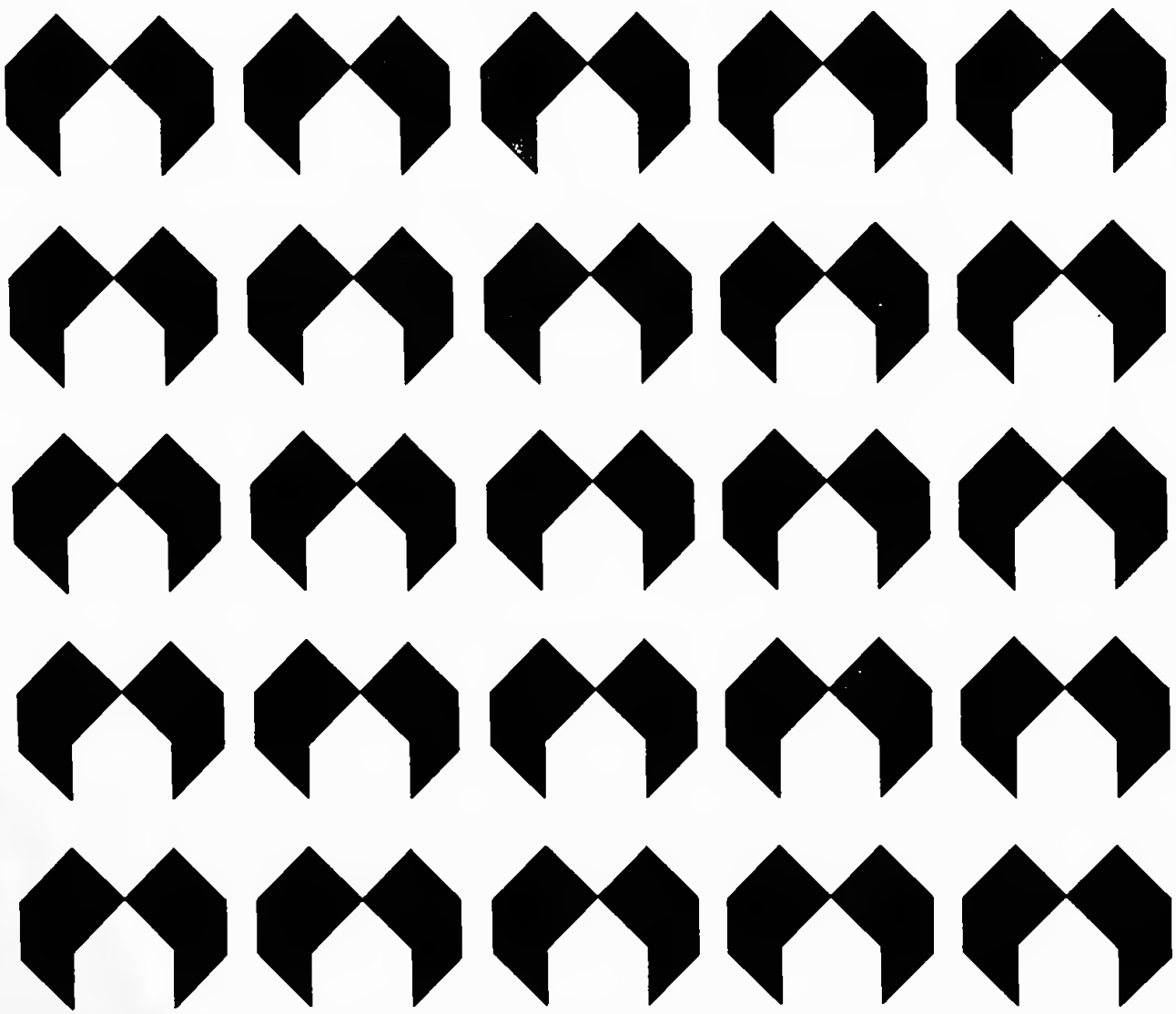
A Summary Report of Current Findings from the Experimental Housing Allowance Program

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

April, 1978



A SUMMARY REPORT OF CURRENT FINDINGS

FROM THE

EXPERIMENTAL HOUSING ALLOWANCE PROGRAM

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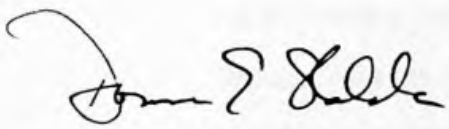
FOREWORD

This report is part of an effort by the Office of Policy Development and Research to disseminate the results of its research activities. Although the final analyses of the Experimental Housing Allowance Program (EHAP) have yet to be completed, this report is made available so that those interested in housing policy issues may be kept current on what is being learned from our research.

The EHAP experiments provide empirical evidence on how housing markets and low-income households respond to various forms and levels of assistance in general and housing allowances in particular. These findings by themselves help us to answer fundamental questions about low-income household behavior and housing markets that have been debated for decades. The results and the experience of EHAP have also been used in designing and implementing the Section 8 Housing Assistance Payments Program. Additionally, in the months ahead the results of the initial evaluation of the Section 8 Program and of EHAP will be used jointly to address a series of pressing policy issues in the Department.



Donna E. Shalala
Assistant Secretary
Office of Policy Development and Research

April 1978

PREFACE

Section 504 of the Housing and Urban Development Act of 1970 as amended by Section 804 of the 1974 Act authorized the Department of Housing and Urban Development to establish an experimental program to test the concept of housing allowances.

Pursuant to the reporting requirements of the 1970 and 1974 acts, the Department submitted the first annual report of the Experimental Housing Allowance Program (EHAP) in May 1973, a second annual report in June 1974, and a 1976 report to Congress in February 1976. In addition, a report on initial impressions and findings from EHAP was provided the Congress in April 1975.

The present report is beyond the specific reporting requirements of the 1970 and 1974 acts but is made available so that Congress and others may be kept current with what is being learned from the experiments.

ACKNOWLEDGEMENTS

The Experimental Housing Allowance Program (EHAP), authorized by the Congress has been conducted under the direction of HUD within the Office of Assistant Secretary for Policy Development and Research. The HUD staff responsible for it include Garland E. Allen, Robert G. Causin, Terrence L. Connell, Evelyn Glatt, Howard M. Hammerman, Jill Khadduri, David C. Kirkman and Harold D. Williams. Most of the work has been accomplished through contracts with Abt Associates, the Urban Institute, the Rand Corporation, and eight state or local government agencies. This report was typed by Mary Anthony Trujillo, edited by Ruth Limmer, and written by Jerry J. Fitts, Director, Division of Housing Research.

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I. EXECUTIVE SUMMARY

A. INTRODUCTION

The body of this report (Section III) summarizes what has been learned to date from the Experimental Housing Allowance Program (EHAP). It is intended to serve an audience that has an interest in the research findings as they relate to issues of national housing policy. Thus, the report is limited to a synopsis of major findings; there is little discussion of research methodologies or analysis to support the findings. (These are available from the references noted throughout the report.) Because analyses of individual experiments have yet to be completed, the findings in this report are not final statements.

Concept of Allowances[1]

The core of the housing allowance is the provision of direct cash assistance to lower-income households to enable them to obtain adequate housing. Under such a program, a household selects housing of its own choice and receives assistance payments if the unit meets the housing requirements established for the program.

Policy Questions

The purpose of the EHAP was to provide answers to such questions as:

- Who participates in housing allowance programs?
- Does a housing allowance program cause participants to change the location of their housing?
- How do participating households use their allowance payments?
- Does the quality of housing improve for participating households?
- Are there significant market responses to a housing allowance program? For example, what happens to the price of housing?

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[1] See Appendix I for a more complete discussion.

Research Design 1/

The program was designed to answer the policy questions through three separate but related experimental elements, each designed to focus on a principal cluster of issues:

The Demand Experiments (Pittsburgh and Phoenix). These experiments primarily examine how households respond to various types and levels of assistance payments. Approximately 1,250 renter households were enrolled in each of the two sites. Some of these households were offered assistance earmarked for housing. Others were offered unconstrained assistance payments (no housing requirements had to be satisfied). In addition, for purposes of comparison with assisted households, approximately 550 similar but unassisted households at each site were also monitored.

The Supply Experiments (Brown County, Wisconsin, and St. Joseph County, Indiana). 2/ These experiments analyze how housing markets respond to the housing demand created by a full-scale housing allowance program. They provide enrollment open to the entire eligible population, including both renters and homeowners. The design has placed particular emphasis upon measuring changes in price and quality of housing and related services brought about by the program.

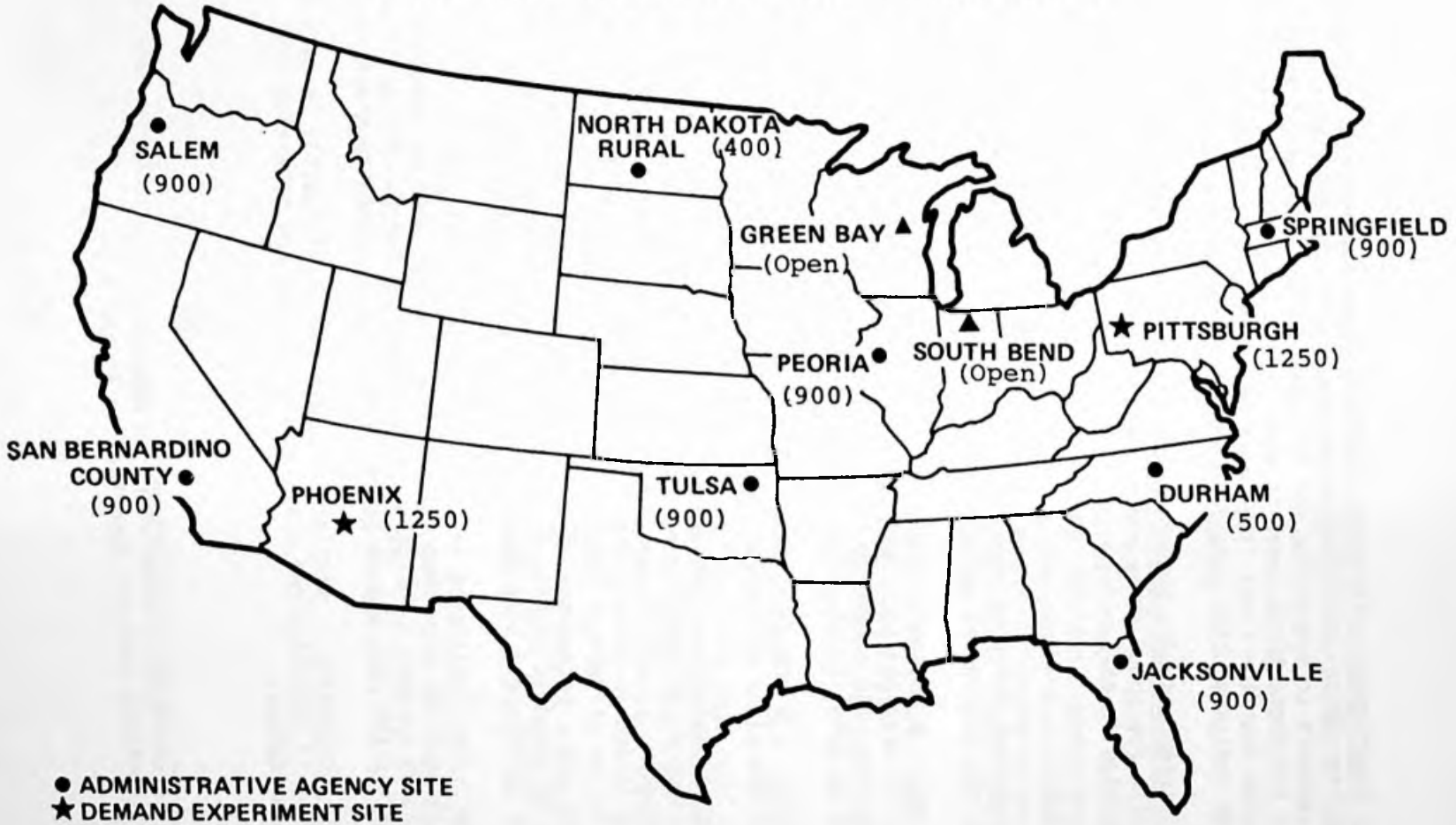
The Administrative Agency Experiments (eight sites, see Figure 1). These experiments provide information on different administrative methods for conducting a housing allowance program. From 400 to 900 renter households have participated in the program at each of eight sites. Agency operations are analyzed in order to assess the impact of alternative approaches to the several administrative functions involved in operating an allowance program.

Status of Experiments 3/

Demand Experiments. The three-year experimental phase of offering assistance to households ended in 1977. This report is based on analyses of data from the first year. The remaining analyses are scheduled for completion by late 1978.

1/ See Appendix I for a more complete discussion.
2/ The central cities of these counties are Green Bay and South Bend, respectively.
3/ For a more detailed summary, see Appendix II.

EXPERIMENTAL SITES - EXPERIMENTAL HOUSING ALLOWANCE PROGRAM



Note: The numbers under each site show planned number of recipient households.

FIGURE I

Supply Experiments. The sites in which these experiments are operating have annual contribution contracts with HUD that will provide payments to households for ten years. The program has been operating for about three years in each site. Research data are to be collected over the first five years of operation. This report draws upon analyses using data from the first two years.

Administrative Agency Experiments. These experiments, which operated in each site for about three years, were completed in 1976. Reports were completed in early 1977.

Terminology

Although we have tried to eliminate technical jargon, it is necessary to establish the meaning of certain terms used throughout the report.

Enrollee -- a household that has (1) applied for admission to the program; (2) provided such information as income, assets, rent, and household size; (3) agreed to abide by the program rules; and (4) been certified as being income-eligible.

Recipient -- a household which receives the cash assistance provided by one of the plans offered in the experiments.

Housing Assistance -- assistance earmarked for housing. To receive such assistance, an enrollee must meet the housing requirements established by the program. 1/ While several different types of housing assistance plans are tested in the experiments, in this report the cash assistance offered is the difference between the cost of standard housing (including utilities) and a percentage of the household's income (usually 25 percent). The cost of standard housing is established by the program 2/ and varies by number of bedrooms according to family size and composition.

Unconstrained Assistance -- one of the experimental plans which offers cash assistance not earmarked for housing. In this plan an enrollee automatically becomes a recipient. The amount of the assistance is determined in the same way as it is in the housing assistance plan.

Control Households -- similar to households participating in both the housing and in unconstrained assistance plans but not receiving an assistance payment.

1/ Housing standards are described in Appendix III.
2/ The techniques used are described in Appendix I.

Income Eligible -- a household with a monthly income 1/ less than four times the monthly cost of standard housing established by the program.

B. OVERVIEW OF FINDINGS

The concept of housing assistance has been debated for decades. Prior to EHAP, many of the questions raised about housing allowances could only be addressed by unproven, often conflicting theories. For example, no one could say with any degree of certainty who would participate, or how many households would move, or where they would move to, or if any of the payments would be used for housing, or if landlords would reap most of the benefits by simply increasing rents. There simply were no data relating directly to these questions.

As the debate continues, the EHAP results provide some facts to replace theories. This should help focus the debate for policy makers who will judge the usefulness of allowances as a tool of national housing policy.

Participation

Of the total eligible population, it appears that less than half of the renter and less than a third of the homeowner households become recipients in a housing allowance program. In contrast to assistance earmarked for housing, about 90 percent of the eligible households offered unconstrained assistance become recipients.

Roughly one-half of the households that become recipients already live in housing which meets the program standards. The other recipients either move to standard housing or stay in their units and upgrade them to the housing standards.

Some evidence suggests that households living in lower quality housing become recipients less frequently than others. The elderly also appear less likely to become recipients than younger households, other things being equal.

1/ Income definitions are defined in Appendix I.

Mobility

A significant portion (usually over 25 percent) of low-income renter households move each year. However, offers of neither housing assistance nor unconstrained assistance seem to induce mobility rates or locational choices that are much different from those made by similar households not offered assistance. But, of those households that do move, those offered housing assistance move to units meeting the housing quality requirements more often than would occur otherwise. Yet on the other hand, it was particularly surprising to find that approximately one-half to a third of the enrollees that would receive assistance if they were to move to housing meeting the quality requirements did not even bother to search for another unit.

Use of Payments

Although housing assistance payments to renters do induce increased expenditures for housing, the payments serve primarily to reduce out-of-pocket expenses for housing, in most cases from over 40 percent of a household's income to about 25 percent. 1/ After subtracting out the change in expenditures that would have occurred without the program, about 29 percent of the assistance is used for increased housing expenditures (before adjusting for normal changes it was 48 percent). Households that moved made greater changes; these averaged about 40 percent of the assistance (83 percent before adjustments for normal changes).

In comparison, households receiving unconstrained assistance used only about 10 percent of their assistance (adjusted for normal changes) for increased housing expenditures, whether or not they moved.

Improvements in Housing

In this report, expenditures for housing are used as a proxy for housing quality because the analyses of housing quality by other means has yet to be completed. As might be expected, modest increases in expenditure were made by those households which, at the time of enrollment, already lived in units that met the housing requirements. Those whose units did not meet housing requirements until after enrollment increased their expenditures for housing by about 37 percent. Some of this increase would have occurred even without housing allowance payments because of general inflation and the rent adjustments that often accompany a change of units. After adjusting for this normal change, we estimate that

1/ The 25 percent of income is based on income not including the assistance payment.

housing assistance might induce a 19 percent increase in expenditures for housing.

Housing Market Effects

The evidence to date indicates that the increased demand for acceptable housing as a result of housing assistance payments has had no effect on rents or home prices. Nor has the program induced the construction of any new housing. While no price effects caused by the program have been detected, modest improvements in the existing housing stock are made when units enter the program and they continue to be made between the annual inspections.

C. ASSUMPTIONS VERSUS FACTS

What these and other findings from EHAP mean to our understanding of housing programs and the housing problems of low-income households will be developed more fully in future reports. But until then, it is obvious that the empirical evidence summarized in this report already narrows the range of uncertainty on many critical issues and underscores the importance of predicating housing policy on facts rather than assumptions and untested theory.

Assumption: Given the long list of households waiting to enter limited enrollment housing programs, many analysts expected very high participation rates. Fact: Not until we tried to reach eligible households (as in the Demand Experiments) or when, for the first time in U.S. history, we ran a test of a housing program open to all eligible households did we discover that about one-half (renters) to two-thirds (homeowners) of the eligible households would not participate as recipients.

Assumption: Before these experiments were conducted, some observers assumed that a reformed and expanded welfare system could largely replace specific housing programs by providing low-income households with resources to purchase adequate housing. In fact, the experimental results indicate that although nearly 90 percent of eligible households will accept unconstrained assistance, only about 10 percent of that assistance will be used for housing. On the other hand, only about 50 percent of eligible households will receive assistance where it is earmarked for housing, but the amount used by them for housing is three to four times greater than when the assistance is not so earmarked.

The EHAP findings also highlight the costs low-income families face when they make changes in their housing. Specifically, housing assistance recipients who moved increased the amount of housing they purchased by an amount equal to 83 percent of their assistance payments.

Yet, because we have the EHAP data, we know that the increase induced by the earmarked assistance amounted to only 40 percent of the payment.

Assumption: Other observers expected that most eligible households would have to move to meet the housing quality standards and that a majority would do so given the incentive of cash assistance. The facts from the experiments indicate that about half of the recipients already live in units that meet the housing standards. Further, the incentive of assistance does not appear to induce households to move any more often than they would without the assistance. These findings carry with them important implications for all housing policies aimed at changing the housing conditions of low-income households.

Assumption: A theory widely accepted before the experiments was that rents would be inflated through the increased demand for acceptable housing. Fact: The Supply Experiments indicate that rents are not inflated by the program. The findings from the other experiments help explain why. Let us develop this a little more fully.

About 20 percent of the total population is eligible for assistance, but less than half of the eligibles, or less than 10 percent of the total population, actually participate as recipients. Of this 10 percent about one-half already live in housing that meets the housing standards. This leaves less than 5 percent of the total population who make any significant change in their housing. And many of these make only small changes since they stay in their present housing by upgrading it to the housing standards. Thus the additional demand on the market is small. It comes from less than 5 percent of the total household population using about 40 percent of the assistance received (roughly $40 per month) for additional housing.

In summary, it appears that the choices made by eligible households dominate the results of the experiments, and many of their choices are not much altered by offers of assistance. For example, of those households who would receive assistance if they moved to units meeting the housing requirements, about a half to one-third did not even bother to search for another unit. Even when the assistance levels are doubled, the choices made by households do not change dramatically. Further, while the results of the experiments do vary with type of housing markets, it appears that the patterns of household responses are largely independent of those differences.

II. EXPERIMENTAL APPROACH

Before examining the findings, it is essential to understand the approach used in the experiments. Since the scope of this report is focused on issues of households and market responses to a housing assistance program, only the Demand and Supply experiments are discussed. However, subsequent reports will present findings from combined analyses of comparable data from these two experiments as well as from the Administrative Agency Experiments.

The potential participants in the Demand Experiments were selected at random from a sample that was representative of the entire eligible renter population in and around the metropolitan area of each site (Pittsburgh and Phoenix). These potential participants were then randomly assigned to one of several experimental plans. This report considers two general types of assistance plans: housing and unconstrained.

Households in the housing assistance plan were offered payments large enough to bridge the gap between the cost of modest, existing housing and a reasonable fraction of their income (usually 25 percent). The cost of standard housing was established by the program and varied by number of bedrooms according to family size and composition. Households offered the housing assistance could become enrollees by agreeing to provide information on their income, assets, rent, and household characteristics. Households became recipients of the assistance only when the housing requirements established by the program were satisfied.

In the unconstrained assistance plan, eligible households were offered the payments described above but they did not have to meet any housing requirements. If they decided to enroll, they immediately became recipients of assistance.

For purposes of comparison, control households were also selected from the sample of eligibles. Although not offered any assistance, they received a $10 monthly payment for providing monthly information and allowing their housing to be inspected.

The Demand Experiments thus established an empirical basis for assessing the responses to the different types of assistance of renter households representative of the eligible population. These responses can additionally be compared to the behavior of households that are similar, except that they are offered no assistance (control households).

The Supply Experiments were designed primarily to test market responses to a full scale program. Enrollment is open to all eligible renters and homeowners. Information about the program was spread by TV, radio, newspaper, and direct mail advertising as well as by more conventional

brochures, public announcements, and speeches to community groups. By the end of the second year, surveys indicate that nearly all eligibles had heard of the program and thus had an opportunity to apply for assistance.

III. MAJOR FINDINGS

The synopsis of current findings from the Experimental Housing Allowance Program, presented in this section, are subject to change primarily because short term effects (1 to 2 years) may differ from longer term ones. This report describes the more significant results and the experimental evidence upon which they are predicated. The discussions are intentionally brief; more comprehensive discussions of the results, research methodologies, and technical analyses can be found in the references noted throughout.

The findings under discussion are limited to five heavily debated policy questions:

- Who participates in housing allowance programs?
- Does a housing allowance program cause participants to change the location of their housing?
- How do participating households use their payments?
- Does the quality of housing improve for participating households?
- Are there significant market responses to a housing allowance program? For example, what happens to the price of housing?

At this time the answers to the first question will rely on data from the Demand Experiment, supplemented by data from the Supply Experiment. The second, third and fourth questions rely on the Demand Experiment. Data from the Supply Experiment address the market issues of the last question. Future analysis will combine comparable data across all the experimental sites.

A. PARTICIPATION

To understand how an assistance program operates, we must deal with the issue of participation. Not until we clarify the issues of participation can we answer such questions as: What portion of the eligible population is served? What groups benefit? What are the costs of a program? How are the program funds distributed?

Participation rates of renter households are presented in Table I. Offers of housing assistance payments, averaging about $70 a month, were made to approximately 1000 eligible households in the Demand Experiment sites of Pittsburgh and Phoenix. Of these eligible households in Pittsburgh, 82 percent became enrollees, and in the course of one year,

TABLE 1

ELIGIBLE RENTER HOUSEHOLD PARTICIPATION RATES

	Percent of Eligible Households	
	Enrollees	Recipients
Pittsburgh 1/	82	41
Phoenix 1/	86	44
Brown County, Wisconsin 2/	62	51
St. Joseph County, Indiana 2/	60	39

Sources: 1/ Demand Experiment Draft Report on Participation using one year data, Abt Associates, Inc., May 1977

2/ Supply Experiment, Housing Allowance Office Management Information Report for 9/30/77. Excludes singles under 62 years old. Eligibility estimates are for 1974 in Brown County and 1975 in St. Joseph County.

41 percent became recipients by satisfying the housing requirements. In Phoenix 86 percent became enrollees and 44 percent recipients. It is possible that the recipient rate could increase during the second year.

After about three years of extensive efforts to inform the eligible population about the opportunity to participate in the Supply Experiment's housing assistance program, 51 percent of the eligible renter households have become recipients in Brown County, Wisconsin, and 39 percent in St. Joseph County, Indiana. For the first two years these rates were changing rapidly; now there are some indications that these rates are stabilizing. Additional analyses are necessary before a more certain statement can be made. We believe the enrollment rates in the Demand sites are higher than in the Supply sites because in the Demand Experiment the households were individually contacted and invited to enroll.

Homeowner participation rates are also available from the Supply Experiment. Again after about three years of program operation, 31 percent of the eligible population have enrolled in Brown County and 29 percent are recipients. In St. Joseph County 32 percent have enrolled and 28 percent are recipients.

Compare these percentages above with the households offered unconstrained assistance: in Phoenix, 92 percent of the households became recipients, in Pittsburgh 84 percent. The earmarking of assistance for housing drastically reduces the number of recipients.

Factors Affecting Participation of Renters 1/

Two primary characteristics distinguish recipients from enrollees who do not attain recipient status: the quality of their housing at the time of enrollment and their propensity to move. Roughly half of the recipients were living in units which met the housing requirements before they enrolled. Most of the other recipients (about one third) moved to housing that met the requirements. And about one out of 8 recipients upgraded the housing they occupied to the standards. It appears that households that live in lower quality housing become recipients less frequently than others.

With other household characteristics being the same, the probability of becoming a recipient increases with higher household income. This comes about primarily because households with higher incomes are more likely to live in units which already meet the housing requirements.

1/ The primary source of these findings is the Fourth Annual Report of the Demand Experiment, Abt Associates, Inc., December 1977.

There are variations in the rates at which minorities become recipients. In some localities minorities enroll at rates higher than other groups; in other localities minorities enroll at lower rates. In general it appears that once enrolled they are less likely to become recipients, primarily because their pre-enrollment housing was less likely to meet the requirements.

Older households appear less likely to become recipients than younger households, other things being equal. In some cases this difference is traced to their pre-enrollment housing, which is less likely to meet requirements, and in others their apparent reluctance to move. Given these two factors, older households are less likely to become recipients once enrolled.

When payment levels are increased for a given income level and household size, the participation rates increase. This is as might be expected, but large increases in the payment level produce only modest increases in participation. For example, when payment levels were approximately doubled, recipient participation rates increased about 17 percentage points.

B. MOBILITY

Obviously, many factors ultimately determine whether or not a household moves. But, the process of moving has two basic steps: first searching for another housing unit, then moving. Data on these two steps are presented in Table 2.

About 50 percent of the households in the control, housing, and unconstrained assistance groups in Pittsburgh searched for another housing unit. Such variations as exist between the three groups are small. In Phoenix about 62 percent of the households in each group searched, with nearly no variation between groups.

Again with some variation between the groups, in Pittsburgh about one fourth of the households actually moved; with nearly no variation in Phoenix, a little under 50 percent moved.

Table 3 separates the housing assistance group into those who met housing requirements at enrollment and those who did not. Of those who did, 49 percent in Pittsburgh and 52 percent in Phoenix searched for another housing unit. Since they were receiving payments -- that is to say, since their present housing met the standards required -- it would appear their search for another unit was not necessarily induced by the assistance program. Households which would receive payments if they met the housing quality requirements searched at slightly higher rates: 53 percent in Pittsburgh and 66 percent in Phoenix. Thus some enrollees may have been induced to search by the promise of payments. However, whatever inducements the payments provided were largely offset by

TABLE 2

FIRST YEAR SEARCH AND MOVING RATES

Type of Household	Percentage Searching	Percentage Moving
	Pittsburgh	
Control	50	23
Housing Assistance	52	25
Unconstrained Assistance	45	29
	Phoenix	
Control	63	47
Housing Assistance	62	48
Unconstrained Assistance	62	47

Source: Demand Experiment Report, Locational Choice, Part 1, Search and Mobility, P-A-131, Abt Associates, Inc., August 1977

TABLE 3

FIRST-YEAR SEARCH AND MOVING RATES
HOUSING ASSISTANCE HOUSEHOLDS

Household Type	Percentage Searching	Percentage Moving
	Pittsburgh	
Met housing requirements at enrollment	49	28
Did not meet housing requirements at enrollment	53	24
	Phoenix	
Met housing requirements at enrollment	52	42
Did not meet housing requirements at enrollment	66	50

Source: Demand Experiment Report, Locational Choice, Part 1, Search and Mobility, P-A-132, Abt Associates, Inc., August 1977

a smaller percentage of the searchers who actually moved. The moving rate differences between those who met and those who did not meet the housing requirements at enrollment were not large: 28 versus 24 percent in Pittsburgh, and 42 versus 50 percent in Phoenix. A statistically controlled comparison yields no significant difference on the basis of these first year data.

It would seem that households with the most incentive to move are those that would receive payments if they moved to housing meeting the housing requirements. Yet in Pittsburgh only 24 percent of those with the most incentive actually did move. That percentage can only be understood in relation to the control group: 23 percent of them moved too. The same comparison in Phoenix shows 50 percent versus 47 percent. In both sites the incentive of payments did not cause households to move significantly more often than control households.

There is another surprising finding in Table 3. Of those who would receive payments if they moved, 47 percent in Pittsburgh, and 34 percent in Phoenix, did not even search for another place to live.

So far we have found that housing assistance and control households move at about the same rates. But how do the neighborhoods they move to compare? Again, their behavior appears similar. 1/ In both cases they moved to neighborhoods with reduced concentrations of low-income households and which rank more favorably in subjective assessment of less crime, less litter, more public services, better access to public transportation, etc. And when they moved, their choice of neighborhoods (according to racial mixture or whether inner city or suburb) was similar.

C. USE OF PAYMENTS

To answer the question of how assistance payments are used, we depend on data obtained from the control, unconstrained, and housing assisted household groups of the Demand Experiment. The findings are expressed in terms of increases in expenditures used for housing induced by the housing assistance payments. Since housing expenditures tend to increase over time, with or without assistance, data from the control households are crucial to these findings. By using them to "adjust" the expenditure increases of the assisted households, we can determine what changes of

1/ See Demand Experiment Report, Locational Choice, Part 2, Neighborhood Change, Abt Associates, Inc., August 1977.

expenditure are the result of the program itself.

Using rents as the measure of change, we can say that housing assistance payments do cause renter households to spend more for housing. But the payments in the first year primarily served to reduce out-of-pocket expenses for housing, in most cases from over 40 percent of a household's income to about 25 percent.

Households that already met the housing requirements at enrollment generally showed a smaller program-induced increase in expenditure than households that did not meet the requirements until after enrollment. For both types of households combined, the program-induced increases averaged about 29 percent of the housing assistance payments. For the households receiving unconstrained assistance, the program-induced increases were only 10 percent of the assistance payment, a third of that of the housing assistance households. Figure 6 illustrates these changes for the Pittsburgh and Phoenix households.

To the extent that all households eventually move, households that moved during their first year in the experiment are particularly interesting because they may foreshadow the eventual response of other households. As we see in Figure 7, households who moved generally spent about 40 percent of their housing assistance payments on program-induced housing expenditures. Unconstrained households used only 10 percent of their assistance payments for program-induced increases.

D. IMPROVEMENTS IN HOUSING

To determine the improvements in housing experienced by households, we require some measure of housing quality. A house or apartment is a complex bundle of attributes, including those of the unit itself, its neighborhood, and the quality of public and private services. An approach has been developed to measuring housing quality, 1/ but we have yet to complete our analyses of data from the experiments employing this measure.

Therefore, in this report rent expenditure is used as proxy for housing quality. The findings are based on the Demand Experiments' data from the first year. Experiences of the control households are used

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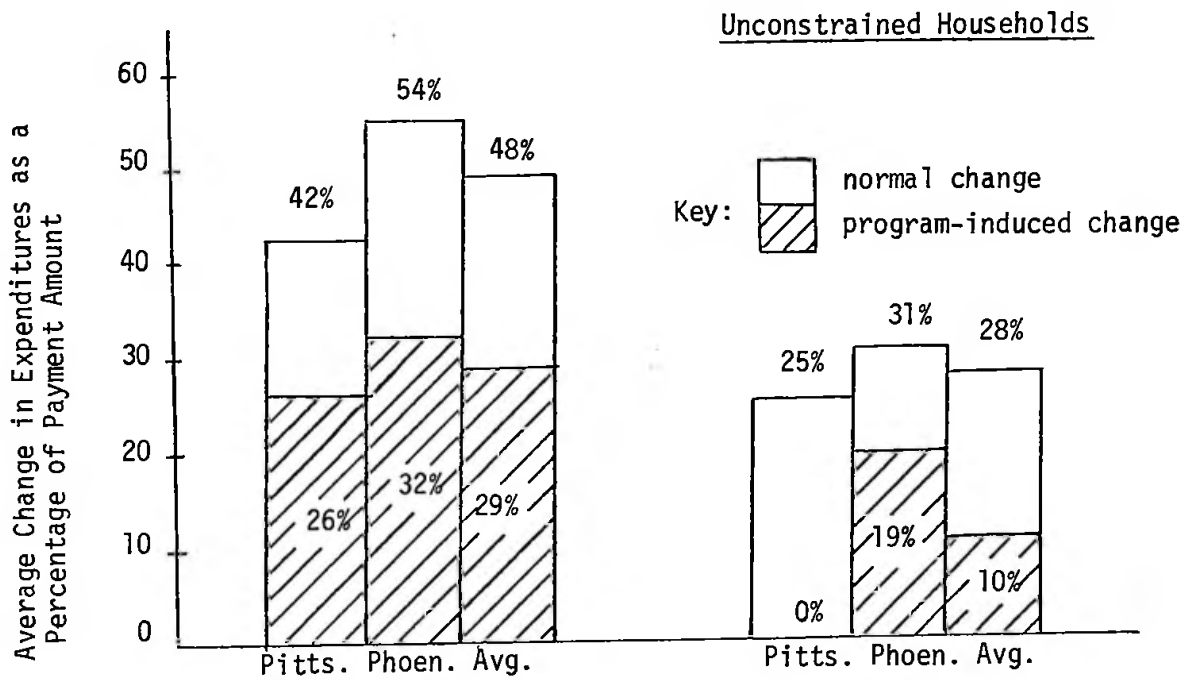
1/ Demand Experiment Draft Report, Hedonic Indices as a Measure of Housing Quality, Abt Associates Inc., December 1977.

FIGURE 6

CHANGE IN HOUSING EXPENDITURES AS A PERCENTAGE OF PAYMENT

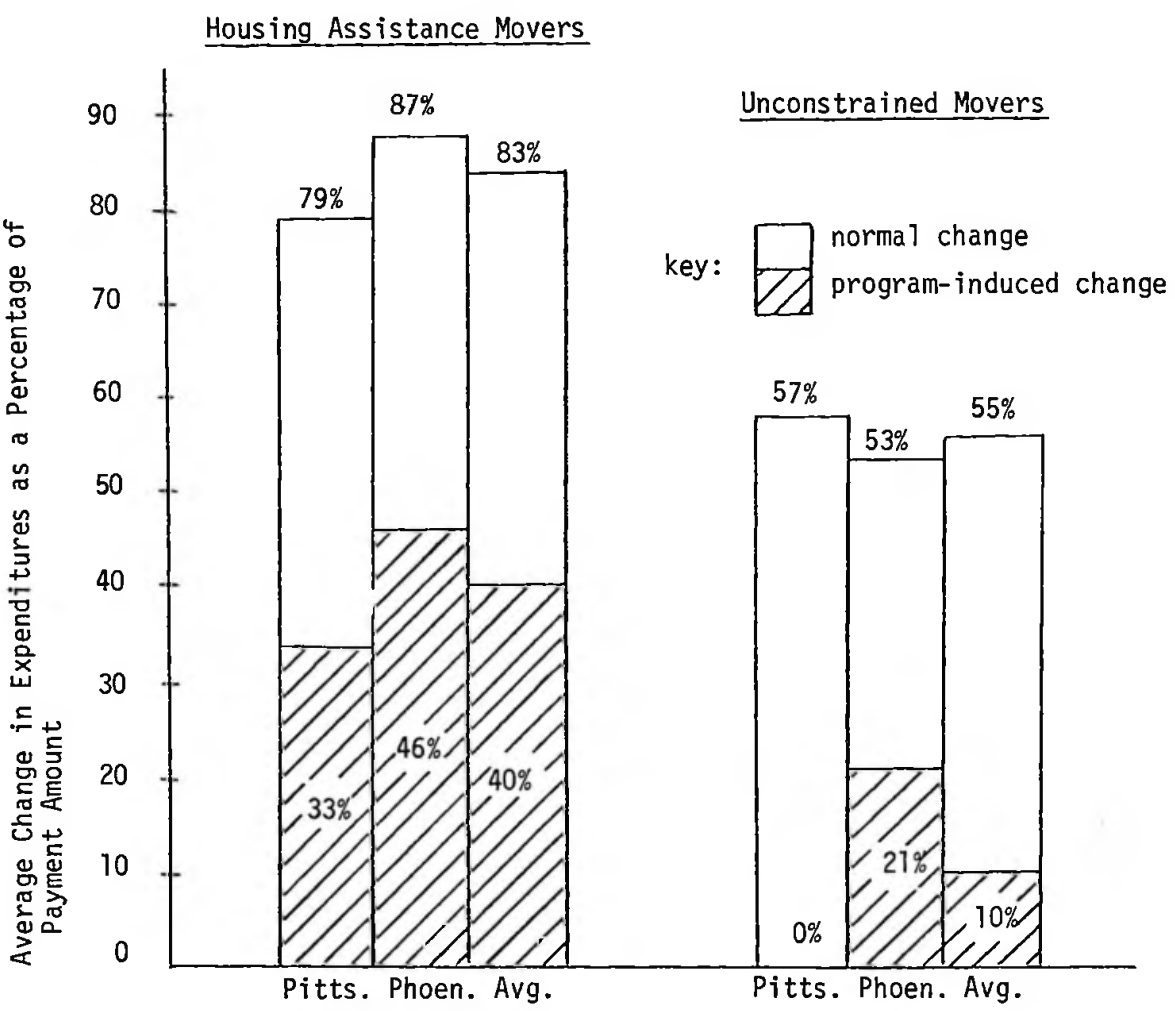


Number of Households:	238	210	69	46
Average Monthly Payment:	$50	$80	$50	$77

Source: Report, Preliminary Findings from the Housing Allowance Demand Experiment, Abt Associates, Inc., March 1978

FIGURE 7

CHANGE IN HOUSING EXPENDITURE AS A PERCENTAGE OF PAYMENT FOR MOVERS



Number of Households:	74	121	19	25
Average Monthly Payment:	$51	$92	$58	$83

Source: Report, Preliminary Findings from The Housing Allowance Demand Experiment, Abt Associates, Inc., March 1978

to adjust the data for those changes that would have occurred without the program.

As might be expected, modest increases in rent expenditure were made by those households which, at the time of enrollment, already lived in units that met the housing requirements. Those whose units did not meet housing requirements until after enrollment increased their rental expenditures by about 37 percent. Some of this increase would have occurred even without the program because of general inflation and the rent adjustments that often accompany a change of units. After adjusting for this normal change, we estimate that the program induces a 19 percent increase in rent expenditure. These are the combined results from the two sites. Figure 8 displays the data for each.

E. HOUSING MARKET EFFECTS

The Supply Experiments, which were primarily designed to address the issues of market responses, involve a ten-year-long program open to all eligible renters and homeowner households in each of two metropolitan areas, chosen for strong contrasts in their housing markets, Brown County, Wisconsin (whose central city is Green Bay), and St. Joseph County, Indiana (whose central city is South Bend). The sites were selected from among all metropolitan areas whose populations in 1970 were under 250,000, the size limit reflecting resource constraints. In the one case, Brown County is a "tight" housing market undivided by racial segregation; in the other case, St. Joseph County is a "loose" housing market with a segregated minority population.

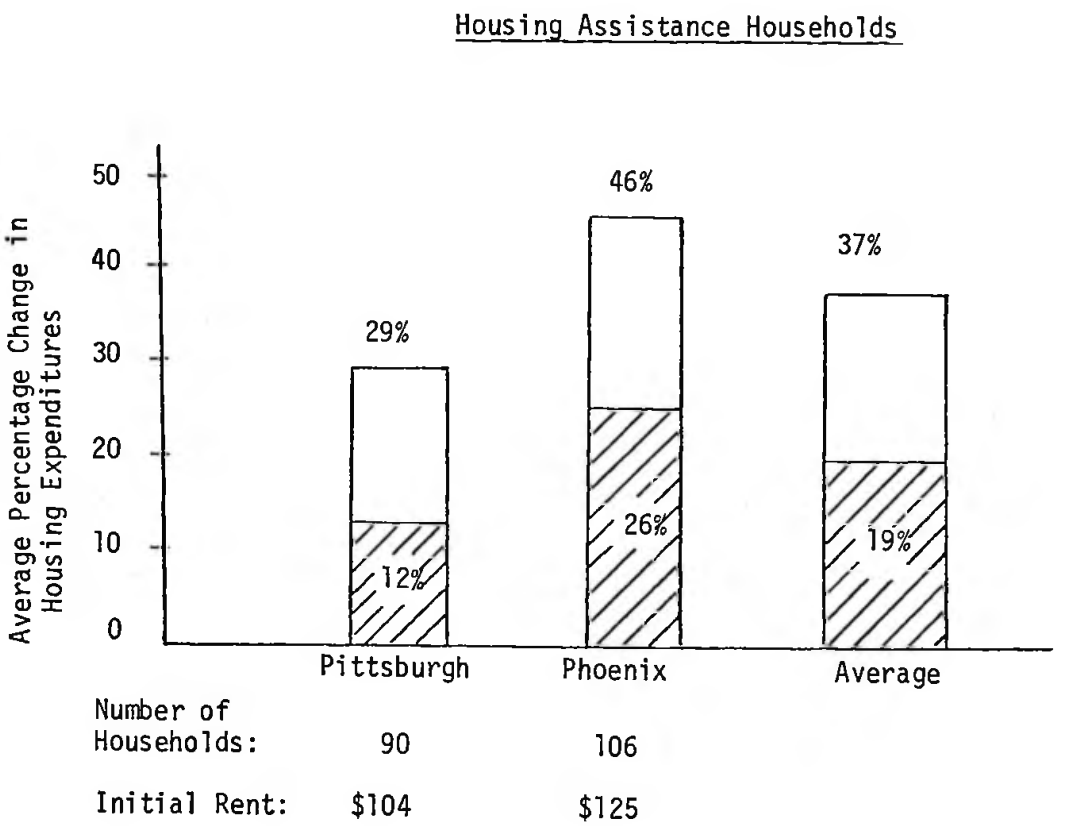
As of the end of September 1977 the program had been operating for about 39 months in Brown County and 30 months in St. Joseph County. There were 3,148 households receiving payments in Brown County (about 7% of all households) and 4,913 in St. Joseph County (about 8% of all households). Payments averaged about $900 per year for each household.

The response of a market to the increased demand for housing created by an allowance program might show up in the form of higher prices or increased housing production, or both. The evidence gathered from both sites indicates that as of now, the additional demand for acceptable housing has had virtually no effect on either rents or home prices. Nor is there evidence that the program has been responsible for any new construction.

In fact, in both sites rents have increased somewhat less than the national or regional averages. Moreover, virtually the entire increase is attributable to higher fuel and utility bills.

FIGURE 8

PERCENTAGE CHANGE IN HOUSING EXPENDITURES FOR HOUSEHOLDS THAT MEET REQUIREMENTS AFTER ENROLLMENT



Source: Report, Preliminary Findings from The Housing Allowance Demand Experiment, Abt Associates, Inc., March 1978

The Supply Experiment's finding that the increased demand for housing created by assistance payments has had no effect on prices is consistent with the other EHAP results. As described in Section I, the additional demand on the housing market is small. It comes from less than 5 percent of the total household population using about 40 percent of the assistance received (roughly $40 per month) for additional housing.

Although the program has not caused any price or quantity effects in the housing markets, it has been directly responsible for modest improvements to the recipient's home, whether rented or owned. Through September 1977, over 2,406 units in Brown County and 4,000 units in St. Joseph County were repaired by or at the request of enrollees seeking to qualify for payments. Another 900 and 1,200 units, respectively, were repaired following annual reinspections of the recipient's housing. Because many of the defects -- especially the health and safety hazards -- were easily remedied and because homeowners, landlords, tenants and their friends provided most of the labor, cash outlays were usually modest.

IV. VALIDITY OF RESULTS

The findings in this report are not final. Analyses of the individual experiments as well as analyses of comparable data across experiments have yet to be completed.

Further, we wish to note that some observers 1/, 2/ have asserted that EHAP will not provide evidence conclusive enough to answer the principal research questions. They make that judgment because the sites selected for the experiments were, they thought, too few in number and lack the characteristics typical of urban areas. Therefore, they conclude that the findings will not permit a projection of the results to a national program.

The planners of EHAP considered such issues very early in the design of the experiments. Their conscious decisions about the choice and number of sites were made within a framework requiring judgments between program costs and the desire for reasonable results.

Let us examine the framework a little more fully. On the one hand, the number of sites could have been doubled. Had that been done, the costs of the program would have increased by about the same rate. Instead of about $180 million, the costs would have risen to about $360 million. Even the addition of one Supply Experiment site with a population of a million could have doubled the cost of the experiment. But even doubling the number of sites would not remove the charge that EHAP lacks a large enough number of sites to make statistically rigorous inferences about all parts of the nation. Given the nature of social science research, if a statistically rigorous set of sites could be defined, it would cost many billions of dollars to conduct the experiments in them. What EHAP does instead is to provide empirical facts from which reasonable projections can be made. That is considerably more useful than doing without EHAP entirely and going back to relying on theory.

There is also some criticism of the choice of housing markets; it has been said 1/, 2/ that they are not statistically representative. In the process of selecting sites, we concluded that it was unrealistic, if not impossible, to obtain sites that would rigorously represent all urbanized areas of the country. Thus, sites were picked that offered contrasting characteristics (as discussed earlier for the Supply Experiment). This approach assures that the effects of these

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1/ Report to the Congress, An Assessment of the Department of Housing and Urban Development's Experimental Housing Allowance Program, by the Comptroller General of the United States, March 8, 1978.

2/ Report to the Congress, Observations on Housing Allowances and the Experimental Housing Allowance Program, by the Comptroller General of the United States, March 28, 1974.

characteristics are captured in the results of the experiments. Although contrast was a criterion, the sites selected are not atypical. They are generally "representative" of the 248 urbanized areas of the country as measured by such characteristics as vacancy rates, racial composition, costs of housing, growth rates, age of housing stock, mobility rates, quality of housing stock, etc. 1/

Although the results of the experiments do vary with types of housing markets, it appears that they are determined more by the pattern of household behavior than by differences in the housing markets themselves. In other words, the normal choices that households make appear to dominate the results of the experiments. This in itself is a major finding and suggests that the lack of statistically representative sites is not likely to prohibit application to the vast majority of cities.

In its simplest form the issue is a choice between empirical evidence with some uncertainty and theory with nothing but uncertainty. Prior to EHAP, the questions raised about housing allowances could only be addressed by unproven, often conflicting theories. For example, no one could say with any degree of certainty who could participate, or how many households would move, or where they would move to, or if any of the assistance would be used for housing, or if landlords would reap most of the benefits by increasing rents. There simply were no data.

As the debates on the concept of housing allowances continue, decade after decade, we now have facts to answer the questions -- empirical facts. The facts come from EHAP.

1/ Report, Generalizing from the Experimental Housing Allowance Program: An Assessment of Site Characteristics, The Urban Institute, February 1978.

APPENDIX I

BACKGROUND AND DESCRIPTION OF THE EXPERIMENTAL HOUSING ALLOWANCE PROGRAM

Background

Housing allowances or "rent certificates" are not new concepts. They have played a role in discussions of housing policies and programs since the debates prior to the passage of the Housing Act of 1937. The Taft Subcommittee hearings on postwar housing policy in 1944 and the long discussions leading to adoption of the Housing Act of 1949 all involved position papers and testimony for and against rent certificates. In 1953, the President's Advisory Committee on Government Housing Policies and Programs also discussed the concept at some length. The Committee concluded that rent certificates would be degrading to recipients, that they would not "add to the housing supply," that they would deter participation by private enterprise, that proper administration of the program would be organizationally complex and that there would be no feasible way to limit the scale of such a program.

A shift in housing policy in the direction of housing allowances came in the Housing and Urban Development Act of 1964 when two new housing programs came into existence. The first was the rent supplement program which limited its subsidies to newly constructed or substantially rehabilitated housing but established the principle of income-related subsidies to residents of privately owned housing units. The amount of these subsidies varied according to household need.

Rent supplements offered recipients flexibility not permitted by conventional public housing. Households could occupy their housing units at market rents and would continue to receive assistance until their income increased to the point where they were no longer eligible. But the payments were made to the owners of eligible housing developments; households benefited only when they resided in such developments.

The second program added in 1965 was the Section 23 leased housing program--a program much closer in design to a housing allowance. It enabled local housing authorities to lease modest but adequate privately owned dwellings and then to sublease them to low-income households. The government paid the difference between the full cost of leasing the private unit and the amount (determined by a formula) the family could afford. The Section 23 leasing program had the advantage of using existing housing units scattered throughout a range of neighborhoods.

In the Section 23 program, recipients were not necessarily tightly clustered geographically. The local housing authority almost always located and selected the housing, and negotiated rents and lease provisions with the landlord. A household did not receive its subsidy directly and could not automatically transfer the subsidy when it decided to move to a new housing unit. Furthermore, under the Section 23 program, a family could only receive a subsidy in a local jurisdiction which approved the use of the program.

In 1967 and 1968, the President's Committee on Urban Housing, generally known as the Kaiser Committee, devoted extensive attention in its report to the housing allowance approach. The Committee did not propose immediate adoption of housing allowances, but it did recommend prompt initiation of an experiment to test allowances.

Initial Research on Housing Allowances. In 1969 and 1970 preliminary estimates of the costs of a national program were made. These estimates indicated that the subsidy cost per household through an allowance approach would be significantly lower than the average subsidy cost per unit under other federal housing programs. An analysis dealing with the rent response that would be brought about by an allowance program pointed to the need for more extensive modeling and analysis of market effects and implied the need for a more rigorous direct test of the housing allowance concept. Analysis during this period suggested that in the long run the response to a housing allowance would involve a substantial increase in the quantity of housing [75, 76, 77].

Kansas City and Wilmington Demonstrations. At the same time, the Kaiser Committee recommendation was translated into action under HUD's Model Cities Program. The local Model Cities agencies of two cities--Kansas City, Missouri, and Wilmington, Delaware--began

demonstration programs in late 1970 designed to use housing allowances as a means of providing decent housing. Both demonstrations were evaluated and gave some insights into the effects of housing allowances [81].

Conceptual Design of an Experimental Program. Upon passage of the 1970 Housing Act, an experimental program focusing on key policy questions about housing allowances was considered, and a detailed conceptual design was developed to systematically test the effects of different forms of a housing allowance on household behavior [79]. This thinking evolved into what is now called the Demand Experiment.

In late 1971, a conceptual design to the market effects of an allowance program--the Supply Experiment--was begun [78]. Extensive efforts were also made to develop a model of urban housing markets which could predict the outcomes of housing allowances and alternative public policies [82]. Finally, in order to gain realistic experience about the administration of an allowance program by various governmental agencies, what is now called the Administrative Agency Experiment was considered.

By the spring of 1972, three separate but interrelated experiments had been planned. The combined effort was called the Experimental Housing Allowance Program (EHAP).

Program Design for EHAP

Having made the decision to conduct three distinct experiments linked together by a common program design, the actual design elements for housing allowances in each of the experiments had to be chosen. Two considerations were central in designing the experimental allowance programs: (1) the need for an integrated design that would allow consistent policy analysis using data from all three experiments, and (2) legal restrictions on the use of federal funds under which EHAP would be operating. Of particular relevance here was the decision that program operating funds for the Administrative Agency and Supply Experiments would come from the Section 23 leased housing program.

Table I-1 gives a breakdown of key design elements in each of the three experiments. To facilitate the comparison, the table uses the "design center" of the Demand Experiment--in which payments and program requirement, are most like the program being employed at Supply and Administrative Agency Experiment sites. In the discussion below, however, we will also indicate other program elements being tested in the Demand Experiment.

Both the Demand and Supply Experiments were designed with the same number of sites--two. The Demand Experiment operated in Allegheny County (Pittsburgh), Pennsylvania, and Maricopa County (Phoenix), Arizona. The Supply Experiment is operating in Brown County (Green Bay), Wisconsin, and St. Joseph County (South Bend), Indiana. The Administrative Agency Experiment, however, involved a total of eight sites.1/

The administrative mechanism used by each experiment also differs. In the Demand Experiment, a research organization--Abt Associates, Incorporated--operated the program. In the Supply Experiment, a non-profit Housing Allowance Office, established and controlled by the research contractor, the Rand Corporation, is employed. Because the purpose of the Administrative Agency Experiment was to assess various approaches to the administration of a housing allowance, eight public agencies were chosen to operate the program in the selected sites: the Housing Authority of Salem, Oregon; the Department of Community Affairs, Commonwealth of Massachusetts; Illinois's Department of Local Government Affairs, Office of Housing and Buildings; the San Bernardino County Board of Supervisors; the Social Services Board of North Dakota; the Jacksonville Department of Housing and Urban Development; the Durham County Department of Social Services; and the Tulsa, Oklahoma, Housing Authority.

The scale of the program was set to meet the particular research needs of each experiment. In the Demand Experiment, the number of households under all of the 17 plans being tested was set at about 1,250 in each site. In the Administrative Agency Experiment, the number of households was designed to vary from 400 to 900 at each of the eight sites. The Supply Experiment, because it was designed to test the market response to a full-scale program, is open to all eligible households.

1/ In most of the EHAP sites, the precise program area served includes both the central city and surrounding suburban jurisdictions. At some sites, portions of rural areas are included.

TABLE I-1

KEY PROGRAM DESIGN ELEMENTS IN THE EXPERIMENTAL HOUSING ALLOWANCE PROGRAM

DESIGN ELEMENTS	DEMAND EXPERIMENT	SUPPLY EXPERIMENT	ADMINISTRATIVE AGENCY EXPERIMENT
Number of Sites	2	2	8
Administrative Mechanism	Abt Associates, Inc. site office staff	Housing Allowance Office established by Rand Corporation	Eight public agencies: 2 each of 4 types
Scale of Program	1250 households at each site	Open enrollment	400-900 households at each site
Payment Formula	Center of design: Housing Gap ($P = C^* - bY$) Other variations tested	Housing Gap ($P = C^* - bY$)	Housing Gap ($P = C^* - bY$)
Definition of Household Unit	Households of 2 or more related individuals; elderly, disabled or handicapped single persons.	Households of 2 or more related individuals; single persons.	Households of 2 or more related individuals; elderly, disabled or handicapped single persons.
Tenure Eligibility	Renters	Homeowners and Renters	Renters

TABLE I-1 (Continued)

KEY PROGRAM DESIGN ELEMENTS IN THE EXPERIMENTAL HOUSING ALLOWANCE PROGRAM

DESIGN ELEMENTS	Demand Experiment	Supply Experiment	Administrative Agency Experiment
Technique for Estimating Rent for Adequate Housing (C*)	Center of design: Panel of Experts (Percent variations of this estimate also tested)	Rent Survey and Panel of Experts	Panel of Experts
Household Contribution Rate (b)	Center of Design: b = .25 Other variations tested	b = .25	b = .25
Income Definition	Gross income minus federal, state and Social Security taxes; less $300 annually per earner for work-related expenses; and other specific deductions.	Gross income minus $300 exemption per dependent and each secondary wage earner; 5% standard deduction (10% for elderly); and other specific deductions.	Gross income minus $300 exemption per dependent and each secondary wage earner; 5% standard deduction (10% for elderly); and other specific deductions.
Rent Definition	Either gross rent or contract rent plus formula-based allowance for utilities which are paid by household.	Either gross rent or contract rent plus formula-based allowance for utilities which are paid by household.	Either gross rent or contract rent plus formula-based allowance for utilities which are paid by household.
Housing Requirements (Form of Earmarking)	Center of design: Minimum Standards Other variations tested	Minimum Standards	Minimum Standards
Non-monetary Assistance	Housing information and Equal Opportunity Support	Housing information and Equal Opportunity Support	Housing information and Equal Opportunity Support (varied by agency)

In designing EHAP, two general methods were identified for establishing a payment formula for determining the amount of a housing allowance to be paid to a particular household. One method is called the "housing gap formula" and the other is the "percentage of rent" formula.

The housing gap formula bases the amount of an allowance to be paid on the size and income of the household, and on local housing market conditions. The formula is calculated so that the household is offered an allowance equal to the difference between the market rent for an adequate rental unit of the appropriate size and a percentage of the household's program-defined income.

The allowance payment for a housing gap formula is calculated as follows:

$$P = C^* - bY,$$

where:

- P = Allowance payment
- C^* = Estimate of market rent of adequate housing
- b = The rate at which the allowance is reduced as income increases (usually 25% in EHAP).
- Y = Program-defined income

The percentage of rent formula calculates the allowance amount as a fraction of the rent paid by an eligible household. An upper limit on rent against which the formula would apply may be specified. More complicated versions of this formula might change the fraction of the rent paid by household size, by income, and by the amount spent on rent.

A simple percentage of rent payment works this way:

$$P = aR \text{ for } R \leq \frac{C^*}{a}, \qquad P = C^* \text{ for } R \geq \frac{C^*}{a},$$

where:

- P = Allowance payment
- R = Rent paid by household
- a = Percentage of rent paid by government
- C^* = Maximum payment allowed

As indicated in Table I-1, the payment formula used in the Supply and Administrative Agency Experiments is the housing gap formula; in the Demand Experiment, the housing gap formula is also used for a variety of treatments, including the center of the design. In addition, several variations of a simple percentage of rent formula are being tested in the Demand Experiment.

Having considered the formula by which payments were to be calculated, decisions were required on several key definitions and parameter values. First, the household unit definition established which households were eligible for the program. In EHAP, essentially the same definition was used in all three experiments. Households were eligible which were composed of two or more related individuals; in addition, households composed of single persons were eligible if the individual was over 62 years of age, disabled, or handicapped. This is essentially the definition of household used in the Section 23 leased housing program. In 1977, the Supply Experiment began enrolling non-elderly singles who were not disabled or handicapped.

Eligibility was also restricted by tenure in the case of the Demand and Administrative Agency Experiments. Only renters were eligible in those two experiments. Both renters and homeowners could apply for allowances in the two Supply Experiment sites.

The three parameters in the housing gap formula--C*, b, and Y, also require operational meaning in order to establish the precise payment levels to go to eligible households. C* estimation techniques vary slightly across the three EHAP experiments. The cost of adequate housing is estimated by the number of bedrooms, using the "panel of experts" approach in the Demand and Administrative Agency Experiments. Under this method, "modest neighborhoods" are selected and local realtors, government housing officials, and others with expert knowledge of the local housing market are asked their estimates of market rents given the number of bedrooms in standard housing in each neighborhood. Their responses were used to determine distributions of rent levels. HUD then selected a C* value for each housing unit according to the number of bedrooms on the basis of the distributions.

Finally, households of different sizes are assumed to require housing units with different numbers of bedrooms.

For the Supply Experiment, a rent survey was conducted as part of an initial screening survey of the local housing market in both sites. It was used as a principal source of information in the determination of C*. In an effort to check the consistency of the rent survey approach with the C* estimated elsewhere, the "panel of experts" technique was used at the first Supply site, Brown County, Wisconsin. The results of the two approaches were broadly consistent.

In the Demand Experiment, some allowance plans involved testing the use of higher and lower levels of C* than the ones estimated by the estimation technique discussed above.

With respect to establishing b, the "household contribution rate," analyses were carried out on rent-income ratios, based on: (1) 1960 and 1970 Census data for households in the income range judged able to consume adequate housing without subsidy (approximately $6,000-$9,000), (2) an adjustment of rent-income ratios based on gross Census income to a roughly equivalent ratio based on the net income definition of EHAP, (3) and an evaluation of the potential cost of national programs at different values of b. Based on this work, b was set at 0.25 for all household sizes in the Administrative Agency Experiment and the "design center" of the Demand Experiment. The use of b = 0.25 is also a design element in the Supply Experiment. Higher and lower values of b-0.15 and 0.35- were tested within the Demand Experiment.

The housing gap formula also required an income definition. This definition varied across experiments, chiefly as a result of legal restrictions which are tied to the way the Administrative Agency and Supply Experiments were funded. The definition in the Demand Experiment is free of such restrictions and basically involves deducting federal and state income taxes and Social security taxes from gross income, as well as subtracting $300 per year for work-related expenses of full-time earners within the household. Child-care expenses, extraordinary medical expenses, alimony, and support payments are also deducted.

The definition of income used in the Administrative Agency Experiment and Supply Experiment differs from the Demand Experiment mostly in terms of deductions. This income definition was essentially imposed on these two experiments because of the reliance on Section 23 program funds. The definition used in these two experiments included an exemption of $300 for each dependent as well as a $300 exemption for each secondary wage earner. In addition, there was a 5 percent standard deduction (10 percent for elderly households). Deductions for child-care, extraordinary medical expenses, and alimony were also provided.

The rent definition is important because, first, estimating the cost of adequate housing requires agreement on what constitutes rent, and second, since in all three experiments the allowance payment is not permitted to exceed rent, there must be a standard definition used to calculate what rent is.

Across the three experiments in EHAP, rent is defined in a very similar fashion as gross rent, which equals the contract rent plus an additional formula-based allowance for extra costs of utilities paid by the recipients.

A housing allowance is different from unrestricted cash assistance because of the housing-related requirements attached to the receipt of the subsidy. That is to say, a housing allowance is earmarked for housing. There are two methods of earmarking--by minimum standards and by minimum rents.

> Minimum Standards. When minimum standards earmarking is applied to a household, that household receives an allowance payment only if it rents a housing unit which meets minimum housing standards. Such standards may be based on locally defined codes or on national codes. The requirements can be enforced either through certification by the allowance recipient or the landlord, through inspection by an authorized agency, or through reliance upon the findings of an effective housing code enforcement program.
>
> Minimum Rent. Under minimum rent earmarking, a household receives a payment only if it spent at least a specified minimum amount for housing. This approach assumes that there is a close correspondence between rent and housing quality.

Both the Supply and Administrative Agency Experiments employed the minimum standards requirement. Minimum standards are also being tested at the center of the design in the Demand Experiment. In addition, minimum rent earmarking is being tested in other treatments in the Demand Experiment. (See Appendix II for Standard 1 used in the Demand Experiment)

It is not clear that monetary assistance alone will assure that a large number of households obtain decent housing at a reasonable cost to the government. For many households, income may be the only obstacle to the attainment of decent housing; however, past experience indicates that for some households money is not enough. The major types of non-monetary assistance provided are:

Housing market information is given to households to aid them in house assessment and selection in terms of structural adequacy, maintenance, financial soundness, and landlord-tenant relations.

Equal opportunity information and legal assistance are made available to households in order to assist them in combating discrimination in the housing market.

The manner in which these and other services were provided and the effect of various services on participant outcomes is being analyzed in EHAP. The AAE in particular was designed for this kind of analysis.

APPENDIX II

SUMMARY OF EHAP OPERATIONS

Current Status of EHAP Operations

As of January 1978, over 23,000 households had received at least one housing allowance payment since enrollment in EHAP began in March 1973. Enrollment is still in process only in the Supply Experiment; the Administrative Agency and Demand Experiments have both finished the experimental phase in which data were gathered on participating households. About 8600 families were receiving housing allowances in January 1978.

Administrative Agency Experiment (AAE). A seven-month enrollment period was used at each of the AAE sites; initial enrollment was completed at the last site in May 1974. Only in Jacksonville was the number of participants significantly lower than anticipated. The enrollment period was reopened there to determine whether changes in agency operations could achieve different results. Through its second enrollment period, completed in July 1975, the agency was able to obtain the number of participants to reach its target.

The AAE was designed to provide two years of allowance payments to families in its experimental phase. The families receiving housing allowances in the experiment received an additional commitment from HUD of assistance under other subsidized housing programs, primarily Section 23 leased housing. This commitment is for three years after the experimental phase ends and is conditional on family eligibility for these programs. The eight state and local agencies involved in the experiment have completed transition of their responsibilities to local agencies which will administer programs for the recipient families during the three-year follow-on period.

Over all, about 6,400 households have participated in the AAE. At the time the experiment was fully operating--before transition began--the average annual adjusted income of participating households was slightly under $3,000, and their average monthly housing allowance payment was about $80. (See Table II-1).

The Demand Experiment. Enrollment in the Demand Experiment lasted for a ten-month period, beginning in April 1973 and concluding in February 1974. This experiment provided three years of experimental payments. Families who wished to continue on other HUD assistance programs after the experimental period was over were helped in doing so if eligible.

Table II-2 shows that there was almost 2500 households initially enrolled, and about half were receiving allowance payments after two years. The average payment was $69 monthly.

The Supply Experiment. In the Supply Experiment, open enrollment of households began in June 1974 in Brown County and in April 1975 in St. Joseph County. The enrollment period is scheduled to continue over the five-year period of the program. Eligible families may participate throughout the ten-year commitment HUD has made to each of the communities. This longer period was necessary in the Supply Experiment to see whether housing suppliers would make capital improvements and other long-term investments.

The status of operations of the Supply Experiment is shown in Table II-3. As of January 1978, over 8600 households were receiving housing allowances. Slightly more than half were homeowners. The average annual income of recipient renters was lower than that of recipient homeowners in both sites; their monthly allowance payments, in turn, were higher.

TABLE II-1

STATUS OF THE ADMINISTRATIVE AGENCY EXPERIMENT
AFTER THE FIRST YEAR OF OPERATION

Site	Operating Time Period	Recipient Households After First Year of Operation a/		
		Number	Average Adjusted Income ($) b/	Average Monthly Payment ($)
Salem, Oregon	March 1973 - Jan. 1976	870	2,800	84
Springfield, Mass.	April 1973 - Feb. 1976	861	3,000	89
Peoria, Illinois	April 1973 - Feb. 1976	835	3,700	85
San Bernardino, Calif.	March 1973 - March 1976	776	2,900	84
Bismarck, North Dakota	July 1973 - April 1976	367	3,000	72
Jacksonville, Florida	April 1973 - July 1977 c/			
	First Enroll.	300	2,000	86
	Second. Enroll.	541	3,200	74
Durham, N. Carolina	July 1973 - April 1976	483	2,400	74
Tulsa, Oklahoma	Aug. 1973 - May 1976	825	2,700	72

a/ This represents steady-state operations--when the experiment was fully operating and before households were phsed into other housing programs.
b/ Gross annual income minus deductions for dependents, medical expenses, etc.
c/ The operating period in Jacksonville is longer than at other locations because enrollment was reopened.

TABLE II-2

STATUS OF THE DEMAND EXPERIMENT
AS OF TWO YEARS AFTER ENROLLMENT

Site	Operating Time Period	Enrollments	Recipient Households		
			Number a/	Average Adjusted Income ($) b/	Average Monthly Payment ($)
Pittsburgh, Pennsylvania	April 1973 - February 1977	1211	736	5,000	61
Phoenix, Arizona	May 1973 - February 1977	1255	569	5,100	78

a/ In addition, there were 39 households in Pittsburgh and 62 households in Phoenix who were on a temporary inactive status as of two years after enrollment. There were also 183 enrolled households in Pittsburgh and 150 households in Phoenix who were not meeting requirements which would enable them to receive payments; and 96 in Pittsburgh and 178 in Phoenix living in their homes or in subsidized housing and hence ineligible for allowance payments.

b/ Gross annual income minus federal and state income taxes, social security taxes, an allowance for work-related expenses, medical expenses, etc.

TABLE II-3

STATUS OF THE SUPPLY EXPERIMENT AS OF JANUARY 1978

Housing Tenure By Site	Operating Time Period a/	Recipient Households		
		Number	Average Adjusted Income b/ ($)	Average Monthly Payment ($)
Brown County, Wisconsin	June 1974 - June 1984			
Renters		2,100	4,600	75
Homeowners		1,200	5,300	64
	Total	3,300	4,900	71
St. Joseph County, Indiana	Dec. 1974 - Dec. 1984			
Renters		2,100	3,400	91
Homeowners		3,200	4,600	63
	Total	4,300	4,100	74

a/ The time period shown includes the five-year experimental period and a five-year additional commitment of allowance payments to eligible participating families.

b/ Gross annual income minus deductions for dependents, medical expenses, etc.

APPENDIX III

HOUSING STANDARDS

The following program standards were developed for analytical use across the EHAP experiments. The standards outlined below were used to qualify dwelling units as meeting program standards in the Demand Experiment. The eight agencies in the Administrative Agency experiments were allowed to define their own minimum housing standards to qualify units; however, independent evaluations using the program standards were performed on a sample of dwelling units at each site. The Supply Experiment used similar, but somewhat different, standards to qualify dwelling units to meet the minimum requirements set for the project.

1. Complete Plumbing:

   Private toilet facilities, a shower or tub with hot and cold running water, and a washbasin with hot and cold running water will be present and in working condition.

2. Complete Kitchen Facilities:

   A cooking stove or range, refrigerator, and kitchen sink with hot and cold running water will be present and in working condition.

3. Living Room, Bathroom, Kitchen Presence:

   A living room, bathroom, and kitchen will be present. (This represents the dwelling unit "core", which corresponds to an efficiency unit.)

4. Light Fixtures:

   A ceiling or wall-type fixture will be present and working in the bathroom and kitchen.

5. Electrical:

   At least one electric outlet will be present and operable in the living room and kitchen. A working

wall switch, pull-chain-light switch or additional electrical outlet will be present in the living room.

6. Heating Equipment:

   Units with no heating equipment; with unvented room heaters which burn gas, oil, or kerosene; or which are heated mainly with portable electric room heaters will be unacceptable.

7. Adequate Exits:

   There will be at least two exits from the dwelling unit leading to safe and open space at ground level. Exceptions will be allowed on a case-by-case basis when it appears that fire safety is met despite lack of a second exit.

8. Room Structure:

   Ceiling structure or wall structure for all rooms must not be in conditions requiring replacement (such as severe bulging or leaning).

9. Room Surface:

   Ceiling surface or wall surface for all rooms must not be in condition requiring replacement (such as loose surface material, containing large holes, or severely damaged.

10. Ceiling Height

    For living room, bathroom, and kitchen the ceiling must be 7 feet (or higher) in at least one-half of the room area.

11. Floor Structure:

    Floor structure for all rooms must not be in condition requiring replacement (such as severe buckling or noticeable movement under walking stress).

12. Floor Surface:

    Floor surface for all rooms must not be in condition requiring replacement (such as large holes or missing parts).

13. Roof Structure:

    The roof structure must be firm.

14. Exterior Walls:

    The exterior wall structure or exterior wall surface must not need replacement. (For structure this would include such conditions as severe leaning, buckling or sagging and surface conditions such as excessive cracks or holes.)

15. Light-Ventilation:

    The unit will have a 10 percent ratio of window area/floor area and at least one openable window in the living room, bathroom,and kitchen or the equivalent in the case of properly vented kitchens and/or bathrooms.

SELECTED BIBLIOGRAPHY

Readers who are interested in additional detail on the findings cited in this paper or in other areas of EHAP research should consult the selected list of reports below. Some documents can be obtained through contacting the National Technical Information Service, Springfield, Virginia, 22161. NTIS document numbers are noted.

General

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