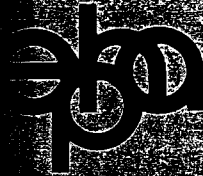


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Department of
Housing and
Urban Development
Experimental
Housing
Allowance
Program

ALLOWANCES: Report to Congress

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Office of Experimental Housing Allowance
Development and Research

February 1976

FILE COPY

Experimental Housing Allowance Program

HOUSING ALLOWANCES:
THE 1976 REPORT TO CONGRESS

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

February 1976

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PREFACE

Section 501 and 504 of the Housing and Urban Development Act of 1970 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 Section 504 of the 1970 Act, the Department submitted the First Annual Report of the Experimental Housing Allowance Program (EHAP) in May 1973 and a Second Annual Report in June 1974. A report on initial impressions and findings from EHAP was provided to Congress in April 1975.

Section 804 of the Housing and Urban Development Act of 1974 amended Section 504 and directed the Department to report to Congress in early 1976 on findings from the Experimental Housing Allowance Program. This report is in response to that requirement.

The Department intends to continue to report to the Congress whenever significant findings from the EHAP become available so that the Congress may be kept current on what is being learned from the experimental program.

I. INTRODUCTION

This is a report on what has been learned through the early experience of the Experimental Housing Allowance Program (EHAP). The discussion in this report is based on approximately 2-1/2 years of testing the housing allowance concept.

The report divides roughly into two major areas: (1) evidence from the early years of the program concerning the basic feasibility of the housing allowance approach as a way of assisting low income households, and (2) the status of continuing EHAP research including some preliminary findings. The report contains early indications of patterns that are emerging from analysis of a very complicated data base; in no way is it a final statement of the important issues EHAP has been designed to answer.

Congress authorized the Department of Housing and Urban Development, under Section 501 and Section 504 of the Housing Act of 1970, to establish an experimental program to test the concept of housing allowances. The core of the housing allowance concept involves the provision of direct cash assistance to lower income households to enable such households to obtain adequate housing. Under such a program, a household would select housing of its own choice as long as the unit meets the housing requirements established for the program. Allowance payments would then be made directly to the household, instead of being attached to a particular housing unit.

The development of an experimental program began immediately after passage of the 1970 legislation. After extensive design work, allowance payments to households began in the Spring of 1973. As of January 1976, EHAP had made a total of more than \$13 million in allowance payments to more than 14,000 households. 1/

The wisdom of the housing allowance approach to housing policy will depend on the answers to such questions as:

- Who participates in housing allowance programs?

1/For a more detailed discussion of the current status of EHAP program operations, see Appendix II.

- ° How do participating households use their allowance payments?
- ° Does the quality of housing improve for participating households?
- ° Does a housing allowance program cause participants to change the location of their housing?
- ° Are there significant market responses to a housing allowance program? For example, what happens to the price of housing?
- ° What alternatives exist for administering the program?
- ° What are the likely costs of a nationwide housing allowance program?

EHAP is designed to answer such questions through operation of a housing allowance program on an experimental basis in 12 sites: Pittsburgh, Pennsylvania; Phoenix, Arizona; Green Bay, Wisconsin; South Bend, Indiana; Salem, Oregon; Jacksonville, Florida; Peoria, Illinois; Springfield, Massachusetts; San Bernardino, California; Tulsa, Oklahoma; Bismarck, North Dakota; and Durham, North Carolina.

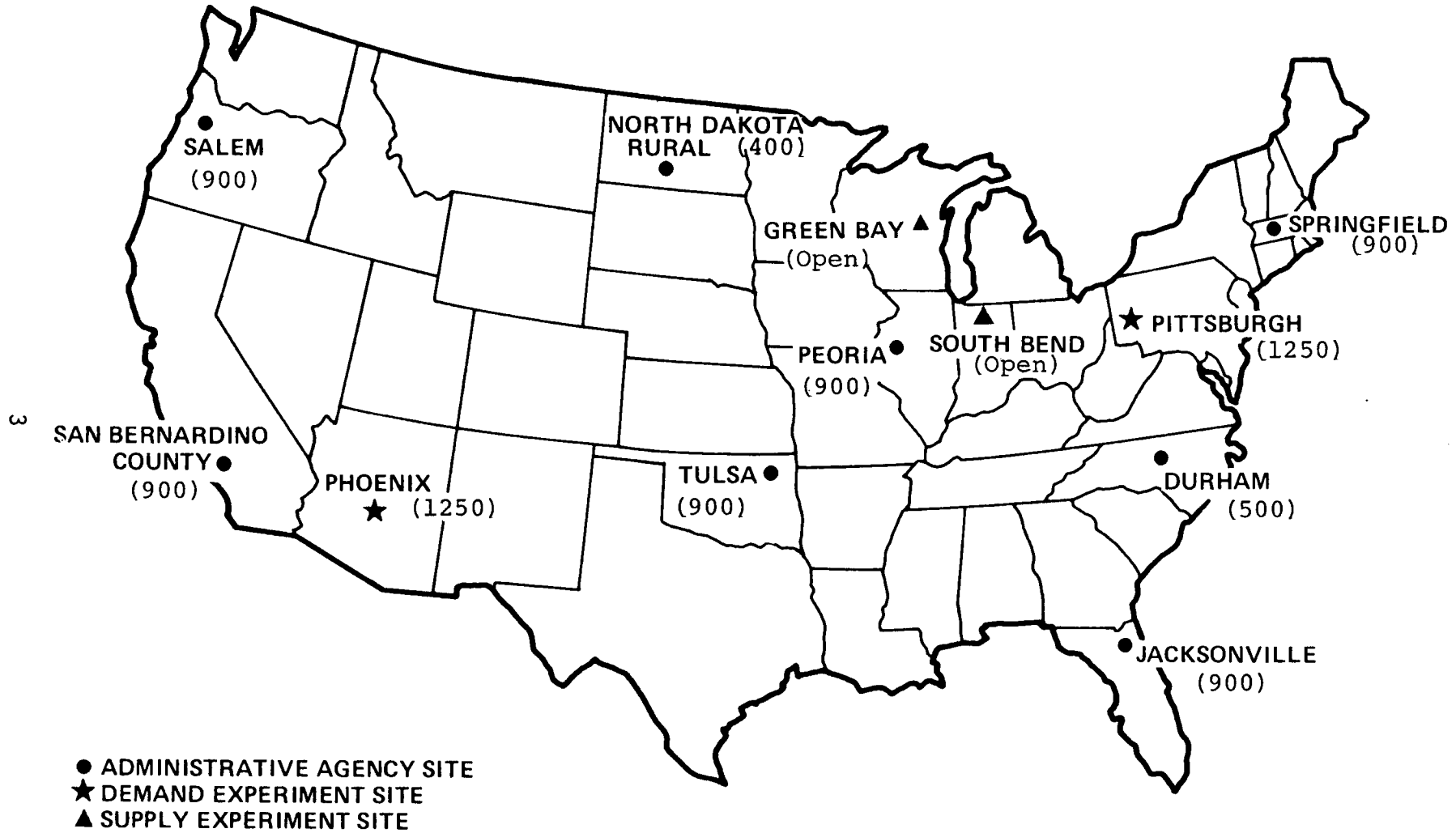
These sites represent broad geographic, economic, and demographic diversity. (See Figure 1) The program areas are located in all the major regions of the country and range from a large metropolitan area with a population of more than 1.6 million to a program site that includes four rural counties with a total population of approximately 100,000.

A fundamental aspect of the design of EHAP was an explicit decision to obtain information on the basic policy questions raised by housing allowances in three separate but related experimental elements, linked together by a common program design. ^{1/} Each experimental element was designed to focus on a principal cluster of issues:

(1) The Demand Experiment (Pittsburgh and Phoenix). The primary objective of this experiment is to examine how households use housing allowances. It has involved enrollment of approximately 1,250 renter households in

^{1/} Appendix I contains a discussion of the background of the housing allowance concept and a detailed description of the EHAP program design.

EXPERIMENTAL SITES - EXPERIMENTAL HOUSING ALLOWANCE PROGRAM



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

FIGURE I

each site. Approximately 550 similar households at each site are also being monitored for purposes of comparison with allowance recipients. The experiment is testing the effects of 17 different forms of housing allowances on housing choice. Some of the important research areas are: participation rates of eligible households; changes in expenditures for housing by participants; changes in housing quality; changes in mobility and locational patterns; and participant satisfaction with housing obtained.

(2) The Supply Experiment (Green Bay and South Bend). This experiment is designed to analyze how housing markets will respond to the housing demand created by a full-scale housing allowance program. It provides open enrollment to the entire eligible population, including both renters and homeowners. The design of this experiment has placed particular emphasis upon measuring changes in price and quality of housing and housing-related services brought about by the program.

The Supply Experiment addresses four primary research areas: supply responsiveness (including price changes and housing improvements); the behavior of market intermediaries and indirect suppliers; changes in residential mobility and neighborhood patterns; and the effects on nonparticipants--particularly with respect to changes in housing prices for those within or just above the range of eligibility.

(3) The Administrative Agency Experiment (the eight remaining sites). This experiment is designed to provide information on different administrative methods for conducting a housing allowance program. It is a naturalistic experiment in the sense that eight public agencies--two local housing authorities, two metropolitan area county government agencies, two state community development agencies, and two welfare agencies--are given broad latitude in designing and carrying out methods to accomplish the administrative tasks required in a housing allowance program. From 400 to 900 renter households have participated in the program at each site. Agency operations are analyzed and compared in order to assess the impact of alternative approaches to the several administrative functions involved in operating a program.

In addition to the three basic experimental elements of EHAP, a fourth research component is known as the Integrated Analysis.

(4) The Integrated Analysis. This analysis serves a number of purposes. First, it analyzes comparable data obtained across the three experiments in order to synthesize the individual results. Second, it brings together information and data from the experimental elements in order to extrapolate from experimental findings to a "national program" level, providing estimates of the costs and characteristics of such a program. Third, it permits inferences about responses (for example, participation rates) to combinations of program elements not being tested explicitly in the individual experiments.

EHAP is one of the largest and most complex social experiments ever undertaken. The materials contained in this report are some of the initial findings gained from early program experience. Section II contains a brief overview of the findings in this report. Section III establishes four criteria on which to judge the feasibility of the housing allowance approach and early EHAP experience is brought to bear on these criteria. Section IV is a report on the current status of research surrounding the major policy questions being explored in EHAP, including preliminary findings relating to some of these questions. The concluding section indicates future plans for research.

Appendix I provides a background and description of the Experimental Housing Allowance Program. Appendix II gives the current status of EHAP operations. A bibliography is also provided for readers who are interested in pursuing particular subjects in detail.

II. SUMMARY FINDINGS

This section is an overview of the findings in this report. The first set of findings relates to the basic feasibility of the housing allowance approach; a detailed discussion of these findings can be found in Section III. The second set are preliminary findings from continuing EHAP research, discussed more fully in Section IV.

Feasibility

On the basis of 2-1/2 years of testing the housing allowance concept in 12 sites, evidence on the basic feasibility of the housing allowance approach is as follows:

- (1) Program Coverage: Housing allowance programs appear capable of attracting many applicants within a short time period. However, interest in the program is not universal among eligible households, as witnessed by the one-third of the individually contacted households in the Demand Experiment who declined the allowance offer.

It is difficult to reach and interest some elements of the eligible population, particularly the elderly. The type and intensity of outreach activity employed, however, influences not only the overall application rate, but the demographic profile of the applicants as well. A well-designed outreach program can help assure that housing allowances more nearly serve all elements of the eligible population.

- (2) Participant Experience in Marketplace: Program enrollees have in most cases been able to cope in the market in order to occupy housing which meets program requirements. This process has not worked as well for households in the minority and elderly categories. The most severe problem was in early Jacksonville experience where blacks particularly had a difficult time in finding program-acceptable units. The reluctance to move if necessary to find an acceptable unit has been a problem for the elderly in meeting housing requirements.

- (3) Administration: The overall success in enrolling households and getting allowance payments into the hands of recipients indicates that the basic administrative arrangements of an allowance program are workable. Final judgments must await the analysis of administrative costs.

Experience with some program functions suggests that alternative ways may be necessary in order to effectively perform them. In particular, these functions include informing the eligible population about the program, conveying information to recipients about the housing market and controlling the pace of enrollment.

- (4) Community Acceptance: Housing Allowances have been well received in the 10 communities where there is significant awareness of the program. Administrators have been able to address the concerns of individuals and groups who have had reservations about the program, either by explaining the program more fully or making minor modifications of program operations at the local level.

Preliminary Findings

Research on program outcomes is still at a preliminary stage. Early findings in several areas are:

- (1) Improvement of Housing Conditions: Based on preliminary analysis of the first year of experience of allowance recipients at several sites, the predominant effect of allowance payments has been to enable recipients to reduce excess housing cost burdens. However, many enrollees who failed to meet housing requirements at enrollment did meet them one year later.
- (2) Mobility and Locational Change: Preliminary evidence indicates few fundamental changes in mobility rates or locational patterns. Little movement has been observed between central cities and suburbs. However, many suburban households are participating in the program.

- (3) Market Response: After 1-1/2 years of operation in Green Bay, there has been little or no visible effect of the allowance program on prices in the housing market. The increase in prices that did occur can be attributed to general inflation.
- (4) Administration: Certification of participants' income rather than accepting their statements of income at application did result in substantial savings, primarily from the exclusion of ineligible applicants rather than from payment adjustments for eligible participants. However, by correcting potential overpayments and underpayments, certification led to a more equitable allocation of payments among recipients.

Continuing Research

Extensive research is continuing in these and other areas including program costs, integration of housing allowances with other programs in the welfare system, and comparison of housing allowances with other subsidized housing programs.

III. EVIDENCE ON THE FEASIBILITY OF HOUSING ALLOWANCES

The Experimental Housing Allowance Program is still very much in progress. Many of the important questions concerning the housing allowance approach still await analysis. However, the experience thus far in making housing allowance payments to participating households has been extensive. It is, therefore, not too early to address some fundamental questions about the overall feasibility of the approach.

Early observations about program feasibility should not be mistaken for final judgments about program effects. These eventual program outcomes are not addressed in this section. Such outcome questions--whether housing allowances improve the housing conditions of participants, whether participants increase their mobility rates or change their locational patterns, or whether housing allowances lead to increased housing prices--require a longer time over which to measure changes.

Four questions about housing allowance feasibility are covered here:

- Do housing allowances appeal to a broad segment of the eligible population?
- Can housing allowance participants cope in the housing market?
- Do housing allowances lend themselves to effective administration?
- Are housing allowances accepted in communities where they are being tried?

Do Housing Allowances Appeal to a Broad Segment of the Eligible Population?

One criterion for judging the feasibility of a housing allowance program is the appeal it holds for all elements of the eligible population. Should the program attract only particular population groups, the fairness of the program might be compromised. Early evidence from EHAP is used to address this question.

It should be noted that the process of becoming a housing allowance recipient has two stages. First, an eligible family must hear about the program, apply for an allowance and become enrolled. Second, households must then secure housing that meets program requirements concerning physical condition and occupancy standards before they can begin receiving allowances. ^{1/} This section deals with the first stage of the process.

Who Applied to the Program? Each of the three experiments offers different types of information about the appeal of housing allowances. The Demand Experiment contacted a sample of the local program-eligible renter households at the two sites--Pittsburgh and Phoenix--and offered participation in the program to each household individually. The Administrative Agency Experiment, by contrast, had open enrollment that allowed renter households residing in the experimental site areas to apply for the program, although a limit on the total number of enrollees was imposed and an attempt was made to match the demographic profile of the enrollees to an estimated profile of the local eligible population. The Supply Experiment continues to enroll on an open basis all eligible homeowners and renters who apply at its two sites.

Drawing on the varied evidence that results from these somewhat different enrollment policies, it appears that housing allowances have succeeded in reaching and interesting a substantial portion of the eligible population at the experimental sites. Nevertheless, many eligible households at each of the sites have not applied to the program. In the Demand Experiment, interviewers explained the housing allowance program to sampled eligible families and asked the respondents if they would like to participate. About 63 percent of those contacted and offered the standard subsidy--the housing allowance program which corresponds most closely to that used in the other two experiments--accepted. Since a home visit represents an unusually thorough means of informing people about a program, the 63 percent figure probably substantially overstates the early response to a housing allowance program that would be publicized by more conventional techniques.

^{1/} The Demand Experiment is testing a variety of housing allowance plans, some of which do not include these second-stage requirements. See Appendix I for a general discussion of these plans; a detailed description can be found in [9], Bibliography.

The Administrative Agency Experiment, characterized by open enrollment but with a ceiling on the total number of enrollees, overestimated the number of applications that would be received at each of the eight experimental sites. Overall, the eight public agencies operating the program received only about half as many applications as they had anticipated; the applications from among the estimated eligible population averaged about 14 percent. This low application rates appears to have been at least partially a result of the agencies' planned limits on publicity activities during the early part of the enrollment period.

The best information on the general appeal of a housing allowance program is likely to come from the Supply Experiment, because the full-scale housing allowance programs that are being conducted at its two sites permit enrollment by any eligible household. At the end of September 1975, after 15 months of open enrollment at the first Supply Experiment site in Green Bay, 34 percent of the estimated eligible households were currently enrolled in the program. This percentage, moreover, seems to have reached a plateau, at least for the time being. At the same point in time, South Bend, the second Supply Experiment site, had been carrying out open enrollment for only six months and had enrolled approximately a quarter of the estimated population. In Green Bay, the comparable figure at six months was 16 percent. If this trend continues, the South Bend participation rate will clearly exceed that of Green Bay.

The substantial, although not universal, overall level of appeal of housing allowances to the eligible population is instructive. But what about differentials in the appeal of the program among subgroups of the eligible population? Even if the overall level of program appeal is reasonably high, the program may be judged inequitable and perhaps undesirable if it fails to reach important subgroups of the eligible population.

Information from the Demand and Administrative Agency Experiments on program appeal to selected subgroups of the eligible population is presented in Table 1. Comparing the eligible population with the applicant population, it is evident that in both experiments the proportion of elderly households among applicants was lower than the proportion of elderly in the eligible population. Households receiving some welfare or similar income assistance, on the other hand, applied at higher rates in both experiments. Differences between the characteristics of eligible and applicant profiles are, however, much smaller in the Demand Experiment than in the Administrative Agency Experiment.

TABLE I

POPULATION PROFILES: ADMINISTRATIVE AGENCY AND DEMAND EXPERIMENTS

Households Characteristics	Administrative Agency Experiment				Demand Experiment			
	% of a/ Eligible Population	% of Applicant Population	% of Enrolled Population	% of Recipient Population	% of Eligible Population	% of Applicant Population	% of Enrolled Population	% of Recipient Population
<u>b/</u> Population Groups								
Elderly	27%	12%	16%	17%	31%	23%	23%	16%
Welfare	15	55	53	52	31	40	41	42
Working Poor	58	33	32	31	38	38	36	42
<u>Sex of Head</u>								
Male	43%	33%	35%	35%	49%	47%	45%	45%
Female	57	67	65	65	52	53	55	55
<u>Race/Ethnicity</u>								
Non-Minority	76%	62%	68%	74%	70%	68%	68%	72%
Minority	24	38	32	26	31	32	33	28

NOTE: Totals do not always add up to 100% due to rounding.

a/ Census data are used to estimate the eligible population in the Administrative Agency Experiment; an EHAP survey of the population at the experiment sites is used to estimate the eligible population in the Demand Experiment. Use of Census data for the AAE makes comparisons of the eligible population across experiments difficult since different time periods were used, household characteristics are defined differently, and the method of data collection differs. In particular, the welfare population as a percentage of the total eligible population in the Administrative Agency Experiment is probably underestimated and the percentage working poor overestimated due to these factors.

b/ Households are characterized as elderly if the head is 65 years of age or more; welfare if they receive any income from welfare and are non-elderly; working poor if they are neither elderly nor welfare households.

The outreach and enrollment procedures in the Administrative Agency Experiment--a general outreach conducted through a variety of information channels such as newspapers and television--are closer than those of the Demand Experiment to procedures used in other governmental programs. With this type of outreach, the Administrative Agency Experiment's program application rates were higher for female-headed households and minority households than for male-headed and non-minority households. On the other hand, the Demand Experiment, with its individual contact of eligible households, was generally successful in matching the profile of applicants to the profile of the eligible population with respect to race and sex of household head.

On yet another characteristic, the experiments have shown the ability to attract housing allowance applicants from suburban as well as central city locations. While most enrollees in the experiments reside in the central cities of the sites, no special problems have arisen in drawing applicants from among eligible households residing in the outlying areas. The Demand Experiment, for example, has found no substantial differences between central city and suburban households in acceptance of the enrollment offer.

The Supply Experiment data on the characteristics of applicants and enrollees are not yet complete, since enrollment in that experiment is still open. But preliminary data from Green Bay indicate that, as in the other experiments, elderly households are applying at a lower rate than are households with younger heads. This is true even though, unlike the other two experiments, homeowners as well as renters are eligible for participation in the Supply Experiment.

The early evidence is that eligible homeowners are generally less likely to apply for housing allowances than are eligible renters. After 15 months of open enrollment in Green Bay, an estimated 33 percent of the eligible homeowners had enrolled in the program during at least some part of the period as compared with 56 percent of the eligible renters. In South Bend, however, the proportion of homeowner enrollees has been consistently higher than in Green Bay. As of the end of September 1975, 52 percent of South Bend enrollees were homeowners, compared to 41 percent in Green Bay.

Contacting the Eligible Population: Outreach. What has been learned so far about why some eligible households applied and others did not? The type and intensity of outreach--the strategy employed to contact the eligible population--has proven to be a key factor in determining not only the overall rate of application, but the mixture of characteristics of applicants as well.

The outreach effort has two chief components. The first is to make the eligible population aware of the existence of the housing allowance program. The second task is to project accurately for potential enrollees the eligibility requirements and benefits of the program. Preliminary information from Green Bay suggests that after one year of open enrollment less than half of the eligible population there had some familiarity with the program despite an extensive outreach effort. Not all eligible households are equally likely to hear of the program. A special survey conducted at one of the Administrative Agency Experiment sites showed that the elderly in particular had lower rates of program awareness than did other eligibles.

But many of the eligible households at the sites who have heard of the program have chosen not to apply. One recurring message from the experiments is that some non-applicant eligibles see the program as a form of "welfare" and are unwilling to accept what they perceive to be charity. Thus, program image--which is in part determined by the outreach strategy--can influence the participation rate in a program.

The experiences of the Administrative Agency and Supply Experiments demonstrate the uncertainties involved in developing outreach strategies. In the Administrative Agency Experiment, fears of being flooded with applicants led the local agencies initially to adopt low-key outreach strategies. But the agencies appear to have been overly cautious since the initial level of applications was far below expectations. The unexpectedly low rates early in the program caused the agencies subsequently to step up the intensity of their outreach activities. Application rates increased but the local agencies never did reach their planned number of program applicants within the time period available to them.

In both the Administrative Agency and the Supply Experiments, the volume of program applications has displayed a short-term sensitivity to the intensity of the outreach effort. The administering agencies in the Supply Experiment, in fact, have tried to modulate the level of outreach activity to assure an even inflow of applications and avoid peak-period processing backlogs that cause disenchantment with the program among applicants. This effort has met with only limited success.

The Administrative Agency Experiment, in addition to showing that program application rates are sensitive to the level of outreach, also provides information about the effects of various types of outreach efforts on the characteristics of program applicants. About a third of the applicants said they had heard of the program through the mass media (television, newspapers, etc.). About a quarter were referred from various social service agencies, and more than a third were informed by "word-of-mouth" from friends or relatives. Although mass media campaigns in general spurred applications, there was no great difference in the drawing power of different media. Advertising agencies designed several of the successful media campaigns.

Media outreach was more effective than referrals in generating applications representative of the eligible population in the Administrative Agency Experiment, although even among media respondents, the elderly applied at lower rates than welfare recipients. Among referrals, welfare recipients applied at much higher rates than others-- a result that is not surprising since some of the referring agencies and two of the administering agencies were welfare agencies.

Mass media is the channel through which most applicants have first heard of the program at the Green Bay site. Only about 10 percent of applicants mentioned that they had heard of the program from a volunteer organization or public agency.

The relatively low participation rate of homeowners in Green Bay compared to renters, mentioned earlier, cannot be definitively explained without more analysis, but there are several plausible explanations for this differential. One possible reason is that many eligible homeowners are elderly--a particularly difficult group to inform about the program. Another reason may be that homeowners perceive subsidized housing programs to be for renters exclusively.

Because homeowners do not expect such programs to apply to them, they may not be attuned to the outreach message. Still another possibility is that some homeowners believe their homes do not meet all elements of the physical standards imposed by the program but are unwilling either to move or to assume the costs of making what seem to them unimportant repairs (for example, replacing stair or porch railings) in order to take advantage of the program benefits.

Conclusion. Housing allowance programs appear capable of attracting many applicants within a short time period. Further, the intensity of the outreach effort is an important determinant of the overall application rate. But interest in the program is not universal among eligible households, as witnessed by the one-third of the individually contacted households in the Demand Experiment who declined the allowance offer.

The Experimental Housing Allowance Program has shown that it is difficult to reach and interest some elements of the eligible population. The elderly in particular have been underrepresented among enrollees. The type and intensity of outreach activity employed, however, does influence the demographic profile of applicants; a well-designed outreach program can help assure that housing allowances more nearly serve all elements of the eligible population.

Can Housing Allowance Participants Cope in the Housing Market?

Once enrolled, housing allowance participants generally must meet certain requirements concerning the kind of housing they occupy to qualify for allowance payments. These requirements may take the form of "minimum standards"--physical housing and occupancy standards, or "minimum rent"--a requirement that the household pay at least a minimum amount of rent to qualify for payments. Both forms of housing requirements are intended to insure that a minimum level of housing is obtained by participants. In meeting these requirements, a burden is placed on participants to function effectively in the housing market.

All households in the Supply and Administrative Agency Experiments and many in the Demand Experiment must meet minimum standard requirements.^{1/} Other households in the Demand Experiment must meet a minimum rent requirement. The discussion here will be limited to the experiences of households under these two requirements. How well do households

^{1/} These standards and the stringency of enforcing them may differ across experiments and sites, affecting the ability of enrollees to meet housing requirements.

cope in the market when such housing requirements become a condition for the receipt of housing allowance payments?

Overall Rates in Meeting Housing Requirements. About 70 percent of all enrollees in the Administrative Agency Experiment met the minimum housing standards and became recipients either by moving or by qualifying the units where they already lived. The number of enrollees who qualified for allowance payments ranged from 65 to 86 percent in seven of the eight sites. In Jacksonville, however, only 33 percent of initial enrollees reached recipient status. ^{1/} In the Demand Experiment sites, approximately 50 percent of enrollees became recipients within a year after enrollment. Of the approximately 3,600 households who had enrolled through September 1975 in the Green Bay site of the Supply Experiment, about 80 percent had met housing standards and become recipients as of November 1975. Data on the progress of enrollees in achieving recipient status in the South Bend site are not yet available. Thus, excluding Jacksonville and South Bend, between 50 and 86 percent of the enrollees in the experimental sites have met the housing requirements necessary to attain full recipient status.

The major reason for not attaining recipient status appears to be the failure to meet housing requirements. This reason accounted for 71 percent of the terminations of enrollees in the Administrative Agency Experiment where enrollees had to insure that their housing met program standards within 90 days of enrollment. It also accounted for 73 percent of the failures to reach payment status by February 1975 in Green Bay.

Differential Rates in Meeting Housing Requirements. Despite the general success in meeting housing requirements, some households do not do as well as others. Households headed by ethnic minorities in the Administrative Agency and Demand Experiments were less likely than other enrollees to become recipients. In the Administrative Agency Experiment, 57 percent of minority enrollees became recipients as compared with 76 percent of non-minority enrollees. In the Demand Experiment, the comparable figures were 43 and 52 percent respectively.

^{1/} HUD later approved a second enrollment period in Jacksonville. The analysis of how well these enrollees did in reaching recipient status is not yet available.

The special problems of attaining recipient status in Jacksonville--particularly for blacks--deserve particular mention. In Jacksonville, black enrollees were far less successful than whites in becoming allowance recipients, although the success rate for both groups was low compared to other sites. Only 21 percent of black enrollees became recipients, compared to 54 percent of white enrollees.

Several forces limited black enrollee success in attaining recipient status in Jacksonville. Black enrollees tended to live initially in poorer quality housing; thus, a greater proportion of them than white enrollees would have had to move in order to meet housing quality standards. Also, black enrollees generally did not challenge existing segregated housing patterns but searched for other housing within predominantly black neighborhoods where standards were harder to meet. This was indicated by an analysis of Census data, revealing that these neighborhoods had higher proportions of substandard units than did other neighborhoods. Despite their smaller odds of locating a dwelling that met standards in these neighborhoods, black enrollees searched at least as actively, if not more actively, than their white counterparts.

Few black participants in Jacksonville made formal allegations of racial discrimination against landlords or rental agencies. Agency staff and housing suppliers who were interviewed, however, cited market segregation as a major problem faced by blacks. Also, because the allowance experiment is of small-scale and limited duration, it provides relatively weak incentives for rehabilitation of units in the segment of Jacksonville's housing market most familiar to poor blacks.

Overall, the Jacksonville experience illustrates the problems minorities face in some segregated markets which are characterized by a particularly poor housing stock. If a full-scale program were launched, similar to that being tried in the Supply Experiment, the essential economic incentives for rehabilitation might be present for landlords, but efforts might also have to be made to assist eligible households in locating standard units in such markets.

Households headed by female enrollees were in general as successful as male-headed households in attaining recipient status. Agencies differed, however, in their assessment of the special needs of these households. One agency's staff, for example, felt that many female-headed

households require (1) legal assistance in challenging discriminatory rental practices, (2) day-care services for children during the search periods, and (3) assistance in making minor housing repairs that are required to bring units up to program standards.

Thirty-five percent of elderly households who enrolled in the Demand Experiment have been successful in becoming recipients compared with 55 percent of nonelderly households. The reason for this difference appears to be the reluctance of the elderly to move when necessary to meet housing quality requirements. Only 7 percent of the elderly households in the Pittsburgh site of the Demand Experiment who did not meet housing requirements at the time they enrolled moved during the first year. The corresponding figure in Phoenix was 27 percent. With respect to all enrollees (including the elderly) who did not meet housing requirements before enrollment, 48 percent moved in Pittsburgh while 60 percent moved in Phoenix.

The reluctance of some elderly households to leave a long-time residence and familiar neighborhood is not surprising. It should be noted, however, that the program appears to be very successful for self-sufficient elderly households that already live in units which meet standards or where only minor improvements are required. The program allows these households to remain in their present units and offers them assistance with a degree of anonymity not present under other programs. Agency staffs, however, did note the probable ineffectiveness of the program in providing special units designed to meet the needs of those elderly who suffer physical or mental impairments.

Housing Information Sessions. To assist enrollees in reaching recipient status, all of the sites offered housing information sessions. While the content of the sessions differed among sites, their general purpose was to insure that enrollees understood the program, had some grasp of how to locate a standard unit, understood their rights and responsibilities under a lease, and had some information about how to deal with discrimination in the housing market. Attendance at these sessions was mandatory in some sites, voluntary in others. When attendance was voluntary, participation at these sessions was typically low. In Green Bay, for example, only a small number of persons enrolled in the program have attended any sessions. Likewise in the Demand Experiment, the attendance rate at housing information sessions was considerably lower than the 80 percent originally projected. Only about one-half of those offered information sessions attended one or more of them

in Pittsburgh and Phoenix. While further analysis is necessary to determine the effectiveness of housing information sessions in making enrollees better able to cope in the housing market, these attendance figures suggest that either enrollees come to the program with adequate information on housing markets already or alternative approaches may be required for providing this information to participants.

Conclusion. The general finding based on EHAP experience to date is that program enrollees have in most cases been able to cope in the market to reach recipient status. This process has, however, not worked as well for households that are in the ethnic minority or elderly categories. The most difficult problem of achieving recipient status to date has been that of black households in Jacksonville. In addition, the reluctance of elderly households to move, when necessary, to locate an acceptable unit also has been a problem.

While housing allowances appear generally feasible on this criterion, some participants clearly do have difficulty coping in the housing market, suggesting that if a national housing allowance program were launched, some tailoring might be required because of the special problems of certain subgroups within the overall eligible population.

Do Housing Allowances Lend Themselves to Effective Administration?

An important question regarding any government program is whether it is administratively feasible. Programs that seem logical and reasonable on paper can, in fact, pose very difficult administrative tasks. The administrative problems encountered by some programs make it unlikely that they can accomplish their primary goals. Are housing allowances administratively workable or do they pose implementation problems that are likely to impede seriously the policy objectives of the program?

To answer this question, it is well to recall the basic administrative arrangements in a housing allowance program. Essentially, the allowance concept requires a primary relationship between the administering agency and the recipient household. In this relationship, the administering agency's role primarily involves: outreach--telling the potentially eligible population about the program; certifying income and housing eligibility of applicants; enrolling households; providing housing market information; calculating payment levels and dispensing allowance payments to recipient households; and periodically

recertifying eligibility. The recipient also has important roles: applying for the allowance; finding acceptable housing as defined by the program; and keeping up housing payments while in the program.

A major area of research in the EHAP effort is to determine what alternative methods are available for administering a housing allowance program. The Administrative Agency Experiment was especially designed to assess the impact of different administrative approaches; the other two experiments will also yield data for use in answering such questions. Much of this analysis is at a preliminary stage, including the important question of administrative costs. Although the final determination awaits analysis, early EHAP experience indicates that housing allowances are, indeed, administratively workable.

One way to judge administrative feasibility is to look at the overall record of EHAP in administering housing allowances to participating households. In EHAP's 2-1/2 years of experience, more than 14,000 households in 12 sites have received over 175,000 monthly payments. Each of the participating households required processing through the various steps of enrollment to establish eligibility, calculation of payment and receipt of a monthly payment. The quick start-up time, the smoothness of the EHAP operations and the fact that so many households have received their checks regularly and with a minimum amount of complication, attests to the basic administrative feasibility of the housing allowance approach. This judgment, however, must be a provisional one until it can be documented that the costs involved in such operations are reasonable.

Of particular interest as a part of this overall record is the EHAP experience in dealing with homeowners in the Supply Experiment. Processing the applications of homeowners is, in some ways, more complex than it is for renters. This is true, for example, in the area of income certification since the value of the home must be taken into account in calculating recipient income levels.

Actual experience in Green Bay, however, indicates that homeowners become recipients sooner after applying for an allowance than do renters--a result that seems related to the ability of homeowners to make the repairs or alterations necessary to comply with housing requirements within a short time after enrollment. Through September 1975, 60 percent of the homeowners as compared to 45 percent of the renters become recipients in Green

Bay. Thus, while initial processing for homeowners may be more complex, the total processing time required to bring homeowners to recipient status is actually less than it is for renters.

Although such evidence suggests that housing allowances are administratively feasible, a look at several of the key administrative functions involved will aid in determining EHAP's overall record.

Performing Housing Evaluations. Many administrative functions are common among government transfer programs. However, one function in a housing allowance program that does not exist in many other programs is that of housing evaluation--the test for housing standards.

Some early analysis in the Green Bay site of the Supply Experiment provides information on the feasibility of administering such housing evaluations. From June 1974 through September 1975, 5,527 housing evaluations were conducted, some done for purely research purposes. Of these, 60 percent were initial evaluations conducted for enrolled participants. Others were conducted on units that had previously failed evaluations; many were conducted on units to which enrollees were planning to move. Thus, when annual reevaluations are added, the administration of these various types of evaluations poses a task that represents a formidable component of the overall administration of the program.

This experience with housing evaluations demonstrated that only in a small number of cases would enrollees refuse to have their units evaluated. It also showed that carrying out a regular evaluation--involving an explanation of the evaluation to the enrollees, making the evaluation, and responding to enrollees' questions--takes only about 30 minutes. Scheduling, travel time, and other activities associated with housing evaluations will differ depending on the geography of the local market. In Green Bay, it was estimated that between five and nine evaluations could be performed in one work day by each evaluator, depending on the type of evaluation involved.

Thus, after some 15 months of operation in Green Bay, this process indicates the overall feasibility of housing evaluations as a means of insuring that participants are living in standard housing. However, greater flexibility in the application of standards, together with a system of spot-checking may prove to be more cost-effective than the system of universal evaluations employed by the Supply Experiment.

Other Administrative Issues. The experience in using housing information sessions to supply information about the housing market has already been noted. Since attendance at such sessions has been low, the feasibility of this approach seems questionable, although further analysis of this issue is required.

In addition, informing the eligible population about the program continues to be a problem with housing allowances, as it is in other programs such as Supplemental Security Income (SSI). The low levels of awareness of the program in Green Bay, despite large-scale outreach efforts, were referred to earlier. If a housing allowance program were to serve all segments of the eligible population equitably, new ways would need to be found to communicate information about the program.

The problems associated with using outreach in ways that control the number of applications have also been noted. An even flow of persons through the stages from application to attainment of recipient status helps avoid staffing problems that produce administrative inefficiency. Few agencies in the Administrative Agency Experiment were able to maintain an even flow over time, although careful scheduling helped reduce the severity of problems caused by fluctuations in enrollment.

On the average, the waiting time was slightly over six weeks in the Administrative Agency Experiment but this varied substantially from agency to agency as well as among different groups of participants. Ultimately, the open enrollment of the Supply Experiment will offer a better picture of how efficient enrollment might become after a program has been in operation for some time. Considering that EHAP was a new program in each site in which the Administrative Agency Experiment was conducted, the level of control over the pace of enrollment is not necessarily disturbing.

Conclusion. Final judgments about the overall administrative feasibility of a housing allowance program can best be made after more analysis--including analysis of administrative costs. However, the success EHAP has had thus far in processing applications and getting actual housing allowance payments into the hands of recipients indicates that such a program is workable. Experience to date suggests that the basic arrangements implied by the housing allowance concept provide no major stumbling blocks.

Several aspects of the experience, however, call for analysis of alternative ways of carrying out several program functions. Informing the local eligible population about the program, conveying information to recipients about the housing market and controlling the pace of enrollment all appear to be difficult and require particular attention.

Are Housing Allowances Accepted in
Communities Where They Are Being Tried?

No national program would be workable if it received widespread opposition in local communities. This section discusses how housing allowances have been accepted thus far in the communities where they are being tried. However, it should be noted at the outset that during the process of site selection and development of precise program area boundaries within sites, several jurisdictions declined to participate in EHAP. 1/

Judging from the first 2-1/2 years EHAP has operated in communities where the invitation to participate was accepted, the overall acceptance of housing allowances has been good. During this period, housing allowance payments have been made to participants routinely in ways which have preserved their privacy. Housing allowances have created little or no disruption in the 10 EHAP sites where significant public visibility of the program is present. 2/

1/ This experience had been documented primarily in the Supply Experiment. It led to considerable delay in the final selection of a second site--the one intended by design to have a heavy concentration of minority households. Central cities of sites where negotiations were conducted were eager to participate in the experiment. In contrast, suburban jurisdictions were either wary or opposed participation. For more discussion of this site selection process, see [22] pp. 26-27.

In other EHAP experience, HUD was unable to complete successful negotiations with one local housing authority initially selected to operate an experimental program in Syracuse, New York. Portions of the Peoria, San Bernardino and Springfield metropolitan areas which at one time were contemplated as part of program areas also failed to participate.

2/ The design of the Demand Experiment with its small sample and individual outreach procedures generally precludes much community awareness at its two sites.

As might be expected with any new program, some individuals and representatives of groups in the community had reservations about EHAP when it was first introduced. Throughout the program's operation, administrators have been able to address concerns by meeting with individuals or groups and explaining the program more fully. When there were legitimate criticisms about the way the program was operating, a minor modification in the way it was administered locally usually resolved the problem.

Generally, as the housing allowance program was put into operation and it was observed that money was going to needy citizens to meet their housing needs, the concerns of many of these individuals and groups diminished. There have been few public criticisms of EHAP by any individuals or groups since the program has been operating.

Local Conditions Related to Program Acceptance. Although the general record of program acceptance is good, the concerns of individuals and groups at the local level indicate that certain local conditions are related to acceptance. Two of the more important factors are the condition of the local housing market and local economic conditions.

In housing markets with an abundance of vacant standard housing units, local landlords are happy to have housing allowances provided in their community. In fact, there have been several instances where landlords advertised in newspapers, seeking housing allowance enrollees to rent their units.

Where a high proportion of the housing stock is substandard, and where few standard housing units were available at rents housing allowance recipients can afford, some landlords resisted the program. Jacksonville illustrates this market condition. Those landlords in Jacksonville who owned substandard units located in black neighborhoods tended to resist the housing allowance program because they felt that a year's lease was not a long enough guarantee. The lease did not provide enough economic incentive for them to incur the expense of improving their units.

Local officials were pleased to have the housing allowance program operate in their communities if the area was suffering from local economic decline, or if there was a high proportion of low-income households. Acceptance of housing allowances by local citizens also seems to be higher in communities experiencing economic difficulties.

Program Features Related to Acceptance. The presence of several program features chosen for the experiment has influenced local acceptability. One such feature has been

the requirement in the Supply and Administrative Agency Experiments that a lease be signed between the landlord and tenant. A lease was required because of the use of Section 23 funds to operate the program in these experiments. In many EHAP sites--as well as in a large number of American communities--there was no prior tradition of signed leases. A verbal agreement between the landlord and the tenants has been considered binding. Introducing the lease requirement creates some resistance among landlords and tenants alike. Certain special provisions of the EHAP lease, particularly the requirement of agency approval of evictions, have also been negatively received by some landlords.

Inspections, required to assure that each housing unit meets the program's local housing standard, were sometimes unpopular with landlords. Inspections were resisted most by owners of substandard units when there existed little expectation that the cost of bringing units up to standard could be regained.

Another local criticism of housing allowances--although more isolated than the concern for the lease requirement or inspections--has been that of particular outreach methods used at some sites. In Green Bay, paid advertising on radio and television to inform potential participants was objectionable to some individuals in the community. They considered it a foolish use of public money to inform potential clients about the availability of public benefits.

In many of the communities where the Administrative Agency Experiment and the Supply Experiment operate, local citizens have also voiced concerns about the program's exclusion of income-eligible single individuals who are under age 62. At several sites, phone calls have been received from citizens asking why the single person who is working, or the recent widow who is on her own for the first time at age 55 is being excluded. Exclusion of homeowners was also questioned at the local level. Indeed one Supply site, Green Bay, might not have accepted the housing allowance program without the inclusion of homeowners.

Overall, the attitudes of local government officials, local politicians and organized landlord and tenant groups have been cooperative. The local news media have been helpful and have provided favorable publicity. Other local organized groups of tenants and landlords, to the extent that they exist in EHAP sites, have generally accepted the program once they understood it.

Conclusion. Housing allowances have been well received in the 10 communities where there is significant community awareness of the program. While some individuals and groups have had reservations about EHAP, administrators have generally been able to address these concerns successfully by explaining the program more fully and by making some modifications in program operations at the local level.

Local acceptance appears to be related to the condition of the local housing market and local economic conditions. In addition, several program features caused problems in local acceptability, for example, housing inspections and the use of leases in some communities.

IV. CONTINUING EHAP RESEARCH: SOME PRELIMINARY FINDINGS

The previous section discussed evidence about the feasibility of the housing allowance approach. Establishing feasibility, however, is not the same as offering findings on a program's outcomes. For that, a longer period is needed to analyze the actual effects of the program.

EHAP is a very large social science undertaking and should provide extensive insight into the major questions posed by a housing allowance policy. Currently, only preliminary evidence is available on these policy questions. In this section, the major areas of continuing research are discussed and, where possible, some early findings from that research are indicated. In addition to the five major points discussed under separate headings, other research, including program comparisons and the integration of a housing allowance into the welfare system as a whole, is considered.

Improvement of Housing Conditions

An important set of findings from the EHAP experiments will address the extent and nature of changes in the housing conditions of participants. These changes can be measured in terms of improvements in housing quality, reductions in housing cost burdens and increased satisfaction with dwelling and neighborhood characteristics. While some preliminary information is available on these changes, much work remains for future analysis.

Improvements in housing quality can be analyzed in terms of physical standards, such as the presence of complete plumbing, and occupancy standards, such as the number of persons per bedroom. Since most enrollees in EHAP have to meet physical and occupancy housing standards to qualify as recipients, it can generally be said that households that receive allowances are not overcrowded and live in at least minimally standard units. Precise information on "how much" the physical housing quality of recipients increases, however, is not yet available. The measurement of changes in physical housing quality necessitates the creation of a comprehensive housing quality index. Various methods of measuring housing quality are being examined in the work underway; it is not possible at this point to adequately quantify physical improvements in housing quality.

To the extent that rent is an indicator of housing quality, the Demand Experiment provides some early information on improvements in recipients' housing. Data are available for a sample of Demand Experiment households that have met either the minimum rent or minimum standards housing requirement after one year of program participation. Within this group, approximately 40 percent of the households did not pass housing requirements initially but passed them one year later. These households increased their rent outlays by an average of \$42 per month. After adjusting this figure for general rent increases experienced by similar households who did not receive allowances, the increase in rent attributable to program participation was 45 percent of the amount of the housing allowance payment. This proportion of the allowance payment used for purchasing additional housing is much greater than would be expected had the payment been made with no minimum housing requirement attached to it.

The larger proportion of households in this group that met housing requirements both at enrollment and after one year of participation (60 percent) tended to pay higher rents prior to program participation than those that did not meet requirements initially. These households increased their rent expenditure by an average of only \$10 per month; thus, the effect of their payments was to reduce or eliminate excessive expenditures for rent out of household income rather than to increase the quality of housing services purchased. For these households, therefore, a housing allowance resembles an unrestricted cash payment.

Taking both groups together, the predominant effect of allowance payments in early stages of the Demand Experiment has been to enable recipients to reduce excess housing cost burdens. In this discussion, excess housing cost burden is defined as a gross rent which exceeds 25 percent of net income prior to the receipt of housing allowances. ^{1/} Eighty-two percent of the households required to meet minimum rent or minimum standards that did not meet requirements initially but met them one year later were paying in excess of 25 percent of their net income for rent at enrollment.

^{1/} Net income is defined as annual gross income less federal and state income taxes, social security taxes and alimony paid.

With the housing allowance payments, 56 percent of these households were able to reduce the fraction of pre-allowance income devoted to housing to 25 percent or less. 1/

Ninety-six percent of the households that met housing requirements at enrollment spent more than 25 percent of their net income on housing. Through the use of housing allowance payments, 38 percent of these households with an initial excess housing cost burden were able to reduce their expenditures to 25 percent or less of their net income. On the average, housing allowance payments enabled households that met housing requirements initially to reduce their housing expense to 28 percent of their net income.

This overall finding that housing allowances have acted primarily to reduce excess housing cost burdens rather than to increase expenditures for better housing also holds true in analysis of first-year experience with allowances in the Green Bay site of the Supply Experiment. Although reduced cost burden is the predominant effect, about one-fourth of the participants in Green Bay had their pre-enrollment units repaired or improved to meet program housing standards during the first year.

Another approach to the measurement of improved housing conditions is to look at the impact of the program on the level of recipient satisfaction with dwelling and neighborhood characteristics. Whether the housing allowance program increases recipient satisfaction is not clear from available data. In the Demand Experiment, recipient satisfaction with dwelling and neighborhood increased by about 15 percentage points--from about 70 to 85 percent--for households that did not meet requirements initially but did meet them one year later. Since similar non-experimental households that moved experienced a similar increase in dwelling and neighborhood satisfaction, it cannot be determined from current data how much of the increase in satisfaction was due to the program and how much simply to the act of moving. Households that met the housing requirements both initially and at one year had an increase in satisfaction of about 5 percentage points--from 75 to 80 percent. Further analysis will be required to isolate the precise impact of the housing allowance program on increasing the satisfaction of recipients with their dwellings and neighborhoods.

1/ A small portion of this decrease in rent burden may have been due to increases in income.

Future work will continue to examine the efficacy of housing allowances in enabling recipients to improve their housing quality and to reduce excessive housing cost burdens. The major task involved in this work will be the development of an acceptable overall measure of housing quality.

Mobility and Locational Change

The residential mobility of allowance recipients is being closely monitored in the three experiments since mobility is one of the important ways many participants improve their housing conditions. It is also important to observe the change in residential location patterns induced by housing allowances.

Only the most preliminary results are currently available on the effects of housing allowances on participant mobility and relocation. In the Demand Experiment, a short-run increase has been observed in the mobility rate of enrollees who reached recipient status during the first year of the program. This increase in mobility appears to be temporary, however, and disappears after the initial move undertaken in response to the allowance.

Eligible households that do not meet the housing requirements at enrollment can subsequently qualify for the program either by moving into a qualifying unit or by upgrading their original unit. The relative importance of these two methods appears to vary across sites and experiments. In Phoenix, most enrollees meet requirements by moving. Moves have been more prevalent than upgrading in the Administrative Agency Experiment as well. Forty-five percent of the recipients in the eight sites moved within three months after being accepted into the program. For many of these households, the move was necessary in order to meet the minimum standards requirement. Only 12 percent of the participants in that experiment met the minimum housing requirement by repairing or otherwise improving their initial dwelling unit.

In contrast to the evidence from Phoenix and the Administrative Agency Experiment sites, upgrading of the initial dwelling unit appears to be more important than moving as a means of meeting minimum housing requirements in Pittsburgh and in Green Bay. In Pittsburgh, most participants meeting the housing requirement during the first year after enrollment did so by upgrading the original dwelling unit. In Green Bay, of households whose housing units failed quality standards at enrollment but who subsequently qualified, 87 percent had their units upgraded while 13 percent moved.

In the Demand Experiment, few households have moved from the central city to the suburbs, or vice-versa, as a result of receiving a housing allowance. Moves have occurred largely within the city or the suburb of origin. It is important to note, however, that many households in suburban locations are eligible, are receiving payments, and are finding improved housing. In the Demand Experiment sites, 35 percent of the recipients live outside the central city.

The evidence is not yet available on the important question of whether housing allowances promote racial integration of neighborhoods, but data from all three experiments will be brought to bear on this issue. Research is also underway on enrollees' experience in the housing market as they search for better housing, with an eye toward determining whether or not the provision of housing information as an integral part of a housing allowance program can help enrollees obtain desirable housing outcomes.

Market Responses

One of the most important questions about a housing allowance policy is the effect it would have on the local housing market. If markets undergo dramatic changes with the introduction of a housing allowance--especially if a major result is merely to increase the price of housing--the desirability of the housing allowance approach would come into question.

The Supply Experiment of EHAP was specifically designed to address the question of market responses; it is the only experimental element which examines the effects of a full-scale, open-enrollment program. With data from the two Supply sites, answers will be available on such questions as: How will the suppliers of housing services--landlords, developers, and homeowners--react to the increase in demand? What mix of price increases and housing quality improvements will result? How will mortgage lenders, insurance companies and real estate brokers respond to the program? Will households not receiving housing allowance payments be affected by increases in the price of housing?

The Supply Experiment has been operating long enough to provide only preliminary answers to these questions. In Green Bay, however, the allowance program has been operating for more than 1-1/2 years. Since enrollment appears to have reached at least a temporary plateau, any short-run impacts on the housing market should be discernible.

The early evidence from Green Bay is that the first 1-1/2 years of enrollment have had little or no visible effect on the overall housing market. Although rents, house prices and utility costs did increase during the period, there is no evidence that the allowance program itself had contributed to this price inflation in any significant way. Instead, the price increases which did occur seem to be part of general inflationary patterns seen in almost all housing markets. The most likely place for price increases resulting from housing allowances to show up immediately would be in changes in the rents paid by households after they enrolled in the program. However, post-enrollment rents were generally stable during the first year of the program.

An analysis has been carried out for all allowance participant renters in Green Bay who were living in housing meeting program standards after one year of enrollment. Of these approximately 1,200 households, about 90 percent were living in the same unit as they had lived in prior to enrollment; about 10 percent had moved. Among those who did not move, close to 80 percent were paying no more in contract rent than when they enrolled. This was the case despite the fact almost 40 percent of this group initially failed housing evaluation and had to arrange for their units to be repaired to meet program standards. However, most repairs in Green Bay were minor, typically costing under \$100.

Those households who moved typically did pay more in rent, most particularly those who moved from units which did not meet standards to units which did. But rent increases in these circumstances are clearly more reflective of increases in housing quality than of increases in housing prices.

This finding of minimal impact on the Green Bay housing market during early program stages is surely an important one, given the concern among some housing experts that a full-scale allowance program might cause substantial price inflation, particularly for allowance recipients. It remains to be seen, however, whether these findings will continue to hold over a longer term, whether they will hold also for South Bend, and in what sense the Supply Experiment findings can be generalized to other housing markets. Much work remains before the market effects of housing allowances can be discussed with great confidence and precision based on information available from EHAP.

Program Administration

One large part of the EHAP research effort involves the investigation of the administration of a housing allowance program. Evidence on the administrative feasibility of a housing allowance program was discussed earlier. Two general concerns emerge from the ongoing work being done on program administration. They are: (1) What are the alternative ways to carry out the administrative functions in a housing allowance program? and (2) What structural arrangements might be made between agencies and levels of government to administer effectively a housing allowance program? The findings to date fall mainly under the first category.

Findings concerning outreach, performing housing evaluations and providing housing market information to participants in the program have already been discussed. In addition to these functions, several other aspects of the enrollment stage of the program have been analyzed, particularly in the Administrative Agency Experiment.

One important function is that of certifying information supplied by participants, such as income, assets and household size. Certification serves two purposes--(1) to determine the eligibility of the household applying for an allowance, and (2) to determine the proper payment levels to households found eligible. On the basis of experience in the Administrative Agency Experiment, certification did result in substantial savings in payments costs. Savings were measured by comparing actual payments to what payments would have been made had the participants' statements of income at application been accepted without subsequent corroboration. These savings accrued primarily from the exclusion of ineligible applicants through the certification process, while the overall savings resulting from adjusting payments appear to be insignificant. Payment adjustments, however, did have a substantial impact on equity by correcting potential overpayments and underpayments.

It was also found that one of the most important factors that influences whether differences will be found in participant-stated income and the income that is certified is the passage of time between application and certification. Since the incomes of some program participants are unstable over short periods of time, such evidence may support arguments for relatively frequent reporting periods--the frequency with which participants must report their income. Since this frequency varies systematically across experiments in EHAP, it may be possible to estimate the cost-effectiveness of various reporting frequencies.

Informing participants of their rights and obligations under the program is also an important task. While it is difficult to know what standard should be used to judge EHAP's effectiveness in this regard, the experience of the Administrative Agency Experiment does show that many participants could not answer some fundamental questions about the program. It was also found that participants tended to retain program information only when it was immediately useful; for example, persons who desired to move were more aware of agency services related to moving.

Some techniques were found to be more effective than others in promoting program understanding. Presenting information in group sessions, covering all topics rather than "tailoring" presentations to the perceived needs of participants, and using written materials are among techniques that helped achieve higher levels of understanding. Nevertheless, one particular population group--the elderly--was found to be far below the overall average in program understanding. Clearly, this group requires particular attention when methods for relating program information are devised.

Program Costs

A housing allowance program must not only be judged by the desirable effects that may come from such a program; it must also be judged in terms of its costs. There are two basic categories of costs--costs of the housing allowance payments and administrative costs. These costs are being carefully monitored for all 12 EHAP sites. In addition, the integrated analysis element of the EHAP research program has included development of the capability for making projections of the costs of a national housing allowance program.

The total cost of payments to households depends on a number of decisions concerning program design, such as the precise definition of the types of households eligible for the program, what formula is used to calculate the payment levels to households, how income is defined for the program and what form of assets test is used. Costs are also dependent on participation rates of eligible households.

By way of illustration based on the designs of allowance programs used in EHAP, when all participating households in the 12 sites are considered, the average monthly payment by site varies from \$53 to \$89. ^{1/} The sites with lower average

^{1/} These figures are for January 1976 in the case of Demand and Supply Experiment sites. Administrative Agency Experiment figures are for the end of the first year of operation. See Appendix II for more details.

payments costs tended to have participants who were more representative of the entire eligible population than those sites with higher payments costs.

Accurate projections of administrative costs are not yet available for a number of reasons. The costs of administration which are related to the experimental nature of the program (such as data collection and data management necessary to support analysis) must be separated from costs of administration which are related to normal program operations in order to get an accurate accounting. Full analysis of the relationship of administrative costs to economies of scale will ultimately involve use of data from the Supply Experiment and these data are not yet available. However, administrative cost information from the eight Administrative Agency Experiment sites--covering programs which range from 400 to 900 participants per site--is expected to be available later this year.

Other Research

EHAP is also examining other important questions about housing allowances. They include:

Program Integration. A housing allowance program would not exist in a vacuum; it should be structured so that it relates reasonably to other government transfer programs. The integrated analysis element of EHAP has been concerned with the problem of program integration in two different ways. First, strategies are being explored for the proper linking of program benefit calculations across transfer programs. A major issue facing a potential housing allowance program is the nature of the problems that might be caused by households participating both in housing allowances and in other programs comprising the welfare system. For example, work disincentives may occur if participating households find that they have to give up program benefits equal--or close to equal--to what they can get from working. While the proportion of benefits foregone to wages earned may be small for a single program such as housing allowances, the proportion may be very high when a household participates in more than one program.

The analysis has defined alternative program linkage strategies that avoid unreasonably high benefit levels and high benefit-loss or tax rates relative to household income that sometime occur when households participate in more than one such program. Using the capability for examining national programs mentioned earlier, estimates will be made of the effects these linkage strategies would have on national costs, coverage, and impact on various types of households.

A second research area involves the study of administrative integration. Various types and levels of administrative coordination across programs are being considered, with attention given to the efficiency of administration not only of a housing allowance, but of the welfare system as a whole.

Comparisons with Other Programs. A thorough evaluation of housing allowances requires a comparison of the costs and benefits of a housing allowance program with the costs and benefits of current federal housing programs. The basic questions of policy interest are:

- Do families receiving housing allowances improve the quality of their housing at costs equal to or lower than those of existing housing assistance programs?
- How do the locational choices of families receiving housing allowances compare with patterns established by existing housing assistance programs?
- How equitable is a housing allowance program in treating families in equal need, and how does it compare in this respect with existing housing programs?

To answer these questions, a comparative analysis is underway of the conventional Public Housing, Section 236 (interest subsidy for low-income rental construction and rehabilitation), and Section 23 leased housing programs at the two Demand Experiment sites. Extensive data are being collected on program participants and the characteristics of their housing; comparisons will be made of these programs with the housing allowance programs being conducted at the same locations.

V. FUTURE WORK

While the work to date has suggested the basic feasibility of a housing allowance program, the question of its effectiveness compared to other housing strategies must yet be addressed. The EHAP research effort is providing a rich and unique source of information, not only about the feasibility of housing allowances, but also about the complex nature of the housing market in which low-income families operate.

Some important areas now being analyzed include the costs of administering an allowance program, the market effects of allowances, locational patterns of allowance participants, and the extent to which allowances improve the housing condition of those receiving payments. Reports on these and other important issues will become available periodically during the remainder of 1976 and beyond, depending on the varying stages of operations and analysis in each of the EHAP experimental components. ^{1/}

The Administrative Agency Experiment has completed gathering data; most of the major reports on administrative aspects of a housing allowance program are expected during 1976. The Demand Experiment will complete gathering of data by Spring of this year and the data base will be fully available for analysis by the end of the year. Major reports from the Demand Experiment on participant response to differing forms of housing allowances are anticipated in 1977, with some additional analyses being completed in 1978.

The Supply Experiment will continue open enrollment for several years. Interim reports from the Supply Experiment on response to the housing allowance program by recipients, landlords, and nonparticipants will be available each year beginning in 1976. The key questions regarding price effects will not, however, have definitive answers for some time.

The Integrated Analysis, examining issues across all experiments, will provide annual analysis reports based on the available data.

^{1/} See Appendix II for a more detailed description of current EHAP operations.

APPENDIX I

BACKGROUND AND DESCRIPTION OF THE EXPERIMENTAL HOUSING ALLOWANCE PROGRAM

This appendix outlines the background of the housing allowance concept and describes the integrated program design which underlies 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 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 in its report, before rejecting the approach in support of the continuation of the public housing program. 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 1965. 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 a 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. In the rent supplement program, however, payments were made to the owners of eligible housing developments and 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) of what the family could afford. The Section 23 leasing program had the advantage of being able to use existing housing units scattered throughout a range of neighborhoods.

The Section 23 approach meant that recipients could be provided substantial anonymity and would not be tightly clustered geographically. In the program, the local housing authority almost always located and selected the housing rather than the family. The authority also 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 did recommend prompt initiation of an experiment to test allowances.

Initial Research Concerning 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 the 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 [39, 40, 41].

Kansas City and Wilmington Demonstrations. At the same time analysis of the housing allowance concept was taking place, 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. An evaluation was conducted of both demonstrations giving some insights into the effects of housing allowances [44].

Conceptual Design of an Experimental Program. Upon passage of the 1970 Housing Act, the development of an experimental program focusing on key policy questions about housing allowances was begun. A detailed conceptual design of an experiment to systematically test the effects of different forms of a housing allowance on household behavior was developed [43]. This evolved into what is now called the Demand Experiment.

In late 1971, the task of developing an initial conceptual design for the measurement of market effects of an allowance program--the Supply Experiment--was begun [42]. As a complementary approach to the estimation of market effects, extensive effort was carried out to develop a model of urban housing markets which could predict the outcomes of housing allowances and alternative public policies [45]. Finally, an approach to gain realistic experience about the administration of an allowance program by various governmental agencies was begun--an effort now called the Administrative Agency Experiment.

By the Spring of 1972, conceptual work was complete and organizations were selected to operate three separate but interrelated experiments. The combined effort was called the Experimental Housing Allowance Program (EHAP).

Program Design for EHAP

Having made a basic 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 important 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 "design center" of the Demand Experiment--in which the design elements are most similar to the program being employed at Supply and Administrative Agency Experiment sites--is used in the table. In the discussion below, however, we will also indicate other program elements being tested in the Demand Experiment.

Both the Demand and Supply Experiments are being run at the same number of sites--two. The Demand Experiment operates in Pittsburgh, Pennsylvania and Phoenix, Arizona. The Supply Experiment is operating in Green Bay, Wisconsin, and South Bend, Indiana. The Administrative Agency Experiment, however, includes 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--operates the program; in the Supply Experiment, a non-profit Housing Allowance Office established and controlled by the research contractor, the Rand Corporation, is employed. Since the purpose of the Administrative Agency Experiment is to assess various approaches to the administration of a housing allowance, eight public agencies were chosen to operate the program in these sites. They are: The Housing Authority of Salem, Oregon; the Department of Community Affairs, Commonwealth of Massachusetts; the State of Illinois, 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 treatments being tested in that experiment was set at about 1,250 in each site. In the Administrative Agency Experiment, the number

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 individ- uals; elderly, disabled or handi- capped single persons.	Households of 2 or more related individuals; elderly, disabled or handicapped 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

of households was designed to vary from 400 to 900 at each of the eight sites. The Supply Experiment is designed to test the market response to a full-scale program. Therefore, enrollment at the two Supply sites is open to all eligible households.

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 to a particular household on the size and income of that 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.

To clarify how this formula works, the allowance payment would be calculated as follows:

$$P = C^* - bY$$

Where: P = Allowance payment.
C* = Estimate of market rent for adequate housing.
b = Fraction of family income assumed allocated to housing (sometimes termed a household's contribution rate).
Y = Program-defined income.

The "percentage of rent" formula takes a different approach.

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 vary the fraction of the rent paid by household size, by income and by the amount spent on rent.

A simple percentage of rent payment might work this way:

$$P = aR \text{ for } R < \frac{C^*}{a}, \quad P = C^* \text{ for } R > \frac{C^*}{a}$$

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 are to be calculated, decisions are required on several key definitions and parameter values. First, the household unit definition establishes which households are eligible for the program. In EHAP, essentially the same definition is used in all three experiments. Households are eligible which are composed of two or more related individuals; in addition, households composed of single persons are eligible if the individual is over 62 years of age, disabled or handicapped. This is essentially the definition of household used in the Section 23 leased housing program.

Eligibility is also restricted by tenure in the case of the Demand and Administrative Agency Experiments; only renters are eligible in those two experiments. Both renters and homeowners may 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 bedroom size 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 by bedroom size for standard housing in each neighborhood. Their responses are used to determine distributions of rent levels. HUD then selects a C* value for each bedroom size 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, Green Bay. The results of the two approaches were broadly consistent.

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

With respect to establishing \bar{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 \$5,000 - \$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 \bar{b} . Based on this work, \bar{b} was set at .25 for all household sizes in the Administrative Agency Experiment and the "design center" of the Demand Experiment. The use of $\bar{b} = .25$ is also a design element in the Supply Experiment. Higher and lower values of \bar{b} , .15 and .35, are being tested within the Demand Experiment.

The housing gap formula also requires an income definition. This definition varies across experiments, chiefly due to legal restrictions which are tied to the way the Administrative Agency and Supply Experiments are being 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 includes an exemption of \$300 for each dependent as well as a \$300 exemption for each secondary wage earner. In addition, there is a 5 percent standard deduction (10 percent for elderly households). Deductions for child-care, extraordinary medical expenses and alimony are also provided.

The rent definition is important for two reasons. First, estimating the cost of adequate housing requires agreement on what constitutes rent. 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 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--minimum standards earmarking and minimum rent earmarking.

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 requirement can be enforced either through certification by the allowance recipient or his 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 rent is at least a specified minimum amount. This approach assumes that there is a close correspondence between rent and housing quality.

Both the Supply and Administrative Agency Experiments employ minimum standards requirements. Minimum standards is 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.

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.

APPENDIX II

CURRENT STATUS OF EHAP OPERATIONS

Current Status of EHAP Operations

As of January 1976, over 14,000 households had received at least one housing allowance payment since enrollment in EHAP began in March of 1973. Enrollment is still in process only in the Supply Experiment; the Administrative Agency and Demand Experiments have nearly finished the experimental phase in which data are gathered on participating households. About 6850 families were receiving housing allowances in January 1976.

Administrative Agency Experiment. A seven-month enrollment period was used at each of the Administrative Agency Experiment 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 Administrative Agency Experiment 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 are currently at various points in a process of transition of their responsibilities to local agencies who will administer programs for the recipient families during the three year follow-on period.

Table II-1 indicates the status of operations of the Administrative Agency Experiment. About 6,400 households have participated across the eight sites. In January 1976, there were 923 households receiving housing allowances. 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.

The Demand Experiment. Enrollment in the Demand Experiment lasted for a ten-month period, beginning in April 1973 and concluding in February 1974. The Experiment provides three years of experimental payments, but these families have an additional two-year commitment from HUD. Local site offices set up to administer the experiment in the two sites are now beginning the process of planning their transition.

The status of operations of the Demand Experiment is shown in Table II-2. There were 1,213 households receiving full allowance payments as of January 1976; the average payment was \$62 monthly.

The Supply Experiment. In the Supply Experiment, open enrollment of households began in June 1974 in Green Bay and in April 1975 in South Bend. The enrollment period is scheduled to continue over the five-year experimental 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 1976, almost 5,000 households were receiving housing allowances in the Supply Experiment. Slightly more than half of those receiving allowances 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 OPERATIONS OF THE ADMINISTRATIVE AGENCY EXPERIMENT
THROUGH JANUARY 1976

Site	Operating Time Period	Recipient Households			
		January 1976	After First Year of Operation a/		
		Number	Number	Average Adjusted Income (\$ b/	Average Monthly Payment (\$)
Salem, Oregon	March 1973 - Jan. 1976	0	870	2,800	84
Springfield, Mass.	April 1973 - Feb. 1976	19	861	3,000	89
Peoria, Illinois	April 1973 - Feb. 1976	0	835	3,700	85
San Bernardino, Calif.	March 1973 - March 1976	24	776	2,900	84
Bismarck, North Dakota	July 1973 - April 1976	26	367	3,000	72
Jacksonville, Florida	April 1973 - July 1977 c/				
	First Enroll.	10	300	2,000	86
	Second Enroll.	435	541	3,200	74
Durham, N. Carolina	July 1973 - April 1976	136	483	2,400	74
Tulsa, Oklahoma	Aug. 1973 - May 1976	273	825	2,700	72

a/ This represents steady-state operations--when the experiment was fully operating and before households were phased 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 OPERATIONS OF THE DEMAND EXPERIMENT
THROUGH JANUARY 1976

Site	Operating Time Period	Recipient Households		
		Number <u>a/</u>	Average Adjusted Income (\$) <u>b/</u>	Average Monthly Payment (\$)
Pittsburgh, Pennsylvania	April 1973-February 1977	667	4,600	53
Phoenix, Arizona	May 1973-February 1977	546	4,700	73

a/ In addition, there were 119 households in Pittsburgh and 116 households in Phoenix who were on a temporary inactive status as of January 1976. There were also 279 enrolled households in Pittsburgh and 276 households in Phoenix who were not meeting requirements which would enable them to receive 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 OPERATIONS OF THE SUPPLY EXPERIMENT
THROUGH JANUARY 1976

Housing Tenure By Site	Operating Time Period a/	Recipient Households			
		Number	Average Adjusted Income b/ (\$)	Average Monthly Payment (\$)	
Green Bay, Wisconsin	June 1974- June 1984	Renters	1,377	3,400	60
		Homeowners	1,030	3,600	53
		Total	2,407	3,500	57
South Bend, Indiana	Dec. 1974- Dec. 1984	Renters	978	2,100	87
		Homeowners	1,330	3,200	58
		Total	2,308	2,800	70

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.

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This report was prepared for and submitted to Congress pursuant to Section 504 of the Housing and Urban Development Act of 1970 which authorized HUD to establish the Experimental Housing Allowance Program. The document describes the overall goals and design of EHAP and the program's status as of early 1973. An appendix describes housing allowance experiences in seven European countries.

2. Second Annual Report of the Experimental Housing Allowance Program, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, Washington, D.C., June 1974 (PB 244 218 /AS, \$4.25).

This report was prepared for and submitted to Congress pursuant to Section 504 of the Housing and Urban Development Act of 1970. The document emphasizes EHAP activities between May 1973 and June 1974, including initial operational activities. Preliminary impressions from the Kansas City and Wilmington demonstration housing allowance programs are included.

3. Experimental Housing Allowance Program: Initial Impressions and Findings, Interim Report, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, Washington, D.C., April 1975 (PB 245815/AS, \$4.25).

This report focuses on the more than 10,000 households that had received allowance payments from EHAP through March 1975. Areas covered include household characteristics, amount and sources of income and housing conditions prior to receiving program payments.

Administrative Agency Experiment

4. Agency Program Manual, Abt Associates, Inc., Cambridge, Massachusetts, Revised March 1973 (PB 241992/AS, \$9.25).

This document describes the scheduling and planning requirements which HUD imposed upon the eight administering agencies in developing their policies and procedures to operate the experiment. It includes each of the distinct functions which agencies must undertake.

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This document summarizes the methodology by which the Administrative Agency Experiment will be evaluated. It explains the functions to be evaluated, analysis plans to be used and how the analysis plans address policy issues specified by HUD.

6. First Annual Report of the Administrative Agency Experiment, Abt Associates, Inc., May 1974 (PB 241545/AS, \$4.25).

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includes a description of the approaches agencies took to satisfy HUD-imposed requirements in operating the experiment.

7. Second Annual Report of the Administrative Agency Experiment, Abt Associates, Inc., December 1974 (PB 241544/AS, \$5.25).

This report describes the operations of the eight participating agencies and the status of the evaluation activities through the end of the second year of the experiment, October 1974.

8. Report on Selected Aspects of the Jacksonville Housing Allowance Experiment, Abt Associates, Inc. (forthcoming).

This preliminary examines reasons for a low success rate for applicants, particularly black households, in meeting program requirements in Jacksonville, Florida.

Demand Experiment

9. Experimental Design and Analysis Plan of the Demand Experiment, Abt Associates, Inc., Cambridge, Massachusetts, Revised August 1973 (PB 239507/AS, \$11.25).

This document presents the design and evaluation plan for the Demand Experiment. It explains the experimental variations under which families receive cash subsidies and how planned analysis of these variations addresses policy issues identified by HUD.

10. Summary Evaluation Design of the Demand Experiment, Abt Associates, Inc., June 1973 (PB 241031/AS, \$3.75).

This document provides a condensed description of all of the essential components of the "Experimental Design and Analysis Plan of the Demand Experiment". (See number 9 above.)

11. First Annual Report of the Demand Experiment, Abt Associates, Inc., March 1974 (PB 239598/AS, \$4.75).

This report summarizes activities in the first year of the Demand Experiment, 1973, including an overall description of the organization of the experiment and the major activities in design, analysis and data processing.

12. Second Annual Report of the Demand Experiment, Abt Associates, Inc., February 1975 (PB 241032/AS, \$7.00).

This report summarizes the activities of the Demand Experiment during 1974 and outlines plans for 1975. It includes a description of the families enrolled in the experiment and a comparison of enrolled families with Census-based estimates of the eligible families in the two Demand sites.

13. Working Paper on Early Findings, Abt Associates, Inc., January 1975 (PB 242002/AS, \$10.00).

This working paper describes the initial (baseline) position of households enrolled in the Demand Experiment. It draws from participant interviews and housing evaluations for three major purposes: (1) demographic descriptions of the enrolled population, (2) preliminary examination of factors involved in the enrollment decision, and (3) examination of cross-sectional data on enrollees and their housing, especially with respect to housing conditions, housing expenditures, location, and housing satisfaction of enrollees at the outset of the experiment.

Supply Experiment

14. General Design Report: First Draft, The Rand Corporation, Santa Monica, California, May 1973 (PB 242033/AS, \$9.25).
15. General Design Report: Supplement, The Rand Corporation, August 1973 (PB 242031/AS, \$5.75).
16. Proceedings of the General Design Review of the Housing Assistance Supply Experiment, The Rand Corporation, October 1973 (PB 242273/AS, \$7.00).
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20. Market Intermediaries and Indirect Suppliers: Baseline Report and Prospects for Site I, The Rand Corporation, February 1974 (PB 246749/AS, \$4.50).
21. Market Intermediaries and Indirect Suppliers: Reconnaissance and Research Design for Site II, The Rand Corporation, May 1975.

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22. First Annual Report of the Housing Assistance Supply Experiment, The Rand Corporation, October 1974 (PB 241701/AS, \$4.75).

This report summarizes the design of the Supply Experiment and recounts the history of the project since it was first considered. It also describes the implementation and achievements of the experiment through September 1974, the current problems of the experiment and the schedule of future events.

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This report summarizes the baseline status of the Green Bay and South Bend metropolitan area housing markets, and also gives preliminary findings relating to the first year of program operation in Green Bay. The report also summarizes progress in the two experimental sites during the period October 1, 1974 through September 30, 1975.

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This document focuses on the 1973 rental housing market in Brown County, Wisconsin. Market "tightness" is measured, and sub-markets are identified for special attention when supply response to the program is later analyzed.

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33. The Experimental Housing Allowance Program: Second Year Report, The Urban Institute, September 1974. (PB 249915/AS, \$4.50).
34. Integrated Analysis of the Experimental Housing Allowance Program, Third Year Report, The Urban Institute, June 1975 (PB 247775/AS, \$3.50).

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36. Variations of Selective Design Elements for Housing Allowances: Simulations Using the TRIM Model, The Urban Institute, August 1975, (PB 249869/AS, \$5.00).

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