Study of the Ongoing Affordability of HOME Program Rents

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Executive Summary

Background

Created under Title II of the National Affordable Housing Act of 1990, the Home Investment Partnerships Program, or HOME Program, is designed to provide affordable housing to lower-income households, to expand the capacity of non-profit housing providers, and to strengthen the ability of state and local governments to develop and implement affordable housing strategies tailored to local needs and priorities. One of the principal uses of HOME funds is for the acquisition, construction, and rehabilitation of rental housing. As of April 2001, over 586,750 HOME-assisted units, including 252,983 rental units, had been funded throughout the country.

All rental housing units acquired, built or rehabilitated with HOME funding must meet affordability and income targeting requirements specified in the HOME Final Rule (24 CFR Part 92). The rents for most HOME units are set so as to be affordable to households earning 65 percent of area median income adjusted for family size ("High HOME Rent limits"). In projects with five or more HOME units, at least 20 percent of the units must be affordable to households earning 50 percent of the area median income ("Low HOME Rent limits"). The maximum income limits for tenants in HOME-assisted rental housing units are set at 80 percent of area median income adjusted for family size. However, 90 percent of families receiving rental assistance from a fiscal year's allocation must have incomes that do not exceed 60 percent of the median family income for the area.

Since HOME rent limits are unrelated to individual household income, a household with very-low or extremely low income living in a HOME unit can have a high rent burden, even if a unit's rent is in compliance with HOME rent standards.

The primary objective of this study was to estimate the proportion of rental housing units developed using HOME funds and occupied for more than two years that were within the program's affordable rent limits. The study also sought to explain why rents were not within affordability limits for those units found to be non-compliant. A secondary objective of the study was to estimate the rent burden of households living in HOME units and the extent of receipt of tenant-based assistance.

The basic approach of the study was to collect data from a representative sample of rental projects funded by the HOME program in order to estimate the percentage of units that were within the affordability standards at least two years after initial occupancy. The sample universe was drawn from data available through HUD's HOME program database as of

February 2000, when the study began.[1] Since data collection began in June 2000, the study provides information on compliance and rent burdens in HOME rental projects that were completed by June 1998. Once initial data collection determined which projects apparently failed to meet the HOME program's affordability guidelines, intensive phone follow-up was conducted to investigate the reasons for apparent non-compliance. For the rent burden portion of the study, a brief telephone survey was administered to a sample of residents living in properties included in the study. The survey collected information on rent, utilities, gross income, and receipt of housing assistance.

Findings Regarding Compliance with HOME Rent Limits

Slightly more than 95 percent of HOME-funded units had rents that were at or below program limits. Among compliant units average rents were 20 percent below program limits. Thus, the vast majority of HOME units are fulfilling the government's goal of providing affordable housing. The study found little statistically significant variation in compliance rates by property characteristics such as property size, participating jurisdiction type, type of activity funded (new construction, acquisition, rehabilitation, or some combination of these activities), and type of owner (e.g., non-profit or for-profit partnership).

Interestingly, while it might have been assumed that it would be more difficult to comply with the more stringent and complex Low HOME Rent limits, there is no significant difference in compliance rates for these two types of units. Compliance rates for High and Low HOME Rent units are 95 and 98 percent, respectively, a difference that is not statistically significant.

Among the two largest categories of units, those owned by non-profits and those owned by partnerships, compliance rates were similar, at 94 and 95 percent. In addition, for both types of properties, rents of non-compliant units were on average just 13 percent above the program limits.

There is some variation among property types for the basic finding that average rents for units that comply with HOME rent limits provide housing with a greater degree of affordability than the program demands. For example, HOME properties that also benefited from the Low-Income Housing Tax Credit (58 percent of HOME program units) had average rents 17 percent below the maximum permitted by the program rules. But properties that did

1 Because the report's findings are based on a sample of rental projects drawn from a February 2000 database, the percentage distributions reflected in this report often vary from the percentages reflected in HUD's current summary of HOME program activities.

not benefit from Tax Credits had even lower rents, at an average of 23 percent below the HOME limit.

Compliant properties that provide a special housing type, single room occupancy (SRO) housing, had much lower rents compared with program limits than other types of properties, at only 63 percent of the HOME program limit.

In those relatively rare cases when non-compliance occurred, it was often the result of confusion on the part of the property manager about the treatment of other rental subsidies or misunderstandings about the appropriate rent limits to be used. In several cases managers mistakenly did not include tenant-based rent subsidies in their calculation of gross rent, or they failed to realize that Low-Income Housing Tax Credit rent limits did not automatically meet the HOME program requirements. For example, they failed to take into account that Low HOME Rent units often must have rents below 30 percent of 50 percent of area median income (rather than 60 percent of area median income, which is the limit in most tax credit properties).

In keeping with the finding that non-compliance is almost always inadvertent, most non-compliant properties had a relatively small number of units that failed to meet program limits. Sixty percent of non-compliant properties had a single non-compliant unit, while an additional 27 percent had between two and four non-compliant units. Only 6 percent of non-compliant properties had as many as five to nine non-compliant units, and only 7 percent had 10 or more.

The findings suggest two types of responses by HUD to increase compliance rates. First, dissemination of information about program rules, particularly those related to the treatment of rental subsidies and utility allowances, might raise the compliance level. Second, greater oversight and guidance by HUD of the PJs' monitoring of property managers would also address the cause of a large share of non-compliant cases. However, given the relatively low rate of non-compliance, there is not a pressing need for significant change in HUD's current practices.

Findings Regarding Rent Burdens and Use of Subsidies

The average rent burden for households living in HOME units was 41 percent, with a median of 33 percent.[2] Four-tenths of all units (41 percent) were clearly affordable to their residents,

[2] It should be noted that the tenant survey excluded properties without telephones in individual units (SROs and group homes) or housing developmentally disabled individuals. As a result, the rent burden findings do not apply to these categories of properties.

based on a definition of affordability of 30 percent of income or less. Another 41 percent of households had rent burdens between 30 and 50 percent. Many of these had rent burdens somewhat above 30 percent as a result of reported tenant-paid utilities that exceeded the utility allowances provided by housing assistance programs. Some 19 percent of households in HOME units had rent burdens above 50 percent.[3]

HOME units tend to serve very low-income households. Eighty percent of all households in HOME units had incomes at or below 50 percent of the area median for their household size, including 47 percent with incomes at or below 30 percent of the median. As expected, rent burdens are greater for relatively poorer households. Rent burden for extremely low-income households averaged 53 percent, while for households with incomes over 50 percent of the area median the average rent burden was 26 percent.

Average rent burdens were higher and rents were more likely to exceed 50 percent of income for properties funded by metropolitan city participating jurisdictions, for properties developed by non-profits, and for properties involving rehabilitation rather than new construction. However, these differences in the average rent burdens were not statistically significant. The highest portions of households with rent burdens greater than 50 percent were found in the West, followed by the South and the Northeast. High rent burdens were least likely in the Midwest.

Tenant- and project-based housing assistance provided substantial rent burden relief when available. The average rent burden for the 22 percent of households who reported having tenant-based assistance was 36 percent, and slightly more than half had rent burdens of no more than 30 percent. The average rent burden for the 10 percent of households who reported having project-based assistance was 35 percent, and 70 percent had rent burdens of 30 percent or less. In contrast, the average rent burden for households who reported not receiving a subsidy was 44 percent, and one quarter had rent burdens over 50 percent. Among households with extremely low incomes, the 47 percent who were not also benefiting from housing assistance had average rent burdens of 69 percent, compared with an average rent burden of 40 percent for those who did have rental assistance.

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[3] Percentages do not total to 100 because of rounding.

Chapter One
Introduction

Background

Created under Title II of the National Affordable Housing Act of 1990, the Home Investment Partnerships Program, or HOME Program, is designed to provide affordable housing to lower-income households, to expand the capacity of non-profit community housing development organizations (CHDOs), and to strengthen the ability of state and local governments to develop and implement affordable housing strategies tailored to local needs and priorities.

HOME funds are allocated by formula to participating jurisdictions (PJs): 40 percent to states and 60 percent distributed among cities, urban counties, and consortia. States are automatically eligible for HOME allocations, while local governments and consortia must meet a minimum threshold according to the formula in order to receive HOME funds directly (local governments that do not meet the minimum threshold can receive HOME funds only through their state's HOME program). States can administer their own HOME programs as well as commit HOME funds to local PJs that receive funds directly from HUD. Each PJ must reserve a minimum of 15 percent of its annual allocation for activities undertaken by CHDOs, a type of non-profit housing provider defined in the HOME regulations.

PJs may use HOME funds for four types of affordable housing activities:

- rental housing development (including acquisition, rehabilitation, and new construction);
- rehabilitation of owner-occupied properties;
- homeownership assistance; and
- tenant-based rental assistance.

Through April 2001, 43 percent of all HOME funded units were in rental housing developments. PJs provide HOME funds for rental housing development to various types of organizations, including for-profit developers, non-profit housing providers, CHDOs, local governments, redevelopment organizations, and public housing authorities. As of April 2001 these organizations had funded 252,983 HOME-assisted units in rental housing projects throughout the country.

The PJ is responsible for monitoring the compliance of HOME-assisted units with the program rent limits (discussed below) to ensure long-term affordability. The affordability period depends on the development activity and on the amount of HOME funds invested per unit (Exhibit 1-1).

Exhibit 1-1

Required Affordability Period by Activity Type and Amount of HOME Investment

Rental Housing Activity	Average Per Unit HOME Investment	Minimum Affordability Period
Rehabilitation or Acquisition of Existing Rental Housing	<$15,000 per unit	5 years
	$15,000 - $40,000 per unit	10 years
	>$40,000 per unit	15 years
Refinance of Rehabilitation Project	Any amount	15 years
New Construction/Acquisition of New Rental Housing	Any amount	20 years

HOME Rent Limits

All rental housing units acquired, built or rehabilitated with HOME funding must meet affordability and income targeting requirements specified in the HOME Final Rule (24 CFR Part 92). Some projects consist only of HOME-assisted units, while at other projects only a fraction of units are HOME-assisted units. The HOME affordability and income targeting rules apply only to HOME units. At properties with both HOME-assisted and non-HOME-assisted units, the project owner must decide at the time of project commitment whether the HOME units will be "floating" or "fixed" units. When HOME-assisted units are "floating," the units that are designated as HOME units may change as long as the total number of HOME units in the project remains the same and the HOME units are of at least the same size and quality (in terms of amenities) as the originally designated HOME units. When HOME units are "fixed," the specific units that are designated as HOME units cannot change.

The affordability of HOME units is governed by maximum rents called "HOME rent limits." The rent limits apply to the gross rent for an apartment, which includes the rent paid to the landlord (both by the tenant and by rental subsidy programs) and a utility allowance for any tenant-paid utilities. There are two levels of HOME rent limits used in the HOME Program:

> **High HOME Rent Limits.** High HOME Rent limits are the lesser of (a) the Section 8 Fair Market Rents (FMRs) in the area, or (b) 30 percent of the monthly adjusted

income of a family whose gross income equals 65 percent of the area median income adjusted for number of bedrooms.

Low HOME Rent Limits. In projects with five or more HOME-assisted units, at least 20 percent of the HOME-assisted units must meet Low HOME Rent limits. To qualify as a Low HOME Rent unit, the unit must be occupied by a household with an income at or below 50 percent of the area median and meet one of the following rent criteria: (a) the gross rent is the lesser of the area FMR or 30 percent of the monthly income of a family whose income is 50 percent of the area median family income adjusted for the number of bedrooms; or (b) the household benefits from federal or state project-based rental assistance and pays no more than 30 percent of their income toward housing costs.[4]

Single-Room Occupancy (SRO) and Group Homes have slightly different HOME rent limits. For SROs lacking kitchen or bathroom facilities in the unit, the rent limit is 75 percent of the FMR for a zero-bedroom unit. If the unit has both kitchen and bath facilities in the unit then the zero-bedroom HOME rent limit applies. For Group Homes the rent limit is the FMR for the number of bedrooms in the home occupied by tenants (rooms occupied by live-in service providers are not included in determining the unit size).

HUD establishes HOME rent limits for every metropolitan area and non-metropolitan county, adjusts them for number of bedrooms per unit, and publishes them annually early in the calendar year. When rent limits change, tenants must receive at least a month's notice before their rents may be raised. However, unless the lease contains a provision allowing for rent increases during the term of the lease, the applicable rent limit is the one in effect at the beginning of the current lease period.

For some projects the applicable HOME rent limits are different from the published HOME rents for the jurisdiction. These cases include the following situations:

- If the HOME rent limit drops after the time of project commitment, the property owner is allowed to use the HOME rent limits in effect at the time of project commitment.
- A small number of properties have exception HOME rents, granted by HUD to specific projects to ensure their financial viability.

[4] In analyzing projects for compliance with HOME rent limits it is important to note that this wrinkle in the program rules means that, in properties with project-based assistance, Low HOME Rent units may actually have higher gross rents than High HOME Rent units.

- Some projects have also been allowed to use area-wide FMR exception rents in place of the FMR.[5]

The HOME program also requires that if a tenant's income increases above 80 percent of the area median income, the rent for the unit must be set at 30 percent of the tenant's adjusted income. In these cases the unit would not be considered to be out of compliance with program rent limits.

The maximum allowable HOME rents assume that utilities are included in the rents. If the tenant pays for some or all of the utilities, a utility allowance must be provided. Based on the utility allowance, the rent charged must be adjusted downward such that the rent plus the utility allowance does not exceed the applicable HOME rent limit. The PJ is responsible for specifying the utility allowance. In most cases, the utility allowance set by the local housing authority for the Section 8 program is adopted for use in the HOME program. However, the PJ may adopt a different standard for its HOME-funded projects and may even approve project-specific utility allowances.

Objectives of the Research

The primary objective of this study was to estimate the proportion of HOME units occupied for more than two years that are within program affordable rent limits. This is one of HUD's performance measures under the Annual Performance Plan (APP) and related Business Operating Plan (BOP) required by the Government Performance Results Act (GPRA). The study estimated the proportion of units in compliance by project size and type of participating jurisdiction (PJ), and examined other factors that may be associated with compliance rates such as owner type, project size, activity type (e.g., new construction or rehabilitation), and Low-Income Housing Tax Credit usage. For those units found to be non-compliant, the study sought to explain the reasons unit rents are not within affordability standards.

A secondary objective of the study was to estimate the rent burden of households living in HOME units, especially those households with very low incomes (less than 50 percent of area median income), and the extent to which they receive tenant-based assistance. Even if a

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5 The HOME program regulations do not allow the use of area-wide Section 8 exception rents in place of the FMR in determining the relevant rent limit for HOME rental units. However, an error was made in the description of the regulation in a widely-used HOME program guide published by HUD which mistakenly indicated that these area-wide exception rents could be used in place of the FMR in determining the HOME limits. HUD has allowed projects that were mistakenly underwritten using this standard to continue to use this standard in order to ensure their continued financial viability and in recognition of the fact that fewer HOME funds may have been granted to the project on the assumption that the allowable rent limit was higher.

unit's rent is in compliance with HOME rent standards, a household with a very-low or extremely low income living in a HOME unit can have a high rent burden. This is because the maximum HOME rent is unrelated to individual household income, but is instead based on rents that would be affordable for households earning 50 percent or 65 percent of area median income adjusted for family size.

Thus, there were three components of this study:

- Estimating the proportion of HOME units occupied for more than two years that are within program affordability standards;
- Explaining the reasons unit rents are not within affordability standards for those units found to be non-compliant; and
- Estimating the rent burden of households living in HOME-assisted units and the extent to which they receive tenant-based assistance.

Overview of Study Approach

The basic approach of the study was to collect data from a representative sample of rental projects funded by the HOME program in order to estimate the percentage of units that were within the affordable rent limits at least two years after initial occupancy. Once initial data collection determined which projects apparently failed to meet the HOME program's affordable rent limits, intensive follow-up phone interviews were conducted with property owners, managers and PJs to investigate the reason for this failure.

For the rent burden portion of the study, a brief telephone survey was administered to a sample of residents living in properties included in the study. The survey was designed to collect information on rent, utilities, gross income, and receipt of housing assistance.

Outline of this Report

This report contains four chapters and six appendices:

- **Chapter One** has provided background on the use of the HOME program for rental housing, including a detailed review of the rules governing rents in HOME-assisted properties; defined the objectives of the research; and provided a brief overview of the study approach.
- **Chapter Two** describes and summarizes the sampling approach, data collection methodology, and data collection results for both the compliance analysis and rent burden portions of the study.

- **Chapter Three** presents the study's findings on the extent of non-compliance with the HOME program rent limits and discusses the reasons for non-compliance where it was found.
- **Chapter Four** presents findings for the rent burden portion of the study. It provides estimates of rent burden in HOME units and discusses the use of rental subsidies in HOME-funded projects.
- **Appendix A** describes in detail the approach used for sampling both properties and tenants.
- **Appendix B** provides a copy of the materials sent to each Participating Jurisdiction (PJ) included in the study. These materials include a letter from HUD staff, a letter from Abt project staff, a list of all sampled properties in the PJ, and data verification sheets for each sampled property.
- **Appendix C** provides a copy of the materials sent to the property manager of each property included in the study. These materials include a letter from HUD staff, a letter from Abt project staff, and a data verification sheet and checklist for each sampled property managed by that person.
- **Appendix D** describes the detailed methodology for assessing ongoing affordability.
- **Appendix E** provides a copy of the tenant survey administered to tenants selected to participate in the phone survey.
- **Appendix F** provides a copy of the pre-survey letter and participation form sent to tenants selected to participate in the phone survey.

Chapter Two
Data Collection Methodology

This chapter describes the data collection methodologies for the analysis of both compliance with HOME rent limits and the rent burdens of tenants in HOME-funded properties. The first part of the chapter describes the approach used to sample properties for study, the methodology used to collect data on HOME property rent levels, and the results of data collection on property rents. The latter part of the chapter then describes the sampling approach, data collection methodology, and results of data collection for the tenant phone survey on rent burdens.

Approach to Sampling Properties for Study

In order to estimate the share of HOME units that are in compliance with the HOME rent limits at least two years after initial occupancy, a sample of 501 HOME-funded rental properties was selected from among all HOME-funded rental properties completed by June 1998.[6] Information on current rent levels was collected for these properties. (Appendix A provides a thorough description of the sampling approach.) The study universe included all rental projects that had been occupied at least two years and that were still within the mandated affordability period. Since data collection was scheduled for June 2000, this meant projects had to have been occupied no later than May 1998. For projects with HOME assistance in the form of rehabilitation or acquisition of existing housing and with a per-unit HOME cost less than $15,000, projects also had to have been occupied no *earlier* than May of 1995, because the affordability requirement lasts for only five years for these projects. For all other forms of assistance, projects could have been occupied since the start of the program, since the affordability period is at least 10 years and the program legislation was not enacted until 1990.

One goal of the study was to evaluate whether compliance rates varied by the type of participating jurisdiction (PJ) overseeing the project or by project size, where size is defined as the number of HOME units in a project. To ensure adequate representation of these types of properties in the selected sample, the population of projects was stratified by the four types of PJ: states, cities, consortia, and urban counties. Within each PJ type, projects were further

[6] Data collection from properties began in June 2000, so properties had to have been completed before June 1998 to have been occupied for two years when data collection began.

stratified into four size categories designed to capture features that might affect compliance.[7] The size categories used to stratify the sample were:

- **1-4 units**. Properties in this size category are often managed by small "mom-and-pop" type managers or owners who might be relatively unfamiliar with the program's affordability requirements. On the other hand, these projects are not required to have Low HOME Rent units. PJs are mandated to conduct on-site reviews of properties in this size class only every three years.
- **5-11 units.** Properties in this size range are typically developed by small non-profit or for-profit developers, often with little experience managing housing with affordability requirements. Since owners sometimes choose to develop fewer than 12 units to avoid Davis-Bacon requirements, this size class was thought to represent a natural grouping of smaller properties.
- **12-50 units.** Properties in this size range typically have more sophisticated developers, including larger non-profit developers.
- **51+ units.** Properties of this size generally are professionally managed and are most likely to have other affordability requirements (and associated oversight) from subsidy programs such as the Low-Income Housing Tax Credit.

Combining the four different types of PJs with the four different size categories resulted in 16 strata of property types from which the sample was to be drawn. When determining how many properties to select from each stratum, the fact that the distributions of projects and units by project size varied substantially was taken into account. For example, while 66.6 percent of the projects were small (1 to 4 units), only 13.5 percent of total units were in small projects. At the other extreme, only 3 percent of projects were large (over 50 units), but 33.8 percent of the units were in large projects. Since a small number of projects accounted for a large percentage of the total number of units, it was necessary to select larger projects with a higher probability. Exhibit 2-1 presents the final sample sizes by stratum.

While this stratification scheme was designed to produce sufficient sample sizes to estimate HOME rent limit compliance rates by size category and PJ type, the survey results also allowed us to estimate compliance rates by other project characteristics, including owner type, activity type, and whether the property has Tax Credits in addition to HOME funds.

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7 Other size categories of interest for analysis were projects between 5 and 25 units and those with 26 more units, because these categories are subject to different requirements for on-site reviews. Projects with 5 to 25 units are subject to on-site reviews every two years, while larger projects are subject to on-site reviews every year.

Exhibit 2-1

Distribution of the Sample of Projects by Stratum

	Project Size (Number of HOME Units)				
PJ Type	**2 to 4 Units**	**5 to 11 Units**	**12 to 50 Units**	**More Than 50 Units**	**Total**
State	23	26	41	35	**125**
Metro County	25	26	36	39	**126**
Consortium	32	38	47	8	**125**
Urban County	29	32	45	19	**125**
Total	**109**	**122**	**169**	**101**	**501**

Property Data Collection Methodology

Data collection for the portion of the study on compliance with HOME rent limits had two main components: (a) collection of tenant-paid rent, subsidy payments, utility allowances, and other pertinent information on all HOME units in sampled projects from property managers and PJs; and (b) follow-up telephone calls to property managers and PJs to gather explanations for non-compliance. The data collection methods used in this portion of the study are summarized in Exhibit 2-2.

Exhibit 2-2

Data Collection Methods for Compliance Portion of the Study

Research Objective	Data Collected	Data Collection Method(s)
Estimate the proportion of units that meet HOME rent limits	• Unit size (# of bedrooms) • Tenant-paid rent • Utility allowances • Subsidy payment • Subsidy type (project or tenant-based) • Exception rents • Lease date (or re-certification or move-in dates) • Household income and size (for units with project-based assistance) • Vacancies • Type of occupant (regular or project employee or manager)	Phase I: Data Collection From PJs • Packet sent containing: introductory letter from Abt Associates, introductory letter from HUD, request for verification and completion of missing data for sampled projects from IDIS or CMIS. • Telephone follow-up to ensure high response. • Internal tracking using Access database system. Phase II: Data Collection from Owner/Managers • Packet sent containing: introductory letter from Abt Associates, introductory letter from HUD, request for copies of rent rolls, compliance reports, and other documents maintained by owner/managers to determine compliance with affordability requirements. • Telephone follow-up to ensure high response. • Internal tracking using Access database system.
Explanation for failure to meet HOME rent limits	• Qualitative information on reasons for failure to meet rent standards	• Telephone discussion with the property manager or, occasionally, the PJ.

Collection of Rent and Related Information to Determine Compliance

The primary focus of this study was the collection of rent and other information–including the number of bedrooms, tenant-paid rent, utility allowances, subsidy payments, and type of subsidy–for each HOME unit in the sampled properties in order to determine the proportion of HOME-assisted units that were within HOME rent limits. Exhibit 2-2 above lists all of the variables that were collected for the study and the source of that information.

The first step in gathering the information was to obtain extracts of data maintained by HUD in its IDIS and C/MIS systems for monitoring the use of HOME-program funds. The next step was to contact the PJ responsible for the sampled project to verify and fill in any missing project-level information obtained from HUD's databases (Exhibit 2-3). Perhaps the most critical information verified at this stage was the property manager's contact information—including a name, address and phone number—which was essential for gathering current information on project rent levels.[8] (A copy of the materials sent to PJs is included in Appendix B.) The next step was to contact the property managers to obtain the information listed in Exhibit 2-3 under Unit-Level Data, to fill in any remaining project-level information that the PJ did not provide, and to confirm information provided by the PJ.

Exhibit 2-3

Compliance Data Requirements and Sources

Project-Level Data	**Source**
PJ Type	HUD's IDIS or C/MIS database
PJ Name	HUD's IDIS or C/MIS database
PJ Contact Name, Address and Phone Numbers	HUD Staff
Project Number	HUD's IDIS or C/MIS database
Project Address	HUD's IDIS or C/MIS database
Type of Owner	HUD's IDIS or C/MIS database
Property Manager Name, Address and Phone Numbers	HUD's C/MIS database and PJ
Total Units and Total HOME Units	HUD's IDIS or C/MIS database
Number of High and Low HOME Rent units	Derived from data in HUD's IDIS and C/MIS database
Fixed or Floating Unit Designation	PJ
Unit-Level Data	**Source**
Completion Date	HUD's IDIS or C/MIS database
Total HOME Funding	HUD's IDIS or C/MIS database
Activity Type	HUD's IDIS or C/MIS database
Affordability Period	Derived from data in HUD's IDIS and C/MIS databases
Exception Rent Limit	PJ

8 While PJs are required to have documentation of the project's compliance with HOME rent regulations, several pre-study site visits by Abt project staff indicated that their information on project rents is often incomplete or out of date. As a result, it was necessary to gather current information on rents directly from property managers. Note also that, in almost all cases, an individual or firm that did not own the property managed the sampled properties. When no property manager existed, the property owner was contacted directly. This happened for a few very small properties.

Exhibit 2-3 ***(Continued)***

Compliance Data Requirements and Sources

Unit-Level Data	Source
LIHTC project	HUD's C/MIS database and PJ
Utility Allowance Source	PJ
Unit Number	Property Manager
Number of Bedrooms	Property Manager
Tenant-paid Rent	Property Manager
Utility Allowance	Property Manager
Subsidy Payment	Property Manager
Subsidy Type (Project or tenant-based)	Property Manager
Household Income and Size (for units with project-based assistance)	Property Manager
Lease, Move-in or Income Recertification Date	Property Manager
Applicable HOME Rent Limits	HUD Web Site

Data was requested from property managers using a package of materials sent by mail that included an introductory letter from HUD and a letter from Abt Associates providing greater detail on the nature of the information sought from the owner/managers and how this information would be used (see materials sent to property managers in Appendix C). In order to make the request as clear as possible, a separate sheet highlighted the specific items needed for each unit in the property and the specific types of documents that could be provided to meet this request, such as a rent roll, a utility allowance schedule, and/or a Low Income Housing Tax Credit Report. The request was designed so that property managers could, for the most part, provide the needed information using standard reports maintained as part of routine project management or for reporting on the HOME or other relevant government program.

The study team conducted follow-up telephone calls with both the PJs and the property managers to ensure a high response rate to these requests for information. The data collection process was slower and more time consuming than had been anticipated. Intensive follow-up was needed with both PJs and property managers for a variety of reasons, including:

- To ensure that the appropriate contact person had received the request;

- To answer questions regarding the nature of the study and the information requested;
- To encourage a response;
- To clarify the nature of the information received from property managers; and
- To request required information that was not included in the original submission.

Data collection for each PJ and property was tracked using an Access database system designed for this project, which allowed the project director and task managers to continually evaluate the current status of data collection efforts.

One challenging aspect of data collection concerned the determination of the source of the utility allowance. Both the PJ and the property manager were asked to identify the source of the utility allowance used in order to verify that mangers were using the appropriate utility allowance. In about a tenth of the cases, the PJ had not specified what the source of the utility allowance should be. As a result, there was no choice but to accept whatever source the property manager had chosen. In another 30 cases, the property manager could not provide the appropriate utility allowance. In these cases, the utility allowance was obtained from either the PJ or the local housing authority (which was often the approved source of the utility allowance).

The process for handling and preparing property- and unit-level data for the compliance analysis proceeded as follows. The rent rolls and responses to questions received from the property managers were reviewed and edited for clarity and completeness. If at this stage it was already clear that critical data were missing, follow-up phone calls were made to property managers to clarify responses and to obtain necessary data. Once the materials received from a property manager were considered complete, the rent roll data for the HOME units in that property were transcribed into hard copy entry forms that included the fields needed for the compliance analysis.[9] The hard copy data were then double-entered into an Access database to avoid errors in data entry. This staff-intensive process of encouraging property managers to send us the data, following up on incomplete data, transcribing the data, and entering the data began in June 2000 and ended in December 2000.

The data were then cleaned using SAS to check for logical and consistent responses, appropriate numeric value ranges, appropriate date ranges, category matching, and completeness. Edits were made to prepare all property- and unit-level data for analysis. A

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9 For floating-unit properties only data on the specified HOME units were transcribed and entered. If the property manager did not specify which of the units were HOME units, a subsample of units corresponding to the expected bedroom sizes for the HOME units was transcribed and entered. In a few cases where the total number of units was not large, data for all of the units was transcribed and entered for analysis.

detailed description of the procedures then used to analyze ongoing affordability and investigate reasons for non-compliance is presented in Appendix D.

Results of Property Data Collection

Exhibit 2-4 shows the results of data collection. Of the 501 properties included in the sample, 376 responded to the data request, while 69 were categorized as non-respondents and 56 properties were determined to be ineligible. The overall completion rate was 75 percent.

Exhibit 2-4

Final Property Dispositions

Disposition	Number	Percent
Complete	**376**	**75%**
Non-respondent	**69**	**14%**
Received incomplete data	30	6%
PJ did not provide property manager contact	18	4%
Data less than 2 years from completion date	11	2%
Property Manager did not return calls	7	1%
Property Manager refused to participate	3	1%
Ineligible	**56**	**11%**
Not in service for 2 years	22	4%
No longer a HOME property	14	3%
Owner-occupied housing	10	2%
Affordability period ended	4	1%
Ineligible use (emergency shelter)	3	1%
Duplicate listing	3	1%
Total	**501**	**100%**

Of the 69 non-respondents, only 10 refused to participate or did not respond to our data request. As shown in the exhibit, the other 59 non-respondents were categorized as such because the data were incomplete (30), because the PJ did not provide a property manager contact (18) so data collection from the property was not possible, or because the data received were less than two years from the property completion date and so were not eligible[10] for use in the study (11).

[10] Since the study was intended to gather information on project rent levels at least two years from completion, data that were not at least two years from completion could not be used.

While the overall completion rate was 75 percent, the response rate excluding ineligible and duplicate properties was 85 percent. A total of 56 properties were determined to be ineligible. As shown in Exhibit 2-4, the reasons for this determination were that the property was not in service for two years (22), was no longer a HOME property (because of prepayment of the subsidy, foreclosure or other reasons)[11] (14), was owner-occupied housing (10), had an affordability period that had ended (4), entailed an ineligible use of HOME funds for an emergency housing shelter (3), or was found to be a listing duplicating another sampled property (and which had not been identified in the initial cleaning process to remove duplicate properties).

Rent Burden Data Collection Methodology and Sampling Approach

The basic approach for this portion of the study was a brief telephone survey with a sample of residents living in properties included in the study. The survey, in Appendix E, was designed to collect rent, utilities, total gross income, and information about whether the resident receives housing assistance. Respondents were offered an incentive payment of $10 for completing the survey. A pre-survey mailing (in English and Spanish) was sent to all sampled tenants informing them of their selection for this study, offering them the $10 incentive payment, and providing a toll-free number that could be used to either schedule an interview or to have their name withdrawn from the survey. This mailing is in Appendix F.

The resident sample was selected from those properties in the property sample that provided data for the main part of this study (see Appendix A for a detailed discussion of the steps involved in developing the tenant sample). Group homes, SROs, properties with mentally-ill or developmentally-disabled residents, and properties in which a large majority of residents did not have telephones were excluded from this portion of the study because of the difficulty of contacting and completing surveys with these categories of tenants. As a result, the findings regarding rent burden are only representative of the 40,772 units in properties that do not serve such special classes of tenants.[12]

Results of Rent Burden Data Collection

Of the 1,264 residents included in the sample, 570 completed the survey, for a response rate of 45 percent (Exhibit 2-5). The response rate was depressed by the large number of respondents who could not be reached, including those who never answered the phone, those

11 Of these 14 properties, eight had prepaid their subsidy and left the HOME program, three had been foreclosed, and three were demolished following a fire or structural inadequacies following rehabilitation.

12 Our estimate of total HOME units that were eligible for the compliance study was 45,400.

for whom no valid phone number was available, and those who were ineligible for the survey because they had moved out of the HOME-funded property. Of the respondents actually contacted and eligible, 71 percent completed the survey, and an additional 4 percent responded to the survey but did not provide enough information on either rent or income to be used in the analysis. Thus, the response rate among those contacted actually exceeded the target response rate of 60 percent.

Exhibit 2-5

Final Tenant Sample

Disposition	Number	Percent
Complete	**570**	**45%**
Contacted non-respondents	**236**	**19%**
Incomplete response	47	4%
Barrier to complete (language or mental impairment)	67	5%
Refusal	122	10%
Non-respondents not contacted	**391**	**31%**
No answer to calls	141	11%
Invalid phone number	250	20%
Ineligible (moved out of HOME project)	**67**	**5%**
Total	**1264**	**100%**

Chapter Three
Compliance with HOME Rent Limits

This chapter provides the estimates of compliance with HOME rent limits for properties completed by June 1998 and still subject to affordability restrictions. In addition to presenting findings on compliance rates, the chapter also describes reasons for non-compliance with these limits and provides a summary of findings regarding compliance.

Estimates of Compliance Rates

The analysis shows that overall, 95.4 percent of HOME units had gross rent levels (that is, rent plus utility allowance) that were at or below the HOME program rent limits at least two years after the property was initially occupied.[13] The standard error of this estimate is only 0.01 (1 percent), so that the 95 percent confidence interval is between 93.4 to 97.4. In other words, given the sample sizes and compliance rates found, there is a 95 percent chance that the true compliance rate for HOME units is between 93.4 and 97.4 percent.

The analysis of compliance is based on data from a representative sample of 11,977 units in 376 properties that completed the data collection. The sampling approach (described in Appendix A) was designed to provide reliable estimates of compliance for the eligible universe of properties. The data were weighted to represent this eligible universe of 45,400 units and 5,197 properties that had been occupied at least two years at the time of data collection and were still subject to the HOME program affordability restrictions.

Non-compliant units were found in 9.8 percent of the properties, so that 90.2 percent of the properties had all units in compliance with the rent limits. Among non-compliant units, rents were on average 13 percent above the program limits. Compliant units typically had rents well below the HOME program limits. Rents in compliant units averaged 80 percent of the HOME program limits.

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[13] In should be noted that in calculating the compliance rate vacant units were considered compliant. The vacancy rate among home units was 6 percent. It should also be noted that the compliance rates discussed in this section refer to compliance with program rent standards. Although the focus of the study was compliance with program rent requirements, the analysis also looked at compliance with bedroom size requirements in floating properties. In floating properties, the mix of units by bedroom size must include at least as many large units as designated when the project was funded. In fact, 99 percent of floating units complied with the bedroom mix requirements.

Exhibit 3-1 shows the compliance rate overall and by several key property characteristics. For each category of properties the exhibit shows:

- Percent of all HOME units within the category;
- Percent of all HOME properties within the category;
- Percent of compliant units;
- Percent of properties with at least one non-compliant unit;
- Average percent over the HOME rent limit for non-compliant units; and
- Average percent of the HOME rent limit for compliant units.

Exhibit 3-1

Compliance by Property Type

	Percent of HOME Units	Percent of Properties	Percent Compliant Units	Percent of Properties with Non-Compliant Units	Percent over HOME Rent Limit for Non-Compliant Units	Percent of HOME Rent Limit for Compliant Units
SAMPLE	11,977 Units	376 Properties				
UNIVERSE	45,400 Units	5,197 Properties				
Total	100%	100%	95.40%	9.80%	12.97%	80%
PJ Type						
Consortium	9%	11%	93%	14%	10%	78%
Metro City	29%	28%	96%	6%	6%	79%
State Grantee	54%	56%	95%	10%	18%	81%
Urban County	8%	5%	97%	16%	12%	81%
Property Size						
1-4 Units	12%	65%	94%	8%	20%	79%
2-5 Units	19%	20%	95%	11%	8%	74%
12-50 Units	36%	12%	96%	13%	15%	81%
Over 50 Units	33%	3%	96%	23%	10%	84%
Activity Type						
Acquisition	3%	8%	96%	8%	15%	79%
Acquisition and New Construction	14%	12%	95%	27%	21%	84%
Acquisition and Rehab	18%	19%	97%	4%	8%	75%
New Construction	31%	14%	94%	16%	13%	80%
Rehab	34%	47%	96%	6%	10%	81%

Exhibit 3-1 ***(Continued)***

Compliance by Property Type

	Percent of HOME Units	Percent of Properties	Percent Compliant Units	Percent of Properties with Non-Compliant Units	Percent over HOME Rent Limit for Non-Compliant Units	Percent of HOME Rent Limit for Compliant Units
Owner Type						
CHDO	1%	3%	100%	0%	na	84%
Corporation	6%	3%	99%	2%	21%	83%
Individual	11%	28%	96%	4%	9%	87%
Non-Profit (non-CHDO)	31%	40%	94%	15%	13%	79%
Partnership	46%	17%	95%	13%	13%	81%
Publicly Owned	3%	5%	98%	6%	7%	64%
Other	2%	4%	100%	0%	na	84%
High/Low Units						
High Units	81%	100%	95%	10%	13%	80%
Low Units	19%	35%	98%	2%	13%	82%
LIHTC						
No	42%	76%	97%	5%	10%	77%
Yes	58%	24%	94%	24%	14%	83%
Properties with SRO or Group Home Units						
No	95%	91%	96%	10%	13%	80%
Yes	5%	9%	88%	9%	9%	63%
Properties with any Project Based Assistance						
No	89%	95%	96%	9%	13%	78%
Yes	11%	5%	94%	19%	12%	97%
Years in Service						
2 years	11%	8%	89%	10%	18%	79%
3 years	29%	24%	98%	2%	8%	79%
4 years	33%	30%	94%	22%	16%	82%
5 years	17%	18%	97%	5%	8%	78%
6-7 years	10%	20%	97%	6%	9%	81%
Region						
Northeast	16%	20%	96%	6%	12%	79%
Midwest	32%	38%	93%	18%	13%	82%
South	37%	29%	95%	6%	13%	84%
West	15%	14%	99.7%	2%	19%	72%

The findings shown in the table are summarized below:

PJ Type. The majority of HOME units (54 percent) were in properties sponsored by State Grantee PJs, and more than one-quarter (29 percent) were Metro City PJs. Consortia and Urban County PJs accounted for only 9 and 8 percent of units respectively. Although compliance rates were high in all PJ types, the rates varied across PJ type. The compliance rate was highest among Urban County PJs at 97 percent, and lowest in Consortia at 93 percent. (This difference is statistically significant at the 90 percent confidence level).[14] The compliance rates for Metro City and State PJs were 96 and 95 percent respectively.

Although the unit-level compliance rate was highest for Urban County PJs, this type of PJ had the largest share of properties (16 percent) with at least one non-compliant unit. In the other PJ types, the non-compliant units were concentrated in 14 percent of properties or less.

Among non-compliant units, the percent by which the rent exceeded the limit varied by PJ type. For example, among non-compliant State Grantee units, rents were 18 percent above the limit on average. In other PJ types, non-compliant unit rents were 12 percent or less above the limit on average.

Property Size. Most HOME properties (65 percent) had one to four units. However most HOME units were in properties with 12 to 50 (36 percent) or 50 or more units (33 percent). It was thought that small properties might have low compliance rates because of the potential for inexperienced owners along with infrequent monitoring and that large properties might have higher compliance rates because of their experienced management and frequent monitoring. In fact, there were no statistically significant differences in compliance rates across size categories.[15]

Larger properties were more likely than smaller properties to have at least one non-compliant unit. Nearly one-quarter (23 percent) of all properties with over 50 units had at least one non-compliant unit, while only 8 percent of 1- to 4-unit properties did. However, when a large property had non-compliant units the proportion of non-compliant units was small. Fifty seven percent of large properties with any non-compliant units had fewer than 5 percent

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14 Significance tests were all conducted at the 90 percent confidence level except where noted.

15 In addition to the size categories shown, we also examined whether there were statistically significant differences in compliance rates between the property sizes that correspond to the required frequency of on-site compliance reviews by PJs. (While PJs are required to review the performance of HOME recipients annually, these annual reviews can be "desk reviews" where data submitted by managers is reviewed without visiting the property.) Properties with less than five units are required to have on-site visits every three years, those with between 5 and 25 units must have on-site visits every other year, while those with more than 25 units must have on-site visits each year. No statistically significant differences were found in the compliance rates between these size categories.

non-compliant and only 9 percent had more than half non-compliant units. In contrast, over three-quarters of the 1- to 4-unit properties with any non-compliant units, had more than half non-compliant units, and the remainder had at least one-quarter non-compliant units. This is not surprising: in a two-unit property, a single non-compliant unit translates into a 50 percent compliance rate.[16]

Among compliant units, rents in smaller properties were lower relative to the HOME limit than in larger properties. For example, rents in compliant units in 1- to 4-unit properties averaged 79 percent of the HOME limit, while rents in compliant units in properties with over 50 units averaged 84 percent of the HOME limit.

Activity Type. Rehabilitation and new construction were the most common activity types, each accounting for about one-third of all HOME units in the study universe. Rehabilitation projects tend to be smaller on average, as can be seen by the fact that nearly half (47 percent) of all projects were rehabilitation projects, accounting for only 34 percent of units. New construction projects tend to be larger on average as can be seen by the fact that only 14 percent of projects were new construction projects but they included nearly a third of all units.

There were no statistically significant differences in compliance rates by activity type. Although compliance rates were similar across activity types, the proportion of properties with at least one non-compliant unit varied. Over one-quarter (27 percent) of properties that involved both acquisition and new construction had non-compliant units, compared with under 16 percent of all other types of properties.

Owner Type. Forty-six percent of units were in properties owned by partnerships, but partnerships owned only 17 percent of properties, reflecting the larger size of properties owned by partnerships. Another 30 percent of units were in properties owned by non-profits. Each other type of owner accounted for 11 percent or less of units. More than a quarter of the properties were owned by individuals, but their average size was small. There were some significant differences in compliance rates by ownership type. For example, the compliance rate among corporate-owned units was 99 percent, and the rate for publicly owned units was 98 percent. These rates are statistically significantly higher than the compliance rate for units owned by non-profits, which was 94 percent. Although few units were owned by Community Housing Development Organizations (CHDOs), the compliance rate was 100

16 The proportion of non-compliant units in properties with any non-compliant units is not presented in tables because of small sample sizes. Only 57 sample properties had any non-compliant units, and dividing them into cells based on property type and percent non-compliant units yields very small cells sizes.

percent for these units.[17] This is statistically significantly higher than the compliance rate for units owned by all entities except corporations and public owners.

Among the two largest categories of units, those owned by non-profits and those owned by partnerships, the compliance rates were similar, 94 and 95 percent respectively. In addition, for both types of properties, non-compliant units were concentrated in 13 to 15 percent of properties. Among non-compliant units, rents were on average 13 percent above the program limits across both types of properties.

While the compliance rate was very high among units owned by corporations, among the non-compliant units, rents were on average 21 percent above the HOME limit, compared with 13 percent or less for other types of ownership.

Publicly owned properties charged relatively low rents for their compliant units. The average rent in compliant units in publicly owned properties was 64 percent of the HOME limit. In all other properties rents averaged at least 81 percent of the HOME limits. Perhaps somewhat surprisingly, there was no significant difference in the ratio of actual rents to the HOME limits between for-profit and non-profit owners.

High and Low HOME Rent Units. Most HOME units (81 percent) fall into the High limit category. Interestingly, while it might have been assumed that it would be more difficult to comply with the more stringent Low HOME Rent limits, there was no significant difference in compliance rates for these two types of units. Compliance rates for High and Low HOME Rent units were 95 and 98 percent, respectively, a difference that is not statistically significant. In addition, rents were on average 13 percent above the limit for both High and Low HOME Rent units that were not compliant with applicable rent limits.[18]

LIHTC. About 58 percent of units were in properties that also benefited from Low-Income Housing Tax Credit. The compliance rate for units in Tax Credit properties (94 percent) was lower than for units in non-Tax Credit properties (97 percent), but the difference is not statistically significant. While only 5 percent of non-Tax Credit properties had any non-

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17 CHDO's are non-profit organizations that meet standards related to the nature of the organization's mission and experience, meet standards of financial accountability, and maintain accountability to low-income residents. The HOME program requires that at least 15 percent of a PJ's funding is used to fund housing that is owned, developed, or sponsored by CHDOs. The small share of CHDO owners found in the survey suggests that some CHDOs may have been identified as non-profits.

18 In part, the higher compliance rate for Low HOME units may reflect the approach used to analyze compliance. Units were first evaluated to see if they met the Low HOME limit, if not they were then evaluated against the High HOME standard. By this method, the most affordable units in a property would be allocated first to the Low HOME category and so may have helped boost the compliance rates for Low HOME units.

compliant units, nearly one-quarter (24 percent) of the Tax Credit properties had at least one non-compliant unit, reflecting their generally larger size and possibly the different affordability requirements of the Tax Credit and HOME programs.

Among non-compliant units, rents were on average 14 percent above the HOME limit in Tax Credit properties, compared with 10 percent in non-Tax Credit properties. Rents charged for compliant units were generally lower in non-Tax Credit properties compared with Tax Credit properties. Rents in non-Tax Credit units averaged 77 percent of the HOME limit, compared with 83 percent of the limit in Tax Credit units.

Properties with SRO or Group Home Units. About 5 percent of the units (and 9 percent of properties) had either some SRO (Single Room Occupancy) or Group Home units.[19] The compliance rate among these units was lower (88 percent) than among other units (96 percent), but the difference is not statistically significant.

The proportion of properties with at least one non-compliant unit was similar in SRO and non-SRO properties, as was the percent over the limit for non-compliant units.

Compliant units in properties with SRO units had much lower rents compared with other types of properties. Rents in these units averaged 63 percent of the HOME limit, compared with 80 percent in non-SRO properties.

Properties with Project-Based Assistance. About 11 percent of HOME units were in projects with some federal or state project-based rental assistance. In these properties, Low HOME Rent units are defined as units occupied by households with income at or below 50 percent of the area median who are paying no more than 30 percent of their income for rent. For these units, the Low HOME Rent limit is the maximum gross rent (including subsidy) allowed under the subsidy program and not the published Low HOME Rent limit for the area. The evaluation of these properties for compliance with HOME rent limits first considered whether the tenant's income was at or below 50 percent of area median income. If so, the unit was counted as a compliant Low HOME unit. If not, the gross rent including the subsidy payment was compared to the High HOME rent standard to determine compliance.

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19 Properties are included here if at least some of the units were SRO units lacking either kitchen or bathroom facilities in the units. These SRO units are subject to a rent limit that is equal to 75 percent of the fair market rent (FMR) for 0-bedroom units. A Group Home is housing occupied by two or more single persons or families consisting of common space and or facilities for use by all tenants as well as private space for each tenant. Rent limits for Group Homes are equal to the FMR for units with the number of bedrooms in the Group Home.

During the data collection and data review it became clear that some property owners and PJs were confused about HOME rent limits in properties with project-based assistance. In particular, a few cases were found where property managers were not aware that units with project-based assistance were subject to the High HOME Rent limits when tenants have income in excess of 50 percent of the area median. The managers mistakenly thought that the rent limits from the project-based assistance program were to be used instead. However, despite these errors, it turned out that compliance rates were similar in properties with and without project based assistance, as were rents relative to the HOME limit in non-compliant units.

A larger fraction of projects with project-based assistance (19 percent) had at least one non-compliant unit compared with projects with no project-based assistance (9 percent).

Years in Service. Most HOME units in the study universe had been in service three (29 percent) or four (33 percent) years as of the data collection in 2000. At 89 percent, the compliance rate for properties with only two years of service is lower than for older properties. However, the differences from all other property age groups are not statistically significant. No obvious explanation for this higher non-compliance was found during our review of non-compliant cases. However, since the economy has been consistently strong during the 1990s, it might have been expected that compliance rates would rise over time as rising market rents provide properties with greater financial cushion from the assumptions used at the time of underwriting. Also, the first years of a project can be challenging as the property attempts to rent up. The higher non-compliance rate among the youngest properties may simply reflect the financial challenges of initial project rent up.

Region. The HOME units included in the study universe were somewhat concentrated in the South and West. Thirty-seven percent of HOME units were in the South, and 37 percent were in the Midwest, compared with 16 percent in the Northeast and 15 percent in the West. At 99.7 percent, the compliance rate for units in the West was statistically significantly higher than the rate for units in the South (95 percent) or the Midwest (93 percent). However, rents averaged 19 percent above the HOME limit in non-compliant units in the West, compared with 13 percent or less in other regions.

While the overall compliance rate in the Midwest is not statistically significantly lower than other regions, properties in Midwest were most likely (18 percent) to have at least one non-compliant unit. In other regions, at most 6 percent of properties had any non-compliant units. The high share of properties in the Midwest with non-compliant units is due to a few cases of small properties having some non-compliant units. Since small properties account for a large share of properties, these observations have larger weights in the analysis and result in a high estimated share of all properties with some non-compliant units. In short, this result does not appear to reflect any greater problem on non-compliance in the Midwest.

Reasons for Non-compliance

A total of only 57 of the 376 sampled properties were found to have at least one non-compliant unit. While non-compliance is not frequent, the reasons for non-compliance are still of interest so that guidance for and monitoring of the program can be yet further improved. All 57 properties were called, and interviews were conducted with 36 property managers and/or PJs to investigate reasons for non-compliance. In the remaining 21 cases, the property manager could not be reached for an interview.[20] Considerable insight was gained into the reasons for non-compliance at the 36 properties for which interviews were conducted. Exhibit 3-2 lists reasons for non-compliance in order of their frequency.[21]

Exhibit 3-2

Reasons for Non-Compliance

Reason	Number of Non-Compliant Properties
Using wrong rent limits	12
Property Manager and PJ disagree on number of HOME units	7
Failed to include tenant-based subsidy in gross rent	6
Confused HOME guidelines with LIHTC guidelines	3
Did not include utility allowance in gross rent	3
Intentional non-compliance	3
Assumed use of project-based assistance allowed rent for High HOME Rent units to exceed HOME program guidelines	2

The most common reason for non-compliance was that the property manager was not using the appropriate HOME rent limit (12 properties). In six of these 12 cases, the property manager was unaware of the requirement of having at least 20 percent Low HOME Rent

20 The non-respondents actually had a slightly lower average share of units non-compliant, so there was no obvious bias in terms of who chose to respond to our calls with regard to the degree of non-compliance.

21 Given the relatively small number of properties for which reasons for non-compliance could be determined, the results will be discussed without the use of property weights. With such few observations, the use of property weights can make a relatively rare occurrence appear much more frequent than it was actually observed.

units at properties with five units or more, so only the High HOME Rent limit was being used as a guideline. In eight cases, the property manager said that the PJ never sent rent limit updates to the property managers, so other subsidy program rent limits were used instead. In one case a property manager explained that he interpreted the Low HOME Rent limits as pertaining only to the income of the tenant, since this is generally the meaning of "low" in other subsidized housing programs. In one of the non-compliant properties, the misunderstanding about rent limits was simply a matter of misreading the HOME rent limit sheet. The property manager had assumed that the rent limits based on 50 percent and 65 percent of area median income should be used as rent limits, not realizing that these numbers were capped by the FMRs in that county. Finally, in one case the property manager believed that the property had been granted exception rents because market rents were so high in the area (as evidenced by very high FMRs) that the HOME rent limits were too low. But the PJ reported that exception rents had not been granted.

In seven other non-compliant properties, the property manager and PJ disagreed on the number of HOME units required at the property. That is, PJ records indicated that the property should have had more HOME units than the property manager understood to be the case. At five of these properties, there was a disagreement over only one or two units, for example, because the property manager was using one of the HOME units as a non-residential office.

However, at two properties the manager insisted that there should be more than 100 fewer HOME units than the PJ claimed the contract requires. In neither of these cases did the PJ seem concerned about the large discrepancy in the number of HOME units. Furthermore, in both of these cases, the number of non-compliant units did not match the discrepancy in units considered to be covered by the program. In one case there was only 1 non-compliant unit, and in another there were 73. It appears that many of the units not being treated as HOME were compliant without the property manager explicitly managing them to be so. Along these same lines, it is worth noting that there were also many fully compliant properties for which the property manager indicated that they did not designate units as HOME units. The property managers reported that they simply turned in a yearly compliance report to the PJ listing the rents and tenant income levels for each unit, and were never asked to mark specific units as HOME units.

In 11 cases, non-compliance resulted from errors in the treatment of overlapping subsidy program rules. In six of the non-compliant properties, the property managers mistakenly failed to count tenant-based subsidies as part of the gross rent calculation. That is, they erroneously believed that for units with tenant-based assistance only the tenant-paid portion of the rent needed to meet the HOME rent limits. In another three of the non-compliant properties, there was confusion between LIHTC guidelines and HOME guidelines. While many LIHTC properties have rent limits set in relation to 60 percent of area median income, the HOME program's Low Rent limits are set in relation to 50 percent of area median income. In another two properties, non-compliance resulted from confusion about the appropriate rent limit for High HOME Rent units in cases involving project-based rent subsidies. In units with project-based subsidies, where tenant incomes are at or below 50 percent of area median income and tenants pay no more than 30 percent of their income for rent, the HOME program allows gross rents to exceed the otherwise applicable Low HOME Rent limits. However, if tenants' incomes exceed 50 percent of area median income, then the High HOME Rent limits must be used. In these two cases, property managers mistakenly assumed that any unit with project-based subsidy was exempt from the HOME rent limits. In one of these cases, this misinterpretation of the HOME program guidelines was supported by both the PJ and the HUD field office.

In three of the non-compliant properties, the HOME rent limit was exceeded because of a misuse of the utility allowance. This occurred because the property manager did not think the utility allowance had to be included when calculating gross rent or because the property manager was using a utility allowance not approved by the PJ. Given the general confusion about the appropriate source of utility allowances found during data collection, it was somewhat surprising that this was not a more common reason for non-compliance. It may be that the general low level of rents on HOME units (as discussed above, rents were on average 80 percent of the HOME limit) provided managers with enough room to mishandle the utility allowance without violating the HOME rent limits.

In only three properties did non-compliance appear to be intentional. At two of these properties, the PJ is engaged in legal proceedings with the property in order to get the property back into compliance. At one of these two properties, the property manager was using the wrong utility allowance and also charging rents several hundred dollars above the rent limit. In the other case, the property manager had remodeled the property without permission from the PJ, which resulted in fewer HOME units than required in the HOME contract. At the final property, the property manager had simply decided no longer to comply with HOME program rules, even though several years of affordability were still required for the property. The PJ did not want to get involved in legal proceedings with this property owner and instead chose to deny any future requests for funding from that owner. The PJ had ceased to attempt to bring the property into compliance.

Valid Instances of Rents Exceeding Standard Program Rent Limits

There were 15 properties where rents of some units exceeded the standard HOME rent limits for reasons that are valid under program rules. These properties and their units were counted as being compliant in the analysis presented above. Exhibit 3-3 lists these reasons in order of their frequency.

Exhibit 3-3

Valid Reasons for Rents Exceeding HOME Rent Limits

Reason	Number of Properties
Tenant income exceeded 80% area median income	6
Property-specific exception rents in effect	4
Higher rent standard in effect	3
Tenant paying Section 8 minimum rent	2

At six of these properties, the tenant in the seemingly non-compliant unit had an income that had increased above 80 percent of area median income. In keeping with program guidelines, the rent was raised to thirty percent of the household's adjusted income. At two of the properties with project-based subsidies, tenants in Low HOME Rent units had no reportable income but were paying a minimum rent of $25 or $50, in keeping with the rules of the Section 8 program as administered by the local housing authority. As a result of the minimum rent requirement, these tenants were paying more than 30 percent of their income towards rent. However, it was deemed that these situations were in keeping with the intention of the HOME program guidelines for project-based subsidies and so were ruled to be compliant.

Finally, there were several cases where there was a valid use of exception rents. At three properties under three separate PJs, properties were using rent standards that were increased to follow area-wide FMR exception rents. While generally FMR exception rents are not supposed to be used in determining the HOME rent limits, there had been some confusion on this point caused by a HUD guidebook on the HOME program that indicated that these exception rents could be applied. Since some properties had been underwritten based on these higher rent standards (and arguably less HOME funding had been provided as a result), HUD has allowed these properties to continue to use this higher standard. There were also four large properties with the same manager, administered by the same PJ, where an exception rent was reportedly granted for a certain unit size. This exception rent was confirmed by the PJ.

Summary of Findings Regarding Compliance with HOME Program Rent Limits

Overall, the level of compliance with HOME program rent limits is very high. Slightly more than 95 percent of HOME-funded units had rents that are below program limits. In fact, among compliant units average rents were 20 percent below program limits.

The study also found little statistically significant variation in compliance rates by property characteristics. One key characteristic of concern prior to the study was the size of the property. There was some feeling that small properties might have higher non-compliance rates, as these properties were thought to be more likely to be managed by individual owners with little experience with government programs. While units in properties with one to four units had the lowest compliance rate (94 percent) of the four property size categories, the differences by size category were not statistically significant. In fact, individual owners did not have a lower compliance rate than other owner types.

Properties owned by non-profit organizations had the lowest compliance rate (94 percent). It was lower by a statistically significant margin than the compliance rate for properties that were either publicly owned (98 percent) or corporately owned (99 percent). However, it was not significantly lower than the compliance rate for properties owned by partnerships (95 percent), the most common type of for-profit ownership.

Another key property characteristic studied was the type of PJ that provided the HOME funding. While there was no clear expectation about how compliance rates might vary by PJ type, the general level of sophistication of the government agency and its ability to closely monitor the funded properties might have been expected to have an effect on compliance rates. The study found that the compliance rate for consortia, at 93 percent, was slightly lower than for urban counties (97 percent). However, while statistically significant, this difference is not large. It may be that this lower compliance rate for consortia reflects the greater challenge of conducting effective oversight when responsibilities are split among several government agencies. However, our study did not gather any evidence that could either support or disprove this hypothesis.

One of the concerns that prompted this study was that there might be some tendency for properties to become less compliant with program rent limits as time from initial funding increased. With the passage of time, there might be less oversight from PJs and greater opportunity for changes in market or property circumstances to increase financial pressure on the property to raise rents. Because of this concern, the universe of properties included in the study only included those that had been completed and occupied more than two years prior to data collection. However, the study found little systematic relationship between the length of time since funding and the degree of compliance with rent limits. The lowest compliance rate was actually for the newest properties, although the difference from other properties was not statistically significant.

A fairly common explanation for non-compliance was confusion on the part of the property managers about the treatment of other rental subsidies. In several cases managers mistakenly did not include tenant-based rent subsidies in their estimation of gross rent. In a few other instances, managers failed to realize that Tax Credit rent limits did not automatically meet the HOME program requirements. This misunderstanding applied particularly to Low

HOME Rent units. However, the analysis of compliance rates for projects with property-based subsidies and Low-Income Housing Tax Credits suggests that these errors are not widespread. While compliance rates were lower for these categories of properties, the differences were small and not statistically significant.

Our examination of the reasons for non-compliance also suggests that for the most part non-compliance does not reflect systematic efforts by some property managers to maximize rents. Rather, non-compliance generally results from a lack of understanding by property managers of the details of the program rules, a small discrepancy in the PJ's and property manager's view about how many HOME units are required, or a lack of accurate information by property managers about the applicable HOME rent limits. In only one case had the property manager knowingly raised rents above HOME program limits.

In keeping with the view that non-compliance usually is inadvertent, non-compliant properties usually have a small number of units that fail to meet program limits. Sixty percent of non-compliant properties had a single non-compliant unit, while an additional 27 percent had only between two and four non-compliant units. Only 6 percent of non-compliant properties had as many as five to nine non-compliant units, and only 7 percent had 10 or more non-compliant units.

In general, the non-compliant cases found were marked by inadequate oversight by PJs. In only three of the 36 cases where a reason for non-compliance was determined was the PJ aware of the non-compliance. In many cases, the property managers were attempting to uphold program requirements, but did not have accurate information about either program rules or program rent limits.

The findings suggest two types of responses by HUD to increase compliance rates. First, dissemination of information about program rules, particularly those related to the treatment of rental subsidies and utility allowances, might raise the compliance level. Second, improvements in oversight and guidance by HUD of the PJs' monitoring of property managers would also address the cause of a large share of non-compliant cases. HUD's issuance of an enhanced monitoring guide for PJs in October 2000 is an indication of their commitment to fostering improvements in this area.[22] However, given the relatively low rate of non-compliance, there is not a pressing need for significant change in HUD's current practices.

[22] *Monitoring HOME Program Performance*, HUD-2030-CPD, October 2000.

Chapter Four
Rent Burdens and Use of Subsidies

This chapter presents background information on the issue of rent burden in HOME units, provides estimates of rent burden in HOME units and discusses the use of rental subsidies in HOME-funded projects. The findings presented are representative of HOME-funded rental developments that were completed by June 1998. It should also be noted that since information was collected using a telephone survey, the study necessarily excluded properties where tenants do not have telephones in their units (predominantly SROs and Group Homes) or house developmentally disabled tenants.

Background to Study of Rent Burden

Because the rents in HOME units are unrelated to individual household income but are based instead on affordable rents for households earning 50 percent (Low HOME Rent limits) or 65 percent (High HOME Rent limits) of area median income, there is concern that residents with very-low income (50 percent of area median income) or extremely-low income (30 percent of area median income) can have a high rent burden, even if their units are in compliance with rent standards. For example, a household earning 30 percent of area median income living in a unit with a rent at the maximum High HOME Rent limit would pay 65 percent of its income for housing.[23] Earlier analysis by HUD found that many very low- and extremely low- income residents are living in HOME units.[24] While only 20 percent of HOME units in projects with five or more HOME-assisted units must be affordable to residents earning 50 percent or less of median income, fully 82 percent of households in HOME-assisted rental units had incomes at or below 50 percent of median income as of April 2001, and 41 percent had incomes 30 percent or less of area median income.[25] In addition, analysis of data from HUD's C/MIS system through 1996 found that, on average,

[23] The maximum High HOME Rent is 30% * 65% of median income. If income is 30% of median income, then rent burden = (30% * 65% * Median Income) / (30% * Median Income) = 65%.

[24] HUD defines very low-income households as those with incomes at or below 50 percent of the area median, adjusted for household size. Extremely low-income households have incomes at or below 30 percent of the median, adjusted for household size

[25] HUD's April 30, 2001, HOME Production Report. As shown below, data from this study are consistent with these estimates. Seventy-nine percent of households we surveyed had incomes at or below 50 percent of median, including 47 percent with incomes at or below 30 percent of median.

households living in HOME-assisted units and earning 30 percent or less of area median income paid 38 percent of their income on rent.[26]

A household's rent burden depends in part on whether it receives rental assistance. Without rental assistance, the rent burden of very low-income households living in HOME units can be excessive. A 1996 analysis by HUD found that, among extremely low-income HOME residents, nearly half benefited from rental assistance, but about 40 percent of those who did not receive such assistance had rent burdens in excess of 50 percent of income.[27] Rent burden is also affected by several other factors. One factor is whether the local utility allowance schedule accurately reflects tenant-paid utilities. Another factor is whether the PJ is providing enough subsidy to projects to make it financially feasible for developers to charge rents below the maximum limits. Yet another factor is whether owners are setting rents at the maximum level or, either for market reasons or social motivations, charging rents lower than the program limits. Finally, rent burden among households in HOME rental units may depend on the extent to which PJs effectively track, monitor, and approve rent increases after initial occupancy.

Estimates of Rent Burden

The average rent burden (total rent and utilities paid by the household divided by household income) in HOME assisted units in the study universe was 41 percent.[28] The standard error of this estimate is 0.02 (2 percent), so that the 95 percent confidence interval is between 37 and 45 percent. In other words, given the sample sizes and rent burdens found, there is a 95 percent chance that the true average rent burden for households in HOME units (including households that do and do not receive rent subsidies) is between 37 and 45 percent.

The average rent burden is as high as it is in part because a relatively small number of tenants were found to have very high rent burdens as a result of having extremely low incomes. The

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26 *Expanding the Nation's Supply of Affordable Housing: An Evaluation of the Home Investment Partnerships Program*, HUD PD&R, October 1998. Data for this study included information on HOME beneficiaries entered in the C/MIS system through September 30, 1996. As shown below, the average rent burden for extremely low-income households has risen to 53 percent.

27 *Rental Housing Assistance at a Crossroads: A Report to Congress on Worse Case Housing Needs*, HUD PD&R, March 1996.

28 The 570 complete responses from tenants were weighted to reflect the 41,952 households in HOME units eligible for the survey. See Appendix A for a thorough description of how the weights were calculated. The universe of tenants represented by the survey is lower than the universe in the compliance analysis because SROs, Group Homes, housing for the mentally disabled, and transitional housing were excluded from the tenant phone survey because of the challenges of completing phone surveys with these populations.

median rent burden was only 33 percent, meaning half of all tenants had rent burdens of this level or lower. Four-tenths of all residents (41 percent) had rent burdens of 30 percent or less, and another 41 percent had burdens between 30 and 50 percent. Some 19 percent of households in HOME properties had rent burdens above 50 percent.[29]

Exhibit 4-1 presents findings on rent burdens for various categories of units. Highlights are described below.

Household Income. Most HOME units serve very low- and extremely low- income households. Eighty percent of residents in HOME units had incomes below 50 percent of the local median for their household size, including 47 percent with incomes at or below 30 percent of the median.

Not surprisingly, rent burdens are greater for relatively poorer households. Among households with incomes at or below 30 percent of the local median for their household size, the average rent burden was 53 percent, and the median was 44 percent. One-third of extremely low-income households had rent burdens greater than 50 percent.

At relatively higher income levels rent burdens were lower. The average rent burden was 34 percent for households with incomes between 30 and 50 percent of the local median, and only 8 percent had rent burdens above 50 percent. The average rent burden was only 26 percent for households with incomes above 50 percent of the local median, and only 1 percent had rent burdens above 50 percent.

The differences in average rent burden across income categories are all highly statistically significant. In fact, these differences are much more statistically significant than any of the other differences in rent burden found by other property characteristics.[30]

PJ Type. A majority of households (55 percent) were from State properties. Another quarter (27 percent) were from properties with Metropolitan City PJs. There were minor differences in rent burdens by PJ type. Rent burdens tended to be lower in projects sponsored by States, Consortia, and Urban Counties (with an average burden of 40 percent in

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[29] There was some concern about tenant ability to provide accurate estimates of utility cost. As a result, we calculated gross rent two ways: first using tenant-reported rents, and second using the property utility allowance as an estimate of utility costs. The report tables all calculate rent burden based on tenant reported utility costs. Tenant estimates of utility costs were typically higher than the utility allowances. The average rent burden using utility allowances rather than tenant reported utilities was 35 percent rather than 41 percent.

[30] The differences in average rent burden by property or tenant characteristics were evaluated for statistical significance. However, due to small sample sizes, it was not feasible to conduct similar statistical tests of the differences in shares of tenants in the three rent burden categories.

each) compared with those sponsored by metropolitan cities (with an average burden of 45 percent). However, these differences are not statistically significant. However, one-quarter (25 percent) of households in Metro City PJs had rent burdens above 50 percent compared with 15 to 17 percent of households among other PJ types.

Exhibit 4-1

Rent Burden By Property and Unit Characteristics

		Percent of Units	Average Rent Burden	Median Rent Burden	Percent with Burden <=30%	Percent with Burden 31-50%	Percent with Burden >50%
Sample Units	570						
Universe Units	41,952						
Total		100%	41%	33%	41%	41%	19%
Household Income							
<=30% of median		47%	53%	44%	33%	32%	35%
31-50% of median		33%	34%	34%	30%	63%	8%
>50% of median		21%	26%	25%	74%	25%	1%
PJ Type							
Consortium		8%	40%	33%	45%	38%	17%
Metro City		27%	45%	31%	45%	31%	25%
State		55%	40%	35%	38%	45%	17%
Urban County		11%	40%	35%	40%	45%	15%
Property Size							
1-4 Units		3%	30%	30%	88%	12%	0%
5-11 Units		32%	39%	37%	32%	53%	15%
12-50 Units		38%	42%	33%	43%	34%	23%
Over 50 Units		28%	44%	33%	41%	39%	20%
Activity Type							
Acquisition		2%	43%	39%	22%	61%	18%
Acquisition & New Construction		9%	36%	30%	57%	29%	14%
Acquisition and Rehab		19%	43%	33%	39%	33%	28%
New Construction		41%	40%	36%	36%	50%	14%
Rehab		28%	44%	31%	45%	33%	21%

Exhibit 4-1 ***(Continued)***

Rent Burden By Property and Unit Characteristics

	Percent of Units	Average Rent Burden	Median Rent Burden	Percent with Burden <=30%	Percent with Burden 31-50%	Percent with Burden >50%
Owner Type						
CHDO	0%					
Corporation	2%	45%	33%	45%	32%	24%
Individual	7%	64%	33%	47%	15%	38%
Non-Profit	35%	43%	33%	41%	34%	25%
Other	6%	41%	39%	29%	64%	7%
Partnership	46%	36%	31%	43%	44%	13%
Publicly Owned	4%	42%	40%	19%	74%	7%
High/Low HOME Units[A]						
High Units	73%	41%	33%	44%	36%	20%
Low Units	27%	41%	33%	37%	48%	15%
LIHTC						
No	38%	43%	36%	39%	35%	26%
Yes	62%	40%	33%	42%	44%	15%
Assistance Type						
No Subsidy	60%	44%	37%	30%	46%	24%
Tenant-Based	22%	36%	30%	53%	38%	10%
Project-Based	10%	35%	30%	70%	21%	9%
Unknown type of subsidy	8%	43%	34%	51%	32%	17%
Years in Service						
2 years	16%	45%	34%	34%	34%	32%
3 years	32%	46%	36%	34%	50%	16%
4 years	30%	35%	30%	50%	40%	10%
5 years	12%	34%	28%	59%	29%	12%
6-7 years	10%	52%	48%	24%	36%	40%
Region						
Northeast	16%	42%	31%	46%	32%	23%
Midwest	29%	33%	30%	57%	33%	10%
South	39%	45%	35%	35%	42%	23%
West	17%	45%	43%	21%	59%	21%

[A] 17 percent of units could not be classified based on High/Low status.
Note: Percentages may not sum to 100 because of rounding.

Property Size. The study shows a tendency for rent burden to increase with property size. Rent burden was much lower for properties with between one and four units (30 percent) than for larger property sizes. Among larger properties, the average rent burden ranged from 39 percent for properties with 5 to 11 units to 44 percent for properties with more than 50 units. Despite the small sample of units in the smallest size category, the difference in rent burden compared to rent burden in larger units is statistically significant. The proportion of residents with high rent burdens was smallest for small properties, and similar across the three largest size categories.

Activity Type. The largest fraction of households in the study universe (41 percent) was in new construction properties, followed by properties involving rehabilitation (28 percent). The average rent burden in properties developed through acquisition and new construction (36 percent) or new construction (40 percent) was slightly lower than in properties simply acquired with HOME funds or involving rehabilitation of existing buildings (43 to 44 percent). However, these differences are not statistically significant. High rent burdens were also more common in properties developed through rehabilitation. Thirty percent of households in properties that involved acquisition and rehabilitation had rent burdens over 50 percent, as did 20 percent of households in properties developed through rehabilitation. In contrast, only 12 to 14 percent of households in properties developed through new construction or acquisition plus new construction had such high rent burdens.

Owner Type. More than three-quarters of all households were in units in properties owned by either a non-profit (35 percent) or a partnership (46 percent). While the average rent burden in properties owned by partnerships was lower than the rent burden in properties owned by non-profits (36 percent compared with 43 percent), this difference is not statistically significant. However, more households in non-profit properties (25 percent) had rent burdens over 50 percent than households in partnership properties (13 percent).

High and Low HOME Units. The survey did not ask tenants whether they were in High or Low HOME Rent units, since tenants are not likely to be aware of this status. Where possible (83 percent of tenant survey responses) the tenant survey data were matched with rent roll data used in the compliance analysis. Units in the tenant survey were then classified as High or Low HOME Rent units based on their status on the rent roll. Seventy three percent of units in the tenant survey were High HOME Rent units (compared to 81 percent in the compliance analysis). Somewhat surprisingly, there was no difference in average rent burden between Low and High HOME Rent units. In part, this finding of no difference in rent burden between Low and High HOME Rent units may reflect inaccuracies in the identification of these units. Of note, despite the fact that Low HOME Rent units are supposed to be occupied by households with income below 50 percent of area media income, the tenant survey found similar proportions of occupants with incomes above 50 percent of the area median.

Tax Credit. Most households (62 percent) were in Tax Credit properties. Rent burdens were similar in Tax Credit and non-Tax Credit properties, averaging 40 and 43 percent, respectively. A similar portion of households in the two types of properties (39 and 42 percent, respectively) had low rent burdens of 30 percent or less. However, households in non-Tax Credit properties were more likely to have high burdens. Twenty-six percent of households in non-Tax Credit properties had rent burdens above 50 percent, compared with only 12 percent of households in Tax-Credit properties. The larger share of households with very higher rent burdens in non-Tax Credit properties reflects the lower incomes of tenants in these properties. Fifty-nine percent of residents in non-Tax Credit Properties have extremely-low income, compared to 39 percent of residents of Tax Credit properties. Of note, there was little difference in the use of rental subsidies between tax credit and non-tax credit properties. Thirty-eight percent of respondents in tax credit properties reported some form of rental subsidy, compared to 43 percent in non-tax credit properties.

Type of Rental Assistance. Most households (60 percent) do not receive rental assistance of any kind. However, about one-fifth (22 percent) reported receiving tenant-based subsidies, 10 percent reported receiving project-based subsidies, and 8 percent reported receiving a subsidy but were not clear about whether it was tenant- or project-based.[31]

Evaluating the rent burden of subsidized tenants presented some unique challenges. Because of some ambiguity in the phrasing of the question used to gather information on rent, it was not always clear whether the subsidized respondents reported only the tenant-paid portion of rent or the gross rent including the rental assistance. For the most part, it would be expected that tenants with rental assistance would have rent burdens at or below 30 percent, given the rules governing tenant contributions in these programs.[32] However, there are two principal reasons that rent burdens for subsidized tenants may exceed 30 percent, and in some cases, even 50 percent.[33] First, utility allowances used to determine the tenant contribution may underestimate the actual cost of utilities. To the extent that actual utility costs exceed the utility allowance, tenants will have rent burdens in excess of the 30 percent target. Second, in some cases the tenant's rent is a program-established minimum rent (usually no more than

31 The survey instrument specifically asked respondents if they received Section 8 tenant-based assistance or Section 8 project-based assistance, or some other type of assistance. Thus, the categories of tenant- and project-based assistance used here is mostly Section 8, while all other types of assistance are in the "other" category.

32 Tenant contributions can exceed 30 percent under the Section 8 voucher program if tenants choose units with rents that exceed the fair market rent. However, since the HOME program does not allow rents in excess of the fair market rent, this situation should not occur in HOME units.

33 Extreme rent burdens are possible for subsidized tenants in cases where there are minimum rents and/or higher than expected utility costs and the tenant's income is very low. In the survey conducted for this study, there were some subsidized tenants with income at or near zero. In these cases even small payments for minimum rent or utility costs produce rent burdens of 50 percent or more.

$50). This happens most often when income is zero or close to zero. Of course, another reason for rent burdens in excess of 30 percent is that the survey may not have accurately collected income or utility cost information. While the data were reviewed prior to analysis to eliminate implausible responses, there may well be errors in the reported information that contribute to some of the high estimated rent burdens.[34] While concerns about the reliability of the reported information affect all respondents, not just subsidized tenant, these reporting errors will be most evident for this group since the availability of subsidies should keep rent burdens close to the target of 30 percent.

When surveyed tenants reported rent burdens in excess of 30 percent there were concerns that the tenant had included rental assistance payments in their reported rent. These cases were examined to see if the higher than expected rent burden could be attributed to either utility costs in excess of utility allowances or minimum rent payments. If so, the estimated rent burden was allowed to exceed 30 percent.[35] As it turned out, there were no cases of minimum rents found among the respondents, so all cases where rent burdens exceed 30 percent are due to utility costs that were higher than utility allowances.

Tenant- and project-based subsidies did substantially lower rent burdens when available. The average rent burden for households that reported having tenant-based assistance was 36 percent, and about half had rent burdens of no more than 30 percent and only 10 percent had rent burdens of more than 50 percent.[36] The average rent burden for households who reported having project-based assistance was 35 percent. Almost 70 percent had rent burdens of 30 percent or less and only 9 percent had rent burdens in excess of 50 percent. In contrast, the average rent burden for households who reported not receiving a subsidy was 44 percent, and only 30 percent had rent burdens of 30 percent or less while nearly a quarter (24 percent) had rent burdens in excess of 50 percent. The roughly nine percentage-point difference in

[34] One concern regarding the utility cost information is that the telephone survey was conducted during February when heating bills will be quite high. Although respondents were asked for the average utility cost over the course of the year, they may have provided the most recent monthly costs, which may overstate the annual average.

[35] In cases where the rent burden was greater than 30 percent and the reported rent was less than $50 (but greater than $0), it was assumed the tenant was required to make a minimum rent payment required by law or the local housing authority. If rent burden was greater than 30 percent and rent was greater than $50, then it was assumed that gross rent had mistakenly been reported. In these cases the excess utility cost (reported utility costs less the utility allowance for the unit) as a percent of income was added to 30 percent to estimate the rent burden.

[36] Overall, among tenants with subsidies, there were 20 unweighted cases where rent burdens were over 50 percent. Of these, 11 were cases where the tenants reported zero income but some utility costs. The rent burden for these tenants were treated as being 100 percent in the analysis. Among the remaining nine respondents, the average utility cost in excess of the utility allowance was $98 while average monthly income was $259. In these cases the excess utility costs were 37 percent of income.

average rent burden between tenants with and without rental assistance is statistically significant at the 95 percent confidence level.

The effect of rental assistance on rent burdens was most pronounced among extremely low-income tenants. Among the 47 percent of these households without rental assistance, the average rent burden was 69 percent, compared with an average rent burden of 40 percent among tenants with either project- or tenant-based assistance.

Years in Service. There is no consistent relationship between the years the project has been in service and average rent burden. The average rent burden was lowest for properties that had been in service for four and five years (35 and 34 percent, respectively). But the average rent burdens were higher both in properties with 2 and 3 years of service (45 and 46 percent) and those with six to seven years of service (52 percent). While these differences are statistically significant, there is no obvious reason to explain why the "middle-aged" properties have lower rent burdens. Forty percent of all households in properties that had been in service for six to seven years had rent burdens over 50 percent. In contrast, 12 percent or fewer households in properties that had been in service for four or five years had such high rent burdens.

Region. Rent burdens were statistically significantly lower in properties in the Midwest, averaging 33 percent, compared with 42 percent in the Northeast and 45 percent in both the South and West. The West had the lowest portion of rent burdens of 30 percent or less (21 percent), followed by the South (35 percent), the Northeast (46 percent), and Midwest (57 percent).

Summary of Findings Regarding Rent Burden

The average rent burden in HOME units studied was 41 percent, with a median of 33 percent. Four-tenths of units were affordable to their residents under a standard of affordability of 30 percent of income or less. Another 41 percent of households had burdens between 30 and 50 percent. Only 19 percent of households in HOME units had rent burdens greater than 50 percent.

Consistent with the findings of earlier studies, HOME units tend to serve very low-income households. Eighty percent of all households in HOME units had incomes at or below 50 percent of the median for household size. As expected, rent burden increases at lower levels of household income. Rent burden for the 47 percent of households with extremely-low incomes averaged 53 percent, while for households with incomes greater than 50 percent of the area median, the average was 26 percent.

Tenant- and project-based subsidies provided substantial rent burden relief when available. The average rent burden for households who reported having tenant-based assistance was 36 percent, and about half (53 percent) had rent burdens of no more than 30 percent. The average rent burden for households who reported having project-based assistance was 35 percent, and 70 percent had rent burdens of 30 percent or less. In contrast, the average rent burden for households who reported not receiving a subsidy was 44 percent, and one quarter had rent burdens greater than 50 percent. The relief provided by rental assistance was most notable among households with extremely low incomes. Among these households without rental assistance, the average rent burden was 69 percent, compared with an average rent burden of 40 percent among tenants with either project- or tenant-based assistance.

Appendix A

Description of Sampling Approach for Properties and Tenants

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Property Sample

This section describes our sampling approach for the selection of a sample of projects. Although the measure of interest relates to the number of HOME ***units*** that continue to be affordable,[37] the sampling unit was the ***project***, for several reasons. First, in projects where the HOME units are designated as floating, there are no specifically defined HOME units, but rather a specific proportion of project units are designated as affordable. Thus, to estimate the proportion of all HOME units that are affordable, it was necessary to look at entire projects in the cases where the HOME units are floating. Second, even if the HOME units were designated as fixed, it would have been impractical to sample units, because knowing about single units in a large number of properties would not enable analysis of the reasons why units do not meet HOME's affordability standards. This analysis depended on telephone surveys with a manageable number of property managers and PJs.

The study universe included all rental projects that have been occupied at least two years, and are still under the program's affordability requirements. Since data collection was scheduled for June 2000, this meant projects had to have been occupied no later than May 1998. For projects with HOME assistance in the form of rehabilitation or acquisition of existing housing where the per-unit HOME cost was less than $15,000, projects had to have been occupied no earlier than May of 1995, because the affordability requirement lasts only five years for these projects. For all other forms of assistance, projects could have been occupied since the start of the program, since the affordability period is at least 10 years and the program's enabling legislation was enacted in 1990.

Thus, to construct the sampling frame the first step was to identify potentially eligible properties. In March 2000 two files were obtained from HUD from the C/MIS and IDIS databases, containing 12,051 HOME rental properties completed through February 2000. The files received from HUD included all of the variables needed for identifying the relevant universe of properties and drawing a stratified sample of properties from this universe. These variables included the type of PJ administering the project, the size of the project (measured as the number of total units and HOME units in the project), activity type, the amount of HOME funds, and activity completion date. From this file 4,531 properties were excluded because they were completed after May 1998, as were 1,321 rehabilitation and acquisition properties completed before June 1995 with a per-unit HOME cost less than $15,000. The file included 129 rehabilitation and acquisition properties with a per-unit HOME cost less than $15,000 and no completion dates in the file. HUD staff said that properties without completion dates were likely to be older properties, because in a number

[37] In this discussion, the term "affordable" is used to refer to units that are within the affordability guidelines of the HOME program.

of the earlier properties dates were corrupted upon transfer from C/MIS to IDIS. If the type of activity and level of funding suggested that the affordability period of these properties would have expired if they were funded in the initial years of the program, these properties were also excluded from the universe. All other properties with missing completion dates were included. However, as described in the discussion of data collection results, it was discovered that in fact many of these properties lacked completion dates because they had not yet been completed. As a result, these sampled properties were dropped from the study.

After drawing an initial sample it was discovered that, contrary to expectations, HUD's data included multiple entries for the same property. It was not clear how many cases were affected by this problem, so in order to remove duplicate properties from the universe, the data was sorted by property address in an attempt to identify potential duplicate entries. Phone calls were made to the responsible PJs to explore whether these listings were in fact duplicates. There were two primary reasons for duplicate entries. In some cases, properties received grants from more than one PJ. In these cases the property was retained in the universe with the PJ identified as the one providing the largest amount of funding. In these cases it was usually necessary to sum the number of units funded and the dollar amount of funding. In other cases it was found that PJs sometimes mistakenly entered the same project twice. In total, we found 59 duplicate properties (1 percent of the universe) encompassing 1,065 units (2 percent of the universe). These duplicate entries were deleted from the property universe.

After all of these adjustments, the final sampling frame included 6,011 eligible properties containing 50,801 HOME units.

Stratification

Estimates were required by type of participating jurisdiction and by project size, where size is defined as the number of HOME units in a project. To ensure adequate representation of these types of property in the selected sample, the population of projects was stratified by the four types of PJ: states, cities, consortia, and urban counties. Within each PJ type, projects were further stratified into four size categories, each with its own general characterization and features that may affect compliance.[38] The size categories used to stratify the sample are:

- **1-4 units.** Properties in this size category are often developed by small "mom-and-pop" type owners, relatively unsophisticated in terms of understanding the

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[38] Other size categories of interest for our analysis were projects between 5 and 25 units and those with 26 more units. These categories are subject to different requirements for on-site reviews. Projects with 5 to 25 units are subject to on-site reviews every two years, while larger projects are subject to on-site reviews every year.

program's affordability requirements. Also, this grouping excludes properties with five or more HOME units, which are required to have 20 percent of their units affordable for very-low-income households. Finally, PJs are mandated to conduct on-site reviews of properties in this size class only every three years.

- **5-11 units.** Properties in this size range–still small enough to avoid Davis-Bacon requirements–are typically developed by small non-profit or for-profit developers, often with little experience developing housing with complex affordability requirements.
- **12-50 units.** Properties in this size range typically have more sophisticated developers, including many larger non-profit developers.
- **51+ units.** Properties of this size are generally sophisticated, professionally managed properties and are most likely to have other affordability requirements (and associated oversight) from subsidy programs such as the Low-Income Housing Tax Credit.

The distribution of ***projects*** by project size category (where size is measured as the number of HOME units in the property) and grantee type is presented in Exhibit A-1. The distribution of ***units*** by project size category (where size is measured as the number of HOME units in the property) and grantee type is presented in Exhibit A-2.

Exhibit A-1

Projects by Grantee Type and Project Size
(Project Size Equals Number of HOME Units)

Frequency	1 to 4 Units	5 to 11 Units	12 to 50 Units	More Than 50 Units	Total
State	1,997	588	397	88	3,070
Row Percent	64.8%	19.3%	12.9%	3.0%	
Column Percent	49.8%	52.6%	56.3%	51.1%	51.2%
Metro City	1,354	330	193	60	1,937
Row Percent	69.7%	17.2%	10.1%	3.0%	
Column Percent	33.6%	29.4%	27.6%	32.4%	32.1%
Consortium	432	148	65	8	653
Row Percent	66.0%	22.4%	10.1%	1.5%	
Column Percent	10.9%	13.1%	9.4%	5.5%	11.0%
Urban County	230	57	45	19	351
Row Percent	65.1%	15.9%	13.3%	5.7%	
Column Percent	5.7%	4.9%	6.6%	11.0%	5.8%
Total	4,013	1,123	700	175	6,011
Row Percent	66.6%	18.8%	11.7%	3.0%	100.0%

Sources: Abt Associates Inc. tabulations of C/MIS and IDIS data (March 2000)

Exhibit A-2

HOME Units by Grantee Type and Project Size
(Project Size Equals Number of HOME Units)

Frequency	1 to 4 Units	5 to 11 Units	12 to 50 Units	More Than 50 Units	Total
State	3,487	4,510	10,576	7,798	26,371
Row Percent	12.8%	16.8%	39.0%	31.4%	
Column Percent	50.0%	52.6%	57.5%	49.0%	52.8%
Metro City	2,352	2,525	4,896	5,952	15,725
Row Percent	14.9%	16.2%	31.5%	37.4%	
Column Percent	33.7%	29.2%	26.7%	33.7%	30.4%
Consortium	762	1,116	1,707	654	4,239
Row Percent	17.2%	25.2%	39.1%	18.5%	
Column Percent	11.0%	12.9%	9.4%	4.7%	8.6%
Urban County	373	463	1,141	2,489	4,466
Row Percent	8.7%	10.8%	28.2%	52.3%	
Column Percent	5.3%	5.2%	6.4%	12.6%	8.2%
Total	6,974	8,614	18,320	16,893	50,801
Row Percent	13.5%	16.8%	35.9%	33.8%	100.0%

Sources: Abt Associates Inc. tabulations of C/MIS and IDIS data (March 2000)

As shown in the exhibits, the distributions of projects and units by project size varied substantially. For example, while 66.6 percent of the projects were small (one to four units), only 13.5 percent of total units were in small projects. At the other extreme, only 3 percent of projects were large (over 50 units), but 33.8 percent of the units were in large projects. This distribution was taken into account in the sample allocation described later in this section.

While the stratification scheme was designed to produce sufficient sample sizes to estimate affordability compliance rates by size category and PJ type, the survey results enabled estimates of compliance rates for other project characteristics as well, including owner type, activity type, and whether the property has tax credits in addition to HOME funds.

Determination of Sample Size

Reliable estimates were required for each type of administering entity. The sample size depended on the variability of the characteristics of interest in the population and the desired reliability of the estimates. As indicated earlier, the basic parameter of interest was the proportion of affordable HOME units in the population. This estimate is the ratio of the estimated ***total compliant HOME units*** in the sample to the estimated ***total HOME units*** in the sample. As a ratio estimate, the reliability of this estimate depends on the sample size and also on the correlation between the number of compliant HOME units and the total number of HOME units. A high correlation between these two variables was assumed as projects with a larger number of HOME units were expected to have a larger number of compliant HOME units.

A correlation coefficient of 0.8 between these two variables and a coefficient of variation of 70 percent for the number of affordable HOME units in the population of projects was assumed. Based on these assumptions, a sample of 100 projects would enable us estimate the percentage of affordable HOME units within plus or minus 8.7 percentage points within each PJ type at the 95 percent confidence level, while the estimated percentage across all PJ types would be within plus or minus 4.3 percentage points at the 95 percent confidence level. However, in order to obtain a sample of 100 properties for each PJ type it was necessary to increase the number of sampled properties to account for expected non-response. Thus, assuming an 80 percent response rate, a sample of 125 projects was drawn for analysis within each PJ type, for a total sample of 500 projects.

Sample Allocation by Project Size

Since a small number of projects accounted for a large percentage of the total number of units, it was important that larger projects be selected with a higher probability. Allocating the total sample of 500 projects to each size group in proportion to the total number of projects would have resulted in a very small sample of projects from the larger size groups. On the other hand, allocating the sample in proportion to the number of units in each size group, would have resulted in a very small sample of projects in smaller size groups. Neither allocation would have been ideal for achieving both national estimates and estimates by size groups. Therefore, the total sample was allocated in proportion to the square root of the number of units in each size group. This approach slightly increased the number of projects with fewer units, while maintaining an emphasis on larger projects, which account for a large share of HOME units. The allocation of the sample to each size group is shown in Exhibit A-3.

In two of the PJ types, the sampling approach needed to be modified slightly. In both consortia and urban counties, the number of properties with over 50 HOME units to be selected based on the square root of the number of HOME units in the stratum was larger than the total number of properties in the stratum (25 in the case of consortia and 50 in the case of urban counties). Thus, in these two cases, all properties with more than 50 units were included in the sample, and the remaining properties were selected in proportion to the square root of HOME units across the 3 remaining size categories. After making this adjustment, the number of properties to be sampled in Urban Counties with between 12 and 50 units also exceeded the number of available properties. All of the properties in this stratum were selected with certainty with the remaining properties selected from the remaining two size strata in proportion to the square root of the number of units in these strata.[39]

Exhibit A-3

Distribution of the Sample of Projects by Strata

	Project Size (Number of HOME Units)				
Type	**2 to 4 Units**	**5 to 11 Units**	**12 to 50 Units**	**More Than 50 Units**	**Total**
State	23	26	41	35	125
Metro County	25	26	36	39	126
Consortium	32	38	47	8[a]	125
Urban County	29	32	45[a]	19[a]	125
Total	109	122	169	101	501

[a] The number of properties in these strata is constrained by the total number of properties in the stratum. The remaining properties were allocated to strata in proportion to the square root of units in the stratum.

Sample Selection

Sample selection was done independently within each stratum, where a stratum is defined as the cross-classification of PJ type and size group. Thus, there were 16 strata for sample selection. In each stratum, a systematic sample of projects was selected after sorting the projects by PJ and within each PJ by completion date. This ensured representation to PJs and completion dates.

This procedure avoided the problem of selecting a sample of PJs which would introduce another stage of selection and therefore would increase the variance of the estimates. Of course, in the procedure, the sample was spread among more PJs than in a multi-stage sample.

[39] Because of rounding, the methodology of determining the number of properties to sample based on the square root of the number of units resulted in a sample of 126 properties, one more than targeted.

Weighting and Estimation of Standard Errors of Estimates

For producing population-based estimates, each project selected in the sample for which complete data are available was assigned a sampling weight. This weight was used to produce estimates of population percentages and ratios. Standard errors of the estimates were computed using the SUDAAN software, taking into account the sample design and the weights of each observation.

The weights are determined at the stratum level, which is the basic building block for producing estimates. That is, the overall estimates are based on aggregations of individual stratum estimates. As described above, the stratum for the selection of a sample of properties is the cross-classification of PJ type and size, where size is the number of HOME units.

The sampling weight is a combination of a basic sampling weight (which is the inverse of the probability of selection of the project) and an adjustment for non-response. In each stratum, the base sampling weight is $W = N / n$, where N is the population size and n is the sample size. For example, as shown in Exhibits A-1 and A-3, in the stratum of State PJ projects with one to four home units, the population size is 1,997 and the sample size is 23. Thus, in this case the basic sampling weight is 1997/23 or 86.83.

To determine the non-response adjustment, the sample was classified into three groups based on their disposition as a result of data collection (see Exhibit A-4 for a summary of the sample disposition by stratum). The three groups are respondents, non-respondents, and ineligibles (defined as being found not to be in the universe of properties, with duplicates being a type of ineligible), with n_1, n_2, and n_3 representing each of these groups, respectively. The non-response adjustment factor is:

$$A = \frac{n_1 + n_2}{n_1}$$

These adjustment factors are calculated for each of the 16 strata. Continuing the example used above, for State PJ projects with one to four units there were 12 respondents, 10 non-respondents, and 1 ineligible property. The non-response adjustment for this stratum is thus (12 + 10)/10 or 1.83.

The non-response-adjusted property weight then is the product of the basic sampling weight and the non-response adjustment. Again, for State PJ projects with one to four units this would be 86.83 times 1.83 or 158.9. Exhibit A-5 gives the estimated property sample weights for each stratum based on this calculation. The weights summed over all the responding units gives the estimated number of eligible properties in the universe corresponding to each stratum. Summing the weights for each property over all strata gives the estimated number of eligible properties in the universe of properties. Based on these weights, the estimated eligible universe of properties is 5,197. The remaining 814 properties of the original universe of 6,011 properties were found to be ineligible for the survey, because the property had not been completed for two years when data was collected, the property was no longer a HOME property, or the sampled property was a duplicate listing of another property.

Exhibit A-4

Property Sample Disposition by Stratum

Respondents

PJ Type	Number of Home Units				
	1-4	5-11	12-50	>50	Total
State	12	21	36	33	102
Metro	15	23	24	35	97
Consortium	19	30	38	5	92
Urban County	14	24	35	12	85
Total	60	98	133	85	376

Non-Respondents

PJ Type	Number of Home Units				
	1-4	5-11	12-50	>50	Total
State	10	3	4	2	19
Metro	2	1	4	3	10
Consortium	7	5	4	2	18
Urban County	8	5	6	3	22
Total	27	14	18	10	69

Ineligible

PJ Type	Number of Home Units				
	1-4	5-11	12-50	>50	Total
State	1	2	1	0	4
Metro	8	2	8	1	19
Consortium	6	3	5	1	15
Urban County	7	3	4	4	18
Total	22	10	18	6	56

Exhibit A-5

Property Sample Weights by Stratum Including Non-Response Adjustment

PJ Type	Number of Home Units			
	1-4	5-11	12-50	>50
State	159.18	25.85	10.76	2.67
Metro	61.38	13.24	6.25	1.67
Consortium	18.47	4.54	1.53	1.40
Urban County	12.46	2.15	1.17	1.25

Consideration of Adjustments to Weights for Non-Response

It had been anticipated that it might be necessary to include an adjustment to the weights to account for potential non-response bias. Since non-respondents may be more likely to fail to meet the affordability standards than respondents there is a possibility of some bias in the estimate of non-compliance based solely on respondents. The magnitude of the bias due to non-response depends on both the size of the non-response group in the population and the difference between this group and the respondent group with respect to characteristics of interest, most notably the percentage of units compliant. This bias may not be large if non-response is low or if the group not responding is not very different from the respondent group.

The principal approach for addressing this concern was to conduct intensive follow up to ensure that a very high response rate was achieved. As described in Chapter 2, ultimately a very high response rate was achieved, with responses from 75 percent of all sampled properties and 84 percent of all sampled eligible properties. Nevertheless, some non-response remained. In order to evaluate whether non-respondents differed significantly from respondents in the degree of compliance with rent limits, all respondents were characterized by the degree of difficulty in obtaining data. A series of categories were created reflecting the following challenges in obtaining data:

- It was difficult to identify the correct contact information for the property manager;
- It was difficult to get the property manager to respond the request for information;
- Extensive follow up was needed because of incomplete or unclear data;
- The property manager was rude or belligerent;
- The property manager exhibited little understanding of the HOME program regulations;
- The property manager refused to cooperate, so data was obtained from the PJ.

The estimated compliance rate for each of the categories of difficult respondents was then compared to the compliance rate for respondents from whom it had not been difficult to obtain data. Weights would have been adjusted to account for non-response bias to the extent that this comparison revealed significant differences in compliance rates for difficult respondents. However, there was no statistically significant difference in compliance rates between these groups. As a result, it was determined that there was no need to adjust weights to account for non-response bias.

Tenant Sample

Sampling Frame

Cooperation from property managers was needed to provide names and contact information for tenants, so the resident sample was selected from those properties in the property sample that had provided data for the main part of this study. However, a number of properties were deemed ineligible for the tenant phone survey since the nature of the population meant that it would be difficult either to contact tenants due to a lack of phones in individual units or to complete the survey if tenants had development disabilities. A total of 47 properties out of the 376 properties from which rent data was received were initially excluded for these reasons, including 13 Group Homes (several of which served developmentally disabled residents), 28 SROs, and six transitional housing developments. It is not clear how these exclusions affect the estimated rent burden for the HOME program. While the tenants of these developments are likely to have extremely-low incomes, the rents may also be heavily subsidized.

Property Sample Selection

In some cases, property managers provided tenant contact information along with the rent data submitted. The process for selecting properties from which the tenant sample would be drawn was designed to take advantage of this information. Properties were divided into three groups based on the level of contact information obtained while gathering rent information. One group consisted of properties that provided tenant names and either phone numbers or social security numbers. The second group consisted of properties that provided only tenant names. The third group consisted of properties that did not provide any tenant identification information. All of the properties that provided rent rolls or compliance reports with tenant phone numbers or social security numbers were included with certainty among the properties from which the tenant sample would be drawn to take advantage of the availability of this information. Forty percent of the properties that provided rent rolls or compliance reports with just tenant names were selected randomly for inclusion in this part of the study. Finally, all of these properties that provided no tenant contact information as part of their rent data were selected with certainty to ensure adequate representation among these properties where property managers were less willing to share tenant contact information.

Tenant Sampling

The next step was to contact managers of the sampled properties for which phone numbers and/or names had not previously been submitted to request this information for a sub-sample of units from each property. Property managers were asked for phone numbers for a systematic sample of every third unit on the rent roster in properties where tenant names had previously been provided and every other unit on the rent roster for properties where tenant names were unknown. This over sampling of units in the latter properties was intended to provide adequate representation of properties where managers were reluctant to share contact information. If property managers refused to provide telephone numbers and resident names were in the file from rent rolls or compliance reports provided for the main portion of the study, directory assistance was used to obtain resident telephone numbers. For most properties, the directory assistance search was only partially successful in obtaining tenant phone numbers. If resident names were not already on file and property managers refused to provide them, by necessity these properties were excluded from the sub-sample of properties for which tenants were contacted. At this stage of the process some additional properties were excluded from the study as it was learned that either the units did not have individual telephones or the resident population was developmentally disabled.[40]

This process of sampling properties and tenants, and attempting to obtain phone numbers from either property managers or directory assistance, resulted in a sample of 1,502 residents with phone numbers in 135 properties. Based on the assumption of a 60 percent response rate and the target of 600 completed interviews, it was necessary to select approximately two-thirds of this group to be included in the sample of tenants contacted. To select these residents, properties were sorted by the 16 property strata and the three tenant contact information strata. In order to provide representation of all these groups in the tenant sample, all properties in cells with small numbers of units were selected with certainty. In cells with larger numbers of units, a random sample of 60 percent of the available tenants was selected. The resultant sample of 1,017 residents was used to initiate the telephone survey.

After two weeks of telephone calls to residents in the sample, it was determined that many of the telephone numbers were either incorrect or no longer in service. As a result, a supplemental sample of 247 residents was drawn from the remaining pool of 482, bringing the total sample attempted to 1,264.

Weights for Tenant Sample

As with the property sample, for producing population-based estimates each tenant surveyed was assigned a weight. This weight was used to produce estimates of rent burden and use of subsidies for the population of eligible HOME-assisted units. Standard errors of the estimates were computed using the SUDAAN software, taking into account the sample design and the weights of each observation.

The tenant weight is a combination of the following:

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40 A total of 18 additional properties were excluded at this stage, including 13 SROs lacking phones, 1 transitional housing development, 3 developments serving mentally disabled clients, and 1 Group Home.

- An adjusted sampling weight for the property reflecting sampling in the first stage of the study (as described in the Property Sample section above);
- An adjustment for sub-sampling properties for the tenant survey;
- An adjustment for non-response at the property level to our request for tenant contact information; and
- An adjustment to reflect the share of HOME units in an individual property represented by the respondents.

As with the property weights, the tenant weights are estimated at the stratum level. However, while the same strata used in developing the property sample provided the starting point for the sub-sampling of properties for the tenant survey, there were two modifications made in sampling tenants. First, as described above, in order to take advantage of tenant contact information, the sample was divided into three substrata representing whether tenants names and phone numbers, names, or no contact information were available when the tenant property sample was drawn. The creation of these three substrata resulted in 48 individual strata (the 16 original strata times the three additional contact information strata). A further complication that arose is that when the survey process was complete, there were a number of individual strata that did not have any representatives among the completed surveys. As a result, it was necessary to collapse strata to calculate weights. Since there was no statistically significant variation in compliance rates by property size, it was decided to collapse the strata by property size within PJ type. As a result, for the tenant sample, there were two property size strata: one to 11 units, and 12 units and larger. Thus, overall there were 24 strata: four PJ types, two size types, and three contact information types. However, because this approach combines observations from the strata originally used to sample properties (that is, the four size stata), it is necessary to use the original property weights in estimating each adjustment factor used so that the sum of the weights is equal to the universe of eligible properties (the use of weights in these calculations will be described more fully below).

Adjustment for Sub-Sampling of Properties

The first adjustment needed to the property weight is for subsampling of properties for the tenant sample. Of the n properties for which rent data was received, a portion were deemed to be ineligible for the tenant survey because of the nature of the tenants (i.e., they lacked telephones in their units or they were developmentally disabled). The properties eligible for sampling for the tenant sample can be represented as n_e while the ineligible properties are n_i where $n_e + n_i = n$. The n_i ineligible properties are excluded from the determination of the adjustment factor for sub-sampling. The ineligible sampled properties are assumed to represent other ineligible properties in the universe. Excluding these properties results in a reduction in the estimated universe of eligible properties by an amount equal to the sum of the property weights of the ineligible properties.

As previously described, the properties eligible for sampling were divided into three strata based on differing degrees of contact information available at sampling (names and phone numbers, just names, or no contact info). The first and last groups were sampled with certainty while 40 percent of the middle group were sampled. If the number of properties sampled in each strata is denoted as *s*, then an adjustment factor for the sampling of properties is given as:

$$A_s = \frac{(W_p * n_e)}{(W_p * s)}$$

where W_p is the property sampling weight. This adjustment is estimated for each of the 24 stratum used in the tenant survey.

Adjustment for Non-Response to the Tenant Survey at the Property Level

The next adjustment to the weight is to account for non-response at the property level to the tenant survey. This adjustment is used to account for non-response by properties to the request for phone numbers (or where it was not possible to look numbers up for their tenants using directory assistance). The adjustment also accounts for properties where phone numbers were obtained, but when the tenant sample was dialed there were some properties for which there were no completed surveys. In addition to non-respondents, there were also some properties that were found to be ineligible at this stage because of the nature of their tenants. Thus, the sampled properties can be divided into three groups: respondents (s_r), non-respondents (s_n), and ineligibles (s_i). The property-level adjustment for non-respondents (which is estimated separately for each of the 24 strata) is:

$$A_n = \frac{((W_p * A_s * s_r) + (W_p * A_s * s_n))}{(W_p * A_s * s_r)}$$

where $W_p * A_s$ represents the adjusted property weight for each observation through this stage.

Adjustment for Property-Level Share of Units Surveyed

Finally, the weight for each tenant is adjusted to account for the fact that only a sample of units from each property are represented. Within each property, a share of units was sampled to obtain contact information, but only a share of these sampled units ended up having a valid phone number. Finally, when the sample, only a share of the units with valid phone numbers had completed surveys.[41] A final adjustment at the property level is thus needed to account

[41] Some number of tenants contacted at this stage were found to be ineligible for the study since they no longer lived in the target property. However, while these specific tenants were ineligible for the survey, the units they represented are still valid.

for the number of units in each property represented by the respondents. This adjustment can be represented as:

$$A_u = \frac{u}{r}$$

where u is the total number of HOME units in the properties contacted and r is the number of respondents from that property.

Total Adjusted Tenant Weights

The total adjusted weight for each tenant is the combined product of: the adjusted property weight (W_p), the adjustment for the subsampling of properties to contact for the tenant survey (A_s), the adjustment for non-response to the tenant survey at the property level (A_n), and the share of tenants contacted at each property (A_u), or:

$$W_t = W_p * A_s * A_n * A_u$$

Final Tenant Weights

Given that some of the strata were relatively thin, in some cases the product of the three adjustment factors results in extreme values of weights. After estimating the weights, the estimated size of the universe of properties and units based on these weights was examined. The estimated universe of properties was 4,084, which seemed reasonable given the exclusions of properties as ineligible both for the first phase of the study examining rent levels and for the tenant survey because of a lack of phones in units or mental disability among the tenants. However, the estimated universe of units was about 51,000, which was close to the universe of units prior to any exclusion for ineligibility.

Exhibit A-6
Distribution of Tenant Weights

Minimum	2.9
5th Percentile	6.1
25th Percentile	19.3
Median	44.7
75th Percentile	68.2
95th Percentile	290.3
Maximum	1975.2

An examination of the weights found a few cases of weights that were extreme outliers that were responsible for the excessive estimate of the universe of HOME units sampled (Exhibit A-6). The median weight in the sample is 45, while 21 observations had weights that ranged from 551 to nearly 2000. These extreme values were truncated to 500 (which is still larger than the median by more than ten times the inter-quartile range). With this truncation, the estimated universe of units was 41,952, which is a reasonable estimate of the number of units found to be eligible for both the property and tenant surveys.

Appendix B

Participating Jurisdiction Letter and Data Verification Sheet

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-7000

March 6, 2000

OFFICE OF THE ASSISTANT SECRETARY
FOR COMMUNITY PLANNING AND DEVELOPMENT

Dear Participating Jurisdiction:

I am writing to request your assistance with an important U.S. Department of Housing and Urban Development (HUD) study of the ongoing affordability of rents in HOME-assisted rental housing units. This study, conducted by Abt Associates Inc. under contract to HUD, is designed to gather rent information on HOME-assisted units in a sample of 400 projects across the country that have been in operation for at least two years. This study will provide a useful measure of the ongoing affordability of HOME-assisted units that will be used to enhance the operation of the HOME Program.

Your PJ oversees one or more HOME-assisted rental projects that have been randomly selected for the sample. Since your PJ has been selected for participation in this study by sampling techniques designed to provide representation of different types and sizes of PJ, ***your cooperation with the Abt researchers is vital to ensuring that the study's results are representative of HOME projects generally***.

You will be requested to provide rental and compliance information on the HOME-assisted project(s) in your jurisdiction that is (are) included in the study. This information will include a copy of any compliance reports provided to you by the owner or prepared by you as part of project monitoring, as well as any other information you have on rent levels, applicable rent limits, utility allowances, and project-based and/or tenant-based assistance for all HOME units in the study property(ies). We understand that you may not have all of this information in your files, so Abt will also request information directly from project owners.

The study will also examine the rent burdens of residents living in HOME-assisted projects. For a subset of the 400 projects, project owners will be asked to provide telephone numbers for a small number of residents in HOME-assisted units.

Please be assured that the purpose of the study is not to evaluate compliance of individual PJs or project owners, but rather to establish a measure of the affordability of HOME units nationally. All information collected during this research project will be kept strictly confidential. No information that could be used to identify a particular agency or project will be included in the findings reported to HUD. In addition, the findings will not be used as part of any HUD compliance examination.

If you have any questions or concerns regarding this study, please contact either Ginger Macomber from HUD's Office of Affordable Housing Programs (202-708-2684, extension 4605) or the HUD Government Technical Monitor overseeing this contract, Vincent Mani (202-708-3700, extension 5714).

Many thanks for your help on this research effort. Your input will be of great importance in helping to ensure the continued success of the HOME program.

Sincerely,

Kenneth C. Williams
Deputy Assistance Secretary for
Grant Programs
Community Planning and Development
U.S. Department of Housing and
Urban Development

Ayse Can Talen

Ayse Can Talen
Deputy Assistant Secretary for
Research, Evaluation and Monitoring
Policy Development and Research
U.S. Department of Housing and
Urban Development

Abt

Abt Associates Inc.

June 16, 2000 Grant # MC101255

Mr. John Doe
City of Richmond
120 11th Avenue
Richmond, MA 02138

Dear Mr. Doe:

As described in the accompanying letter from the U.S. Department of Housing and Urban Development (HUD), Abt Associates Inc. is under contract to conduct a study of the ongoing affordability of rents in HOME-assisted rental housing units. This study will gather rent information on HOME-assisted units in a national sample of 500 properties to provide a measure of the ongoing affordability of HOME units.

Please see the following page for a listing of the HOME-assisted property(ies) in your participating jurisdiction (PJ) which have been selected for the study sample. Your PJ was selected for participation in this study using sampling techniques designed to provide representation of different types and sizes of PJ. As a result, we are relying on your cooperation to achieve study results that are representative of HOME projects generally. For each of the properties selected for the study, we will collect rental and compliance information directly from the property owner or manager. In order to do this, we are requesting that you provide, for each property, accurate contact information for the management agent who would have ready access to rental and subsidy figures. For the property(ies) selected, please do the following:

- Review and verify the property-level information from HUD's MIS and/or IDIS database on the attached sheet(s)—including contact information for the management agency—and correct any incorrect or out-of-date information and provide any missing information.
- If HUD has granted a property-specific exception rent for a property, please also provide a rent schedule for the exception rents.

Please return the completed property data sheet(s) to: **Naomi Michlin, Data Collection Task Leader, HOME Rent Study, Abt Associates, 55 Wheeler Street, Cambridge, MA 02138. The information may also be faxed to Ms. Michlin at (617) 349-2670.**

As noted in the letter from HUD, the purpose of the study is not to evaluate compliance of individual PJs or project owners, but rather to establish a measure of the affordability of HOME units nationally. ***All information collected during this research project will be kept strictly confidential. No information that could be used to identify a particular agency or property will be included in the findings reported to HUD. Additionally, the findings will not be used as part of any HUD compliance examination.***

Thank you very much for your assistance with this important study. If you have any questions, please contact Naomi Michlin at Abt Associates, (617) 349-2529.

Sincerely,

Chris Herbert

Christopher E. Herbert
Project Director

HOME Project Property List

MC101255	City of Richmond
MC10125501	35 Watson Street Richmond, MA 02138
MC10125502	202-205 7th Avenue Richmond, MA 02138

HOME Project Data Verification Sheet

City of Richmond

MC101255 MC10125501

Project-Level Data	Our Information	Please Correct if Wrong or Provide if Missing*
PJ Type	Metro County	
PJ Name	City of Richmond	
PJ Contact Name	Mr. John Doe	
Phone	617-349-8000	
Fax	617-349-8080	
Project Address	35 Watson Street Richmond, MA 02138	
Type of Owner	Non-Profit	
Property Manager Name	Missing	
Property Manager Address	Missing	
Property Manager Phone	Missing	
Property Manager Fax	Missing	
Total Units	28	
Total HOME Units	28	
High HOME Units	22	
Low HOME Units	6	
Units Are: Fixed or Floating	Missing	
Completion Date	November 10, 1996	
Total HOME Funding ($)	$ 535,000	
Activity Type	Acquisition & Rehab	
Affordability Period (years)	10	
Project-Based Exception Rent (Yes/No)	No	
Source of Utility Allowance (e.g. PHA, PJ, property-specific)	Missing	
LIHTC Project (Yes/No)	Missing	

*Please indicate if not known

Please return this completed sheet, along with a schedule of exception rents if the property is subject to exception rents, by mail or by fax to:

Naomi Michlin, Data Collection Task Leader
HOME Rent Study
Abt Associates, Inc.
55 Wheeler St.
Cambridge, MA 02138
Phone: (617) 349-2529 Fax: (617) 349-2670

Appendix C

Owner/Manager Letter and Checklist

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-7000

March 6, 2000

OFFICE OF THE ASSISTANT SECRETARY
FOR COMMUNITY PLANNING AND DEVELOPMENT

Dear HOME-Assisted Rental Project Owner/Manager:

I am writing to request your assistance with an important U.S. Department of Housing and Urban Development (HUD) study of the ongoing affordability of rents in HOME-assisted rental housing units. This study, conducted by Abt Associates Inc. under contract to HUD, is designed to gather rent information on HOME-assisted units in a sample of 400 projects across the country that have been in operation for at least two years and are still subject to the program's affordability requirements. This study will provide a useful measure of the ongoing affordability of HOME-assisted units that will be used to enhance the operation of the HOME Program.

You own or manage a HOME-assisted rental project that has been randomly selected for the sample. Since your project has been selected for participation in this study by sampling techniques designed to provide representation of projects of different sizes and type of Participating Jurisdiction (PJ) that have been awarded funding, ***your cooperation with the Abt researchers is vital to ensuring that the study's results are representative of HOME projects generally***.

You will be requested to provide information for all units of the selected property on current rents, utilities, and whether there is project-based and/or tenant-based rental assistance. Abt Associates may also request tenant names and phone numbers for a few units for a separate survey of tenant rent burdens. This information is essential to completing the study and will be kept strictly confidential, according to applicable government standards for this type of research.

Please be assured that the purpose of the study is not to evaluate compliance of individual project owners, but rather to establish a measure of the affordability of HOME units nationally. All information collected during this research project will be kept strictly confidential. No information that could be used to identify a particular agency, owner, project, or tenant will be included in the findings reported to HUD. In addition, the findings will not be used as part of any HUD compliance examination.

If you have any questions or concerns regarding this study, please contact either Ginger Macomber from HUD's Office of Affordable Housing Programs (202-708-2684, extension 4605) or the HUD Government Technical Monitor overseeing this contract, Vincent Mani (202-708-3700, extension 5714).

Many thanks for your help on this research effort. Your input will be of great importance in helping to ensure the continued success of the HOME program.

Sincerely,

Kenneth C. Williams
Deputy Assistance Secretary for
Grant Programs
Community Planning and Development
U.S. Department of Housing
and Urban Development

Ayse Can Talen

Ayse Can Talen
Deputy Assistant Secretary for
Research, Evaluation and Monitoring
Policy Development and Research
U. S. Department of Housing and
Urban Development

Abt Associates Inc.

August 10, 2000

MC10125501

Ms. Joan Smith
400 Russel Avenue
Richmond, MA 02138

Dear Ms. Smith:

As described in the accompanying letter from the U.S. Department of Housing and Urban Development (HUD), Abt Associates Inc. is under contract to conduct a study of the ongoing affordability of rents in HOME-assisted rental housing units. This study will gather rent information on HOME-assisted units in a national sample of properties to provide a measure of the ongoing affordability of HOME units.

You own or manage the following property that has been randomly selected for the study:

35 Watson Street

Richmond, MA 02138

Since your project has been selected for participation in this study by sampling techniques designed to provide representation of projects of different sizes and type of allocating agency, your cooperation with the study is vital to ensuring that the study's results are representative of HOME projects generally.

The study has been designed to minimize the burden of providing the needed information. The attached property data sheet includes a checklist of the requested information and ways in which it can be provided using readily available reports, such as a copy of the current rent roll. On the sheet, please:

- Verify and correct if necessary the property-level information at the top of the data sheet.
- Check that all the requested information is provided in the rent roll and/or other report(s) you send.
- Answer the questions at the bottom of the sheet

Please send the completed data sheet with rent roll and other available reports to:

Naomi Michlin, Data Collection Task Leader, HOME Rent Study,
Abt Associates, 55 Wheeler St., Cambridge, MA 02138.

The information may also be faxed to Ms. Michlin at (617) 492-5219.

As noted in the letter from HUD, the purpose of the study is not to evaluate compliance of individual project owners or managers but rather to establish a measure of the affordability of HOME units nationally.

All information collected during this research project will be kept strictly confidential. No information that could be used to identify a particular agency or project will be included in the findings reported to HUD. In addition, the findings will not be used as part of any HUD compliance examination.

Thank you very much for your assistance with this important HUD study. If you have any questions, please contact Naomi Michlin at Abt Associates, (617) 349-2529.

Sincerely,

Chris Herbert

Christopher E. Herbert
Project Director
Abt Associates Inc.

MC10125501

HOME Project Data Verification Sheet and Checklist

Please return this completed sheet, along with a copy of the rent roll and other available reports to:

Naomi Michlin, Data Collection Task Leader, HOME Rent Study
Abt Associates, Inc.
55 Wheeler Street
Cambridge, MA 02138
phone (617) 349-2529; fax (617) 492-5219

Please verify the following information for the property:

Data	Information in our files	Corrected Information
Property Address	35 Watson Street Richmond, MA 02138	
Type of Owner	Non-Profit	
Manager Name	Ms. Joan Smith	
Manager Address	400 Russel Avenue Richmond, MA 02138	
Manager Phone	617-628-2120	
Manager Fax	617-628-2128	
Total Units	28	
HOME Units	28	

The following information is requested for each unit in the property. Please check each item to ensure that it is included in the documents you are providing (see below):

- ☐ Apartment or unit number
- ☐ Whether the unit is a HOME unit
- ☐ Whether the unit is a high or low HOME unit
- ☐ Number of bedrooms
- ☐ Tenant-paid rent
- ☐ Utility allowance
- ☐ Lease date (if lease date is not available, re-certification date or move-in date)
- ☐ Subsidy payment (if applicable)
- ☐ Subsidy type (if applicable)
- ☐ For units with project-based assistance: adjusted household income and household size (to determine the applicable low HOME rent standard)

Most of the requested information is likely included on the rent roll or other reports that are readily available. You may also add handwritten notes to available documents to expand on these reports (for example, to indicate the type of rental subsidy or whether a unit is a HOME unit). Please provide all of the following that are available:

- ☐ Current rent roll
- ☐ Most recent HOME or Tax Credit compliance report (if applicable)
- ☐ Utility allowance schedule (if utility allowances are not on the rent roll or compliance report)
- ☐ HUD form 52670, A Part I (HUD-assisted properties only)
- ☐ HUD form 92458 (HUD-assisted properties only)

MC10125501

HOME Project Data Verification Sheet and Checklist

Please return this completed sheet, along with a copy of the rent roll and other available reports to:

Naomi Michlin, Data Collection Task Leader, HOME Rent Study
Abt Associates, Inc.
55 Wheeler Street
Cambridge, MA 02138
phone (617) 349-2529; fax (617) 492-5219

In addition, for each of the following items, please answer the following questions:

Item	Question(s)	Answer
Fixed/Floating	Are the HOME units in the property designated as Fixed or Floating	
Utility allowance	Which utilities are paid by tenants? (If different tenant-paid utilities, please indicate the utilities paid next to each unit on the rent roll.)	
	What is the source of the utility allowances (e.g. local housing authority, HOME allocating agency)?	
Subsidy Type	If some or all units have subsidy, is it project- or tenant-based? (If the project has both project- and tenant-based subsidy, please note the type of assistance next to each subsidized unit on the rent roll with a "P" or "T".) If project-based subsidies are present, please indicate here the source of this subsidy (e.g., Section 8, state program).	
Tax credits	Does the property have Low Income Housing Tax Credits?	
Exception rents	Does the property have property-specific exception rents?	
Lease, recert, or move-in date	If providing re-certification or move-in date, do these dates always coincide with the lease renewal date?	
	Do leases allow for rent increases before the end of the lease period?	

Appendix D

Analysis of Ongoing Affordability

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Once the data were entered and cleaned, analysis for compliance with HOME rent limits began. The first step was to analyze systematically the data for each property using a SAS program. The results of the SAS analysis were then reviewed by researchers to determine if any corrections were needed to the analysis or whether the units were truly non-compliant. Finally, follow-up interviews were attempted with all non-compliant properties to determine the reasons for non-compliance. In the sections that follow, each of these stages in the analysis is discussed in detail.

SAS Analysis of the Rent Data

A SAS program was developed to analyze the data for each property to determine the number of units that were not in compliance with HOME program rent limits. The steps entailed in this program were as follows:

Determine the relevant total rent charged for each unit in the property:
The relevant rent is the gross rent, including tenant rent payments, subsidy payments, and approved utility allowances for all tenant-paid utilities.

Determine the appropriate HOME rent standards for each unit:
The appropriate Low and High rent standards were determined for the market area in which the property is located, the bedroom size of each unit, and date of the lease.[42] Special rent standards applied for group homes and single-room occupancy (SRO) units that lack either a kitchen or a bathroom. In the former case the rent limit is simply the fair market rent for a unit with the number of bedrooms in the group home. For SROs without kitchens or bathrooms, the rent limit is 75 percent of the fair market rent for a 0-bedroom unit.

Determine the expected number of Low and High HOME Rent units:
For projects with five or more HOME units, the number of Low HOME Rent units required was calculated by multiplying the number of total HOME units by .2 and rounding the result up to the next integer. For projects with fewer than five units, no Low HOME Rent units are required. The number of High HOME Rent units expected is simply the total number of HOME units less the number of Low HOME Rent units.[43]

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[42] Lease date was not always readily available in standard reports from the property managers, so in some cases the lease date was estimated based on the original move-in date or income recertification date. In general, when there was doubt about the lease date, older, lower rent limits were assumed to be in effect.

[43] PJs were asked to confirm the estimate of the number of Low HOME Rent units. In some cases PJs reported a higher number of Low HOME Rent units. This question was asked because PJs may require more than the minimum number of Low HOME Rent units as a condition for granting funding. However, it was generally not clear from the PJs response whether the higher number of Low HOME Rent units was a legal requirement or simply a description of the current status. As a result, the HOME program minimum requirement for Low HOME Rent units was used as the standard for evaluating all properties.

Determine how many units actually meet the Low and High HOME Rent standards:
If a unit does not have federal or state project-based rent subsidies, the gross rent is compared to the Low HOME standard. If the unit meets the Low HOME standard, the total number of compliant Low HOME Rent units for the project is increased by one.[44] If, however, the unit had a Federal or State project-based rent subsidy, the first step was to determine whether the tenant's income is at or below 50 percent of area median income (adjusted for household size). If so, and the analysis found that the tenant does not pay more than 30 percent of their income for rent and utilities, the unit was added to the count of compliant Low HOME Rent units.

If units do not meet the Low HOME limit, the gross rent is then compared to the unit's High rent limit. If the gross rent is at or below the High rent limit, it was added to the total number of compliant High HOME Rent units for the project.[45]

Allocation of Vacant Units
After all occupied units have been analyzed, vacant units in the property are then proportionally allocated to the count of Low and High HOME Rent units based on the remaining shortfall in each of these compliant counts. For example, if after analyzing rent levels in each unit, the project is found to have fallen short of the required number of Low HOME Rent units by two and the required number of High HOME Rent units by four. Then one-third of any vacant units would be allocated to the Low HOME category, and two-thirds would be allocated to the High HOME category, reflecting the relative shares of shortfalls in these two types of units.

Create adjusted counts of Low and High HOME Rent units:
Once each unit in the project has been evaluated, any Low HOME Rent units in excess of those required to meet program requirements was subtracted from the Low HOME Rent unit count and added to the High HOME Rent unit count. The High HOME Rent unit count was limited to the total expected High HOME Rent units.

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[44] Actual gross rents were allowed to exceed the HOME rent limits by two dollars in order to account for possible discrepancies introduced by the rounding of payments into whole dollar amounts. Since the gross rent can be the sum of three separate amounts (tenant payment, subsidy payment, and utility allowance) it is possible that rounding of each component will mistakenly inflate the gross rent estimate above the applicable limit.

[45] For floating unit properties, property managers were asked to identify which units are currently HOME units. In some cases, property managers either did not know or simply did not respond to this question. In these cases we would examine all of the units available to determine if there were a sufficient number of units meeting the Low and High HOME limits.

Identify individual units as being compliant or non-compliant with the Low and High HOME Rent Limits

Part of the analysis of findings is how actual rents compare to the HOME rent standards. For this analysis the units that are compliant and non-compliant with the Low and High HOME Rent limits must be identified at the unit level. To do this, all units were sorted first by whether they meet the Low HOME Rent limit (including any vacant units allocated to this category) and then by the ratio of the actual gross rent to the Low HOME Rent limit for that unit. To the extent that the property did not have a sufficient number of units meeting the Low HOME Rent limits, the units that came closest to meeting this limit were assigned to be non-compliant Low HOME Rent units. If there were excess Low HOME Rent units, the units that had the highest ratio of gross rent to the Low HOME Rent unit were assigned to be High HOME Rent units. All remaining units were identified as High HOME Rent units and their gross rents were compared to the High HOME Rent limits.[46]

Evaluation of Bedroom Mix in Floating Unit Properties

An additional compliance issue for floating unit projects is whether the HOME units include the appropriate mix of bedroom sizes since these properties are required to maintain units with at least the same number of bedrooms as at funding.[47] For floating unit properties the total number of HOME units by bedroom size was compared to the number of expected HOME units in each bedroom size category. If there was not an exact match between the actual and expected mix of bedroom sizes, the first step was to determine whether properties had appropriately substituted larger units for smaller ones. A count of any excess smaller bedroom sizes was kept as a measure of the number of units failing to meet the bedroom size requirements. The count of the number of units failing the bedroom size requirements was kept separately from the number of units meeting the rent limit requirements.

Hand Review of Non-Compliant Cases

After the SAS program determined which projects failed to achieve the required number of HOME units (including those failing either the rent limit standards or the bedroom-size requirements), a hand review of the findings was conducted to ensure that this conclusion was accurate. A standard report was generated for each non-compliant property identifying both the summary findings for the property and the information available for each unit analyzed. In addition to allowing researchers to verify the information entered for non-compliant units, the output was also designed to aide researchers in identifying whether non-compliance may have resulted from errors involving the treatment of utility allowances or

46 As noted earlier, in some floating-unit properties, all of the units were analyzed for compliance with HOME limits since the project manager did not specify which units were currently HOME units. In these cases the units with the lowest rent levels relative to the HOME limits were identified as HOME units.

47 Floating unit properties are also required to have similar amenities, such as the number of bathrooms and other features, but tracking these aspects were beyond the scope of this study.

subsidy payments. In the case of floating unit properties that failed the evaluation of the bedroom mix requirement, researchers would also determine whether other units in the property (that had not been designated as HOME units by the property manager) were of the appropriate size and met the HOME rent limits.

Overall, approximately 30 percent of the properties in the sample were manually reviewed for potential non-compliance. In about a tenth of these manually reviewed cases, transcription errors were found that, when corrected, rendered the units compliant. After completing the hand review, it was determined that follow-up interviews were needed for slightly more than 100 properties to verify non-compliance and investigate reasons for non-compliance.

Telephone Follow-up to Investigate Reasons for Failure to Meet Affordability Standards

In many cases the reason for non-compliance with HOME rent standards was not readily evident from the data. In almost all of these cases, interviews with property managers (and occasionally PJs) were needed to explore the reason for failure to meet program affordability standards. Based on the circumstances of each case, we decided whether to call the property manager or the PJ to investigate the reason for the disparity. In some cases it was important to contact both parties to explore both the reason for the disparity *and* whether the PJ was aware of the disparity.

The calls probed for the following reasons why rents exceeded HOME rent standards:

- The manager failed to properly account for utility allowances in setting the tenant-rent contribution;
- The manager mistakenly assumed that the subsidy payment is not counted toward the rent limits in cases where there is tenant-based assistance;[48]
- The manager mistakenly interpreted the HOME regulations to allow rents in units with project-based assistance to exceed the HOME limits even when the tenant's income was above 50 percent of the area median income and, therefore, the unit could not be counted as a Low HOME Rent unit;
- The manager assumed that the project was in compliance with HOME guidelines as long as it was in compliance with the guidelines for another subsidy program, such as the Low-Income Housing Tax Credit;[49]

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48 Any occurrence of the first two situations listed was flagged in our analytic runs. That is, when a unit was found to have rents that exceed the HOME limits, the SAS compliance analysis program checked to see whether the rent would be within program limits if utility allowances or subsidy payments were ignored.

- The manager raised rents to address a financial crisis without first obtaining approval from HUD;
- The manager failed to keep informed of or abide by the HOME rent limits because of such factors as a lack of communication from PJs about the HOME rent limits, limited familiarity with government programs, or turnover in management staff;
- Poor oversight by the PJ either in keeping managers informed of changes in HOME rent limits or in checking compliance over time;
- Tenant income increased to above 80 percent of the area median. Therefore the rent was increased to 30 percent of the tenant's income, as required by program rules, and no other unit had yet become available to replace this unit as a HOME unit; or
- The project had been granted exception rents that had not previously been identified.

In making these calls, property managers and PJs were assured that the findings regarding their specific properties would not be provided to HUD to be used as the basis for regulatory oversight. In general, the follow-up conversations were conducted in an open, non-accusatory format in order to elicit honest answers and to encourage respondents to raise any other issues or concerns relevant to their compliance with applicable HOME rent standards.

In roughly 40 percent of the cases for which follow-up interviews were conducted, it was determined that the property was, in fact, compliant with the rent limits. This change in the determination was made either because the data had initially be misinterpreted or because the property manager or PJ provided us with incorrect data. Some of the most common reasons for re-evaluation were:

- The property manager mislabeled the HOME units on the rent roll first submitted and then corrected the labeling during follow-up.
- Information from the data first submitted indicated that utilities were paid by the tenant, but no explicit utility allowance was evident. The appropriate utility allowance was obtained and added to the reported rent. However, upon follow up the property manager indicated that the reported rent was actually the gross rent and included the utility allowance. Once the double counting of the utility allowance was removed, the units were found to be compliant.

---

[49] For example, a Tax Credit project may set aside 40 percent of units for households with income at or below 60 percent of the area median income. But if there are 5 or more HOME units, the HOME program requires that 20 percent of the units be set aside for tenants with income at or below 50 percent of area median income. So a project may comply with Tax Credit limits while not complying with HOME limits.

- It was determined that project leases allowed for rent increases during the term of the lease to reflect increases in HOME rent limits, allowing use of the 2000 HOME rent limits rather than the 1999 rent limits.

For properties confirmed to be non-compliant, a project-level variable was created that identified the reasons found for failing to meet the rent standards (to the extent that a reason could be determined). After the case-by-case review and follow-up was completed, the rent data was then processed into a final project-level database for analysis of the frequency of compliance with HOME rent standards.

Appendix E

Tenant Survey

Case ID#	______________
Study #	______________
Stratum #	______________
Interviewer ID #	______________
Date	___/___/_____
OMB#	2528-0210
OMB Exp. Date	12/31/2001

RENT BURDEN OF RESIDENTS LIVING IN HOME RENTAL UNITS

Resident Survey

Survey Research Group

Abt Associates, Inc.

January 25, 2001

INTRODUCTION TO RESPONDENT:

i. Hello, may I speak with [RESPONDENT NAME]?

- [IF RESPONDENT IS NOT AVAILABLE, ASK FOR ANOTHER ADULT MEMBER OF THE HOUSEHOLD.]
    - [IF YOU GET ANOTHER ADULT HOUSEHOLD MEMBER, CONTINUE ON TO ii]
    - [IF NO OTHER ADULT HOUSEHOLD MEMBER IS AVAILABLE, ASK WHEN RESPONDENT MAY BE AVAILABLE AND CALL BACK LATER.]

- [IF RESPONDENT NO LONGER LIVES THERE, GO TO iii.]

ii Hi, this is [NAME] calling from Abt Associates. We recently sent [YOU/RESPONDENT] a letter explaining that we are working with the U.S. Department of Housing and Urban Development on an important study about the HOME Program. Funding from the federal HOME Program was used to make apartments affordable in your apartment building. You will receive a check for $10 for taking the time to complete this short telephone survey.

The information from this survey is completely confidential; no one will be identified in our report. Before we start, I just want to confirm that you still live in the same apartment development [INSERT PROPERTY NAME, IF AVAILABLE]. Is your address still [INSERT STREET ADDRESS]?

YES.......1 [SKIP TO INTRO A1A]
NO.........2 [CONTINUE]

iib. Did you move within the same apartment development [INSERT PROPERTY NAME IF AVAILABLE] or to another apartment in the same development as [INSERT ADDRESS] ?

YES.......1 [SKIP TO INTRO A1A]
NO.........2 [TERMINATE]

[IF PROPERTY NAME AND/OR ADDRESS IS CORRECT, START THE INTERVIEW.]

[IF PROPERTY NAME NOT AVAILABLE AND ADDRESS IS NOT CORRECT, TRY TO DETERMINE IF RESPONDENT LIVES IN THE SAME PROPERTY/APARTMENT DEVELOPMENT AS THAT REPRESENTED BY THE ADDRESS. NOTE THAT THE ADDRESS MIGHT NOT BE EXACTLY CORRECT BECAUSE THE PROPERTY MAY HAVE MULTIPLE BUILDINGS—WHAT'S IMPORTANT IS THAT THE RESPONDENT LIVES AT THE PROPERTY/APARTMENT DEVELOPMENT REPRESENTED BY THE ADDRESS.]

- [IF PROPERTY IS CORRECT, START THE INTERVIEW.]
- [IF NOT, END THE CALL.]

iii. Hi, this is [NAME] calling from Abt Associates. We are working with the U.S. Department of Housing and Urban Development on an important study about the HOME Program. Funding from the federal HOME Program was used to make apartments affordable in your apartment building. You will receive a check for $10 for taking the time to complete this short telephone survey. The information from this survey is completely confidential; no one will be identified in our report. Before we start, I just want to confirm that you live in the property selected for this study [INSERT PROPERTY NAME, IF AVAILABLE]. Is your address [INSERT STREET ADDRESS]?

YES.......1 [SKIP TO INTRO A1A]
NO.........2 [CONTINUE]

iiib. Did you move within the same apartment development [INSERT PROPERTY NAME IF AVAILABLE] or to another apartment in the same development as [INSERT ADDRESS] ?

YES.......1 [SKIP TO INTRO A1A]
NO.........2 [TERMINATE]

[IF PROPERTY NAME AND/OR ADDRESS IS CORRECT, START THE INTERVIEW.]

[IF PROPERTY NAME NOT AVAILABLE AND ADDRESS IS NOT CORRECT, TRY TO DETERMINE IF RESPONDENT LIVES IN THE SAME PROPERTY/APARTMENT DEVELOPMENT AS THAT REPRESENTED BY THE ADDRESS. NOTE THAT THE ADDRESS MIGHT NOT BE EXACTLY CORRECT BECAUSE THE PROPERTY MAY HAVE MULTIPLE BUILDINGS—WHAT'S IMPORTANT IS THAT THE RESPONDENT LIVES AT THE PROPERTY/APARTMENT DEVELOPMENT REPRESENTED BY THE ADDRESS.]

- [IF PROPERTY IS CORRECT, START THE INTERVIEW.]
- [IF NOT, END THE CALL.]

Section A: Rent, Rental Assistance, and Utilities

I would like to start by asking you some questions about your rental costs and payments.

A1A. Do you currently receive any rental assistance, such as Section 8 or help from a local government in paying rent? That is, does a government agency currently pay a portion of your rent?

YES.......1
NO.........2 [SKIP TO A2]

A1B. Is this assistance....

A Section 8 certificate or voucher that you received through the local housing authority and that you can use in a different place if you move	1
Project-based Section 8 that is tied to the apartment or building you live in now,	2
Or some other type of rental assistance (Please Specify:) ____________	3 [RECORD VERBATIM]

A2. How much do you currently pay each month to your landlord for rent, not including parking or services that may cost extra? I'm looking for the total rent paid to the landlord, including any portion that someone else may pay, such as a roommate or relative.

$_______ rent per month [IF 0, SKIP TO A4]

A3. Are all, some or no utilities, such as electricity, gas, and water, included in your rent?

All of the utilities included	1	[SKIP TO SECTION B]
Some of the utilities included	2	
No utilities included	3	

A4. How much does your household pay *on average* for each of the following utilities? I'm looking for your total utility bill each month, even if someone else such as a roommate or relative helps pay it. [READ EACH ITEM ONE AT A TIME. IF TENANT DOES NOT PAY FOR THE UTILITY, ENTER ZERO.]

a) Electricity $________
b) Gas $________
c) Heating Oil/Propane $________
d) Water/Sewer $________
e) Trash Collection $________

A4A So, this totals to $_________ per month on average for all your utilities. Does that sound right?

Yes [SKIP TO B1]
No [GO BACK TO A4 AND REVISE]

Section B: Household Income

Now I would like to ask you some questions related to household income.

B1. Do you currently work for pay?

YES......................................1
NO............... 0 [SKIP TO B3]
REFUSED............................7

B2. What is your gross income? That is, what is the full amount, before any payroll deductions, of your earned income, including wages, salary, overtime pay, commissions, fees, tips and bonuses, or income from the operation of a business you own? [IF NECESSARY: You can give me that on a weekly, bi-weekly, monthly or yearly basis.]

$_______

B2A. Is that...

per week? 1
bi-weekly/every 2 weeks?....2
per month? 3
per year?...............................4

B3. What amount, if any, do you currently receive from the following sources?

a1) Social Security, retirement, or pension	$______	a2)	per month	1	per year	2
b1) Welfare, AFDC, or TANF	$______	b2)	per month	1	per year	2
c1) SSI or disability payments	$______	c2)	per month	1	per year	2
d1) Insurance or annuities	$______	d2)	per month	1	per year	2
e1) Interest on investments	$______	e2)	per month	1	per year	2
f1) Child support	$______	f2)	per month	1	per year	2
g1) Anything else? [SPECIFY:]____________	$______	g2)	per month	1	per year	2

B4. Not counting yourself, how many people besides you currently live in your apartment?

____ person/people [IF "0", SKIP TO END]

Please give me the first names of the other members of your household. Please do not include yourself.. (GATHER ALL THE MEMBERS OF HOUSEHOULD)

So, besides you, the other household member(s) is/are….. Did I include everyone?

YES
NO (GO BACK AND ADD MISSING HOUSEHOLD MEMBER)

B4A. How old is (INSERT HH MEMBER NAME)?

B5. How many of these other household members are adults 18 years old or older?

____ adults (IF "0", THEN SKIP TO END]

[NOTE FOR PROGRAMMER: DO A VERIFICATION BETWEEN B4A AND B5 – IF THERE'S A DESCREPANCY, VERIFY INFORMATION]

[FOR EACH ADDITIONAL ADULT IN THE HOUSEHOLD, ASK QUESTIONS B6, B7, B8]

B6. Does (NAME OF ADULT HOUSHOLD MEMBER) currently work for pay?

YES......................................1
NO............... 0 [SKIP TO B8]
REFUSED... 7 [SKIP TO B8]

B7. What is (NAME OF ADULT HOUSHOLD MEMBER)'s gross income? That is, what is the full amount, before any payroll deductions, of that household member's earned income, including wages, salary, overtime pay, commissions, fees, tips and bonuses, or income from the operation of a business you own? [IF NECESSARY: You can give me that on a weekly, bi-weekly, monthly or yearly basis.]

$_______

B7A. Is that...

per week? 1
bi-weekly/every 2 weeks......2
per month? 3
per year?..............................4

B8. What amount, if any, (NAME OF ADULT HOUSHOLD MEMBER) currently receive from the following sources?

a1) Social Security, retirement, or pension	$______	a2)	per month	1	per year	2
b1) Welfare, AFDC, or TANF	$______	b2)	per month	1	per year	2
c1) SSI or disability payments	$______	c2)	per month	1	per year	2
d1) Other sources (insurance, annuities, etc.)	$______	d2)	per month	1	per year	2
e1) Any interest on investments	$______	e2)	per month	1	per year	2
f1) Child support	$______	f2)	per month	1	per year	2
g1) Anything else? [SPECIFY:] __________	$______	g2)	per month	1	per year	2

THANK YOU STATEMENT: Thank you for completing the survey. As we said earlier, we would like to pay you $10.00 for taking the time to answer these questions. Please give me the address where we should send the check.

Name____
Number and Street__________________________Apt # ___________________
City_____________________________State______________Zip____________

Thanks again for taking the time to participate in our survey. The $10 check will arrive in __ to __ weeks. Have a good (day/evening).

Appendix F

Pre-Survey Tenant Letter and Participation Form

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[DATE] [Tenant ID Number]

MR. RICARDO RESPONDENT
123 INTERVIEW STREET
MIAMI, FL 12345

Dear [RESIDENT]:

Is your rent affordable? Is the amount of rent you pay each month a reasonable share of your income? These are some of the questions we are asking for a Government study sponsored by the U.S. Department of Housing and Urban Development (HUD). HUD hired Abt Associates Inc., a research firm in Massachusetts, to interview a select group of residents living in properties built using the federal HOME Program. The information collected in this survey will be used as part of a study to evaluate whether this program is truly helping to make housing more affordable for tenants.

We will be calling you in the next few weeks to conduct a brief, 5-minute telephone interview about the affordability of your rent. You have been randomly selected to participate in the study. The questions have been reviewed by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (OMB control #2528-0210, expiration date December 2001). Participation in this Government-sponsored survey is completely voluntary. If you complete the phone interview, **you will receive a check for $10**. All information will be kept completely confidential (we will not give your name, phone number, or any other personal information to anybody else).

To ensure we have your correct phone number, please return the attached form as soon as possible. If you prefer, you may call us toll-free at 1-888-xxx-xxxx to provide a corrected phone number, to schedule an interview, or to complete the interview at the time of your call.

Only by hearing from you and others who live in similar properties can policymakers know whether affordable housing programs are working and our tax dollars are well spent. We look forward to speaking with you and thank you in advance for participation in this study.

Sincerely,

Brenda Rodriguez
Survey Director
Abt Associates Inc.

HOME Program Affordability Survey
Participation Form

- Is this the correct spelling of your name?
  FIELD(firstname lastname

  - ☐ Yes
  - ☐ No **L** The correct spelling is:

    ____

- Is this your correct address?
  FIELD(street), FIELD(city), FIELD(zip)

  - ☐ Yes
  - ☐ No **L** My correct address is:

    ____

    ____

- Is this your correct phone number?
  FIELD(phone)

  - ☐ Yes
  - ☐ No **L** My correct phone number is:

    (________) ________-________________
    Area code

When is the best time to reach you? (Check all that apply)

- ☐ Monday-Friday, during the day
- ☐ Monday-Friday, during the evening
- ☐ Weekends during the day

After you complete this form, please return it in the enclosed postage-paid envelope. Or, if you prefer, call Abt Associates' toll free number 1-888-xxx-xxxx, during the following hours to provide the information by telephone or to complete the interview at the time of your call.

Monday – Friday	9:00am to 9:00pm	Eastern Daylight Time
Saturday	11:00am to 5:00pm	Eastern Daylight Time
Sunday	12:00 noon to 10:00pm	Eastern Daylight Time

Brenda Rodriguez, HOME Program Survey, Abt Associates Inc., 55 Wheeler Street, Cambridge, MA 02138

[DATE] [Tenant ID Number]

MR. RICARDO RESPONDENT
123 INTERVIEW STREET
MIAMI, FL 12345

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We will be calling you in the next few weeks to conduct a brief, 5-minute telephone interview about the affordability of your rent. You have been randomly selected to participate in the study. The questions have been reviewed by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (OMB control #2528-0210, expiration date December 2001). Participation in this Government-sponsored survey is completely voluntary. If you complete the phone interview, **you will receive a check for $10**. All information will be kept completely confidential (we will not give your name, phone number, or other personal information to anybody else).

If you would like to be surveyed for this study and receive $10, please fill out and return the attached form as soon as possible. If you prefer, you may call us toll-free at 1-888-xxx-xxxx to provide your phone number, to schedule an interview, or to complete the interview at the time of your call.

Only by hearing from you and others who live in similar properties can policymakers know whether affordable housing programs are working and our tax dollars are well spent. We look forward to speaking with you and thank you in advance for participation in this study.

Sincerely,

Brenda Rodriguez
Survey Director
Abt Associates Inc.

HOME Program Affordability Survey
Participation Form

➢ Is this the correct spelling of your name?
FIELD(firstname lastname

☐ Yes
☐ No **L** The correct spelling is:

____

➢ Is this your correct address?
FIELD(street), FIELD(city), FIELD(zip)

☐ Yes
☐ No **L** My correct address is:

____

____

➢ What is your phone number?
(____) ______-_____________
Area code

When is the best time to reach you? (Check all that apply)

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