion than the 31 percent reported among all renters. There are fewer married couples in public housing than in any other program.

One person households were most common in private, project-based, subsidized units and public housing. One person households were underrepresented among certificate/voucher tenants.

Household Composition

Composition	Public Housing	Certificate/ Voucher	Private Project-Based	Total Income-Eligible Renters
2 or more persons	53%	73%	50%	59%
Married couples	9%	16%	15%	19%
Other male	3%	3%	6%	6%
Other female	41%	53%	29%	33%
1 person	47%	27%	50%	41%
Male	13%	7%	11%	14%
Female	34%	21%	39%	27%

About 72 percent of assisted households were female-headed, a much higher proportion than among total income-eligible renters (61 percent), indicating that HUD assists a higher proportion of female-headed households than would be anticipated based on their proportion of the eligible population. The proportion of total female-headed households was similar in all programs, ranging from 68 percent of private, project-based, subsidized households to 76 percent of public housing tenants.

However, when female households are separated by household size and by elderly/non-elderly status, some important differences emerge among programs. Female-headed households with two or more persons were most common in certificate/voucher units, occupying 53 percent of these units, a much higher proportion than in either of the other programs or among total income-eligible renters. By contrast, single women comprise a larger share of residents in public housing and private, project-based units than of the total, income-eligible population; they receive a disproportionately small share of vouchers and certificates.

The program participation rates of single women are strongly influenced by the elderly (65 years or older), who accounted for about three-quarters of all assisted, one person, female-headed households. About 30 percent of private, project-based, subsidized units and 25 percent of public housing units were occupied by single, elderly females, much higher proportions than among the other groups analyzed.

Female-Headed Households

Female-headed Households	Public Housing	Certificate/ Voucher	Private Project-Based	Total Income-Eligible Renters
One person	34%	21%	39%	27%
Two or more persons	41%	53%	29%	33%
Elderly	29%	16%	31%	18%

Thus, the composition of the relatively high proportion of female-headed households varies by program, with two or more person, female-headed households predominant in the certificate/voucher program, and one person, female-headed households prevalent in private, project-based, subsidized units and public housing. Elderly, female-headed households (most of whom are one-person households) also reside primarily in the two project-based programs.

Elderly-headed households, regardless of size of household or sex of head, comprised 40 percent of private, project-based, subsidized tenants and 38 percent of public housing occupants, compared to 23 percent of certificate/voucher households, 26 percent of total, income-eligible households and 14 percent of all renters.

B. Number of Children under 18 Years

Only 39 percent of certificate/voucher tenants had no children under 18, compared to 56 to 62 percent of all the other groups analyzed. Similarly, large families are more common among certificate/voucher recipients than in the other programs or total, income-eligible renters.

About 64 percent of the households with children in certificate/voucher units had only one adult, the highest rate of single parent/guardian households of the groups analyzed.

Households with Children

Composition	Public Housing	Certificate/ Voucher	Private Project-Based	Total Income-Eligible Renters
1 or 2 children	29%	43%	31%	30%
3 or more children	13%	18%	6%	14%
Single parent/ guardian	55%	64%	46%	49%

C. Number of Persons and Persons per Room

Tenants in certificate/voucher units have substantially larger households as measured by median household size than total income-eligible renters, while public housing and private, project-based, subsidized households are smaller. Smaller medians in public housing and private, project-based, subsidized units reflect the high proportion of one person households discussed earlier. There are about the same proportion of large households in public housing, the certificate/voucher program, and the income-eligible population, and disproportionately few in private, project-based units.

Household Size

	Public Housing	Certificate/ Voucher	Private Project-Based	Total Income-Eligible Renters
One person	47%	27%	50%	41%
2 - 4 persons	41%	59%	45%	47%
5 or more persons	12%	14%	5%	12%
Median persons	1.7	2.3	1.5	1.9
Overcrowded	5%	6%	2%	7%

Overcrowding, measured at 1.01 or more persons per room, occurred least frequently among the private, project-based subsidized units at 2 percent. The most overcrowding occurred in the certificate/voucher program at 5 percent, a proportion not statistically different from the 6 percent of unassisted, eligible renters.

D. Presence of Other Persons

About 25 percent of public housing tenants had relatives other than their spouse or children residing with them, as did 19 percent of certificate/voucher tenants, 16 percent of private, project-based, subsidized tenants, and 17 percent of total, income-eligible renters.

Few households in any of the assisted programs had non-relatives residing with them.

E. Household Income

Median household income was lowest among public housing tenants at $6,571. In contrast, the median incomes for the other groups were $7,060 for certificate/voucher tenants, $8,074 for private, project-based, subsidized tenants, $8,145 for income-eligible, unassisted renters, and $18,192 for total renters.

Only 35 percent of public housing tenants reported income received from wages and salaries, compared to 43 percent of both certificate/voucher households and private, project-based, subsidized tenants. The proportions in all three program types are substantially lower than the 59 percent of income-eligible, unassisted tenants and the 77 percent of total renter households who receive wage and salary income. The lower proportions of assisted tenants receiving income from employment is partially attributable to the high proportions of elderly households and female-headed, one adult households with children.

Almost half of public housing and private, project-based, subsidized tenants received income from Social Security or pensions, reflecting the high concentration of elderly households in these programs. Only 32, 30 and 20 percent of certificate/voucher, income-eligible, unassisted and total renter households, respectively, received Social Security or pension income.

Public housing and certificate/voucher households are much more likely to receive welfare and Food Stamps than private, project-based households and unassisted, income-eligible households.

% < 50% pov 22% 27% 14% 18%
% > 150% pov 14% 14% 29% 14%

Primary Income Sources and Median Income

Income Source	Public Housing	Certificate/ Voucher	Private Project-Based	Unassisted Income-Eligible Renters
Wages/salaries	35%	43%	43%	59%
Social Security/ Pensions	47%	32%	49%	30%
Welfare/SSI	45%	51%	24%	26%
Food Stamps	49%	56%	25%	30%
Median Income	$6,571	$7,060	$8,074	$8,145

F. Rent

Median rents followed roughly the same pattern as median incomes, with the lowest median of $168 for public housing tenants, $185 for certificate/voucher tenants, $224 for private, project-based, subsidized tenants, and $418 for total renters. Not unexpectedly, income-eligible, unassisted renters paid substantially more rent, $334, than any of the assisted renters.

G. Rent to Income Ratios

The median rent/income ratio was 30 percent for the public housing and private, project-based, subsidized tenants, 32 percent for the certificate/voucher tenants, and 28 percent for total renters. The income-eligible, unassisted renters fared much worse, with a median rent/income ratio of 46 percent. The median rent/income ratios exclude households who pay no cash rent or report negative incomes.

The distributions of median rent/income ratios for public housing and private, project-based, subsidized households were more dispersed than expected, given the program requirements in these two programs that tenants pay 30 percent of their adjusted incomes for housing. According to the AHS data, 18 percent of public housing tenants and 20 percent of private, project-based, subsidized tenants paid 40 percent or more of their income for rent. At the other end of the rent/income ratio distribution, a considerable proportion of tenants in all three types of assisted housing paid less than 20 percent of their income for housing.

The median rent/income distributions among certificate/voucher holders was not expected to be 30 percent, since tenants in the voucher program can elect to pay more or less than 30 percent of their income for rent; that is, the subsidy payment is fixed but the proportion of income paid is flexible and depends on the unit selected by the tenant. However, the observed number of households with low and high rent/income ratios in the certificate/voucher group was greater than contemplated.

Rent/Income Ratios of Assisted Tenants

Rent/Income Ratio	Public Housing	Certificate/ Voucher	Private Project-Based
Less than 20%	12%	13%	15%
40% or more	18%	25%	20%
Median	30%	32%	30%

Multiple efforts were made by HUD and the Census Bureau to explain why there was such high dispersion in the rent/income ratios reported. Possible problems with data collection and tabulation were investigated and corrected when necessary, including:

- the Census Bureau's practice of allocating missing data (when no rent or income data are reported for a specific respondent, the computer writes in data from a previous household with similar other characteristics);
- address verification to make sure correct matches had been identified in cases reporting high rent/income ratios; and,
- the incorrect tabulation of total housing costs (including such things as trash collection and property insurance) rather than gross rent.

Two other possible explanations were also explored: inadequate utility allowances for assisted tenants resulting in higher than intended gross rents and rent/income ratios; and, the requirements of some states that welfare recipients pay as rent the greater of either 30% of adjusted income or the entire shelter component of the welfare payment. A detailed discussion of all of these investigations is included in Appendix II.

After investigation of the above possibilities and adjustments to the data where appropriate, much of the enigma remains, leading to the conclusion that the basic problem appears to be response error in the survey. With regard to the high rent/income ratios, there is some reason to believe that lower incomes and higher gross rents are being reported in the AHS.

This conclusion has been corroborated both by comparing AHS data with data from other national surveys and from income data collected directly from public housing authorities on about half of the certificate/voucher cases (see Appendix II).

A contributing factor to response error in rents is the standard survey practice to collect information on total market rents for units. In some cases, parents, children, or others regularly pay portions of the monthly rent, so the tenant is asked for the amount of rent paid by all sources. Among tenants who report they occupy public housing or have a portion of their rent paid by Federal, State, or local government, a follow-up question asks how much of the reported rent this household is required to pay. Two problems may occur here: some tenants erroneously report that no subsidy is received and so are not asked the follow-up question; and, some tenants do not respond to the follow-up question so that tabulation of data reflects the total rent reported (including the subsidy amount).

Since there is no way to satisfactorily adjust the data for all of the possible problems, the distributions must be used with caution and with full awareness of their limitations and biases. The median rent/income ratios, however, seem reasonable, and the problems with some of the reported rents and incomes in the AHS are not felt to affect or compromise other AHS data reported in this analysis.

Section 3: Structural Characteristics

A. Units in Structure

There are significant differences in the type of housing between the certificate/voucher program and the project-based programs (both public housing and privately-owned projects). Certificate/voucher holders more often live in single-family detached houses, while project residents more often live in large buildings with 50 or more units. In general, the distribution of certificate/voucher tenants by type of units is similar to the distribution of income-eligible, unassisted renters and total renters.

Structure Type of Assisted Units

Structure Type	Public Housing	Certificate/ Voucher	Private Project-Based	Unassisted Income-Eligible Renters
Single-family	18%	32%	9%	29%
Detached	4%	22%	2%	23%
Attached	14%	10%	7%	6%
2 to 9 units	30%	40%	31%	41%
10 to 49 units	20%	16%	29%	18%
50 units or more	33%	10%	31%	8%

B. Year Structure Built

Units occupied by private, project-based, subsidized tenants were newer than any of the other types of rental units, with 24 percent built since 1980 and 71 percent built since 1970. In contrast, only about 40 percent of public housing and certificate/voucher units were constructed since 1970. Income-eligible, unassisted renters occupied the oldest units, with over 30 percent built before 1940.

Age of Assisted Housing Units

Year Built	Public Housing	Certificate/ Voucher	Private Project-Based	Unassisted Income-Eligible Renters
Pre-1940	7%	22%	8%	31%
1980 or later	3%	15%	24%	10%

C. Regional and Metropolitan Location

Assisted housing serves a larger proportion of eligible renters in the Northeast (36%) than any other region. The proportions in the other regions are South, 32%, Midwest, 26%, and West, 22%.

The distribution of assistance by program varies markedly among the regions. The Northeast census region contained a much higher proportion of public housing tenants than would appear to be indicated by its share of total income-eligible renters (assisted and unassisted), 40 percent vs. 23 percent. The West, on the other hand, contained only 7 percent of the Nation's public housing, although 21 percent of total income-eligible renters resided there. Certificate/voucher units were somewhat more concentrated in the South, at 37 percent, than were income-eligible renters (32 percent), while the Northeast had a less than proportional share of these units. Of the three program types, private, project-based, subsidized units were distributed most similarly to total, income-eligible renters.

Regional Location

Region	Public Housing	Certificate/ Voucher	Private Project-Based	Total Income-Eligible Renters
Northeast	40%	18%	25%	23%
Midwest	19%	22%	24%	25%
South	34%	37%	32%	32%
West	7%	22%	18%	21%

Public housing units were also more heavily concentrated in central cities and less often in suburbs, compared to the total population of income-eligible renters. Otherwise, the geographic distribution of units occupied by assisted households between central cities, suburbs and nonmetropolitan areas is about the same as the distribution of units occupied by income-eligible, unassisted renters.

Metropolitan Location

Metropolitan Location	Public Housing	Certificate/ Voucher	Private Project-Based	Total Income-Eligible Renters
Inside MSA	83%	81%	87%	83%
Central cities	69%	50%	55%	53%
Suburbs	14%	32%	33%	31%
Outside MSA	17%	19%	13%	17%

Of total, income-eligible renters in each location type, 32 percent lived in assisted housing in central cities, 25 percent in suburbs, and 28 percent in nonmetropolitan areas. Additional nonmetropolitan renters also receive various forms of Federal housing assistance from the Farmer's Home Administration, which are not included in this analysis.

D. Bedrooms and Bathrooms

The size distribution of households in the various programs is reflected in the size distribution of housing units. About half of the units in public housing and private assisted projects have only one or no bedroom, compared to 30 percent for units in the certificate/voucher program and 40 percent for income-eligible, unassisted renters. At the same time, however, all three programs have as many or more units with 3 or more bedrooms as occur in the stock of housing occupied by income-eligible, unassisted renters.

About 92 percent of public housing tenants reported exactly one full bathroom for their exclusive use, as did 81 percent of certificate/voucher households and 80 percent of private, project-based, subsidized renters and 82 percent of income-eligible, unassisted renters. Almost all of the remaining tenants had more than one full bathroom.

Bedrooms and Bathrooms

	Public Housing	Certificate/ Voucher	Private Project-Based	Unassisted Income-Eligible Renters
Bedrooms				
None or one	48%	30%	49%	39%
Three or more	25%	28%	20%	20%
Bathrooms				
None	1%	1%	0%	3%
One	92%	81%	80%	82%

A small proportion of tenants (1 percent or less) in each program reported having no complete bathroom for their exclusive use, which is problematic, since all programs require that no assisted units are rented without complete plumbing facilities. The small number of cases reporting this problem are probably due to response errors or errors in processing.

Section 4: Unit and Neighborhood Condition

A. Equipment Problems

In general, assisted housing tenants and income-eligible, unassisted renters did not have a significantly higher incidence of problems with equipment in their units than did total renters (see Table 4). Water supply stoppage was reported by 6-7 percent of tenants in each assisted program, about the same as total renters. No working toilet was reported most often by public housing tenants (12 percent), not surprising due to the higher proportion of public housing units with only one toilet. Rates for the other two assisted programs were 7-9 percent, about the same as for total renters. Heating equipment breakdowns were also reported a little more frequently (5 percent) by public housing tenants, as were minor electrical problems (15 percent), than among the other two types of assisted renters or income-eligible, unassisted renters.

Water leakage from inside the unit (toilets, pipes, etc.) was reported more frequently by certificate/voucher households (22 percent) than by the other two types of assisted households (17-18 percent) or income-eligible, unassisted renters (17 percent); however, leakage from outside the unit was reported more frequently by total renters and income-eligible, unassisted renters (both at 14 percent) than by any type of assisted household (8-12 percent).

B. Selected Deficiencies

Assisted tenants in the three programs did not experience the selected deficiencies reported in the AHS at generally higher rates than total renters, and often reported the specific deficiencies with less frequency (see Table 4). The exception is that a higher proportion of public housing tenants reported signs of rats in the last three months and broken plaster and peeling paint than did anyone else. Income-eligible, unassisted tenants experienced slightly higher incidences of holes in floors, open cracks or holes (interior), broken plaster or peeling paint, exposed wiring and rooms with no electrical outlets.

C. Severe Physical Problems

Severe physical unit problems with plumbing, heating, electric, upkeep and hallway conditions were reported less frequently among units in any program (4-5 percent) than among units occupied by income-eligible, unassisted renters (7 percent) (see Table 4). As with tenants reporting no complete bathrooms for exclusive use, a seemingly high proportion of all types of assisted tenants (3-4 percent) reported severe plumbing problems, a condition which should not exist in assisted units.

D. Moderate Physical Problems

Moderate physical unit problems were also less common in all programs than among income-eligible, unassisted renters (11 percent). These problems were least frequent in private, project-based units (3 percent, compared to 8 percent in each of the other programs) (see Table 4). The moderate problem reported most often, regardless of program type, was upkeep, cited by 5 percent of certificate/voucher renters and income-eligible, unassisted renters, 4 percent of public housing tenants, 3 percent of total renters, and 1 percent of private, project-based, subsidized tenants.

E. Neighborhood Problem Conditions

About 47 percent of public housing tenants reported neighborhood problem conditions, as did 41 percent of the certificate/voucher renters, and 40 percent of private, project-based, subsidized tenants (see Table 4). These proportions were similar to the 40 percent of income-eligible, unassisted renters and 42 percent of total renters reporting such conditions. Specific conditions reported most frequently by public housing tenants were crime and the dual category, litter or housing deterioration. Certificate/voucher tenants were bothered more than other assisted tenants by noise, traffic and people-related problems.

Public housing units also were located more frequently than other assisted units or income-eligible, unassisted renters near buildings vandalized or with their interiors exposed (9 percent), near buildings with bars on windows (11 percent), and in neighborhoods with trash, litter, or junk on streets or properties (32 percent). Certificate/voucher units were about as likely as income-eligible, unassisted rental units to be in neighborhoods with these conditions present, while private, project-based, subsidized units were generally less likely.

Section 5: Tenant Opinions

A. Rating of Structure and Neighborhood

When asked to rate their housing unit on a scale of 1 (worst) to 10 (best), a much higher proportion of all three types of assisted renters (36-42 percent) gave their unit a "10" than did income-eligible, unassisted renters (26 percent) or total renters (23 percent). When asked to rate their neighborhood on the same scale, about the same proportion of all types of renters (27-31 percent) gave their neighborhood a "10"; however, higher proportions of public housing (13 percent) and private, project-based, subsidized tenants (9 percent) gave their neighborhoods a "1" than did certificate/voucher tenants (6 percent), income-eligible, unassisted renters (5 percent), or total renters (3 percent).

Opinion of Structure and Neighborhood

Opinion of:	Public Housing	Certificate/ Voucher	Private Project-Based	Unassisted Income-Eligible Renters
Structure				
Best	37%	36%	42%	26%
Worst	3%	1%	2%	3%
Neighborhood				
Best	31%	28%	31%	29%
Worst	13%	6%	9%	5%

B. Recent Movers

Higher proportions of assisted households who moved into their unit within the past year reported various housing and housing cost-related reasons for leaving their previous units than did total renters or income-eligible, unassisted renters (see Table 5). Specific reasons cited more frequently by the assisted renters were: needed larger house or apartment, wanted better home, wanted lower rent or maintenance, and "other" housing related reasons. A higher proportion of public housing recent movers than any of the other groups also cited establishing their own household as a primary reason for moving.

A negligible proportion of assisted tenants reported a new job or job transfer as a reason to move, although this reason was cited by 8 percent of income-eligible, unassisted renters and 15 percent of total renters.

Assisted tenants in all programs who moved into their units within the last year rated it as better than their previous unit to a greater extent than unassisted renters (44 percent) or total renters (45 percent). Residents of public housing were especially satisfied (73 percent, compared to 49-51 percent in the other programs). About 42 percent of all assisted tenants also rated their neighborhood as better than their previous neighborhood, compared to about 35 percent of both total renters and income-eligible, unassisted renters.

Comparison to Previous Home and Neighborhood

	Public Housing	Certificate/ Voucher	Private Project-Based
Previous Home			
Better	73%	52%	49%
Worse	5%	16%	26%
Previous Neighborhood			
Better	44%	45%	39%
Worse	20%	16%	31%

Moving to Opportunity Proposal

- The proposal is for 3000 incremental units of Section 8 existing.
- The 3000 units would go to assist families now living in public housing or project-based assisted housing located in areas with high concentrations of poverty (more than 40 percent of individuals below the poverty line).
- The assisted households would receive counseling from nonprofit organizations in finding housing units in low-poverty areas (less than 10 percent of individuals below the poverty line).
- The first funding for this program was for FY 1992. The program authorization was passed in the 1992 Housing and Community Development Act, and subsequent appropriations were received for FY 1993.
- The Department proposes that MTO units be counted as one-for-one replacement in demolition/disposition projects.
- The FY 1994 funding would be for those cities awarded FY 1992/1993 funding. Over the three years of appropriations, these cities would have received 4900 units targeted for the deconcentration of poverty, or less than 1000 units each.

Q&A

Q. What is Moving to Opportunity for Fair Housing?

A. MTO is a set-aside program of Section 8 vouchers or certificates. Families are eligible for assistance under MTO if they meet the following conditions: (1) they have children, (2) they live in public housing or Section 8 project-based assisted housing, (3) this housing is in an area of concentrated poverty. MTO is a competitive program; participating PHAs must serve central cities with over 350,000 people within metropolitan areas with more than 1.5 million people.

Q. What is the purpose of MTO?

A. The purpose is to assist families living in high-poverty project-based assisted housing to move to privately owned housing units in low-poverty areas. The hope is that this change will make a significant difference in the life opportunities of both the adults and the children in the assisted families.

Q. Apart from Section 8, will these families receive any other assistance under MTO?

Yes. Many of the families will receive counseling services from non-profit organizations modeled on the Gautreaux program of the Leadership Council for Metropolitan Open Communities in Chicago. In that program, which is a court-ordered remedy for segregation in the public housing program, assisted black families can only use their certificates in mostly white neighborhoods; they receive various kinds of assistance from the program staff in finding appropriate units in such neighborhoods. The MTO counseling program will be similar, except that families assisted under it will have to use their certificates or vouchers in low-poverty areas rather than white areas.

Q. Is the Gautreaux program a success?

A. It is a success in that several thousand black families have received initial placements in white neighborhoods since the program started. Followup studies by researchers at Northwestern University have found encouraging patterns of educational attainment among the children of these families. However, these patterns may be influenced by the high degree of self-selection and screening of participants, and the Northwestern findings may be influenced by these effects, rather than by the impact of the program.

Q. How will HUD determine whether MTO is a success?

A. HUD will use the FY 92 and FY 93 funding for MTO to assist two groups: families who receive Gautreaux-like assistance, and families who receive standard Section 8 assistance. Families will be assigned randomly to the two groups, and HUD will track their achievements over time.

Q. Why is it important to have a control group?

A. It is vital to have unambiguous results on the effects of the Gautreaux strategy for dealing with concentrated urban poverty. HUD is required under the Housing and Community Development Act of 1992 to make an assessment of the long-term housing, employment, and educational achievements of the families receiving housing counseling services by contrast with the experience of "a comparable population of Section 8 recipients" who have not received such services. If MTO families differ in any systematic way, observable or unobservable, from the group with which they are being compared, then the two groups are not truly comparable and the results of the demonstration will be ambiguous, because the findings may again be influenced not only by the demonstration but also by family differences. Random assignment is the only effective means of obtaining results not subject to these other influences.

Q. Congress appropriated funds to be used to help families in the same way as the Gautreaux program does, but HUD plans to take half the funds and use them for the control group, who will receive routine Section 8 assistance, without counseling, and can use the certificates anywhere. Can you explain why?

A. The control group would have to be living in assisted units in high-poverty areas to be comparable. The funds to assist this control group can only come from one of two sources: the MTO appropriation or the PHA's regular turnover in certificates or vouchers from families currently assisted who leave the Section 8 program. It would be impractical to require PHAs to provide matching certificates out of turnover.

Q. Why would it be impractical?

A. Two reasons. First, the demonstration certificates and vouchers will be issued subject to special rules, but Federal preference rules govern the use of Section 8 turnover; many of the project-based assisted families do not have Federal preferences. Second, some eligible PHAs would refuse to apply, because they don't believe that families already living in assisted housing should have priority for their limited Section 8 turnover over other families.

Q: Why has HUD still not published a NOFA for the FY 1992 appropriation for MTO?

A: The changes required by the 1992 Act, and significant policy and technical issues in this demonstration, have delayed issuance of the FY 1992/1993 NOFA. The language of the 1992 Act was not consistent with the way that the Department had intended to set up the demonstration, and major changes in program design were required. The NOFA is now in final form and is ready for submission to OMB.

Q: Only cities with over 400,000 population in a metropolitan area with over 1.5 million are eligible for MTO in the current funding round. A city in my district is not eligible, but it has a high concentration of poverty. Why shouldn't it be eligible too?

A: These were the limits set by Congress in the FY 1992 appropriation. MTO has a clear relevance to the concentration of poverty in the inner cities of our largest metropolitan areas. Reasonable people can disagree over what should be the smallest eligible city or metropolitan area.

Q: What would HUD do with the additional 3000 units proposed for FY 1994?

A: The Department would like to award these funds to the same cities that obtained funding in the first round of competition.

Q: Why are you not proposing to expand the number of cities receiving MTO units?

A: With the additional 3000 units, these five or six cities will only have received a total of 4900 units over three years, or about 800 to 1000 families each. The more this funding is spread out, the less of an impact it is likely to have on distressed projects and high-poverty neighborhoods. Also, the local nonprofit organizations would have difficulty administering the program effectively if they had very small numbers of families to work with.

Q: If you receive another 3000 units, how many families will actually receive the housing counseling services, and how many would be controls again?

A: Because of the small size of the demonstration approved to date, HUD has had to set aside half of the MTO units for the control group in order to have any chance of obtaining statistically significant results. If the Department receives another 3000 units for MTO for FY 94, we can keep the control allocation substantially below half of the total, because the precision of estimation rises rapidly as the numbers grow larger. I understand and sympathize with the advocates and nonprofit organizations who want to expand the demonstration to have an impact on as many people as possible. I can assure you that HUD will allocate as many units as possible to the group receiving the experimental MTO services, consistent with our overriding concern to determine the effectiveness of this strategy for our national housing policy.

Q: How can you propose to use MTO units for one-for-one replacement? Isn't that inconsistent with your prior support for physical replacement of obsolete projects?

A: I strongly support breaking down the barriers of class and race, which the MTO program is designed to do. Helping families to move out of obsolete and dilapidated housing into areas where their children can grow up without the depressing effects of blight and poverty all around them seems to me a very important and useful thing to do, and under these circumstances I am ready to consider these vouchers as one-for-one replacement.

5b. **Housing Needs:** Needs for housing assistance are most serious among the approximately 5.3 million very low-income renters with worst case problems in 1991 and the homeless. The attached executive summaries of HUD's 1991 and 1992 reports to Congress on worst case needs detail how worst case needs among those in housing units increased 1974-1985 before easing slightly 1985-1989, and how they varied across 44 of the largest metropolitan areas in the late 1980s.

* Half of unassisted very low-income renters have "worst case" problems of rent burdens above 50% of income and/or severely inadequate housing. Three-fourths of the worst case have <u>only</u> a severe rent burden, since they live in adequate, uncrowded housing. Those with multiple problems almost always have incomes below 30% of area median, well below poverty levels.

* Single nonelderly individuals are most likely to have worst case needs and least likely to be assisted.

* Families with children are the household type experiencing the fastest growth in worst case need since 1974. In 1989 7% of America's children lived in households with worst case needs. These families are also most likely to need other housing because their current housing is crowded or inadequate as well as unaffordable.

* The elderly are least likely to have worst case problems, and when they do, they are most likely to have only an excessive rent burden.

* Worst case needs differ little by race or origin. In 1989, 55% of eligible unassisted black renters had worst case problems, as did 53% of Hispanic households and 52% of whites.

* Worst case needs vary sharply by location. Regionally they are most common in the West and Northeast. Across 44 major MAs, shares of eligible unassisted renters with worst case problems ranged from 68% in New York, Northern New Jersey, and several California MAs to 34% in Fort Worth.

* Very low-income owners and low-income renters are much less likely to have priority problems than very low-income renters.

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

Priority Housing Problems and "Worst Case" Needs in 1989

A Report to Congress

June 1991

PRIORITY HOUSING PROBLEMS AND "WORST CASE" NEEDS IN 1989

EXECUTIVE SUMMARY

Worst Case Problems in 1989

- In 1989, 3.6 million elderly or family very-low-income renter households had priority "worst case" housing problems, because they lived in severely substandard housing or had rent burdens exceeding 50 percent of reported income. Unassisted family and elderly renters with such problems have been the only households included in past estimates of "worst case need". However, because the National Affordable Housing Act redefined "families" to include single persons for programs administered by HUD, this report also counts as "worst case" another 1.4 million very-low-income renter households that have severe problems but contain only nonelderly unrelated individuals.

- Nationally, one-fifth of U.S. households have incomes below HUD's "very-low-income" cutoffs, which equal 50 percent of the area median family income adjusted for family size. Renters with worst case needs make up 5 percent of U.S. households. They contain 5 percent of national population and 7 percent of the country's children.

- Because they come from sample data, these estimates from the American Housing Survey (AHS) are subject to sampling and nonsampling error. The 90-percent confidence interval for 5.1 million "worst case" households, for example, is ±170,000. Moreover, because income is underreported on the AHS, these estimates probably overcount both the number of very-low-income renters and the share of these renters with severe rent burden. An offsetting bias, however, results from the AHS' omission of homeless families and individuals.

- One-fourth of very-low-income renters -- 3.5 million households -- lived in public housing or received housing assistance in 1989. Therefore, the estimated 5.1 million renter households with "worst case" needs represented <u>half</u> of unassisted very-low-income renter households. Another third of unassisted very-low-income renters -- 3.1 million -- had other problems such as crowding, moderate physical inadequacies, or rent burdens of 31-49 percent of income. Only 1.5 million -- one-sixth -- lived in adequate, uncrowded, affordable housing.

- Owners with very low incomes were much less likely to have priority housing problems than were unassisted very-low-income renters. <u>One-fifth</u> of owners in this income category had priority problems while <u>over half</u> had no housing problems. The 1.7 million very-low-income owners with priority problems have not traditionally been counted as households with "worst case needs" because they typically have more assets than renters and would not be eligible for rental assistance programs unless they sold their homes.

- Severe rent burdens were by far the dominant problem facing worst case renters. Some 3.4 million of the elderly and family households reported rent and utility payments above half of income, whereas 450,000 lived in housing with severe physical problems. Among nonfamily households, 1.3 million had severe rent burdens while 240,000 lived in severely inadequate units. However, for many, these very high rent burdens may reflect a temporary absence of income rather than a long-term high rent burden.

- Severe rent burdens were the <u>only</u> housing problem for almost three-fourths of renters with worst case problems. These 3.6 million households paid more than half of their income for housing that was both adequate and uncrowded.

- Very-low-income renters were much more likely to have priority housing problems than renters with higher incomes, even the "low" or "moderate" income renters who are also eligible for some housing programs. Whereas 38 percent of very-low-income renters had priority problems, only 6 percent of "low-income" renters with incomes between 51 and 80 percent of local median income had such problems.

- Without exception, the lower the income, the higher the incidence of priority problems. This pattern was particularly marked <u>within</u> the very-low-income group. Almost 4 out of 5 of the poorest unassisted renters (those with incomes below 25 percent of local median) had worst case problems, compared to fewer than one-fourth of those with incomes between 35 and 50 percent of median.

- The incidence of worst case problems varies noticeably by household type among very-low-income renters. Elderly families and individuals were least likely to have worst case needs and most likely to live in public or assisted housing. Families with children were somewhat more likely than the elderly to have worst case problems, and they were less likely to receive housing assistance.

- Nonelderly individuals living alone or with nonrelatives were most likely to report worst case problems and least likely to receive housing assistance. Unless they are disabled or handicapped, nonelderly individuals have lower priority for most housing assistance programs than do families or elderly individuals.

- The incidence of worst case problems among very-low-income renters varied markedly by location. Very-low-income renters were more likely to have worst case problems in the West and Northeast regions than in the Midwest and South. In every region except the South worst case problems were more common in metropolitan areas than outside them. Nationally, over half of worst case households lived in central cities.

Changes in Worst Case Needs Since 1974

- Although comparisons over the entire period for which AHS data are available are impossible for nonfamily households, among elderly and family renters worst case needs grew markedly between 1974 and 1983, from 2.5 million (34 percent of those eligible) to 3.8 million (39 percent). Nonfamily households experienced similar increases in worst case problems over the 1977-83 period.

- Since 1985, however, the number and the proportion of very-low-income renters with worst case problems have decreased among both family and nonfamily renters. In 1985, 45 percent of very-low-income renters -- 4 million elderly or family renters and 1.5 million nonfamily households -- had had worst case problems, compared to 38 percent in 1989.

- The growth in unmet needs between 1974 and 1983 occurred despite expansion in the number of households receiving housing assistance and better targeting of that assistance to households with priority problems.

- In terms of housing problems, the growth in worst case needs between 1974 and 1983 was exclusively due to increases in severe rent burden, since the number of very-low-income families living in severely inadequate units dropped notably. Between 1983 and 1989, the two most recent years with comparable questions on inadequacy, the number and percent of severely inadequate units continued to decline.

- Over the 1974 to 1989 period, the number of family and elderly renters with worst case needs grew much more quickly in the West than in other regions. Worst case needs also became more concentrated in metropolitan areas.

- Increases in unmet need over the 1974-1989 period were greater among families, especially those with children, than among elderly renters. As single-parent families increased, the share of the nation's children living in households with worst case needs rose from 4 to 7 percent.

- During the 1990s, demographic projections suggest that the number of nonelderly households with low incomes will continue to increase more quickly than low-income elderly households, with especially rapid growth among female householders. If the number of assisted units increases by 100,000 per year and trends observed between 1978 and 1989 continue, unmet worst case needs could remain at the level of 5.1 million overall in 1995, while rising slightly among families. If 1985-89 experience were to continue, however, unmet worst case needs could drop to 3.7 million households by 1995 at this level of incremental assistance.

Appropriate Means of Reducing Unmet Worst Case Needs

* More than 7 out of 10 households with unmet worst case needs in 1989 had severe rent burden as their only housing problem, since they lived in adequate, uncrowded housing. Moreover, the fraction of worst case households in this category has steadily increased. Tenant-based rental subsidies such as vouchers or certificates could solve the only housing problem of these households in their current housing directly at less cost than any alternative program.

* One-third of the other 1.4 million households with worst case needs paid excessive rents for uncrowded but moderately inadequate housing. These families could be helped by light rehabilitation such as that encouraged by HOME or by tenant-based assistance, which provides landlords with both revenue and incentives for improving housing quality.

* Nationally, about 1 million worst case households needed to move to other housing in 1989 because their current housing was crowded or severely inadequate. Over half of these households were families with children, and one-third of those needing to move needed units with 3 or more bedrooms to accommodate their households.

* Levels and rates of vacancies among affordable units across the country imply that tenant-based rental assistance could also help many of the households needing to move find adequate, affordable housing. In 1989, vacancy rates for units with rents below local Fair Market Rents (FMRs) were 6.6 percent in the nation, ranging from 8 percent for small units to 4.4 percent for units with 3 or more bedrooms. Regionally, vacancy rates were below 5 percent only in the Northeast, and they were highest in the South.

* Vacancies among below-FMR units increased between 1985 and 1989 in all regions other than the Midwest, and in all sizes except units with 3 or more bedrooms. In 1989, there were enough vacant one- and two-bedroom units to house the worst case households needing housing of this size in every region except the Northeast.

* Housing affordable with rental assistance was least likely to be vacant and available for the largest families. In each region, vacancy rates were lowest for units with 3 or more bedrooms. Vacancies among these largest units were below 4 percent in the Northeast and Midwest.

Critical Elements of A Strategic Plan to Reduce Worst Case Needs Within Limited Resources

- Use current assistance programs for those with worst case problems as efficiently as possible, i.e., direct assistance at those with worst case priority problems since their needs for assistance are greatest and their resources less. For public and assisted housing this implies following and strengthening the preference rule.

- Rely primarily on rental certificates and vouchers to serve the most families possible within budgetary constraints, directing a larger percentage of new aid to families with children if possible.

- Strengthen families by supporting family self-sufficiency in assisted housing programs and encouraging homeownership through HOPE grants, and improve coordination with welfare agencies and other anti-poverty programs at the Federal, State, and local levels.

- Use HOME funds cost-effectively to provide housing needed by worst case families. The moderate rehabilitation activities encouraged by HOME are needed and appropriate for one-eighth of worst case families.

- Housing for families with children, especially housing that can accommodate large families, may be hardest to find with rental assistance. HOME funds for acquisition, construction or substantial rehabilitation should give priority to these units.

- Reduce regulatory and discriminatory barriers to facilitate the provision and maintenance of affordable housing.

The Location of Worst Case Needs in the Late 1980s

A Report to Congress

December 1992

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

THE LOCATION OF WORST CASE NEEDS IN THE LATE 1980S

EXECUTIVE SUMMARY

<u>Worst case needs in 44 large metropolitan areas</u>

* In the late 1980s, some 2.8 million very low-income renter households living in the 44 large metropolitan areas (MAs) surveyed by the American Housing Survey (AHS) between 1987 and 1990 had "worst case" housing needs. The category of "worst case needs," as defined by Congress, refers to unassisted renters with incomes that do not exceed 50 percent of area median income who have priority problems. Priority problems include being displaced, paying more than half of income for rent and utilities, or living in severely substandard housing. Income-eligible families with these severe housing problems should receive preference in admission to public housing and rental assistance programs.

* The metropolitan sample of the American Housing Survey (AHS-MS) collects information on housing conditions and costs and household characteristics from representative samples of housing units in 44 of the 50 largest metropolitan areas over a four-year period. By providing reliable data on conditions within distinct housing markets, the AHS-MS thus allows more detailed spatial analysis than the national and regional data available from the biennial national AHS.

* Because they come from sample data, these AHS estimates are subject to sampling and nonsampling error. Moreover, because income is underreported on the AHS, these estimates probably overcount both the number of very low-income renters and the share of these renters who have severe rent burdens. An offsetting bias results from the AHS' omission of homeless families and individuals who would also qualify for preference.

* Comparison of these metropolitan results with the national data in last year's report to Congress, <u>Priority Housing Problems and "Worst Case" Needs in 1989</u>, implies that worst case needs are more common in these large metropolitan areas than elsewhere in the U.S. Some 44 percent of very low-income renters had worst case problems in these MAs, compared to around 32 percent elsewhere. Thus, while these 44 MAs contained 46 percent of U.S. households and 50 percent of the nation's renters in 1990, they housed some 54 percent of the renters with worst case needs.

* The 2.8 million renter households with worst case needs represented 44 percent of the 6.3 million very low-income renters in these MAs, and 57 percent of <u>unassisted</u> very low-income renters. (Some 23 percent of very low-income renters in these MAs lived in public or assisted housing.) Another

third of the unassisted renters had less severe housing problems such as crowding, moderate physical problems, or rent burdens between 31 and 50 percent of income. Only 10 percent paid 30 percent or less of their income for adequate and uncrowded housing.

- Owners with very low incomes were much less likely to have priority housing problems than unassisted very low-income renters. One-fifth of very low-income owners had priority problems, while half had no housing problems. Priority problems were also quite uncommon among the other low-income renters who are eligible for many rental assistance programs. Only 7 percent of renters with incomes between 51 and 80 percent of local median had priority problems, and over two-fifths had no housing problems.

- The incidence of worst case problems among very low-income renters varied markedly across these 44 housing markets. On average, these MAs mirrored the regional differences observed from 1989 national data, so that very low-income renters in metropolitan areas in the West and Northeast were more likely to have worst case problems than those in the Midwest and South.

- Yet the incidence of worst case need varied markedly within each region among the metropolitan areas surveyed. Expressed as shares of unassisted very low-income renters, worst case needs ranged in the West from 68 percent in the San Bernardino-Riverside-Ontario area to 43 percent in Portland, and in the Northeast from 68 percent in the New York and Newark-Northern New Jersey MAs to 49 percent in Pittsburgh. Needs varied across Midwestern MAs from 65 percent in Detroit to 41 percent in Cincinnati, and in the South from 64 percent in Miami to 34 percent in Fort Worth.

- As is true nationally, severe rent burdens were by far the dominant problem facing worst case renters in each of these MAs. Fully 96 percent reported that rent and utility payments exceeded half of their income, whereas only 7 percent lived in severely inadequate housing. Even in the MAs where severe physical problems were most common--New York, Birmingham, and San Francisco--only 13 percent of worst case units were severely inadequate.

- Confirming and strengthening last year's findings from national data, severe rent burdens were the only housing problem for over three-fourths of the renters with worst case problems in these MAs. These 2.1 million households paid more than half of their income for housing that was both adequate and uncrowded. At least 62 percent of worst case renters had only a severe rent burden in each of the MAs studied; in all but three, over two-thirds had only a severe rent burden.

How worst case needs vary within metropolitan areas

* Because very low-income renters more often live in cities than in suburbs, central cities in these MAs typically had higher shares of households with worst case needs than did their suburbs. On average, 10 percent of city households had worst case problems compared to 4 percent in the suburbs.

* Yet among very low-income renters, the probability of having worst case problems varied little by location. Within each MA, eligible city and suburban renters had quite similar rates of worst case need. Across the MAs, worst case renters in the suburbs were consistently more likely than those in cities to have only an excessive rent burden. Even so, in all but seven cities and one suburb over two-thirds of worst case renters had only severe rent burdens.

* Renters with worst case needs disproportionately lived in the poorest neighborhoods. Zones in which over one-fifth of households were poor housed only 11 percent of all households in these MAs, but they contained one-fourth of the worst case renters as well as 30 percent of those already receiving housing assistance.

Appropriate and cost-effective strategies for reducing worst case needs in different markets

* In each MA, at least 5 out of 8 households with unmet worst case needs had a severe rent burden as their only housing problem, since they lived in adequate, uncrowded housing. In two-thirds of the areas, more than 8 of 10 worst case households had only a severe rent burden. Tenant-based rental assistance such as Section 8 vouchers or certificates could solve the only housing problem of these households in their current housing directly at less cost than any alternative program.

* The proportions of worst case households who paid excessive shares of income for housing that was uncrowded but had moderate physical problems ranged from 2 percent to 27 percent in these MAs, but was typically below 10 percent. Tenant-based assistance could often help these families by providing both revenue and incentives for improving housing quality. Light rehabilitation such as that emphasized under HOME or funded through Community Development Block Grants (CDBG) could also raise these homes to the housing quality standards required for tenant-based assistance.

* Across these MAs, the proportion of worst case households who would need to move to other housing to use tenant-based assistance ranged between 5 and 25 percent. Many whose current housing was crowded or severely inadequate were

families with children, and over two-fifths of those needing other housing required units with 3 or more bedrooms to accommodate their household members.

* High vacancy rates among affordable units in many of these MAs imply that tenant-based rental assistance could help many of the households needing other housing to find and afford adequate housing. At time of survey, vacancy rates for units with rents below local Fair Market Rents were above 5 percent in all but three of the 44 MAs, and below-FMR vacancy rates exceeded 10 percent in 25 of the MAs.

* Explicit comparisons of available adequate units against the numbers of worst case households needing other housing within each metropolitan housing market demonstrate that in most of these MAs all worst case needs could be solved through tenant-based assistance and light rehabilitation. Thus, in many of these areas more costly efforts to expand the supply of affordable housing are not necessary to meet worst case needs.

* Even where increases in the supply of affordable units may be needed to house all worst case households while maintaining normal vacancy rates, the numbers of units needed represent only a small fraction of the total worst case households in those areas -- well below 10 percent in most individual areas, and about 6 percent for the areas as a whole.

* Nationally, the number of low-income units supplied per year through current and anticipated funding for HOME and the Low Income Housing Tax Credit (LIHTC) could provide the expanded supply needed to eliminate worst case needs in two to three years. Appropriately directing these units to the locations and worst case households who need them will not occur automatically, however, and additional rental subsidies would often be required to make these units affordable to the worst case families that most need them.

How effective are current programs in meeting worst case needs?

* Section 8 tenant-based assistance solves the housing problems of worst case renters more directly than other programs. Under current income eligibility and preference rules, some 90 percent of households admitted to the voucher program have worst case needs. Households using vouchers are able to afford adequate and uncrowded housing for much less than half of their income.

* Three other programs that provide housing for low-income Americans -- LIHTC, HOME, and CDBG -- are much less likely to be effective in solving worst case problems. Because these programs give no preference in admission to households

with priority housing problems and have income limits above HUD's very low-income cutoff, fewer than one-fourth of their units solve worst case problems.

* Although public housing and assisted projects are more likely to aid households with worst case needs than are HOME, LIHTC, or CDBG, as little as 38 to 60 percent of their units must go to those with worst case problems.

* As an illustration with federal appropriations for FY'93 demonstrates, at any level of funding choices among such different programs will be critical in determining how quickly worst case needs can be reduced within limited resources. For FY '93, Congress appropriated $7.9 billion for incremental housing assistance and other programs such as HOME and CDBG that could be used for reducing worst case needs. If this $7.9 billion had been redirected among programs in accordance with the strategy recommended in HUD's 1991 report, it could have assisted over 200,000 worst case households in the coming year, more than three times the reduction in worst case needs of 65,000 likely under the program mix actually approved.

Strategies to reduce worst case needs within limited resources

* In view of the many households with worst case problems in these MAs and in the nation and the expense per household of every current housing program, reducing worst case needs within today's limited resources will require careful judgment and difficult choices. Although the 44 MAs studied here reveal a wide range of market conditions, their worst case needs and housing inventory generally confirm the importance and relevance of the critical strategy elements recommended by HUD in last year's report.

* Because renters with worst case problems have much more serious housing needs than any other households, even other very low-income renters, they should continue to receive preference in admission to assistance programs. The preference rule should be strengthened for public and assisted projects, and extended to HOME and LIHTC.

* Tenant-based certificates or vouchers should form the cornerstone of national and local strategies to reduce worst case needs. Not only is tenant-based assistance less costly per household and much better aimed at worst case renters than any other program, but it also can quickly and directly aid the vast majority of worst case renters across the nation whose only housing problem is an excessive rent burden.

* Programs such as Family Self-Sufficiency and HOPE should continue to link housing assistance with other programs that train, support, and reward family efforts toward self-

sufficiency. Initiatives such as Moving to Opportunity should be expanded to empower families and their children to move toward jobs, better neighborhoods, and better educational opportunities.

* The range across housing markets of housing problems and affordable housing supplies documented in this study underscores the potential usefulness of the HOME partnership in reducing worst case needs effectively. Of the major housing programs now available, HOME has the most flexibility for use as needed in different locations, since its funds may be used for rehabilitation, acquisition, short-term tenant-based assistance, or new construction.

* In more than half of the MAs studied, expanding the supply of affordable units is not needed to reduce worst case needs, and HOME funds could address worst case problems most cost-effectively through rehabilitation and tenant-based assistance.

* Where vacancy rates are relatively low, housing that can accommodate large families appears hardest to locate with rental assistance. HOME funds for acquisition, construction or substantial rehabilitation should then give priority to such units.

* Guided by locally-developed Comprehensive Housing Affordability Strategies, decision-makers across the country should use HOME's flexibility to direct funds into the programs and initiatives that can most cost-effectively reduce local worst case needs. To complement these efforts, they should also reduce regulatory and discriminatory barriers to facilitate the provision and maintenance of affordable housing.

9.

Level of Spending by States and Localities on Housing

No comprehensive national data on own-source state and local government spending on housing is available. The Census of Governments tables have a single line item for "Housing and Community Development" which does not distinguish own-source from Federal spending. Moreover, community development is a rubric that can cover a very large number of local government activities. The Advisory Commission on Intergovernmental Relations' Significant Features of Fiscal Federalism does not have a table that shows own-source spending for housing. The Council of State Community Affairs Agencies produces a compendium of state housing programs but makes no attempt to estimate total state funding because of the difficulty of standardizing the ways in which state programs are budgeted. State programs are frequently taken off-budget, and leveraged funds from other sources may be combined with governmental appropriations for reporting purposes.

As of June 9, 1993, state and local governments had committed $205 million to 6,008 specific projects under the HOME program, which will receive matching Federal funding of $282 million. The program has been in operation for about a year. The incentive to state and local governments to fold any current affordable housing programs into the HOME program is very large, because of the Federal match (which varies from 2:1 to 4:1, depending on the character of the project). Thus, total annual affordable housing spending from own-source revenues is probably on the same order of magnitude as the $205 million figure.

The attached table from the mid-1980s provides representative illustrations of state and local housing initiatives. The source is Michael A. Stegman and J. David Holden, Nonfederal Housing Programs: How States and Localities Are Responding to Federal Cutbacks in Low-Income Housing, Urban Land Institute, 1987.

Table 2.1

Representative State Legislative Appropriations for Housing

Place	Year	Amount	Program
Minnesota HFA	1982	$2 million	Interest-rate writedowns for elderly rentals
New York State Housing and Community Renewal	1985	$24.6 million	Housing Trust Fund: Rehabilitations/ conversions, up to $40K per unit
Maryland Department of Community Affairs	1986	$2 million	Low-Income Rental-Housing Production Program: Low interest rates and deferred payments
	1986	$1 million	Rental Allowance Pilot Program: Rent subsidy for Marylanders not eligible for federal program
	1986	$2 million	Nonprofit Housing Rehabilitation Program: Low interest rates and deferred payments to nonprofits, for rehabilitation of housing serving low-income special populations
	1986	$1 million	Care Homes Program: Domiciliary care for disabled adults in private homes
Colorado Division of Housing	1985	$1.45 million	Housing Development Grant Program: Matching financial assistance
	1985	$450,000	Revolving Loan Program: Short-term loans for development costs
California Department of Housing	1980	$7.5 million	Homeownership Assistance Program: Mortgage participation loans
	1986	$2.2 million	Self-help housing
	1986	$2.5 million	Mobile-Home Park Assistance Program
California Department of Housing (Cont'd.)	1986	$2.5 million	Special-User Rehabilitation Program: Assistance for the elderly, handicapped, and very low-income
	1980	$4–5 million per year	Predevelopment Loan Program
Delaware Department of Community Affairs	1968 1971 1986 1987	$3 million $5 million $2.5 million $3 million	Housing Development Fund: Seed and construction loans to nonprofit and limited-profit housing providers. As of 1986, there were no restrictions on the use of the fund, other than to encourage development of housing for low- and moderate-income families.
Pennsylvania Department of Community Affairs	1986	$3.5 million	Single-Room Occupancy Program
	1986	$10 million	Bridge Housing: Short-term and intensive-care
Pennsylvania Housing Finance Agency	1984 1985 1986	$25.7 million (in each year)	Homeowners' Emergency Mortgage Assistance Program: Assistance to families facing foreclosure for up to 36 months, with assistance to be repaid at 9 percent when beneficiary is able
Washington, D.C.	1985	$5 million	Tenant Assistance Program
New Jersey HEW	1985	$15 million	Affordable Housing Program: Local governments' housing-program assistance

(Table 2.1: Cont'd.)

Place	**Year**	**Amount**	**Program**
New Jersey Department of Community Affairs	1985	$2 million	Neighborhood Community Preservation Balanced Housing Program: Loans and grants to municipalities, plus $8 million from transfer-tax proceeds
Raleigh, North Carolina	1986	$1 million	Deferred-payment second-mortgage loans to moderate-income homebuyers ($250,000); developer incentives ($350,000); elderly home repairs ($90,000); and low-income construction ($300,000)

- *The use of general obligation bonds to build low-income housing.* In November 1982, for example, Seattle sold a $48.1-million bond issue at 9.68 percent. The issue was approved by 76 percent of the voters and was earmarked to finance housing construction. Its provisions transferred its proceeds to the Seattle Housing Authority for the purpose of developing the units. Even though the bond's proceeds cover capital costs, rental income must cover the full operating costs, with no subsidy for vacant units.

  (Under the new tax reform act, general obligation bonds can no longer be used to finance housing, as reported in Chapter 7.)
- *The imposition of new taxes and the increasing of old taxation rates.* These moves have included:
  - A 2 percent tax on gross casino revenues in Atlantic City.
  - A 4 percent tax on the initial sale of rental buildings that are being sold for condominium conversions in Montgomery County, Maryland.

    This law also provides the county with the right of first refusal on the sale of rental projects for conversion. It has recently exercised this right in order to buy two small buildings, containing a total of 83 apartments, to prevent displacement. The acquisition, which was financed with revenues from the