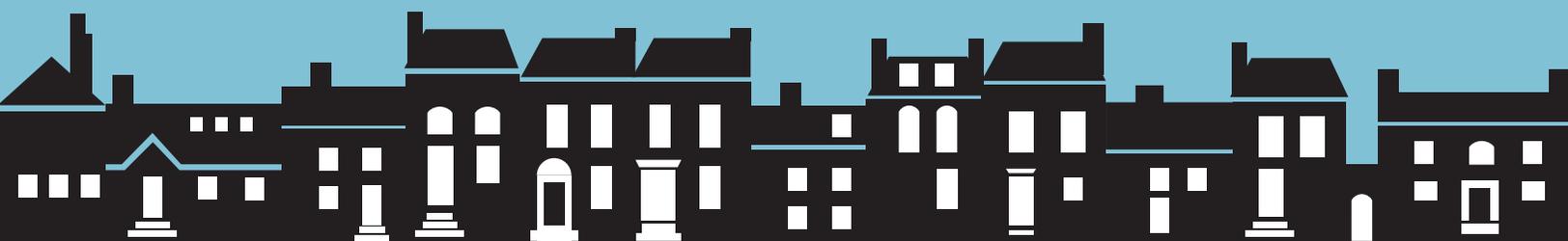


# Federal Programs for Addressing Low-Income Housing Needs

*A Policy Primer*

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November 2008



The Urban Institute

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# Contents

Understanding the Basics	1
Scale and Who Is Served	2
Trends in Program Size and the Location of Assisted Housing	5
Roles of State and Local Housing Agencies	8
Current Public Housing Initiatives	9
Critical Policy Challenges and Choices	12
Notes	19
References	23

## CRITICAL CHALLENGES

- Federal housing assistance only serves about one of every four eligible households, leaving an estimated 12.9 million low-income renters with housing problems unassisted.
  - The primary problem these unassisted households face is affordability, with rents rising faster than incomes for low-wage workers.
- A disproportionate share of the subsidized stock is concentrated in distressed neighborhoods, where jobs are scarce, schools perform poorly, and crime and violence are common.
- Neither federal policy nor local practice is taking full advantage of opportunities to link housing assistance with services to improve outcomes for children or encourage family economic success.

## OPPORTUNITIES FOR ENGAGEMENT

### **At the federal level**

- Help raise the visibility of rental housing issues on the national policy agenda and encourage debate about the federal role and scale of assistance.
- Support legislation that builds on lessons from HOPE VI, targeting resources to replace distressed and overly concentrated public housing with mixed-income developments, while preserving affordable options for low-income households and protecting the hard to house.
- Ensure that any expansion of the Moving to Work initiative that allows further experimentation with housing subsidy formulas and occupancy rules requires rigorous evaluation to assess the impacts on family well-being and economic success.
- Explore opportunities to expand funding for programs that link housing assistance with support services both for families' economic success and children's well-being.

### **At the state and local levels**

- Encourage regulatory reforms that permit and encourage more affordable rental housing construction in opportunity-rich communities.
- Support state and local initiatives that make low-wage workers better able to afford housing, including minimum wage laws and supplemental earned income tax credits.
- Support the expansion of state and local funding for affordable housing preservation and production, including creation of housing trust funds.
- Support innovative local strategies for deconcentrating public and assisted housing, including both project-based and tenant-based strategies.
- Help build rigorous monitoring and evaluation into any local experimentation with assisted housing subsidy formulas or occupancy rules.
- Encourage local adoption of best practices for support services that can be linked to assisted housing.

### **At the neighborhood level**

- Help improve and expand services for residents of particular projects, including work readiness, job training, and job retention services.
- Support mobility counseling and housing search assistance to enable voucher recipients to move to safe, opportunity-rich neighborhoods.
- Support the development and operation of high-quality supportive housing for the most vulnerable residents of public and assisted housing.
- Participate in the design and implementation of local public housing demolition and redevelopment projects so they enhance the well-being of current and future residents.



# Federal Programs for Addressing Low-Income Housing Needs

**MONTHLY RENT OR MORTGAGE PAYMENTS** constitute the single biggest expenditure in most family budgets, and many low-income families have difficulty finding housing they can reasonably afford. Although most family-strengthening and community change initiatives recognize the urgency of the housing problems facing low-income families, they often have difficulty figuring out how to constructively address them. Federal housing programs are numerous and confusing, implementation is balkanized, funding falls woefully short of needs, and policy debates often focus on narrow technical issues. This primer intends to demystify federal rental assistance programs and provide the most current information available on how many (and who) they serve and how their scale is changing over time.<sup>1</sup> It also summarizes key challenges facing housing policy today and in the coming years—challenges that may create opportunities for federal, state, and local engagement and innovation.

## Understanding the Basics

The federal government began building subsidized housing during the New Deal, and in the decades since, a complex tangle of federal programs has evolved to tackle the housing needs of low-income renters. Today, federal housing programs fall into three basic categories: (1) programs that provide deep, gap-filling rent subsidies, earmarked either for particular buildings or for individual households; (2) tax credits that produce new housing with moderate (below-market) rent levels; and (3) block grants that provide flexible support for local affordable housing initiatives.

Understanding all three program types—and the people and properties they serve—is essential for identifying community-level opportunities to strengthen, expand, or supplement affordable housing options.<sup>2</sup>

The most generous and reliable support for low-income households comes from federal housing programs that provide **deep, gap-filling rent subsidies**. These programs all pay the difference between a rent contribution that is considered affordable—currently set at 30 percent of monthly income—and the actual rent for a house or apartment. Families receive this kind of “gap-filling” subsidy if they live in public housing (owned and managed by a local public housing agency) or in privately owned developments that have long-term subsidy contracts with the federal Department of Housing and Urban Development (HUD). In both cases, the subsidy is “project based”—attached to the house or apartment; if the family moves, it loses its subsidy.

Production of these deeply subsidized rental projects occurred in two overlapping phases. During the first phase, extending from the 1930s through the early 1970s, the federal government contracted with local public housing agencies (PHAs) to build and manage properties, providing funds to cover both capital and operating costs.<sup>3</sup> In effect, these contracts required the PHAs to maintain the affordability of public housing units in perpetuity. During the second phase, extending from the 1960s to the early 1980s, the federal government executed contracts directly with for-profit and nonprofit housing developers, rather than with PHAs. The terms of contracts generally guaranteed subsidies and imposed affordability restrictions for up to 30-year terms.

Gap-filling subsidies are also available in the form of federal housing vouchers, which allow families to rent regular homes and apartments on the private market. Again, a family contributes 30 percent of its monthly income and the federal government pays the rest, up to a locally determined maximum. Vouchers are unique among federal housing assistance programs in that they are “tenant based” rather than project based, allowing the recipient rather than the developer to decide where the low-income household will live. Voucher recipients can even receive their assistance in one jurisdiction and take it to another as they search for housing that best meets their needs.<sup>4</sup>

**Low Income Housing Tax Credits (LIHTC)** provide an up-front subsidy to developers of rental housing (or their equity investors) in return for a commitment to charge below-market rent levels. Rents for these units must be set at levels that are deemed affordable for households with moderately low income levels for the local area, and the units are set aside for residents at or below this income ceiling. All eligible residents pay the same rent; the LIHTC program does not require (nor does it provide sufficient subsidies to allow) every unit to be affordable for the family that lives in it.

Every year, the federal government also provides flexible support for local housing initiatives in the form of **block grants**. Specifically, the HOME program allocates federal dollars by formula to state and local governments, which can use the money to buy, build, or rehabilitate rental housing targeted to low- or moderate-income households. The Community Development Block Grant program provides formula funding to the same jurisdictions, and these dollars can be used to pay for infrastructure and community facilities (like parks, recreation centers, and street improvements) that support affordable housing development. Housing legislation just passed by Congress includes a new Affordable Housing Trust Fund, which (beginning in 2010) will be distributed by formula to state governments primarily to support the development of rental housing that is affordable for very low income households.<sup>5</sup>

## Scale and Who Is Served

Federal housing assistance programs—though large, complex, and costly—fall woefully short of meet-

ing the needs of low-income Americans. The total number of renters facing serious housing hardship has been steadily rising, and less than a third of eligible households with housing needs actually receive assistance. In addition, the number of households receiving deep, gap-filling subsidies (from public housing, privately owned subsidized housing, or vouchers) has remained essentially unchanged since the beginning of this decade, while the number of homes and apartments with shallower LIHTC subsidies has grown. Information on the characteristics of households served by federal housing assistance programs varies considerably across program types, with much more complete and reliable data available for the deep subsidy programs than for the newer (expanding) programs.

## Housing Assistance Gap

From 1999 through 2005,<sup>6</sup> U.S. housing markets experienced an unprecedented boom. Changes in policies and market mechanisms, including a vast increase in subprime lending, substantially expanded the number of homeowners, while the number of renters remained flat. Renters have traditionally experienced more serious and widespread housing problems than owners and, accordingly, have been the intended beneficiaries of the housing assistance programs described in this primer.

For much of the 20th century, inadequate supply and deteriorated structures were America’s dominant housing problems. But, for at least the past 40 years, the primary problem for renters has been affordability. By 2005, only 5 percent of renters lived in overcrowded housing and 11 percent lived in housing that was structurally inadequate, but 22 percent were paying from 30 to 50 percent of their income for rent, and another 23 percent were paying more than half their income for rent (table 1). Altogether, 14.2 million unassisted renter households (42 percent of all renters) had one or more of these housing problems in 2005. Between 1999 and 2005, the number with problems grew 7.7 percent while the number with no problems declined 9.7 percent.

The fundamental problem is that rents have risen faster than incomes for a growing segment of the workforce in almost every part of the country. This trend is primarily the result of widening income inequality, with incomes rising much more slowly for

**TABLE 1**

Total U.S. Households, Tenure, and Renter Problems, 1999–2005

	1999	2005	% change
Households (millions)			
Total households	102.8	108.9	5.9
Owner households	68.8	75.0	8.9
Renter households	34.0	34.0	(0.2)
Assisted	6.2	6.5	5.5
Unassisted with problems	13.1	14.2	7.7
Unassisted no problems	14.7	13.2	(9.7)
Percent of renters with housing problems			
Rent burden > 50% of income	19	23	4.7
Rent burden 30–50% of income	21	22	1.1
Severely inadequate housing	4	3	(0.4)
Moderately inadequate housing	8	8	(0.6)
Crowded housing	5	5	(0.1)

Source: U.S. Department of Housing and Urban Development (2007a).

low- and moderate-wage workers than for those in high-skill, high-wage jobs. Rising incomes at the top of the wage ladder put upward pressure on housing prices and rents, forcing them beyond the reach of workers in lower-wage jobs. Further, in prosperous metropolitan areas, new housing construction has not kept pace with employment and population growth. Local zoning laws, land use controls, and other regulatory barriers limit total housing production, raise the cost of new units, and prevent the production of low-cost units. As population expands in a market with constrained supply, the increased competition for units causes prices to rise even more rapidly (Katz and Turner 2008).

Not surprisingly, the extent of housing problems varies dramatically with income. A household's income must fall below 80 percent of the local area median to be eligible for HUD's three deep-subsidy assistance programs.<sup>7</sup> In 2005, 23.6 million households (69 percent of all renters) met this standard (table 2). Households "with housing needs" are those that either receive housing assistance or have one or more housing problems. The vast majority of these renters are low income (87 percent). Moreover, housing problems are much more prevalent at the lowest end of the income ladder. The "extremely low income" category (less than 30 percent of area median) is of special importance because it is roughly equivalent to the group in poverty and includes particularly vulnerable families and individuals—those with high

needs for social services and at risk of homelessness.<sup>8</sup> More than 90 percent of renters in the extremely low income range either receive housing assistance or suffer from housing problems.

Only 5.5 million (31 percent) of the total 18.0 million eligible households with housing needs actually receive assistance. That number represents just 23 percent of the 23.6 million that are eligible, regardless of whether they have housing problems. Even among extremely low income renters, only 34 percent of those that are eligible receive housing assistance. As of 2005, 12.3 million renter households were families with children—36 percent of all renters but 40 percent of those with housing needs and 40 percent of the extremely low income renters with housing needs. As of 2005, a total of 1.3 million very low income families with children were receiving housing assistance, while another 2.3 million had housing problems but received no assistance.

Because the availability of housing assistance falls so far short of needs, waiting lists for public housing, privately owned subsidized projects, and vouchers are all long. In fact, eligible households typically have to wait years before they reach the top of a waiting list for subsidized housing. Unfortunately, however, waiting lists do not provide reliable information about the number or characteristics of households in need. Many PHAs maintain separate waiting lists for public housing and vouchers, neighboring jurisdictions have their own lists, the owners of privately owned sub-

**TABLE 2**

Renters and Renter Families with Children, Assistance and Housing Problem Status, 2005

	Households with Housing Needs				
	Total	Total	Assisted	Unassisted with problems	Unassisted, no problems
Renters (millions)	34.0	20.7	6.5	14.2	13.2
> 80% of median	10.4	2.8	1.0	1.8	7.6
Low income	23.6	18.0	5.5	12.4	5.6
50–80% of median	7.5	3.8	1.0	2.8	3.7
30–50% of median	6.3	5.2	1.3	4.0	1.1
0–30% of median	9.7	8.9	3.3	5.6	0.8
Percent of renters	100	100	100	100	100
Low income	69	87	85	88	42
50–80% of median	22	18	15	20	28
30–50% of median	19	25	19	28	9
0–30% of median	29	43	50	40	6
Renter families with children (millions)	12.3	8.2	2.6	5.6	4.1
> 50% of median	5.8	2.4	0.8	1.6	3.4
30–50% of median	2.7	2.2	0.5	1.7	0.4
0–30% of median	3.8	3.6	1.3	2.3	0.2
Families with children as percent of renters	36	40	39	40	31
> 50% of median	32	37	39	36	30
30–50% of median	42	43	42	43	39
0–30% of median	39	40	38	41	29

Source: U.S. Department of Housing and Urban Development (2007a).

sidized projects keep lists, and households in need can put their names on multiple lists. In addition, most PHAs and private providers close their waiting lists when they exceed the number of units likely to become available within the next two or three years. These lists are then briefly opened to accept new applications and only occasionally purged to delete the names of people who have left the area, are no longer eligible, or have found some other solution.

Considerable information is available about the **demographic characteristics of households served** by HUD's three deep, gap-filling subsidy programs (table 3). In 2007, 1.05 million lived in public housing, 1.97 million received vouchers, and 1.29 million lived in privately owned subsidized units—a total of 4.30 million.<sup>9</sup> This number falls considerably below the 6.5 million eligibles shown in the “assisted column” as of 2005 on the earlier table, probably because many families benefiting under one of the shallower subsidy programs (like LIHTC) identify themselves as being “assisted.”<sup>10</sup>

All three deep-subsidy programs target assistance to the poorest households among those eligible. About three-quarters of the beneficiaries are extremely low income, and 90 percent (or more) are very low income. Mean annual incomes fall in a narrow range between \$11,056 (privately owned subsidized housing) and \$12,715 (public housing). Other characteristics, however, show some differences of note. Families with children make up a larger share of voucher holders (54 percent) than of public housing residents (41 percent) or residents in privately owned subsidized projects (33 percent). In the privately owned projects, elderly and disabled people account for the largest share of residents. The racial/ethnic mix is similar for public housing residents and voucher holders, with African Americans constituting the largest share (46 and 43 percent, respectively), followed by whites (29 and 36 percent, respectively), and Hispanics constituting considerably smaller shares (23 and 17 percent, respectively). In contrast, half the residents of privately owned subsidized projects are white, and only a third are African American.<sup>11</sup>

**TABLE 3**  
**Characteristics of Housing Assistance Recipients**

	Public housing	Vouchers	Private subsidized
Total units under lease March 2007 (thousands)	1,045	1,970	1,286
Percent by income relative to area median			
81% or higher	2	—	1
51–80%	8	3	3
31–50%	18	19	21
30% or lower	72	77	75
Mean income (\$)	12,715	12,411	11,056
Percent by household type			
Elderly, no children	29	17	49
Nonelderly, disabled, no children	16	19	17
Other, no children	14	9	1
Families with children	41	54	33
Percent by race and ethnicity			
White, non-Hispanic	29	36	50
Black, non-Hispanic		43	32
Hispanic	23	17	13
Asian or Pacific Islander	2	3	4
Native American	—	1	1

*Sources:* Total units under lease from HUD (2007b). Characteristics of public housing and voucher beneficiaries from HUD Resident Characteristics Report for June 2008. Characteristics of residents of privately owned subsidized housing from HUD TRACS report for June 2008.

Many people assume that residents of subsidized housing seldom move. But in fact, the median length of stay in public housing is only 4.7 years, and the median voucher household receives assistance for 3.1 years. The elderly and disabled groups stay the longest; the medians for families with children are only 3.2 years in public housing and 2.6 years in the voucher program. Interestingly, working families (defined as those with more than half their income coming from wages) stay longer on average than those that depend primarily on welfare. Despite the relatively short average tenures, a sizeable minority of public housing residents stay much longer. Specifically, 20 percent of families with children (nonelderly and nondisabled) in public housing have lived there 8.9 years or longer (Lubell 2008).

### **Trends in Program Size and the Location of Assisted Housing**

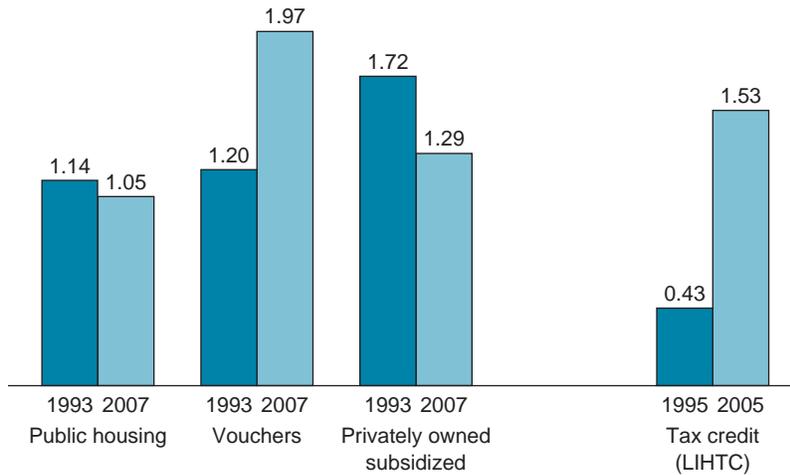
Public housing was launched in 1937, and most of its inventory was built by the mid-1970s. The programs offering deep subsidies in privately owned properties

began producing units in the 1960s, accelerated after 1974, when the most generous of these programs was established, but were drastically curtailed by the Reagan administration in the early 1980s. Vouchers, also introduced in 1974, have provided the main vehicle for expanding *deep* subsidy assistance since the early 1980s, but the LIHTC program has grown even more rapidly since it began in 1987. Figure 1 shows trends for each group of programs since the mid-1990s.

By the 1980s, some of the public housing stock was deteriorating badly, but little funding was provided for renovation, and a rigid “one-for-one replacement” rule essentially prevented demolition and redevelopment by requiring construction of a new public housing unit for every unit removed from the stock. Circumstances changed with the introduction in 1993 of the HOPE VI program, which provides funds to demolish severely distressed projects and replace them with mixed-income developments.<sup>12</sup> Generally, HOPE VI has built fewer new public housing units than were torn down, and associated initiatives have allowed the demolition

**FIGURE 1**

Change in Households Assisted: Major Housing Assistance Programs (millions of assisted households)



Sources: For first three programs, 1993 data from HUD (1997b) and 2007 data from HUD (2007b); for LIHTC, phone interview with Michael Hollar, U.S. Department of Housing and Urban Development, August 2008.

or sale of other deteriorated projects without replacement. The estimated result of these changes was a decline of about 140,000 public housing units between 1995 and 2007, reducing the total stock from 1.33 million to 1.19 million units.<sup>13</sup> As figure 1 shows, the number of households living in public housing dropped from 1.14 million in 1993 to 1.05 million in 2007.<sup>14</sup>

The number of households receiving vouchers grew substantially during the 1990s and through the early years of this decade, in part because PHAs received extra vouchers to relocate public housing residents displaced by HOPE VI. More recently, however, federal budget pressures have curtailed any further expansion of the voucher program. Altogether, the total number of voucher holders grew from 1.20 million in 1993 to 1.97 million in 2007, a 64 percent increase in 14 years.

Almost no units have been added to the stock of privately owned subsidized units since the early 1980s,<sup>15</sup> but units are being removed from this inventory. As discussed earlier, these projects receive assistance under multiyear contracts between the private owners and HUD. When those contracts expire, they are often renewed, but owners can also “opt out” at that point. Especially in markets where property values are rising or the surrounding neighborhood is in particular demand, owners may have strong finan-

cial incentives to let their subsidy commitments expire. Estimates indicate that the number of households living in these assisted properties has dropped from 1.72 million in 1993 to 1.29 million by 2007, a decline of 25 percent over 14 years.

Taken together, growth in the voucher program over the past decade and a half has been almost completely offset by the loss of deep, project-based subsidies. The total number of households receiving deep, gap-filling assistance increased only 6 percent—from 4.06 million in 1993 to 4.30 million in 2007—despite the vast expansion in needs discussed earlier. In contrast, the LIHTC program, which began in 1987, reached a cumulative total of 430,000 units in 1995 and then expanded to 1.53 million in 2005, an increase of 356 percent over a decade.

Although federally subsidized housing can be found in city, suburban, and nonmetropolitan communities all over the country, it is **disproportionately located in central cities**. Public housing in particular is concentrated in poor, inner-city neighborhoods in the northeast and midwest (table 4).<sup>16</sup> When public housing was first introduced, it primarily targeted the older industrial cities of the northeast and midwest, where housing problems were severe. The younger, growing cities of the west received relatively little public housing, and California actually banned the construction of public housing. Accordingly, only 9 percent

**TABLE 4**

Location of Housing Assistance Units and All Rental Units, Mid-1990s (%)

	Assisted Housing			All rental units
	Public housing	Vouchers	Private subsidized	
<b>Region</b>				
Northeast	31	22	25	22
Midwest	21	22	27	22
South	39	33	33	33
West	9	23	15	24
<b>Location type</b>				
Central city	61	45	47	45
Suburbs	19	34	33	38
Nonmetropolitan	20	21	20	17
<b>Neighborhood poverty rate</b>				
< 10 percent	8	28	27	42
10–29 percent	39	58	51	45
30+ percent	54	15	22	13

Source: Newman and Schnare (1997).

of the public housing stock is located in the west, compared with 24 percent of all rental units. Vouchers and privately owned subsidized housing are more evenly spread across the regions, more nearly in proportion to the rental stock overall. Public housing also stands out in that it is much more concentrated in central cities (61 percent) than the other two deep-subsidy programs and is more concentrated than the overall stock of rental housing.

The distribution of these programs across different types of neighborhoods highlights what is among the most serious flaws in U.S. housing programs. Federal housing policy has actually fueled the problem of concentrated minority poverty, through the siting of public housing in neighborhoods that are predominantly black and poor. Today, more than half of public housing residents live in high-poverty neighborhoods (with poverty rates above 30 percent), while only 8 percent live in low-poverty neighborhoods (poverty rates below 10 percent). The record is better for privately owned subsidized projects (22 percent in high-poverty neighborhoods) and better yet for vouchers (15 percent in high-poverty neighborhoods), but even these levels raise serious concerns given the high cost of concentrated poverty for families and for the nation as a whole (Ellen and Turner 1997).

Emerging evidence suggests that the newer forms of affordable rental housing production are still reinforcing concentrated poverty in inner-city neigh-

borhoods, although not to the same degree as public housing. A recent analysis of the tax credit program's performance in the 1990s revealed that central cities (where, again, poverty rates are much higher than the national or suburban average) received a disproportionate share of the units (Freeman 2004). Central cities housed 58 percent of all metropolitan tax credit units built during the 1990s despite the fact that they contain only 38 percent of metropolitan residents. At the neighborhood level, the spatial distribution of tax credit housing presents a mixed picture. As of 2000, the average tax credit unit was located in a census tract with a poverty rate of 19 percent. Among central-city units, the average tract poverty rate was higher (24 percent)—but not as high as the tracts where other types of federally subsidized rental units are located (average poverty rate of 29 percent).

Comparable detail on the spatial distribution of HOME units is not available, but the patterns appear to be similar. As of the late 1990s, the average tract poverty rate for HOME-funded rental projects in cities and urban counties was 27 percent. The average within central cities was even higher—31 percent (Walker et al. 1998). These figures should not be surprising. Community development corporations build affordable rental housing in the neighborhoods they serve both because that is what the federal government pays for and because they believe that housing production stimulates neighborhood revitalization. They rarely question the wisdom of consigning low-

income families to neighborhoods that do not offer what most middle-class families seek in their housing: good schools, proximity to quality jobs, and quality services.

## Roles of State and Local Housing Agencies

The administration of federal housing assistance is complex and confusing, with funds for various programs flowing independently of one another to state housing finance agencies (Low Income Housing Tax Credits), local public housing authorities (public housing and vouchers), private owners (developments with federal subsidy contracts), and state and local departments of housing and community development (HOME and CDBG block grants). And cities typically have distinct agencies for the separate but overlapping tasks of housing finance, housing production, housing preservation, housing regulation, public housing administration, community development, neighborhood redevelopment, planning and zoning, and other special initiatives. This balkanization of administration makes it difficult for local communities to plan effectively, to allocate scarce resources strategically, or even systematically assess unmet needs.

In Washington, D.C., for example, seven separate organizations are significantly involved in affordable housing production and administration—the Department of Housing and Community Development, the Housing Finance Agency, the District of Columbia Housing Authority, the National Capital Revitalization Corporation, the Housing Production Trust Fund, and the Deputy Mayor for Planning and Economic Development—and no single individual or entity has the authority to coordinate or hold them all accountable.

Public housing is built, owned, and operated by local autonomous bodies called **public housing authorities** (PHAs), established for the express purpose of administering the federal public housing program. These PHAs also administer the housing voucher program. Most PHAs rely primarily (or even exclusively) on the federal government for funding and must adhere to federal rules and procedures.<sup>17</sup>

Typically, the executive director of a local PHA does not report directly to the city's mayor, but rather to a board of directors, some of whose members are appointed by the mayor. Some jurisdictions have made their PHAs part of the local housing department, with more explicit accountability to the mayor. However, even in these cases, federal rules control most aspects of program administration, and local policymakers often perceive public housing and vouchers as outside their control.

In Baltimore, the city's department of housing and community development and its PHA were consolidated into a single agency, called Baltimore Housing, whose director is appointed by the mayor. In contrast, Atlanta's PHA operates independently of the city's department of housing and community development, with the chief executive officer accountable not to the mayor but to a board of commissioners composed of local business and civic leaders.

Because PHAs are agencies of *local* government, most metropolitan regions have several PHAs, serving different jurisdictions. This complicates voucher program operations because (at least in principle) recipients can use their vouchers anywhere, regardless of which jurisdiction issued them. But voucher portability is hindered by the red tape involved in transferring families (and subsidy resources) from one PHA to another. Finally, not all jurisdictions have PHAs; communities without PHAs have no public housing, but state-level PHAs generally administer federal housing vouchers in these areas.

HUD directly funds and monitors the operation of **privately owned properties** that receive deep federal subsidies. Each property maintains its own waiting lists, selects eligible residents, and reports to HUD. Local government exercises no authority or control over these properties. However, as subsidy contracts with HUD expire, many communities face the problem of losing affordable housing and helping low-income families at risk of displacement. Therefore, local housing departments are getting involved in providing new subsidies to some of these properties, most often using some combination of HOME funds, the LIHTC, and local resources.

Low income housing tax credits are distributed among states by formula and then allocated to particular development projects by **state housing finance agencies** (HFAs). State HFAs must prepare and publish allocation plans, specifying criteria for awarding credits, and prospective project developers compete to receive them. LIHTC projects can be developed (and then owned and operated) by for-profit companies, nonprofits, and public agencies, including PHAs. And some states' allocation plans give priority to proposed projects that are endorsed by local governments. However, once tax credits have been awarded, their developers typically operate them independently, with very limited oversight from the state HFA and the federal Treasury Department (HUD has no role in either funding or oversight of LIHTC projects). Like the privately owned properties with deep federal subsidies, LIHTC properties maintain separate waiting lists and tenant selection procedures. Local government agencies may not even be aware of where all these properties are.

CDBG and HOME block grants flow from HUD to **local housing and community development departments**. Big cities and urban counties are classified as “entitlement jurisdictions” under these programs and receive funding by formula. Typically, responsibility for using HOME and CDBG funding falls to the local department of housing and community development, whose director reports to the mayor. These agencies use the block grant funds to support locally designed and operated programs, including programs that provide grants or loans to developers of affordable rental housing, often in conjunction with the LIHTC. HUD provides separate allocations of both HOME and CDBG funding to states for distribution among “nonentitlement jurisdictions.”<sup>18</sup>

HUD requires jurisdictions that receive HOME funding to prepare affordable housing plans. These plans document the magnitude of housing problems among low- and moderate-income households, describe the distribution of hardship across different income levels and household types, and estimate the size of special needs populations. Jurisdictions then present the city's strategy for using available resources to tackle these housing needs. At its best, this planning mandate (which includes requirements for public participation) creates a real opportunity for engagement and strategic thinking. And some jurisdictions

use it very effectively to guide the allocation of federal, state, and city resources. At its worst, however, the planning requirement amounts to little more than a paper exercise, because HUD does not in fact evaluate the local plans or require jurisdictions to adhere to them (Turner et al. 2002).

An assessment of the consolidated planning process conducted almost a decade ago found that the city of San Francisco was using the process effectively by engaging public and private-sector stakeholders to decide strategically about the allocation of federal, state, and local housing resources in a very challenging market environment. In Atlanta, on the other hand, the HUD-mandated process was conducted separately from an ongoing local planning process. And San Antonio housing planners were frustrated that the HUD-mandated plan had no teeth and that the real decisions about resource allocation occurred through an entirely separate political process (Turner et al. 2002).

## Current Public Housing Initiatives

Two current initiatives give selected PHAs extra resources and flexibility to better meet the needs of the households and communities they serve. HOPE VI funds the demolition and replacement of severely distressed public housing developments, with the goal of improving outcomes for residents and revitalizing neighborhoods. Moving to Work (MTW) essentially deregulates participating PHAs so they can experiment with new subsidy formulas and occupancy rules that offer promise for encouraging and supporting work. Much of the current policy debate about public housing revolves around these two initiatives; both are controversial.

The first, and probably best known, is the **HOPE VI** program, an ambitious effort launched in the early 1990s to demolish the worst public housing projects in the country and replace them with housing that is better designed and built, less dense, more economically mixed, and better integrated into the fabric of surrounding neighborhoods and city economies. HOPE VI grants are competitively awarded to PHAs for the demolition and redevelopment of particular projects and include funding for

supportive services to help residents make the transition to work as well as supplemental housing vouchers for resident relocation.

The new housing developments produced under HOPE VI differ dramatically from earlier generations of public housing. Not only are they generally well constructed, but the best among them have applied the latest thinking on housing and neighborhood design. Income mixing is a central feature of many HOPE VI sites. The expectation is that properties that have to attract and retain higher-income tenants will be better managed and maintained over time, and that a mix of income levels creates a healthier social environment and brings better services—especially schools—to the surrounding neighborhood. Therefore, redeveloped sites typically combine public housing units (with long-term, gap-filling subsidy commitments) with LIHTC units and market-rate rental and for-sale housing. As a consequence, the total number of public housing units (affordable for the poorest households) is usually smaller after redevelopment than before.

The new developments are leveraging substantial public, private, and philanthropic resources—resources that were virtually absent (and, in some cases, prohibited) from former public housing developments. PHAs are also experimenting with a range of management approaches: many have employed private property management firms on site (and at risk) rather than relying on bureaucratic public agencies. And in many cities, HOPE VI has led to new (and lasting) partnerships between PHAs, other city agencies, non-profit organizations, and private-sector leaders.

Louisville's Park DuValle involved active mayoral leadership from the outset, leveraged funding from numerous sources, and ultimately engaged multiple city agencies (as well as private investors) in reconfiguring streets; redeveloping parks, playgrounds, and community centers; reconstituting public schools; and developing new retail shopping facilities.

The quality of many of the new HOPE VI developments appears to be helping catalyze significant improvements in the surrounding neighborhoods. Case studies show substantial declines in neighborhood

crime and joblessness and substantial increases in income, property values, and market investment. In several high-profile developments, HOPE VI investments have been accompanied by significant improvements in the quality of the local school and the educational performance of low-income children. With some of these findings, of course, cause and effect are not entirely clear.

Jefferson Elementary School (located near the Murphy Park housing project) was among the worst in St. Louis, but most children in the project did not attend it. Under a court-ordered desegregation plan, three-quarters of the neighborhood children were bused to schools elsewhere in the county. After the public housing was demolished and replaced, Jefferson Elementary reopened as a neighborhood-based school with a community advisory board that had the authority to hire the principal. It has seen significant gains in test scores and is now the school of choice for most children living in the surrounding neighborhood, including those in the redeveloped public housing. It also serves as a neighborhood learning center, offering classes and activities for adults as well as children during evenings and weekends.

Relatively few of the original residents from “HOPE-VI’d” projects are returning to live in the new mixed-income developments. Instead, most are relocating with housing vouchers or to other, traditional public housing developments. Several factors contribute to the low rates of return among the original residents, including reductions in the total number of public housing units, delays in the completion of the new developments, and tougher screening criteria and occupancy requirements for residents, but also satisfaction among many voucher recipients with their private-market homes or apartments. In general, voucher relocatees enjoy better housing and neighborhood conditions than when they lived in public housing and are very satisfied. However, there is no evidence that they are making significant progress toward economic security or self-sufficiency. And households relocated to other public housing projects generally live in conditions that are as bad—or worse—than their original developments.<sup>19</sup>

Over the past 15 years, HOPE VI has invested \$6.1 billion of federal funding for 235 projects, to

demolish 96,200 public housing units and produce 107,800 new or renovated housing units, 56,800 of which will be affordable to the lowest-income households (through September 2007, 88,100 units had been demolished but only 64,300 new units had been constructed under the HOPE VI program). The Bush administration repeatedly proposed to end the program, arguing that it is too costly and that most of the severely distressed stock has now been demolished. Advocates for low-income households have been especially critical of the program because it has displaced original residents and reduced the total stock of housing with deep, project-based subsidies. Nonetheless, bipartisan congressional support has sustained the HOPE VI program, although at much lower levels of annual funding than during earlier years.<sup>20</sup>

Legislation to reauthorize and revamp HOPE VI has been under discussion for several years, and in January 2008, the House of Representatives approved the HOPE VI Improvement and Reauthorization Act of 2007 (H.R. 3524). This bill calls for more help for families using vouchers to relocate (especially those with serious personal and health problems), a continued commitment to mixed-income redevelopment, full replacement of all public housing units demolished with either public housing or project-based vouchers, and production of some replacement housing in low-poverty areas (Sard and Staub 2008). The Senate version of reauthorization is similar in many respects, but it does not include the requirement that every unit of public housing demolished must be replaced. Advocates for the extension of HOPE VI are divided about whether the 100 percent replacement requirement is necessary or whether it might make some redevelopment projects financially infeasible. As of September 2008, HOPE VI reauthorization legislation is not expected to be enacted in 2008 but will probably be reintroduced in the next Congress.

The **Moving to Work** demonstration (MTW) was enacted in 1996 to allow a limited number of PHAs to experiment with “deregulation.” More specifically, selected PHAs could request waivers of federal statutes and rules governing both public housing and vouchers in order to design and test new approaches for reducing program costs, encouraging economic self-sufficiency of residents, and increasing the housing choices of low-income families. Some participating PHAs were also granted the option of

pooling three major streams of funding from HUD—public housing operating funds, public housing modernization funds, and voucher subsidy funding.

Currently, 27 PHAs participate in MTW.<sup>21</sup> Many have experimented with strategies for encouraging work and economic advancement among assisted households (including both public housing and voucher families) by imposing work requirements, changing the way rent subsidies are calculated, and even limiting the number of years a family can receive assistance.<sup>22</sup> Much of this experimentation reflects an assumption that the standard subsidy calculation (which requires households to contribute 30 percent of their income toward rent) discourages work by “taxing” every additional dollar of income and by buffering the effects of a drop in earnings. For example, several PHAs completely severed the link between income and rent contribution, establishing flat rents or “stepped rents,” whereby a household’s rent contribution is set at a flat amount in the first year and then increased by predetermined amounts on a schedule that spans several years. Other PHAs continued to calculate rent contributions as a percent of income but modified their procedures to delay rent increases or exclude some income from the rent calculation. Many agencies required all households to pay a minimum rent contribution, regardless of how low their incomes fell, with minimum rents ranging from \$25 to \$200. And several PHAs required residents to engage in some kind of work or training activity as a condition of occupancy (Abravanel et al. 2004).

Eight PHAs actually imposed time limits on housing assistance, arguing that this approach creates the strongest possible incentive for residents to increase their work effort and that it also spreads scarce assistance resources to more needy households over time. The very limited information available about the effects of these policies on residents suggests that they motivated some but paralyzed others, and that many families lacked a clear understanding of what it would take to be able to afford housing in the private market (Miller et al. 2007).

Unfortunately, although a considerable amount is now known about what PHAs did with the flexibility allowed under MTW, almost nothing is known about whether they produced better (or perhaps worse) outcomes for families than standard federal policies. Although MTW is called a demonstration, it was neither designed nor implemented with rigorous

evaluation as an objective so outcomes and impacts of new procedures could credibly be determined. An assessment of the first group of participating sites found some evidence of increased employment and rising incomes among affected residents (and no evidence of extreme hardship). Interestingly, however, there was no clear relationship between the types of work incentives and supports introduced and the magnitude of employment gains. This raises questions about whether the employment gains could be attributed to the policy changes, but it also suggests that *any* policies and practices that encourage residents to find and keep jobs have at least some effect (Abravanel et al. 2004).

Provisions that would substantially expand Moving to Work were passed by the House of Representatives in 2007 as part of a larger bill (H.R. 1851) focusing on reforms to the voucher program. Specifically, the House bill would rename MTW the Housing Innovation Program and allow up to 80 PHAs to participate, still without any systematic data collection or rigorous evaluation (Fischer and Sard 2008). Parallel legislation introduced in the Senate did not include this provision. Although the voucher reform legislation is not expected to be enacted in 2008, pressure from PHAs to expand MTW are likely to continue. Some advocacy organizations oppose the expansion of MTW on the grounds that it puts vulnerable residents at risk of hardship and even displacement and that the experimentation by PHAs is unmonitored and unevaluated. They argue that, if MTW is expanded, the number of PHAs authorized to participate should be smaller, and more rigorous evaluation should be mandated.

## Critical Policy Challenges and Choices

Until the onset of current foreclosure crisis, housing received scant attention on the domestic policy agenda. Even today, the problems of housing availability, adequacy, and affordability facing low-income renters are largely neglected. Increasingly, however, practitioners, policymakers, and advocates outside traditional housing policy circles are recognizing that decent and affordable rental housing is a key ingredient essential to other priority goals, including family economic success, children's well-being, smart growth, and equitable development.

As a consequence, some local and state governments are taking steps to boost incomes among low-wage workers (so more working families can afford prevailing rent levels), address the regulatory barriers that stand in the way of rental housing production, and raise new funds to subsidize affordable rental housing (Katz and Turner 2008). On the income side, a growing number of states are enacting minimum wages higher than the federal standard, some of them significantly so.<sup>23</sup> And many now have their own earned income tax credit programs, which—like the federal program—supplement the incomes of workers with a refundable year-end tax credit (Nagle and Johnson 2006). On the regulatory side, more than 130 localities nationwide have taken steps to mandate the production of affordable housing through inclusionary zoning ordinances.<sup>24</sup> And on the subsidy side, 37 states and more than 350 counties and cities have established dedicated sources of public revenue (like taxes and fees) to create housing trust funds for the production and preservation of affordable housing (Goodno 2002). All these state and local initiatives have value, but their potential impact is limited in the absence of federal policy leadership.

## New Vision for Federal Housing Policy

Federal rental housing programs can claim credit for some important accomplishments, but they now suffer from serious failures of design, scale, and implementation. Their most significant shortcoming is reflected in the widening gap between housing needs and subsidy resources. In addition, programs that produce new rental housing continue to focus on inner-city neighborhoods—further concentrating poverty rather than expanding access to opportunity. And the federal government offers few incentives for states and localities to remove the regulatory barriers that raise housing production costs and distort the location of affordable rental housing.

No one level of government can tackle today's complex rental housing challenges on its own. But a meaningful strategy would have to start with a more vigorous and systematic federal role, because only the federal government has the fiscal capacity to address the consequences of stagnant wage growth and income inequality nationwide. As long as incomes for a substantial segment of the population fall short of what it takes to cover the costs of producing and operating

adequate housing, state and local governments simply cannot afford to close the affordability gap for enough households. Therefore, federal policies should expand assistance that addresses the demand side of the housing affordability equation—using such tools as a higher minimum wage, supplements to the earned income tax credit, and an expanded housing voucher program—so more low-income households have sufficient income to make adequate housing affordable (Acs and Turner 2008; Dreier 2007; Katz and Turner 2008). Then, state and local jurisdictions could assume lead responsibility for the remaining, supply-side challenges, providing both regulatory and financial inducements for private-market actors (both for-profit and nonprofit) to produce and maintain moderately priced rental housing.

Under this basic framework, the federal government would still have to create incentives for states and local jurisdictions to reduce regulatory barriers that unnecessarily constrain supply and inflate costs. One possible strategy would be to require existing metropolitan planning organizations (MPOs) to prepare regional housing strategies that complement the regional transportation plans already mandated by federal law. Local jurisdictions could then be required to align their expenditures of federal block grant funds and their use of LIHTC with these regional strategies (Katz and Turner 2008).

This vision has not yet garnered wide attention or discussion, although it may provide a framework for debate if a new federal administration focuses serious attention on the problem of rental housing affordability. And whether or not federal policies begin to move in this direction, major questions remain about how existing programs and resources might play a more constructive role in the well-being of assisted families and the vitality of communities. Local practitioners, advocates, and philanthropies are increasingly interested in exploring strategies that link housing assistance with other high-priority social goals, including work and earnings, children's well-being, and environmental sustainability.

## Housing Assistance and Family Economic Success

A growing body of evidence suggests that living in decent, affordable housing may provide a “platform” from which low-income families can get jobs, build

their incomes, and achieve financial security. Simply living in decent, affordable housing constitutes a critical support for work because families living in unaffordable housing are financially insecure, vulnerable to unexpected increases in other costs, and more likely to move frequently (Mills et al. 2006). This insecurity may make it more difficult for them to get and keep jobs, work extra hours, or advance to higher wages. In addition, the extra income freed up when housing is affordable may enable families to pay for reliable child care, transportation to a better job, additional training, or professional clothing—all investments that can enhance employment success. Several recent studies suggest that people who receive assistance to make their housing costs affordable are more likely to benefit from workforce or welfare-to-work programs than people without assistance. Thus, affordable housing may buttress social programs that encourage work and self-sufficiency (Newman and Harkness 2006; Sard and Lubell 2000; Sard and Springer 2002; Sard and Waller 2002). To date, however, there is no evidence that housing assistance *alone* leads to greater employment or higher incomes (Mills et al. 2006).

Variations in the design and implementation of rental assistance programs can enhance their impact on employment and incomes among recipients. The Jobs-Plus Initiative rigorously tested the effectiveness of saturating a public housing development with high-quality work supports and changing rent rules and subsidy formulas to encourage work. Resident earnings rose significantly (compared with residents living in comparable public housing developments) from a combination of higher employment rates and higher wages (Bloom, Riccio, and Verma 2005; Turner and Rawlings 2005). As discussed earlier, PHAs participating in the MTW initiative have also experimented with changes in rent rules, occupancy requirements, and support services, but insufficient research has been conducted to rigorously assess the effectiveness of these efforts. If MTW is continued or expanded, adding a rigorous evaluation mandate could provide a valuable opportunity to learn more about what works in this area.

PHAs have traditionally played a very limited role in providing supportive services, even though their residents have some of the greatest service needs of any group in the United States. Many public housing officials argue that their job is to provide decent housing and that is all they have been funded

to do. In principle, PHAs can use part of their administrative budgets for services, but their position has been that the size of those budgets is insufficient to cover their costs in housing management, let alone take on a broader service agenda. Accordingly, most services that have been provided have been funded through special programs. Important examples in the early 1990s were the Drug Elimination Program (now discontinued) and Family Self-Sufficiency, which has operated primarily in the voucher program.

The Family Self-Sufficiency (FSS) program provides case management that arranges for services aimed primarily to help participants find jobs, build assets, clean up credit histories, and take other steps to increase their incomes. Participants also have the chance to build savings as their incomes increase. Specifically, their rents go up with their incomes, but the program places the additional amounts they owe in rent into an escrow account for their benefit. They can access the funds only after they have successfully graduated from the program. At least 75,000 households participate in FSS; 67,500 in the voucher program and 7,500 in public housing. HUD funding compensates PHAs for the amounts placed in escrow and provides about \$48 million annually for FSS coordinators. And voucher recipients who receive employment counseling and case management services under the Family Self-Sufficiency program appear to achieve significant employment and earnings gains (Lubell 2008). Working with HUD or with individual PHAs to identify and implement best practices in the FSS program could improve outcomes for voucher families.

A family with an income of \$500 a month pays \$150 in rent to live in public housing or a rental unit assisted by a voucher. If the family's income rises to \$750 a month, the monthly rent obligation would increase to \$225. An FSS participant would still have to pay \$225 in rent, but the \$75 increase would be deposited each month in an escrow account. If the family maintained this level of earnings, its account would have a balance of at least \$4,500 after five years. Families receive the full value of their escrow accounts upon successful completion of their FSS action plan (Cramer 2004).

Because of its visibility, HOPE VI highlighted the service needs of the troubled original residents who had to be relocated. Funding was provided to address the need in HOPE VI project budgets, but this was a new venture for most housing authorities, and the results were mixed at best (Popkin et al. 2004). Still, the HOPE VI experience broadened recognition of the need, particularly for services oriented to “helping families move to self-sufficiency.” Congress explicitly endorsed this theme in its landmark Quality Housing and Work Responsibility Act of 1998 and authorized a new grant program, Resident Opportunities for Supportive Services (ROSS) (Solomon 2005).

ROSS funding covers several programmatic components, including an FSS-like program for public housing residents. However, appropriations have thus far been quite small (under \$50 million annually).<sup>25</sup> HUD's current strategy recognizes that it is unlikely that funds for all service needs for public housing residents will (or should) flow through the HUD budget. Rather, the emphasis should be on using HUD funds primarily to hire ROSS service coordinators who will in turn arrange for appropriate packages of services with existing local providers. The services should “enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic self-sufficiency, or, in the case of elderly and disabled residents, help improve living conditions and enable residents to age in place.”<sup>26</sup> If ROSS is sustained and expanded, it may offer an opportunity for new local partnerships that more effectively link public housing residents with high-quality services. The success of this kind of linking strategy depends, however, on the availability and quality of local services.

Some research suggests that, over time, employment and earnings may increase among families who receive a housing vouchers plus housing search assistance to help them move from high-poverty, distressed neighborhoods to communities of opportunity. Over the long term, participants in the Chicago Gautreaux demonstration who moved to majority-white, resource-rich communities in the suburbs were more likely to work, earned more, and were less reliant on public assistance than similar families who remained in city neighborhoods. However, the Moving to Opportunity (MTO) demonstration, which more rigorously tests the impacts of moving

out of high-poverty neighborhoods in five cities, so far finds no effects on employment or earnings (Cove et al. 2008). This may be because most MTO families moved to low-poverty central-city jurisdictions rather than to job-rich suburban communities, or because few remained in their new neighborhoods long enough to benefit.<sup>27</sup> Future efforts to promote economic success among voucher families should focus on helping them move to locations that offer good access to jobs, supplementing mobility assistance with employment counseling and work supports (potentially using FSS resources), and (in MTW sites) experimenting with modifications to the voucher subsidy formula to explicitly reward work and earnings gains.

### **Housing Assistance and the Well-Being of Poor Children**

There are good reasons to think that living in assisted housing should contribute to improved outcomes for children in low-income families. In particular, affordable rent payments should increase a family's residential stability, reducing the frequency of involuntary moves, evictions, and homelessness; residential instability is known to undermine children's well-being (Lovell and Isaacs 2008; Rhodes 2005; Rumberger 2003). And spending less for housing may enable families to spend more of their very limited budgets on food and other necessities for their children. Indeed, recent evidence confirms that vouchers reduce the likelihood that welfare families will double up or experience homelessness and increase family expenditures for food (Mills et al. 2006). However, there is no convincing evidence that housing assistance alone improves (or undermines) children's educational success (Mills et al. 2006; Newman and Harkness 2000).

One likely explanation is that the effects of housing assistance on children's well-being depend upon the characteristics of the neighborhood where the housing assistance is provided. Living in public or assisted housing in a distressed neighborhood, with high rates of crime and violence and failing schools, probably undermines outcomes for children (Ellen and Turner 1997), while receiving a voucher or living in an affordable apartment in a safe, well-served neighborhood may enhance children's chances for success. Gautreaux research found striking benefits

for children whose families used vouchers to move from central-city Chicago to suburban neighborhoods. Children were substantially more likely to complete high school, take college-track courses, attend college, and enter the workforce than children from similar families who moved to neighborhoods within Chicago (Rosenbaum 1995).

MTO families moved to dramatically safer neighborhoods than their original public housing projects, and both mothers and girls are enjoying improved mental and physical health as a result.<sup>28</sup> In addition, moving to a lower-poverty environment appears to have reduced crime, delinquency, and risky behavior among teenage girls, though not among boys. To date, however, there is no evidence that MTO moves have led to better educational outcomes, possibly because so few children are attending significantly better schools (Turner and Briggs 2008). These findings suggest that it makes sense to expand the mobility counseling and search assistance that encourages voucher recipients to move to opportunity-rich neighborhoods, but that future mobility initiatives should focus more explicitly on helping families find, move to, and remain in neighborhoods where the public schools are high performing. In addition, service providers should look for ways to help boys adapt successfully to their new neighborhoods, helping them overcome the social, emotional, and institutional barriers that stand in their way.

One little-known program explicitly targets housing assistance to support children's welfare. The Family Unification Program (FUP), launched in 1992, provides special housing vouchers (plus supportive services) targeted to prevent children from entering or remaining in foster care unnecessarily on account of their families' housing problems, and to remedy the potential homelessness of children leaving foster care upon reaching their 18th birthday. Under the program, federal funds are competitively awarded to local partnerships, consisting of PHAs that provide the vouchers and child welfare agencies that provide case management services. The program is small, totaling only 39,191 vouchers nationwide. Proponents of the program argue that the cost of foster care far exceeds the cost of housing vouchers, and evidence suggest that most families that received FUP assistance were able to remain together.<sup>29</sup> In 2008, Congress appropriated \$20 million for approximately 2,800 new FUP vouchers.

## Housing Assistance and Vulnerable, Multi-Problem Families

Some households that rely upon federal housing assistance face serious personal or family challenges that stand in the way of their long-term stability and advancement. These include physical and mental disabilities, chronic health problems, substance abuse, and criminal records. In a multiyear study of five HOPE VI projects, almost half of all the original residents had one or more problems that made them “hard to house.” Specifically, 9 percent were elderly with no children, 30 percent were either disabled or included grandparents with children, 12 percent were “multi-problem” families (unemployed, no high school diploma, drug or alcohol problem), and 5 percent were large families (who needed apartments with four or more bedrooms). These categories overlap, so altogether, 48 percent of the original households across the five study sites (and at least 40 percent in each of the individual sites) fell into one or more of these groups (Cunningham, Popkin, and Burt 2005). The share of hard-to-house families in less distressed public and assisted housing developments is probably lower.

Clearly, the service needs of these vulnerable families vary dramatically. Work linkage services are likely inappropriate for the elderly or for many disabled adults who need more in the way of health care. Younger families with children (probably the bulk of the 12 percent multi-problem group) need services that will help them stabilize their lives, provide a secure environment for their children, and prepare to engage in at least some work. Trying to push them too quickly toward self-sufficiency could be counterproductive. In addition, these households may have difficulty using vouchers to relocate if their public housing projects are demolished.

For similar households that have experienced episodes of homelessness, permanent supportive housing offers a promising solution (Bassuk et al. 2006). An exploratory pilot project is under way in Chicago to test the efficacy of providing intensive support services in conjunction with vouchers for hard-to-house families being relocated from public housing (Popkin et al. 2008). PHAs will almost certainly need extra resources and well-qualified partners in order to craft and implement strategies to more effectively serve these most vulnerable residents, which could

include expanded services delivered to residents of existing projects, enhanced housing vouchers, and the development of smaller supportive housing developments in conjunction with HOPE VI.

## Assisted Housing and Responsible Neighborhood Redevelopment

At its inception, public housing was intended not only to provide decent and affordable housing for low-income families, but also to eliminate slums and blight, thereby helping to revitalize ailing central cities. During the 1960s and ’70s, public housing construction in many cities went hand in hand with “slum clearance” and urban renewal. Large tracts of rundown housing (mostly in black neighborhoods) were demolished, and displaced residents were relocated to new public housing projects, often in distant neighborhoods.

These policies have geographically isolated poor families—particularly poor minorities.<sup>30</sup> Large subsidized housing projects, earmarked exclusively for occupancy by low-income families, exacerbated prevailing patterns of racial segregation, redlining, and white flight. And as years passed, poor management, physical deterioration, and runaway crime fed a downward spiral of disinvestment and distress in the surrounding neighborhoods. One key lesson from this history is that building *more* affordable housing—even high-quality affordable housing—in distressed neighborhoods does not constitute an effective neighborhood revitalization strategy.

On the other hand, the HOPE VI experience demonstrates that redeveloping distressed public housing can play a critical role in restoring neighborhoods, catalyzing revitalization, and strengthening the health of cities. To date, HOPE VI projects have significantly reduced concentrations of poverty and crime in the surrounding neighborhoods, replaced poorly designed and obsolete structures with high-quality housing that harmonizes with the local architecture, and created communities that serve a mix of income levels. In many instances, HOPE VI has been creatively linked with other public- and private-sector investments so redevelopment extends beyond the immediate public housing site to upgrade streets and sidewalks, parks, community centers, recreational facilities, and public schools.

These investments appear to have helped catalyze real market turnarounds in central-city neighborhoods

In the neighborhoods surrounding four highly regarded public housing redevelopment projects, median household incomes and workforce participation rates rose dramatically, reflecting an influx of higher-income, working people. The market-rate housing successfully attracted and retained both renters and homebuyers with choices, and increases in rents over time indicate that market demand is robust. As a result, new, *unsubsidized* investment is now under way in the surrounding neighborhoods. For example, once Atlanta's Centennial Place attracted market-rate renters, developers began investing in loft conversions and condominium developments nearby, bringing significant home ownership back to the neighborhood (Turbov and Piper 2005).

that had long been given up as hopelessly distressed. Middle- and high-income households—including homebuyers—are moving in, market rents and sales prices are rising, and new private-sector investment in both homes and retail businesses is taking root. However, the magnitude of these neighborhood improvements varies widely across sites and, unfortunately, not enough research has rigorously addressed the issue of neighborhood impacts to pinpoint the determinants of success. Based on research to date, cities should choose sites for redevelopment where the blighting effect of distressed public housing is substantial, and where conditions seem ripe for achieving spillover benefits. And public housing redevelopment should be implemented in conjunction with other city investments to capitalize on locational and market assets and opportunities. In addition, cities should begin experimenting with innovative strategies for deconcentrating high-poverty projects that do not necessarily require demolition and replacement, possibly using a combination of income mixing and new acquisition.

In communities where the housing market is hot—with low vacancy rates and rapidly rising rents—the resurgence of housing demand in a HOPE VI neighborhood may trigger runaway gentrification. Unless deeply subsidized housing units are replaced (either in the redeveloped neighborhood or in other desirable locations), rents in previously affordable neighborhoods climb out of reach for all but the most affluent, voucher recipients have difficulty

using their assistance, and an opportunity to achieve meaningful income mixing may be lost. Therefore, the redevelopment of distressed public and assisted housing projects can and should be more effectively linked to a larger affordable housing strategy that expands the availability of low-rent options in healthy neighborhoods throughout the city, using tools such as inclusionary zoning, LIHTCs, HOME and local affordable housing trust fund resources, project-based vouchers, and voucher mobility counseling.

### **Housing Assistance, Smart Growth, and Environmentally Sustainable Development**

Historically, policies focused on producing affordable rental housing have paid little attention to environmental impacts. However, the clustering of affordable rental housing in central cities contributes to sprawling development patterns on the fringes of many American metropolitan areas, as middle- and upper-income households—seeking to distance themselves from poverty and distress—move to the outer suburbs and beyond, thus fueling new residential development on the urban fringe. These sprawling patterns of development yield a host of adverse environmental consequences (Katz and Turner 2008).

Thus, efforts to redevelop distressed public housing, create viable mixed-income communities in central-city neighborhoods, and incorporate affordable housing into healthy communities throughout metropolitan regions all have the potential to contribute to larger, smart growth strategies. But policies that enable or encourage low-income families to move to opportunity-rich neighborhoods sometimes generate opposition from receiving neighborhoods, because of fears that newcomers may undermine the quality of life there. Some research has raised concerns about possible negative effects of subsidized housing—for example, where poorly managed buildings are located in high-value neighborhoods. However, the most careful research conducted to date finds that smaller-scale, better designed, and better managed subsidized housing does not lead to neighborhood decline or resegregation and, indeed, can contribute to neighborhood upgrading. In contrast, subsidized housing clustered in lower-cost, higher-poverty, minority neighborhoods can be detrimen-

tal to the receiving communities (Galster, Tatian, and Smith 1999). Therefore, building local partnerships between advocates for affordable housing and smart growth, and working together to overcome fears and prejudices about subsidized housing, can help expand affordable housing options and combat sprawl.

In addition to mixed income strategies, some affordable housing developers are explicitly focusing on tools and incentives for incorporating principles of energy efficiency, conservation, and environmental sustainability into new projects. Enterprise Community Partners has led an effort to establish criteria for “green” affordable housing and has created a program of grants and low-interest loans to help offset the additional development costs associated with meeting these criteria.<sup>31</sup>

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Many people who are unfamiliar with federal housing programs find their complexity, high cost, and uneven performance daunting, and they may conclude that little can be done to address the limitations of existing programs, improve outcomes for households already served, or expand housing help to a larger share of needy families. We hope this primer helps clarify the policy landscape and highlights opportunities for constructive engagement. Such engagement can occur at many different scales: targeting supplemental services and opportunities to residents of particular subsidized projects; helping voucher recipients make the best possible choices about where to relocate; expanding the stock of affordable housing options in opportunity-rich or revitalizing neighborhoods; promoting regionwide strategies for smart, sustainable, and affordable growth; and perhaps even reinventing the federal role in meeting the nation’s low-income housing needs.

## Notes

1. For an excellent and more comprehensive history of both rental and home ownership policies in the United States, see Schwartz (2006).
2. The federal government also provides funding to support emergency shelters, transitional housing, and permanent supportive housing for homeless individuals and families. These programs are not covered here. For an excellent overview, see National Alliance to End Homelessness (2007).
3. Initially, the federal government only provided funding for the capital costs of public housing. Operating subsidies were added in the 1960s when federal legislation (the Brooke Amendment) limited tenant rent payments to 25 percent of their income (later increased to 30 percent) and it became clear that these payments were not sufficient to cover the costs of operating public housing.
4. PHAs are authorized to commit up to 20 percent of the tenant-based vouchers they administer to projects—in effect converting them into project-based subsidies.
5. Resources for this new Trust Fund would come from the profits of two government-sponsored financial intermediaries (Fannie Mae and Freddie Mac), and therefore will not be subject to annual appropriations. It is unclear how the recent federal takeover of Fannie Mae and Freddie Mac may affect this arrangement.
6. 2005 is the last year for which comprehensive data on housing problems and needs are reported by HUD (see U.S. Department of Housing and Urban Development 2007a). A similar report with 2007 data is expected to be published in 2009.
7. HUD classifies a household's income in relation to the median income for the local housing market area (an approach considered more equitable than the federal poverty standard since it roughly takes differences in costs of living into account). According to HUD definitions, low-income is less than 80 percent of median, very low income is less than 50 percent of median, and extremely low income is less than 30 percent of median.
8. Appendix table A1 shows that 16 percent of all U.S. households fall in the extremely low income group, very close to the 14 percent of all households that fall below the federal poverty level. The table also shows that 29 percent are in the very low income group (below 50 percent of median), fairly close to the 32 percent national share below 200 percent of the poverty level.
9. These numbers are from HUD's authoritative report to Congress on "Assisted Units under Lease" (HUD 2007b).
10. This discrepancy has always plagued HUD assessments, but it does not lead to any major difference in interpretation.
11. No national data are available on the characteristics of households served by the LIHTC and other shallow subsidy programs.
12. This program is discussed in more detail later in this paper.
13. Estimates from Sard (2008).
14. The 1993 figure is from HUD (1997b). The 2007 figure is from HUD (2007b).
15. Production under most of these programs was terminated during the early years of the Reagan administration. However, a very small number of projects earmarked for the elderly and disabled have been funded over the intervening years.
16. There has been no recent comprehensive review of where housing assistance recipients are located, but a mid-1990s database developed by Newman and Schnare (1997) still offers a helpful picture of basic locational patterns for the older programs. See also HUD (1997a) and Kingsley and Tatian (1999).
17. Some PHAs also own and operate projects financed with state or local resources and, as discussed further below, some now compete for and receive LIHTC allocations.
18. The HOME program also allows local jurisdictions to join together to form consortia, which may then qualify for formula funding.
19. These families and individuals include a disproportionate share with multiple health and personal problems, who were unable to relocate with vouchers.
20. For 2008, HOPE VI was funded at \$100 million, compared with \$625 million in 1999 (Sard and Staub 2008).
21. These PHAs are Atlanta, GA; Baltimore, MD; Cambridge, MA; Charlotte, NC; Chicago, IL; Delaware (state); District of Columbia; Greene, OH (metropolitan area); High Point, NC; Keene,

- NH; King County, WA; Lawrence-Douglas County, KS; Lincoln, NE; Louisville, KY (metropolitan area); Massachusetts (state); Minneapolis, MN; New Haven, CT; Oakland, CA; Philadelphia, PA; Pittsburgh, PA; Portage, OH; Portland, OR; San Antonio, TX; San Diego, CA; San Jose, CA; San Mateo County, CA; Santa Clara County, CA; Seattle, WA; Tulare County, CA; and Vancouver, WA.
22. Elderly and disabled residents are not subject to these changes.
  23. The Department of Labor maintains a current list of minimum wage laws in each state at <http://www.dol.gov/esa/minwage/america.htm>.
  24. The first such ordinance was passed in Montgomery County, Maryland, in the mid-1970s. Today, around 5 percent of the U.S. population lives in communities that require affordable housing to be built in any new development. Over 100 of these localities are in California, with most of the others clustered around Boston and Washington, D.C.
  25. The FY 2004 budget for the ROSS program provided \$16 million for services for families, \$11.4 million for services for the elderly and persons with disabilities, \$13.2 million for services to promote home ownership, and \$16 million for FSS coordinators to serve public housing residents.
  26. Solomon (2005), 47. Also see <http://www.hud.gov/offices/pih/programs/ph/ross/about.cfm>.
  27. For a more complete explanation of the Gautreaux and MTO experiments and discussion of their differing results, see Turner and Briggs (2008).
  28. Mother's mental health is a critical determinant of healthy development for young children (Hayes et al. 2001; Martins and Gaffan 2000; Olfson et al. 2003). Thus, it is possible that improvements in mental health among mothers and adolescent girls will translate into significantly improved child well-being over the long term.
  29. See Child Welfare League of America, "Family Unification Program FAQ," <http://www.cwla.org/PROGRAMS/HOUSING/FUPfaq.htm> (accessed August 2008).
  30. This isolation was intensified by federal policies that targeted scarce public housing resources to the neediest households on the waiting list, significantly reducing the number of moderate-income working families living in public housing.
  31. See <http://www.greencommunitiesonline.org>.

**TABLE A1**

Income Categories from 2005 American Housing Survey

	Households (millions)			Percent		
	Total	Renter	Owner	Total	Renter	Owner
Total	108.9	34.0	75.0	100	100	100
In relation to local area median						
0–30% of median	17.2	9.7	7.5	16	29	10
30–50% of median	14.0	6.3	7.6	13	19	10
Very low income	31.2	16.1	15.1	29	47	20
50–80% of median	19.3	7.5	11.8	18	22	16
Low income	50.5	23.6	26.9	46	69	36
80–120% of median	20.7	5.4	15.2	19	16	20
Above 120% of median	37.8	4.9	32.8	35	15	44
In relation to federal poverty level						
0–50% of poverty level	7.0	4.0	3.0	6	12	4
50–100% of poverty level	8.1	4.7	3.4	7	14	5
Below poverty level	15.1	8.7	6.5	14	26	9
100–200% of poverty level	19.4	8.6	10.8	18	25	14
Below 200% of poverty level	34.5	17.2	17.3	32	51	23
Above 200% of poverty level	74.4	16.7	57.7	68	49	77





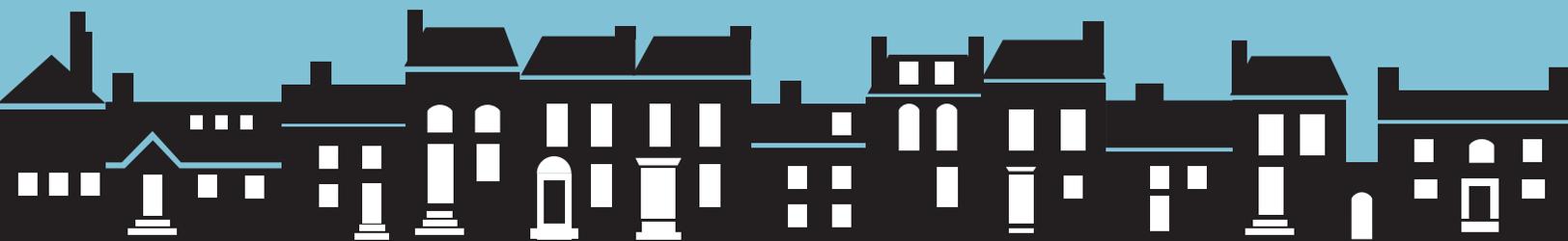
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