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LOCAL POLITICS AND HOUSING VOUCHERS

by

THOMAS KAMBER

A dissertation submitted to the Graduate Faculty in Political Science in partial fulfillment of the requirements for the degree of Doctor of Philosophy, the City University of New York.

2001

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Abstract

LOCAL POLITICS AND HOUSING VOUCHERS

by

Thomas Kamber

Advisor: Professor John H. Mollenkopf

The federal "Section 8" housing voucher program is administered through contracts with local housing agencies that are entrusted to carry out federal housing objectives. These third-party arrangements permit wide local discretion in administrative practices and raise the possibility that federal objectives are not fully embraced by local decision makers. At the same time, discretion allows for important local adjustments to unique conditions that may help agencies serve clients better. This study investigates these tensions in the housing voucher program by comparing local experiences and practices in New York City and Portland, Oregon. It analyzes local practices in terms of political and organizational influences in each city, taking demographics, market conditions and the local economy into account.

Particular attention is paid to relationship between vouchers and market forces. Many proponents of the voucher policy alternative argue that vouchers allow public assistance to mimic the dynamics of the market and consumer choice, with tenants searching for units rented by private landlords. In practice, this study shows, due to discrimination, administrative steering, inadequate supply and other factors, the voucher program functions less like a market system than expected. This is not necessarily a deficiency: the narrative provided here shows some justification for policies that limit tenant choice while achieving other objectives.

In addition, this study calls attention to the critical role played by institutions in shaping the program. While local advocacy organizations (and possibly governing regimes) seem to have some influence over decision making and administrative practices, this study finds that independent housing authorities are able to shape the voucher program with little input or control from the outside. The independence of the implementing institutions thus becomes a critical variable for how federal objectives are interpreted in practice. Finally, as an exploratory study utilizing case-study methodology, this study suggests a variety of paths for future research.

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CHAPTER ONE
VOUCHERS AND POLITICAL ANALYSIS

INTRODUCTION

Overview

Over that past three decades, housing vouchers[1] have undergone a profound transformation in America. Beginning as a controversial demonstration program, the use of vouchers to subsidize low-income renters has become the nation's largest and most widely accepted form of government housing assistance. Along the way, the growth of the voucher program heralded a new approach to delivering assistance to needy families, a shift from "project-based" to "tenant-based" subsidies, from assistance tied to buildings and neighborhoods to assistance tied to the tenants themselves, and from programs that addressed the supply of affordable housing to efforts designed to overcome insufficient demand among some households.

These developments have fundamentally altered the landscape of American housing policy. In 1970, most assisted households lived in public housing projects, and researchers studied the effects of life "behind ghetto walls." Today, 26 years after the creation of the Section 8 Existing Housing program (which institutionalized the voucher model) most assisted families use vouchers to subsidize their rent in privately owned units, and policy researchers examine the degree to which they can be induced to use their vouchers in low-poverty areas and the effects this might have on income, education

[1] The term "vouchers" refers to the form of government assistance which is delivered through a rent subsidy, paid either to the resident or the landlord. Vouchers are variously referred to as "housing allowances," "rent supplements," or "demand-side" assistance. In Section 8, the term "voucher" was not used until the 1980s, in contradistinction to the less market-oriented "certificates." For the purposes of the

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and other opportunities. New forms of housing assistance have led to new ways of evaluating success: Issues of physical design, density, on-site service delivery, and tenant participation in project affairs are now part of a more "crowded" issue landscape where concerns about the geographic dispersion of voucher recipients, their success rates in finding adequate housing in the private market, and ways to leverage the vouchers to bring about a transition off of government assistance have come to the fore.

Finally, the new approach has generated substantially different political dynamics. Unlike public housing, which was generally supported by liberals and opposed by conservatives, vouchers received mixed support from both camps. While conservatives initially viewed vouchers as a preferable alternative to public housing and liberals were critical of the new approach, as time passed more liberals came to see the benefit in a tenant-based model, while some conservatives resisted the net growth in expenditures brought on by the vouchers and still others complained that vouchers helped the poor move into middle-class neighborhoods and burdened the residents in those areas. In addition, the voucher program has had a much lower profile than public housing, with important implications for local distributive politics. Finally, notions of tenant participation and tenant organizing which applied to public housing have been less relevant in the voucher program, where recipients are both anonymous and geographically dispersed.

In the face of these changes, however, one aspect of program delivery has remained constant: the voucher program, like most earlier federal housing programs, is implemented through local agencies, usually housing authorities. These public housing

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present study, we will use "voucher" to refer to all the forms of Section 8 tenant-based assistance, unless otherwise specified.

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agencies (PHAs) are a critical component in translating federal objectives into practice "on the ground." While they are expected to shape program practices to account for local conditions, they are also a source of potential disruption or dissipation of federal effort. Local agency administrators make decisions on a range of issues critical to the successful implementation of HUD goals, from who gets served, to what kind of units they live in, to how much it costs.

What is proposed in the current study is to investigate the relationship between HUD objectives and local methods of implementing housing voucher assistance in the Section 8 program, and to put these practices in the context of local political institutions and conditions. The role of local housing markets and demographic conditions, interest groups, political coalition-building, and institutional norms and structures will be considered in assessing potential reasons why cities conform to or diverge from the objectives articulated at the federal level at various stages of the life of the program. It is hoped that such an analysis will help observers of the voucher program understand the critical effect local administrators have on program characteristics, how this can lead to substantial differences from what federal officials envision for the program, what political and institutional and other factors play a role in shaping local practices, and what the appropriate form of federal oversight should be.

Three working hypotheses have been developed. They are stated in general terms as follows:

> 1. The configuration of housing advocacy organizations in a city will affect the way local agencies implement the program, such that policy priorities will be skewed toward the interests of the nonprofit housing sector.

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2. Where Section 8 implementation options potentially favor the needs of one or more members of a governing coalition, these options will be chosen over other possibilities.

3. Institutional venues will play a role in determining program outcomes. An institution's position within the municipal administration--as well as its history, rules, and internal procedures--will shape policy outcomes.

These hypotheses will be explained in more detail below.

METHOD

A comparative case study methodology is the primary method of analysis in this study, relying on data in two cities—New York City and Portland, Oregon—that represent divergent tendencies in Section 8 administration. Information from interviews with key participants and observers is combined with analysis of local market conditions and political developments, as well as documents from HUD and local agencies summarizing program decisions, outcomes and objectives. The narrative approach of this method is well suited to the purposes of this study, as it allows a detailed description of the complex interactions between local conditions and federal objectives, showing the development of various courses of action in the context of relevant events in the local environment.

The two cities included in this study are not meant to be representative of others where Section 8 is administered. Rather they are illustrative archetypes, cities where administrative practices are noteworthy for their innovation, where there is a willingness to interpret federal guidelines within a distinctly local style of policy implementation, and where local practices are neither inept nor blandly competent. They are, of course, also important cities in their own right: New York has the largest Section 8 program in the

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nation, and Portland's is one of the more visible, having won various awards from HUD and been recognized as a national leader in innovative practices.

The cities were selected as much for their instructive contrasts as for their similarities. Portland is renowned for its collaborative atmosphere and reputation for rational and progressive policy-making. New York, on the other hand, is seen as an icon of political complexity, a city where crisscrossing jurisdictions echo the multi-tiered racial and ethnic composition of its population. Still, they are not totally dissimilar: Both have a long history of public housing production (at one time in the 1940s, Portland had the nation's largest program and New York was second). Both cities have experienced economic resurgences in recent years, have endured harsh shortages in the supply of affordable housing. Both cities are home to well developed tenant and landlord advocacy coalitions. Both have embarked on ambitious programs to fund the construction of affordable housing with municipal funds. And both have found their own unique path to putting the housing voucher program into practice.

A total of 87 interviews were conducted with officials at HUD (Washington and regional offices), local administrators of Section 8 including line staff and supervisors, housing authority officials and board members, local academics and policy analysts, political officials, tenant and landlord advocates and other knowledgeable observers. Each interviewee was asked to describe the administrative practices of the Section 8 program or the political dynamics that might be relevant. Agency staff were asked how Section 8 practices had changed over the years and what caused the changes. Advocates were asked about what demands were made from Section 8 administrators and how these

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related to other housing issues at the time. And HUD staff were asked about changes in the program, federal objectives, and how they viewed local performance.

Economic, demographic and housing market conditions were examined in each city to assess the degree to which Section 8 decision making conformed to objective conditions. Demographic breakdowns of the eligible population were estimated to assess the degree to which the program was fairly serving the populations in need. And interactions between housing programs were reviewed to analyze how Section 8 might have been used in an enabling role together with other efforts under way in each city.

A case study allows more detailed exploration of the kinds of demands being made by various advocacy organizations; the perceived goals of regime constituencies; the internal character, rules, and practices of administrative institutions; and the time sequence of changes in the program and its outcomes. It also allows for instructive description of program characteristics that might not be known by the general reader, giving concrete descriptions of how a voucher program works in practice and the kinds of decisions faced by administrators. At the same time, there is no claim to representativeness or replicability of research findings; all findings must be considered unique to the two jurisdictions under analysis until confirmed on a wider basis.

VARIABLES AND HYPOTHESES

In essence this study is an examination of the ways that localities either conform program implementation to federal objectives or craft their own divergent approaches, testing various hypotheses regarding the variables that affect conformity or divergence.

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Consequently, our dependent variable is the degree of divergence or conformity from the federal objectives explained in the last section.

In the 26 years since Section 8 was enacted, a large number of government studies and reports have examined the program and its effects. Many focused on the outcomes of the program, its cost-effectiveness, and whether the voucher model was superior to the certificate alternative[2]. These studies reflect the issues that most concerned HUD over the course of the program's development, and can be loosely grouped into three periods that correspond to the federal priorities for Section 8 and its implementation. These periods are

1) 1974 to the early 1980s, when HUD was concerned with program **feasibility, cost, and equity**. Researchers found Section 8 lowered rent burdens, improved housing for recipients, and cost less than project-based alternatives, but served enrollees poorly in high-rent cities where FMRs were set too low. Some cities relaxed quality standards in order to facilitate lease-up (Olsen and Rasmussen, 1979; HUD, 1981; Kennedy and Finkel, 1994; USRE, 1977).

2) Early 1980s to 1992, when the Reagan administration experiment with vouchers and **tenant choice** dominated the discussions, as well as the objective of **narrowing the target** to the most needy households. The objectives during this period were to promote maximum application of market mechanisms of pricing, supply and demand to the voucher program, offer greatly enhanced choice to participants in terms of expenditures and where they lived, and also shrink the eligibility threshold so only the most needy families could participate (U.S. President's Commission on Housing, 1982; Pierce, 1988; Savas, 1987; Kurtz, 1983; Leger and Kennedy, 1990; HUD, 1987; Kennedy and Finkel, 1994).

3) 1992 to the present, as HUD has been more concerned with promoting economic and racial **integration**, encouraging local authorities to **cooperate with other agencies in their regions**, and linking vouchers to efforts to **move recipients off of welfare**. Efforts to promote integration are closely tied to the deconcentration hypothesis that has been given new momentum by studies of Chicago's Gautreaux program, which showed that poor families could move out of ghettos and into more mixed neighborhoods (with beneficial social and economic effects) if given appropriate resources. Regional

[2] See Chapter Two for an explanation of this controversy.

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cooperation between housing agencies and links to social services and self-sufficiency programs have also been a high priority in recent years (Atlas and Dreier, 1996; Goering, et. al., 1995; Feins, et. al., 1997; Turner and Williams, 1998; Davis, 1993; Frees, et. al., 1994; Blomquist, et. al., 1994; HUD, 1997).

A more detailed discussion of how these issues emerged on the national agenda will be provided in the next chapter. Table 1.1 provides a brief summary of the elements that comprise the definition of "federal intent" for the purposes of the present study.

TABLE 1.1: SUMMARY OF FEDERAL SECTION 8 OBJECTIVES

Objective	Description
Feasibility	Utilization rates, housing search success rates, quality standards, administrative competence
Efficiency	Cost per unit
Equity	Benefit population reflects eligible population, is more needy than non-recipients
Targeting	Benefit population is tightly targeted using preferences
Choice	Tenants are offered maximum choice in where to live, how much to spend, and whether they can move
Integration	PHA encourages tenants to move to areas of low poverty
Reg. Coordination	PHAs cooperate with other agencies across region and housing market
Service Linkage	PHAs implement Family Self-Sufficiency[3] or other programs encouraging independence

It is very important to mention in this context that these benchmarks do not necessarily reflect HUD's current priorities for the program, particularly in terms of the targeting variable, which was important during the Reagan administration but has been relaxed recently at the federal level. This variable has been included because there is still

[3] Family Self-Sufficiency allows Section 8 participants to establish goals that contribute to their financial independence from government assistance—such as completion of educational programs or starting a part-time job. As participant incomes rise, the PHA allows them to pay money into an escrow account in place

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residual effect from the period when preferences were required for the homeless, ill-housed and other categories of need; some agencies have dropped the preferences while others have retained them. In addition, divergence from federal objectives does not necessarily indicate that the PHAs are carrying out the program incorrectly. For instance, agencies in high-rent cities may have quite high costs per unit, as may agencies that strongly encourage mobility and deconcentration for participants. These kinds of practices can only be understood within the economic and political context of each city.

Once we have determined how each city has configured Section 8 practices, we can examine the possible factors that affected the choices made, looking not only at demographic and economic conditions, but also at the political environment and organizational structure in each city. We examine three hypotheses in this regard, focusing on interest groups, political governing coalitions, and institutions.

Edward Goetz has argued that cities with active housing advocacy coalitions have been responsive to the needs of local housing providers (Goetz, 1993). One might assume that the configuration of housing advocacy groups, as well as the history of their demands regarding the administration of Section 8, would have some impact on how the program is implemented at the local level. Other theorists have suggested, however, that advocacy organizations often come to devote the bulk of their energy to promoting outcomes that benefit the organizations and their service clients (Gittell, 1980; Smith and Lipsky, 1993). Voucher programs are notable in their tendency to dissipate the organizational base of recipients of assistance, since recipients disperse geographically

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of paying a higher contribution toward their rent. As FSS goals are met, escrow money can be withdrawn from the account.

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and receive their benefits without the necessity of gathering at any central place. Consequently, a working hypothesis would be as follows:

- **Advocacy Coalitions Matter:** Cities with well developed housing advocacy networks will be likely to deviate significantly from the legislative intent of Section 8, but not in ways that benefit the at-large recipient. Program benefits will be skewed toward clients organized through the nonprofit housing sector (and toward the organizations that assist these clients), rather than random applicants on the waiting list.

A second hypothesis hinges on the work of political economists analyzing politics according to the challenges associated with building and maintaining political regimes or governing coalitions in cities (Stone, 1989; Mollenkopf, 1992). "Regime theory" focuses on the ways in which coalition builders use the politics of distribution to create and maintain stable governing or electoral arrangements in cities. This approach encourages us to look at the relationships between coalition leaders and housing policies in the cities under investigation. Where leaders perceive a particular policy outcome to be in the interests of their constituency, program implementation can be expected to conform to these objectives. Similarly, where groups are frozen out of the regime (as, for instance, the neighborhood movement activists were in Andrew Young's Atlanta), their demands would not be registered by policy makers. A hypothesis suggested by this approach is:

- **Governing Coalitions Matter:** Where Section 8 implementation options potentially favor the needs of one or more members of a governing coalition, these options will be chosen over other possibilities. Regimes in highly competitive political environments will be most likely to deviate from perceived federal legislative intent. Regimes which prioritize the interests of white suburban homeowners will be less likely to promote mobility to low-poverty areas for voucher recipients.

Finally, significant attention has been given in recent years to the institutional venues through which public policies are implemented. Institutional rules, structure and culture

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play an important role in determining the choices taken by street-level policy-makers (March and Olsen, 1989). Various institutions have been employed for implementing vouchers: quasi-public authorities, municipal housing agencies, and private subcontractors. It is reasonable to anticipate that the organizational venue has an impact on the alternatives adopted by local agencies. Indeed, a study of Swedish housing vouchers for the elderly found this factor to be dispositive in determining local program generosity (Nord, 1990). The last hypothesis under consideration is as follows:

- **Institutions Matter:** Institutional venues will play a role in determining program outcomes. Public authorities will be more distant from the demands of regime-building political entrepreneurs, and will be more likely to follow norms of professionalism in implementing federal guidelines: these agencies (and their private subcontractors) will be the most likely to adhere to federal legislative intent. The degree to which they are responsive to the needs of recipients will be determined by the organization's internal history and culture.

These hypotheses will provide consistent structure to the issues we examine as we look at Section 8 policy in practice. At the same time, it is likely that none of these factors (advocates, governing coalitions, institutions) will be found to function independently of the others. Advocacy coalitions are sometimes members of governing regimes. Governing coalitions may exercise power more effectively through line agencies than through quasi-independent authorities. Similarly, when advocates are frozen out of governing coalitions they may find comparatively sympathetic treatment at authorities, where administrative terms are often structured so that political changes have minimal effect on authority governance. And it should be emphasized that any of these groups may share objectives with federal officials, so the exercise of local influence should not be viewed exclusively as a force for diverting program resources away from federal objectives.

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The results of comparing these hypotheses to detailed accounts of local events should offer insight into the processes through which local governments implement federal policies, as well as the dynamics of implementation of voucher programs. Conclusions should be especially valuable to federal-level policy makers interested in constructing realistic housing policy programs that allow for local discretion and that take advantage of market mechanisms in cities. Those who are involved in advocacy regarding housing policy and programs should find the study useful for its analysis of the relationship between advocacy organizations and recipients of person-based assistance. Finally, the study may be able to add to the growing body of research regarding regime politics and local institutions, particularly with respect to their effects on policy outcomes.

The comparative case study method allows us to examine a multiplicity of issues relating to Section 8 and its administration, taking advantage of the narrative method in tying together related events that might not have been examine through a more quantitative method. As exploratory research, this study may suggest formal hypotheses that can be tested with systematic quantitative data. This method also allows us to learn more about Section 8 itself, the choices administrators face and the contexts in which they occur, and the justifications decision-makers offer for the directions they have taken. And while the results should provide some answers, however tentative, to the questions posed in the above hypotheses, we can also hope to come away with a richer understanding of how federal programs are implemented locally and what issues remain for future research.

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POLITICAL SCIENCE THEORY AND VOUCHER PRACTICE

Like many other federal programs, vouchers are funded by Congress and supervised by a federal agency (the Department of Housing and Urban Development [HUD]), but implemented by local public officials. It is easy to imagine the voucher program as a very simple method of providing housing assistance, as this housing official in New York describes:

> "Section 8 is not a program that requires a lot of input from Washington. Parameters are set up. Budgets are approved and it's all pretty straight forward. Congress appropriates money. We have contracts that are going to expire. The dollars are made available." (Int. N-8)

In practice, however, there is a great deal of discretion in the implementation of the voucher program at the local level. discretion than can have important effects on program outcomes.

Decision makers in local housing authorities determine how the program is advertised. how applications are received. who receives special preferences to go to the top of the waiting list. and how people are screened for eligibility. Local administrators decide how landlords will be recruited into the program, how rent levels will be set, and how communication will be managed between the agency, tenants and landlords. They decide what to emphasize in their briefings for tenants, what services to provide in addition to the voucher, and to what extent tenants will be encouraged to live in low-poverty areas.

These and many other areas of local discretion have a very large potential impact on program outcomes and provide important points of departure from federal objectives. Federal officials may intend for the vouchers to promote choice and geographic dispersion, while local officials want the subsidies to support targeted neighborhood and

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project-based initiatives. Local administrators may take a dim view of federal objectives of linking vouchers to services, or they may sacrifice some objectives, such as maintaining strict housing quality standards, for others, such as achieving high lease-up rates. While local discretion is not the only important variable affecting program outcomes, it is a critically important filter for federal policy. More knowledge about local decision-making and the conditions that shape it can be a potent tool for policymakers wishing to achieve predictable program outcomes in the field.

To date, little research has focused on these questions. Most studies have instead examined broad program outcomes such as cost-effectiveness, participation rates, market effects (i.e., whether the presence of vouchers drives nearby real estate prices up or down), and the geographic distribution of voucher holders, without necessarily conducting case-study research that would illuminate the effects of administrative practices of the Public Housing Agencies (PHAs) (Olsen and Rasmussen, 1979; HUD, 1981; Kennedy and Finkel, 1994; USRE, 1977).

This topic is relevant to political science research that has focused on the rise of third party government, the relative effectiveness of government and market mechanisms for delivering public services, the importance of institutional factors, and the role of interest groups and political influence. Third party government refers to the phenomenon that started in the late 1950s when the federal government began increasing expenditures and the scope of public services without a corresponding increase in federal employment. Despite vastly increasing the range of public activities sponsored at the federal level, only very modest increases were measured in the size of the federal bureaucracy. The reason for this, of course, is that the implementation of these public activities was increasingly

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delegated to states, localities, and third party entities over the last several decades, while the federal government has developed a broad range of intermediary "tools" for implementing policy indirectly (Heclo, 1979; Salamon, 1989). In an influential article on these trends, Hugh Heclo points out that the new arrangements have caused great stress on the federal policy establishment, who end up "blamed for poor delivery by its public customers and besieged with bills from its middlmen" (Heclo, 1979, pp. 90-93). In a landmark book on policy implementation, Pressman and Wildavsky (1984) noted that federal policy objectives are often thwarted by unanticipated problems at the local level, where programs must contend with a complex web of local actors, many of whom function as "veto points" that can hold up or derail programs. Salamon sees the rise of third party government in a more positive light, closely related to the development of a range of policy tools that use various market mechanisms for carrying out federal goals (1989, Chapter One).

A related area of research is the extensive work in political science that addresses issues of government versus market delivery of services. There is a well developed body of work by authors who have criticized the growth of the government activities and expenditures on the grounds that government is inefficient and ineffective, driven to inequitable distributions by interest group pressures, and prone to bureaucratic paralysis that prevents agencies from adjusting to complex and changing conditions (Friedman, 1982; Anderson, 1964; Schultze, 1977; Savas, 1987; Husock, 1997).[4] These authors typically present market mechanisms as superior to "traditional" direct government service delivery, arguing that competitive pricing, fewer civil service and union rules, and the consumer choice offered by market-driven entities allow them to perform more

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effectively than their public counterparts. Policy options preferred by these authors include range from outright privatization and reduction of government activity to establishment of market-driven institutions such as business improvement districts and independent government corporations.

Vouchers are a policy alternative favored by many of these critics of direct government service, since they give consumers maximum choice, operate according to supply and demand pricing principles, minimize the role of government bureaucrats, and are considered more efficient than direct provision of services (Savas, 1987, pp. 78-9, 113-4). Vouchers are also favored by "friendly" critics of government such as David Osborne, Ted Gaebler, and Lester Salamon, who believe entrepreneurial and market practices can enhance the effectiveness of government services without reducing the role of government in achieving public objectives (Osborne and Gaebler, 1993, Chapters 9 and 10; Salamon, 1989, Chapter 9). This study will examine these issues in practice to describe how vouchers function when administered through third party government mechanisms. While the research design will not allow us to assess the relative effects of vouchers and direct housing provision through public housing, our case-study approach will allow some assessment of the degree to which federal goals such as efficiency and the provision of choice to the consumers of services are carried out.

Closely related to the issue of utilizing market forces is a debate regarding the actual institutional form through which government services are provided. Political scientists in recent years have paid increasing attention to matters of organization structure, capacity, culture, and the interrelationships between institutions and interest groups (Skocpol, 1995; March and Olsen, 1989; Clark, 1987). The role of institutions

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[4] See Rainey, 1991, for a useful review of these themes in the literature.

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has been debated within the context of the debates over the use of market mechanisms to deliver services, as some critics of direct governmental provision of services have noted that the use of government corporations allows for advantageous use of market forces in the financing, administration, and distribution of government services (Salamon, 1989, Chapter One; Musolf, 1989). Susan Clark (1987) has argued that institutional imperatives, in which institutions shape policy from internal motivations, whether budgetary, ideological, or professional, can be more important in explaining policy outcomes than the goals of dominant political actors or special interest pressure groups. The case-study method used here allows us to examine the workings of a federal policy in a variety of institutional contexts, and within a detailed description of each institution, taking into account administrative and fiscal capacity, structure, internal institutional imperatives, relations with outside political and advocacy groups, and other important topics discussed by researchers who focus on modern institutions.

A central element in this discussion will be the programmatic effect of implementing vouchers through different kinds of government and quasi-government agencies. Two of the agencies under study are public housing authorities, while one is a state housing agency and the last a city line agency. The first public authority in the United States was created in the 1920s (Mitchell, 1992, Chapter One), though the form of administration was still new enough in the 1960s for Sayre and Kaufman to refer to New York's authorities as "strange new creatures" (1965, p. 321). Surprisingly, as Jerry Mitchell pointed out in a recent book on authorities, this form of administration has not been the subject of much study over the years (1992, p. 11). Opponents of authorities claim they lack accountability, are prone to corruption, and do not well represent the

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people they serve (Doig and Mitchell, 1992, pp. 22ff; Newfield and DuBrul, 1981, p. 69-70; Henriques, 1986). At the same time, many of the advantages claimed by advocates of market institutions apply to authorities in their ideal form: Their independence, both administrative and fiscal, allows them to achieve a kind of "neutral competence...that links independent decision-making to an entrepreneurial orientation" (Doig and Mitchell, 1992, p. 21). As authorities have proliferated and become a key element in third party government, have they delivered on their promise of independence and entrepreneurship? Do they function more like a private firm and less like a line agency? And most importantly for the present study, do these characteristics allow them to carry out a voucher program in such a way that federal goals are more closely realized than through other institutional forms? These questions are at the center of this research.

Finally, this study may add to our understanding of the dynamics of political influence in urban politics. From debates around "group theory" in the 1950s to modern discussions of the role of interest groups in affecting policy, the question of how public decision-making and implementation is shaped by pressure groups and organized political constituencies has been central to political science literature. While this is too broad a topic to be addressed in the present study, there are two aspects of political influence where the current study may provide useful insight: the role of governing coalitions in urban politics, and the effect of advocacy pressure groups within the implementation process.

A number of recent studies of urban political dynamics have operated within a framework of urban "regimes" (Stone, 1989; Mollenkopf, 1992). Clarence Stone has defined an urban regime as "the informal arrangements by which public bodies and

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private interests function together in order to be able to make and carry out governing decisions (1989, p. 6). For Stone, the key elements of regime politics are the need to align a sufficient range of government institutions in order to carry out government decisions[5] and the need to promote cooperation among key decision makers to achieve coherent policy directions (1989, Chapter One). And while an in-depth analysis of the shifting character of the governing regimes in New York and Portland is beyond the scope of this study, an effort will be made to analyze policy making on vouchers within the broader configuration of political power in each city, and to assess whether large shifts in the composition of governing coalitions (which generally correspond with electoral defeats for incumbents) play a role in shaping how policy options are considered at the agency level.

Political influence is not limited to exercise within the regime context, however. Interest groups can play a role through policy advocacy, agenda setting, or protest and opposition. Analysts in a wide variety of settings have noted the potential of organized interest groups to shape policy outcomes and practices (Sayre and Kaufman, 1965, Chapter 13; Fainstein and Fainstein, 1974; Sabatier, 1993). A number of studies have pointed out that advocacy coalitions and interest groups often have the greatest influence on policy after decisions have already been made by focusing their energies on the highly complex and information-intensive implementation process (Wilson, 1990, p. 59; Hayes, 1992, Chapter 8). At the same time, studies of housing policy in particular have indicated that interest groups can affect local decision making in profound ways (Goetz, 1993; Borgos, 1989). By examining the decisions made in the voucher program in the context

[5] This can be seen in light of Pressman and Wildavsky's work as an imperative to overcome the fragmentation and veto points that hinder the implementation of government policies.

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of efforts by local advocacy groups to influence housing policy, this study will help illustrate how interest groups attempt to influence policy, what effect they have, and how these efforts are shaped by factors such as institutional structure, local market conditions and electoral politics.

Before discussing the particular experiences in New York and Portland, it is important to provide a brief overview of the voucher program, its origins, development, and controversies. To understand decision-making at the local level, it is necessary to have a picture of how the program is designed from HUD's perspective, and how it came to be this way. This is the purpose of the next chapter.

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CHAPTER TWO

HISTORY OF VOUCHERS

INTRODUCTION

Housing vouchers currently enjoy wide support among American policymakers as the best way to provide housing assistance to the poor, but this has not always been the case. From the earliest efforts to resolve housing crises in the aftermath of the first World War, legislators preferred rent control, public housing, and various efforts to stimulate private construction over demand-side strategies. Vouchers, or "rent certificates," as they were first called[6], were not implemented as a federal program until 1974, more than five decades after the federal government began experimenting with ways to improve the housing conditions of the poor, and nearly three decades after they were first seriously considered as a federal policy option (Radford, 1996; Allen, et. al., 1981).

EARLY DEBATES

Vouchers first reached the national policy stage during the 1930s, when they were considered but rejected during debates on public housing (Mitchell, 1985, p. 200). After the second World War, they were again debated during a series of hearings conducted in the late-1940s by a special Senate Subcommittee on Housing and Urban Redevelopment chaired by Senator Robert Taft. During the committee's consideration of ways to solve

[6] Some may object to such a broad use of the term "voucher." A number of housing policy authors use the term interchangeably with "housing allowance" and "rent certificate," though these terms often denote programs that employ more restrictions on use of the subsidy than some associate with a classic voucher model (cf. Savas, 1987; and Howenstine, 1986). For the purposes of the present study, I use "voucher" to refer to any program that provides a demand-side subsidy to tenants for use in the private market.

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the post-war housing crunch, they heard extensive testimony on a rent certificate option for providing housing assistance to those in need (Allen, et. al., 1981, p. 2; Winnick, 1985). The principle challenge facing the committee, however, was not the alleviating the rent burden of the poor, but rather finding a way to stimulate construction of enough units to alleviate the severe shortage of units that existed as a result of wartime restrictions on construction. In 1947 there were as many as four million households living doubled-up with other families and projections of the building capacity of the private real estate industry suggested that meeting this demand could take more than a decade (Checkoway, 1986, 121).

Weighing arguments that vouchers would not substantially increase the supply of housing, would require invasive monitoring procedures, and suffered from inconsistent support among "the social workers," the committee opted to recommend an extensive public housing construction program instead, which was enacted into law in the Housing Act of 1949. As Senator Taft explained,

> We did not think it would stimulate the construction of the houses necessary. We did not see how it would get rid of existing slum areas. It might even make them more profitable and more difficult to buy because people would get their rent certificate and you would have to have quite a control because you would have to go around and see what they were giving their rent certificates for (U.S. Congress, 1947, p. 14).

Vouchers were not re-visited as a serious policy option at the federal level until the late 1960s. In the mean time, public housing served as the primary source of government-assisted housing for the poor.

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THE RISE AND DECLINE OF PROJECT-BASED SUBSIDIES

Public Housing and its Legacy

Public housing was a controversial program from the start. Under attack from building industry advocates such as the National Association of Real Estate Boards and the National Association of Home Builders for promoting 'socialistic" practices and competing with the private sector, public housing was never found wanting for critics. Early analyses noted that, when combined with urban renewal (as public housing often was after 1954), public housing created far less housing for the poor than was destroyed through slum clearance (Anderson, 1964, p. 67). Black advocates such as Jack Wood of the NAACP noted that urban renewal tended to clear African Americans from large tracts of valuable urban land and isolate them spatially and socially in projects on the city peripheries. Urban renewal, in the mocking phrase of the time, was equated to "Negro removal" (Matusow, 1984, p. 103). In addition, jobless families, initially excluded from many projects, began gaining admission in greater numbers during the 1950s. It was not long before the public housing projects were seen as repositories for the most disengaged and desperate populations (Hays, 1995, p. 95; Lemann, 1991). Even a sympathetic observer like Lee Rainwater concluded, "in many cities public housing has become a more visible kind of slum, and by its very existence as a *public* program highlights the failure of the federal response to poverty" (1970, p. 409).

Innovative alternatives to public housing were pursued throughout the 1960s as policy makers continued to seek solutions to the problem of an inadequate supply of affordable housing. Responding to concerns that the projects were ghettoizing the poor in costly mega-developments that were a lightning rod for criticism of government social

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action, policy makers turned to the private sector as the motor of production for new affordable units. In 1961, President Kennedy signed the 221(d)(3) program into law, which subsidized the mortgage rates of private developers building affordable units. This was the first of a series of efforts to encourage private companies to build and operate housing for the poor; later efforts included the Section 236 program, passed as part of the 1968 Housing Act (Hays 1995), and the Low-Income Housing Tax Credit program, passed as part of the 1986 Tax Reform Act. As of 1995, private subsidized developments were assisting 1.65 million households (Dreier and Atlas 1995).

All of these programs shared the common feature of encouraging private developers to create and own affordable housing by means of decreasing the effective interest rates on borrowed funds in exchange for limiting rents to levels affordable by lower- or middle-income families. They are known as the "below-market interest rate" or "interest rate reduction" programs.

These interest rate reduction programs were successful at reducing somewhat the geographic concentration of assisted housing recipients and added hundreds of thousands of units to the affordable housing stock during the 1960s and 1970s. On the other hand, they were criticized for poor targeting of resources, excessive profiteering by developers, and a high default rate, especially among non-profit sponsors (Hays, 1995, Chapter Four). Worse, these programs (especially the Section 235 affordable homeownership version) were battered by a series of scandals that were the major justification cited by the Nixon administration when it imposed a moratorium on the construction of new assisted units in 1973. The programs were assailed for driving up construction costs, granting outsize tax breaks to investors, and defrauding the Federal Housing Agency through inflated

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property assessments (Hays, 1995, p. 124; Welfeld, 1992, p.28; Matusow, 1984, p. 236). HUD estimated in 1974 that the Section 236 project cost 10-20 percent more per unit than conventionally financed public housing (Hays, 1995, p. 125).

The shortcomings of the public housing and private sector programs, then, provide the context in which the turn to vouchers can be understood. Various approaches to tenant-based assistance were tested by federal policy makers from 1965 through 1983, and demand-side approach began subsidizing large numbers of families in the mid-1970s. These years coincided with a growing appreciation of the consequences of concentrating the poor in large public projects: crime, social dislocation, increased dependence, and invasive regulation. The demolition of the Pruitt-Igoe projects in St. Louis in 1972 was widely reported and cited as a symbol for the failed public housing program. The early 1970s brought some of the failings of the private sector alternatives to the fore: fraud, wasted tax dollars, and a set of relationships among builders, lenders and developers where no one had an incentive to promote the long-term viability of the project. In addition, the severe housing shortage that concerned the members of the Taft Commission was largely solved by the late 1960s. Abetted by FHA mortgage insurance, private builders had begun to meet the needs of most consumers by the mid-1960s, building enough houses to satisfy demand and achieve a modest vacancy rate (Solomon, 1974, Chapter 1; Checkoway, 1986; Winnick, 1995, pp. 96ff.).

In this environment, providing choice to tenants and allowing them to use government subsidies to seek housing in the private sector held increasing appeal. Advocates of the demand-side approach believed that vouchers would address many of the worst failures of public housing and private sector programs like Section 236. Instead

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of concentrating the poor, as public housing did, vouchers would allow them to spread out. Instead of creating large, visible mono-block buildings that were a magnet for community criticism, vouchers would operate invisibly, with recipients living in the same buildings as the unsubsidized. The stigma associated with receiving public aid would be reduced as voucher holders maintained their privacy; no one beyond their landlord needed to know how their rent was paid. Nor would housing authority staff be forced to try to maintain social norms among aid recipients, an uncomfortable role from the standpoint of civil liberties and paternalism (Hays, 1995, 139ff.).

Since vouchers work through the private market in dwellings that have already been constructed, there would be less risk of the kind of developer giveaways that had marred Section 235 and 236. Those programs were susceptible to fraud and overcharging due to the complex nature of their financing. Most developers were not involved for the profits to be made from the simple mortgage rate reduction, which allowed for rather modest returns on investment. A much stronger lure was provided by the opportunities for accelerated depreciation, which allowed participants in tax syndicates to write off extensive losses on the value of the subsidized buildings against real earnings from other investments (Welfeld, 1992, p. 43). The tenant-based alternative, of course, breaks the link between construction subsidies and assistance to the poor, reducing the potential for fraud. As will be discussed below, voucher programs turned out not to be immune to fraud, achieved through landlord-tenant collusion or corruption among government officials responsible for maintaining the waiting lists, but these problems were not to emerge for many years and were never as damaging to the voucher programs as the scandals of the early 1970s were for the private industry mortgage reduction efforts.

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Finally, vouchers were an attractive alternative because they required less commitment from the federal government. Section 236 contracts committed HUD to providing a long-term subsidy that would keep the interest rate on a project below market for decades. When projects went bankrupt, as they frequently did, HUD also became the owner of last resort through foreclosures. Thus, the mortgage subsidy programs were unattractive from a political and budgetary standpoint, since they required long-term budget authority allocations at the outset. Voucher programs, as the Reagan administration demonstrated forcefully, were much more flexible in this regard; budget authority could be requested for only one year and renewed annually. As priorities changed, or the program fell out of favor, the federal government was under no obligation to continue providing assistance, nor would HUD be expected to take control of failing subsidized projects that were never intended for survival as market rate housing.

Early Voucher Programs: Section 23 and EHAP

Section 23 Leased Housing

The use of vouchers as a national housing policy instrument began in 1965 with the Section 23 Leased Housing program. Under Section 23, housing authorities used federal financing to lease apartments on the private market and, in turn, to rent these units to needy families. The program did not quite conform to the voucher model since housing authorities generally decided which apartments would be rented and tenants were given little say in which apartments were leased. Nonetheless, Section 23 made early use of procedures that would become staples of housing voucher policy:

- It functioned by means of an enhancement of consumer demand, not through direct additions to the housing supply;

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- Assistance was funded by the federal government but administered through local housing authorities;
- The subsidy paid to the private landlord was calculated as the difference between the rent on the apartment and a percentage of the tenant's income.

Section 23 funded over 100,000 units of affordable housing between 1965 and 1974, when it was replaced by the Section 8 tenant based program (Bratt, 1986).

Not much time had to pass before policy analysts discovered the potential for a tenant-based program like Section 23 to disrupt patterns of housing mobility that enforced racial and economic segregation. Early in the post-war period federal housing assistance had explicitly reinforced patterns of segregation as FHA guidelines instructed its agents not to insure mortgages that would mix "unharmonious racial or nationality groups" (Jackson, 1985, p. 208). By the end of the 1960s, however, racial integration had become a national cause célèbre and housing and education were emerging as the key policy arenas for achieving civil rights goals. President Johnson's National Commission on Urban Problems, chaired by Senator Paul Douglas, noted the existence of "poverty pockets" in large cities where the rates of poor and nonwhite residents were disproportionately high and increasing rapidly (1968, p. 51). The Commission recommended that housing authorities be enabled to lease units for the poor on a metro-wide basis, allowing them to cross county boundaries to achieve "the spreading out beyond the ghetto in a suitable environment of limited numbers of low-income people" (1968, p. 187).

Urban policy experts in the 1960s also recognized the link between administrative and government structures and concentration of the poor in the inner cities. The administrative fragmentation that characterized service delivery in many metropolitan areas was identified as an important obstacle to racial and economic integration. Robert

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Wood wrote in 1961 of the deleterious effects of metropolitan fragmentation. These included a spatial mismatch between resources and needs, a tendency toward inaction in the face of social problems, and an increasing risk of municipal fiscal crisis (1961, pp. 50-57, 177ff.). The Douglas Commission recommended that states encourage regional planning and administration for housing assistance. The Commission saw the potential for housing programs to help counteract these forces and called for states to set up local housing administration on a multi-county basis where the area of a city overlapped several counties (1968, p. 186).[7]

The case for housing vouchers received a strong boost with the 1968 publication of the report of the President's Committee on Urban Housing, also known as the Kaiser Committee, which recommended that the federal government sponsor an experiment to test housing vouchers. Section 23 had been an important step toward the use of housing vouchers, but the program placed restrictions on tenants that the Kaiser Commission believed were of limited utility (Louis Winnick would later call the program a "pale and limited imitation of a genuine tenant-assistance instrument" [1995, p. 102]). In Section 23 the housing authority was responsible for finding the units, rather than the tenants; and the subsidy was tied to the unit itself, not to the family receiving the benefit.

The Kaiser Committee recommended a pilot program that would operate as a truly tenant-based subsidy, where federal dollars flowed directly to the recipient household and participants were allowed to search for suitable housing on their own (President's Commission on Urban Housing, 1968, pp. 14, 71) Although they worried that a large scale voucher program would do little to aid new construction and might bid

[7] The continuity of policy objectives at the federal level is noteworthy here. HUD reports published in the late 1990s echo the language of the Douglas Commission on the importance of overcoming concentrations

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up rents for non-recipients, committee members felt the benefits of a tenant-based program outweighed the potential drawbacks.

First and foremost among these benefits was the potential for allowing recipients free choice in the location and type of housing they would inhabit. Residents of public housing and other project-based assisted dwellings were of course forced to live in the buildings covered by the subsidy. The Kaiser Committee hoped giving recipients free choice to use their vouchers in existing housing would allow them to live in better neighborhoods and avoid the stigma and psychological stress of living in "the projects."

Second, the committee believed vouchers would make better use of the dynamics of the free market in housing. Since the housing market brings supply and demand into a rough equilibrium, it better matches the needs of particular consumers to the dwellings they eventually select. The market provides greater diversity in housing options to the consumer than any government program can. Interestingly, the committee refers twice to the way housing allowances will permit the market to operate in a "traditional manner," i.e., through supply and demand. This point will be discussed in more detail below. Finally, the committee believed that vouchers, if implemented on a wide enough scale, could have a salutary effect on the private market itself. Increased demand would compel slum owners to improve their buildings or lose tenants, while builders would respond by constructing more units to meet the enhanced spending capacity of poor households. The result would be more and better units available for households to choose from in their housing search. .

Within two years, Congress initiated one of the largest and most expensive social experiments ever conducted: the Experimental Housing Allowance Program (EHAP). At

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of poverty and promoting regional governance as a means to this end.

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a cost of $160 million. EHAP assisted over 25,000 families in 12 jurisdictions across the United States, providing households with a direct subsidy based on their income. The program was intended to test the effects of a large-scale housing allowance program. Some of the issues investigators hoped to clarify included:

- who would be the principal beneficiaries of a housing voucher program;
- what effect the subsidy would have on where a family moves (i.e., to areas of low poverty, etc.);
- whether subsidizing some poor households would lead to rent inflation for unsubsidized families;
- what effect the subsidy would have on housing quality;
- whether a housing allowance was less costly than supply-side approaches like public housing;
- whether racial discrimination and the limited resources of poor families searching in the private market would prevent recipients from being able to use their vouchers ; (Frieden, 1985, pp. 366-368, US Dept. of HUD, 1978, p. 1).

The twelve jurisdictions were divided into three groups, which corresponded to three different experiments studying the effect of vouchers on supply, on demand, and the outcomes associated with various administrative methods for implementing the program. Each of the three experiments was conducted separately (two by Abt Associates and the other by the Rand Corporation), with an integrated analysis provided by the Urban Institute. The implementation of EHAP spanned the years 1973-1979, and HUD's evaluation of the program was published in 1980.

The Experimental Housing Allowance Program produced dozens of volumes of research reports and summaries, and had an important effect on the design of later voucher programs. Later studies of the federal housing voucher programs were much less ambitious and generated little attention outside the publications of the HUD contractors who conducted the studies. In contrast, EHAP garnered attention from researchers and housing experts ranging from the Urban Institute and Brookings to the

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National Urban League and scholarly advocates like Chester Hartman (Bradbury and Downs, 1981; Hartman, 1985). In interviews conducted nearly twenty years after the conclusion of EHAP, HUD officials refer to the research results from EHAP to explain current policy decisions on housing vouchers. The extensive collection of evidence and commentary generated by EHAP is the most important single source of information regarding housing vouchers in the American policy arena.

Nonetheless, before examining this evidence it should be noted that policy change did not always follow analysis in the way some "textbook" descriptions of the policy process suggest. Policy experts have often suggested that policy-making can function by means of a process of sequential stages of decision making, where agenda setting precedes the analysis of policy options, which in turn is followed by selection of the most effective alternative and, finally, implementation (cf. Anderson, 1994, chapter 4). In practice, as many observers have noted, the policy process rarely works in this manner (March and Olsen, 1989; Kingdon, 1995; Cohen and March, 1992).

The chronology of the development of voucher programs supports theories of the policy process that argue analysis does not always precede decision making, and that implementation of solutions can follow political windows of opportunity more closely than the lessons of careful policy analysis. The major legislation to implement tenant-based assistance as federal housing policy came in 1965 (Section 23), 1974 (Section 8 Certificates), and 1983 (Section 8 Vouchers). While the last of these changes was certainly timed to take full advantage of the lessons of EHAP, much of the movement toward adoption of a tenant-based program occurred before the completion of the EHAP studies. In addition, the principal housing policy document of the Reagan administration

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displays a strong preference for any policy alternative that "shrewdly encourages rather than suspiciously controls the exercise of private initiative" (U.S. President's Commission on Housing, 1982, p. xvii). In such a political environment, the continued shift toward a housing voucher model would offer support for a "policy streams" explanation such as Kingdon's (1995) or a "temporal sorting" model like that proposed by March and Olsen (1989). Both of these analyses downplay the importance of policy analysis in favor of an emphasis on the simultaneous occurrence of a receptive political environment, policy entrepreneurs advocating "pet" solutions, and an issue's propitiously timed arrival on the public agenda.

Still, the conclusions drawn from the EHAP research were quite influential among public policy experts who study housing, and the program outcomes are widely cited in the housing literature when vouchers are discussed. As the most extensive source of information about how vouchers work in the field, EHAP merits close attention.

The Experimental Housing Allowance Program

Of the three studies conducted by EHAP researchers, the "demand experiments" were in many ways the most important. Carried out in Pittsburgh and Phoenix, the demand experiments were intended to find out what percentage of eligible recipients would use vouchers, whether certain groups were more likely to be able to use the vouchers than others, what effect the vouchers would have on relocation decisions and housing quality outcomes, and how much of the voucher would be used for housing when recipients were given unrestricted use of the subsidy (Allen, *et. al.*, 1981, p. 11).

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The "supply experiments," conducted in Green Bay, Wisconsin, and South Bend, Indiana, were intended to measure the effects of an allowance program on the housing market, landlord behavior, and dwelling conditions. Program procedures varied considerably from the demand experiments; instead of directly inviting participation from a subset of potentially eligible families, the supply experiment opened enrollment to all families meeting the income criteria in the two cities, for example. Researchers were particularly interested in whether the housing quality standards that were a criterion for use of an allowance would prompt landlords to correct deficiencies in their dwelling units, whether new units would be constructed as a result of the increased housing demand, whether rents would rise for the unsubsidized, and whether the recipients would seek neighborhoods of a different character when given the economic resources to do so (Allen, *et. al.*, 1981, p. 4). Housing allowance subsidies were paid directly to the tenant, and were calculated in most cases to equal the difference between 25 percent of the household income and what a standard unit adequate to the family's needs would cost in the jurisdiction.

The "administrative agency" experiments involved eight cities, each receiving up to 900 slots for granting assistance. The cities were given broad guidelines for what the program was to accomplish and asked to provide their own implementation plan to HUD, detailing how they would address such tasks as outreach and screening of applicants, inspection of units, assisting households in their search for a unit, and providing payments to families. Implementing agencies were selected for diversity: they included housing authorities, welfare agencies, state community development agencies, and county housing agencies (Allen, *et. al.*, 1981, p. 15).

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What researchers found in the three experiments generally supported housing allowances as an effective way to provide assistance to needy households, but there were also important ways in which the program fell short of meeting the high expectations of some advocates. To begin with, the experiments showed that significant numbers of eligible tenants would take advantage of a voucher program if given a chance, but that the numbers of actual recipients would likely fall far short of the total eligible population. The highest rate of participation was achieved in Green Bay, where 48% of the eligible households participated and received benefits, while South Bend only reached 39% of the eligible households. These two cities used an open enrollment model where all eligible households we allowed to join the program (U.S. GAO, 1986, p. 36). These results suggest that an open enrollment voucher program would likely reach less than half the eligible households, which came as something of a surprise to policy makers at the time who had predicted much higher participation rates (Aaron, 1981, p. 101). While this outcome suggested that an entitlement voucher program might be cheaper than expected[8], it also raised serious equity questions regarding which families were not participating.

Indeed. EHAP provided ample evidence that nonparticipation was one of the key challenges facing housing voucher programs. If the nonparticipating households were randomly distributed in the eligible population, distinguished only by their lack of interest in receiving government subsidy, there would be little cause for concern. Likewise if they did not participate because they tended to have better quality apartments or lower rent burdens than the other eligible households.

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[8] Many of the papers on EHAP treat the program as a possible precursor to a federal entitlement housing allowance. Of course. Section 8 was no such thing. Only a small fraction of eligible households receive vouchers under Section 8.

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In fact, households who were eligible but did not participate tended to be poorer and lived in worse quality housing than those who succeeded in using the allowance (U.S. Dept. of HUD, 1978, p. 13). Minorities also had lower success rates in finding housing through the program (U.S. GAO, 1986, p. 42). This is related to the housing quality standards the program imposed on recipients; many of the households who enrolled were able to qualify for assistance in their current units. Others had to repair deficiencies before receiving program benefits, and many had to move to new quarters. The program's differential impact was related to variations in the populations residing in adequate units at the outset, and to variations in the experiences of families in the search process.

Despite the great improvements in housing quality that had been made in the United States during the years leading up to the EHAP experiments, EHAP researchers found that many of their applicants lived in substandard units. Forty three percent of enrolled households presented a unit for inspection that was judged "clearly inadequate" on such measures as lacking plumbing, inadequate fire exits, and insufficient light and air. Another 26 percent were classified as ambiguous. The demand experiments tested the effect of establishing minimum quality standards for participation by dividing recipients into two groups and requiring only one group to meet minimum quality standards, while the other simply had to qualify under income and rent burden criteria (Straszheim, 1981, p. 118).

The results, as Mahlon Straszheim concludes, showed that "the imposition of housing quality minimums is a major deterrent to participation" (1981, p. 125). Participation rates for the version of the demand experiment where no quality constraint

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was used ranged from 78 to 90 percent, while minimum standards dropped participation rates to 41 to 59 percent, depending on the site (Straszheim, 1981, p. 122). The consequence of losing large numbers of eligible households from the recipient pool (many of whom enrolled in the program but never managed to upgrade their units or move to a better one) was for the program to serve relatively wealthy, white, and young households, since these were the ones most likely to begin the program in a decent dwelling unit, and to have the fewest barriers to success in a search on the private market (Straszheim, 1981, p. 130). Straszheim notes that these outcomes point to a larger role for the local administering agencies, who can affect participation rates actively by assisting enrollees in shopping for a unit and negotiating with a landlord, and passively by enforcing quality standards in a less stringent manner (1981, pp. 138-140).

Perhaps more troubling for advocates of a voucher model, recipients were found to have unexpectedly low "elasticities" for income and housing prices. That is, economists had anticipated that as incomes were boosted or housing costs were reduced, significant increases in housing consumption could be expected. As it turned out, EHAP showed recipient households to be quite inelastic with regard to their housing consumption. When the subsidy was given as an unconstrained cash subsidy, households spent very little of the money on additional housing; when rents were reduced by the subsidy, households rarely took advantage of the benefit by finding better quarters (Cronin, 1981, pp. 159-169). One conclusion that could be drawn from these results is that the poor place a lower priority on improving their housing conditions (*vis à vis* other priorities they have for expenditures) than government policy-makers might assume.

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In addition to the questions about who participates, EHAP provided important information about participant mobility. Prior to the experiments, it was believed that most recipients would have to move in order to find a unit that complied with quality standards and that most residents would take advantage of the cash incentive to find a better dwelling in a better neighborhood (U.S. Dept. of HUD, 1978, p. 8). The positive implications of this related not only to improvements in housing quality, but also to possibilities for facilitating racial and economic integration in neighborhoods where high rental prices had previously excluded minorities.

These projections turned out to be overly optimistic. In practice, between 28 and 46 percent of the recipients used the vouchers in-place in units that already met housing quality standards. Of those whose units failed the initial inspection, eventual participation rates ranged from 34 to 71 percent, depending on the stringency of quality standards imposed (Lowry, 1982, p. 15). Carlson and Heinberg (1978, p. 24) point out that between 28 and 53 percent of the recipients moved after enrolling in the program, depending on the site and the experiment, but comparing moving rates between recipients and a control group indicated that the allowance program had only a modest effect on promoting mobility, and this occurred only in one site (Cronin and Rasmussen, 1981, p.121).

In general, EHAP reviewers concluded that the program was not very successful at encouraging residents of substandard housing to move to better dwellings. Cronin and Rasmussen (1981, p. 118) and Rossi (1981, 162) agree that factors such as age, satisfaction with neighbors and units, and household composition all had a greater effect on a family's likelihood of moving than receipt of a subsidy. This conclusion is

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supported by more recent research done by Clark and Dieleman (1996) which demonstrates the importance of predictable "life cycle" events such as childbearing in driving locational decisions by households, even in a cross-cultural perspective. Providing housing allowances simply does not seem to be the dispositive factor in encouraging people to move from low quality dwellings.

Even more importantly, the EHAP experiments found no evidence to support the hypothesis that families would use their vouchers to find housing in areas of low concentrations of minorities and the poor. Households who moved displayed a slight tendency to move to neighborhoods with lower concentrations of minorities and the poor, lower crime, and better neighborhood characteristics, but when these were compared to control groups not receiving any subsidy, the differences were negligible (Cronin and Rasmussen, 1981, p. 123). Evidently, households displayed a greater attachment to place and a higher tolerance for poor quality housing than many EHAP proponents had anticipated.

Researchers were also surprised to find the allowance programs had no measurable effects on the housing markets in the cities under study. Optimistic predictions had suggested that the allowances would lead recipients to move from substandard dwellings, wealthier neighborhoods would become more integrated, while landlords in poor areas would be forced to upgrade their units in order to lure scarce renters. Pessimists believed that, as populations declined in low-income places, neighborhoods would topple into the worst slum characteristics, while at the same time integration of new areas would lead to social conflict and, worst of all, higher prices for non-recipients (Lowry, 1982, p. 29). As it turned out, even where the allowance program

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was available as an entitlement to approximately twenty percent of households in the supply experiments, very modest increases occurred in overall expenditures on housing. Modest numbers of eligible households participated (it was closer to seven percent of the population), and even in neighborhoods where participation was high the increased outlay for housing was only two percent of the total rent expenditure (Lowry, 1982, p. 30). Consequently, no upgrading of dwellings came about as a result of the program, no neighborhoods were revitalized and no rent inflation was measured.

The Administrative Agencies Experiments were designed to discover how various agencies would implement a tenant-based program, to assess the success of various approaches that might be employed, and to find out how much the program cost to administer. The very existence of these experiments suggests that HUD was attentive to the administrative issues relating to a voucher type of program at the early stages of program development. HUD officials were aware that the decisions made by local agencies on how to conduct outreach, inspect apartments, and provide services to the applicants would all have important effects on program outcomes (Porter, 1981, p. 323). Of course, they were also well aware that the measure of the relative cost of a tenant-based program would largely determine the future support for this method of providing housing assistance.

The results of the Administrative Experiments, however, generated little consensus on what the "best practices" of program implementation might be. Aside from a general conclusion that tenant-based assistance could be administered at reasonable cost (Kershaw and Williams, 1981, p. 296; Frieden, 1985, p. 376), and that various types of

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agencies could indeed implement a voucher program successfully (Zais, 1981, p. 264), researchers arrived at quite disparate conclusions based on the experimental data.

James Zais (1981, pp. 235-264) from the Urban Institute found that the Administrative Experiments provided important evidence to guide program design. He points out that agency outreach efforts can be beneficial in reaching groups (notably the elderly and working poor) who are underrepresented in the applicant pool, though the evidence that these efforts actually result in a higher level of applications, as opposed to mere awareness of the program, is not conclusive. Zais cites data that suggest (again, not conclusively) that areas that spent more money on media outreach achieved higher rates of applicants who heard about the program through the media. The results also show that independent verification of applicant incomes is likely to bring substantial changes to what the client self-reported; so agencies should not simply take the clients at their word when establishing eligibility. With respect to inspections, analysts found that professional code inspectors accurately assessed the condition of units at a much higher rate than trained agency staff or the clients themselves, suggesting that such inspectors (whose services turned out to be surprisingly affordable as well) should be used in future programs.

Finally, Zais reviews some of the services provided to applicants in the program. Agencies varied widely with respect to what services they provided, with some offering not much more than an informational briefing and others going so far as to provide moving assistance, negotiate with landlords, field discrimination complaints, and escort applicants looking for dwellings. Results suggested that these services increased the chances of success only for black families, and only in tight housing markets.

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Nonetheless, the effects were positive and very large: success rates increased from 26 percent among blacks wanting to move to a new unit to 65 percent when high levels of services were applied (1981, p. 257). He also reports that a second study, which more carefully analyzed the actual use of services by clients, found informational services such as those that help clients know where to look for a standard unit to be more effective than "caseworker" type services, such as offering child care and transportation (1981, p. 258).

In sharp contrast to Zais' neutral reporting of experimental results, Kershaw and Williams (1981) deliver a scathing critique of the Administrative Agency Experiments research design, pointing to "serious design flaws imposed by initial HUD constraints, the most important being the failure to use any controlled variations to measure administrative variables (p. 286). At the outset of the experiment, HUD officials expressed reluctance to impose rigid requirements on how agencies would implement the program. They argued that selecting a range of different types of agencies (housing authorities, welfare agencies, state community development agencies, and county agencies) would provide a certain degree of systematic variation, and that these agencies should be allowed to proceed with "natural" variations in program administration. HUD officials were particularly skeptical that administering agencies could be mandated to carry out specific guidelines: one report has HUD staff pointing out that "experience shows they ignore many legally binding HUD instructions and regulations, including those given as part of experiments" (Downs and Bradbury, 1981, p. 396).

According to Kershaw and Williams, the failure to vary administrative procedures systematically resulted in a study that has little value for guiding agency practice, and where data about important aspects of the program were never collected or reported.

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They note, for example, that there was almost no variation in how agencies verified applicants' household size—most agencies did not verify it at all, in fact. Their preferred solution would have been to vary how certain processes are carried out, and then assess the impact of these variations. Key variables would include whether eligibility and enrollment would be permitted via the mail, what kinds of income documentation would be required for certification, and what level of "adjunct" benefits would be provided (Kershaw and Williams, 1981, p. 317). They dismiss the reluctance of HUD officials to impose experimental variations on local agencies by pointing out that the experiments were designed to produce model practices for agencies to employ; if HUD felt that such practices "could not be imposed on existing agencies, why have [a model] at all?" (p. 304).

David O. Porter (1981) agrees with Kershaw and Williams that the Administrative Agencies Experiment suffered from serious design flaws, but he is sharply critical of their argument that more controlled variation would have yielded more useful results. Porter argues that HUD, Abt Associates (who carried out the experiments), and analysts like Kershaw and Williams all failed to consider "basic materials from the administrative literature" which suggest that local discretion is one of the key elements of a successful housing voucher program (1981, p. 337). An appropriate experimental design would not impose controlled variations on local agencies in the expectation that the experiment will suggest which variations should be imposed in the actual program. Instead, the experimental design should be an "open" one, where the focus is on "how a program is adapted to local environments" (1981, p. 321).

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Porter believes that the most important data available from studying program administration relates to the ways in which various functions, such as screening, inspections, and services, interact with the conditions of a particular jurisdiction, i.e., "differences in political environments, eligible populations, and supply and quality of housing stock" (1981, p. 325). According to Porter, such an analysis was not conducted in the Administrative Agency Experiments, not because the EHAP designers felt it was impossible, but rather because they were more interested in finding clues to a "one best way" of implementing the program.

Despite the mixed reviews of the Administrative Agency experiments, EHAP was judged mostly as a successful undertaking. The program had shown that a housing allowance program could be implemented effectively by a variety of local agents, that it could reduce rent burdens for the poor, that most families could use the certificates and find adequate housing (even by staying in place), and that program objectives could be accomplished for a comparatively low administrative cost. While there were a few disappointments as well—families did not generally move to areas of low poverty concentrations, program failure fell hardest on the poorest and worst-off households, imposition of housing quality standards dampened participation—the overall findings suggested that a tenant-based program could work quite well, assuming its goals were to reduce the rent burdens for the poor and achieve modest improvements in the quality of their dwellings.

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THE SECTION 8 PROGRAM

Vouchers in Practice: Section 8 Certificates and Vouchers

At the time EHAP was established, it was intended that no housing allowance program would be adopted on a large scale until the results of the experiments were analyzed and published. As it turned out, the exigencies national politics brought about a full recasting of federal housing policy in the summer of 1974. A major element in the Housing and Community Development Act of 1974 was the Section 8 Existing Housing program, the country's first major voucher program for housing, which would subsidize more than 600,000 units by the early 1980s.

The passage of Section 8 might have been delayed for years if not for President Nixon's 1973 moratorium on new housing subsidy commitments and the events leading to his resignation the following year. The moratorium had come about partly in response to a series of scandals emanating from the Section 235 and 236 programs in the early 1970s, and partly as a means of promoting Nixon's priorities of consolidation and devolution of categorical programs. Nixon administration officials cited the myriad and Byzantine regulations and procedures that interfered with program goals and allowed developers to manipulate the incentive structures for windfall advantages (Hays, 1995, pp. 134ff.)

While Congressional supporters of assisted housing battled unsuccessfully to overturn the moratorium, Nixon appointed a committee to conduct a comprehensive review of all existing housing and community development programs. Drafts of the Housing in the Seventies report were already circulating as the Watergate scandal heated up in late 1973, and the report's criticism of existing programs helped lay the

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groundwork for the legislative initiatives of 1974 which established Section 8. From the perspective of the designers of the voucher program, probably the most pertinent observation made by Housing in the Seventies regards "transfer efficiency." This term refers to a calculation made in the report which measured the expenditure a family would make without the government subsidy to find adequate housing, and then divided this by the actual dollar value of the improvements in housing generated by the public program.

Public housing, for instance, was found to increase residents' consumption by $101 each month, but the residents only valued the housing they received at $75, judging from their past housing consumption patterns. Thus, the committee concluded, the transfer efficiency of public housing was only .75, meaning the government was forcing the household to consume 25 percent more housing than they would under an unrestricted cash grant (HUD, 1974, pp. 90-95; see also Hays, 1995, p. 282). The implication for voucher programs, then, is that an unrestricted model where the recipient has more choice in how resources are allocated will afford the tenant a better fit between his or her own evaluation of needs and where the subsidy money is actually spent. Put another way, production-based subsidy programs do a poor job, compared to voucher programs, of allocating resources in consonance with the recipient's own evaluation of where assistance is needed.

It was no surprise that a tenant-based program should be an important component of the Nixon administration's landmark housing legislation in 1974. What was unexpected, however, was the urgency with which the program was enacted: The furor caused by the release of the Watergate tapes earlier in April of that year led Nixon to attempt to mollify Congress to stave off impeachment; the moratorium was one of the

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principal obstacles to improved relations, so administration officials worked quickly to draft legislation to create the tripartite Section 8 program (new construction, substantial rehabilitation, and existing housing rent certificates) and consolidate existing categorical urban anti-poverty programs into a "community development block grant" (Garraty, 1983, p. 777-785; Hays, 1995, 148ff.). In August of 1974, Congress passed the Housing and Community Development Act, which was signed into law by President Ford.

The creation of the Section 8 Existing Housing Program was welcomed by conservatives hoping to spread housing assistance more broadly without increasing overall expenditures, but it received mixed, though mostly negative, early reviews from liberals. Progressive housing analyst Chester Hartman quickly labeled the program a "hoax" which would leave low-income tenants at the mercy of landlords who would simply raise prices without providing better conditions (Hartman and Keating, 1974, pp. 31-37).

Additional criticism came from a much more famous liberal personage: Mario Cuomo, then an attorney in Brooklyn who had recently gained notoriety as the mediator of a compromise solution in the heated controversy over siting of a public housing project in Forest Hills, Queens. In Forest Hills Diary, his account of that conflict, Cuomo laments the dissolution of support for public housing construction, arguing that the program is "imperfect" but perhaps salvageable through judicious siting and limitations on density. In contrast, he sees Section 8 as a "grim surrender...nothing but a cop-out which would in all likelihood result in a massive underwriting of slumlords" (1983, p. 149). Deriding the new "policy" as not worthy of the term, Cuomo sees the tenant-based approach as an acknowledgement that no solution was likely to the problems of ghettos

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and segregation. In his view, giving tenants vouchers (or "certificates" as they were then called) was a mechanism for abandoning the public housing program—a view shared by most critics of the voucher policy.

For Cuomo, modestly scaled public housing projects provide the best prospects for integrating neighborhoods, deconcentrating the poor, and addressing the housing needs of needy families. Unfortunately for its proponents, the scatter-site public housing that Cuomo hoped would correct some of the shortcomings of the public housing program came under high-visibility attack from shrill neighborhood leaders in New York City. Democratic public officials began backing away from the program by the early 1970s, after Mayor Lindsay admitted his scatter-site building program had produced a "political bloodbath" and nowhere near the expected number of units (Bellush, 1971, pp. 119ff.).

Despite significant variations between them, the three Section 8 programs established in 1974 shared some important characteristics. The most notable of these involved the calculation of the subsidy mechanism; HUD would pay the difference between 25 percent of a renter's net income and a locally established "economic rent" (later called the "payment standard"). The payment can be represented by the following equation:

$$P = E - .25i$$

(where P is the payment from HUD to the builder or landlord, E is the economic rent, and i is the household's net income).[9] The subsidy would be paid by the local housing

[9] HUD also instituted a "rent reduction credit" that allowed recipients to share in any cost savings incurred from renting a cheaper unit of standard quality, but this element was little understood by the tenants and agencies did not emphasize it in briefings. It was eventually eliminated (Olsen and Rasmussen, 1979, p. 17; Zais, 1979, p. 56).

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agency directly to the owner, and the tenant would be responsible for paying the household portion directly to the owner each month as well.

The economic rent was calculated based on the age of the building, the quality of the unit, and the prevailing market conditions, and was intended to approximate a fair price for the particular unit in question. To prevent excessive costs in high-rent areas, a ceiling, called the "Fair Market Rent," was placed on economic rents. Originally, the fair market rent was calculated as the median rent for similar apartments in the metropolitan area, but this threshold was reduced to the 45th percentile and then (in 1995) the 40th percentile as Congress sought to cap rising costs in the program.

The income targets for the program were initially set at levels somewhat higher than public housing and other low-income subsidy programs: originally four times the local fair market rent (U.S. Congress, 1974, p. 4315), the limit was later revised to equal 80 percent of the area median income (Hays, 1995, p. 150). In order to ensure that very poor families would be served, the original bill required that 20 percent of all Section 8 units be set aside for very low-income families making less than 50 percent of the area median income; this requirement was later expanded so that virtually all families served by the program met the 50 percent of area median income threshold (Quadel Consulting Corporation, 1997, p. 1-30; Citizens Housing and Planning Council, 1997, p. 16). Current Section 8 guidelines state that tenants generally must be below 50 percent of median, with at least 75 percent having incomes below 30 percent of area median, representing a significant tightening of income targets over the years (Hunt, et. al., 1998, p. 6).

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Another feature shared by the three programs was their reliance on the Housing Assistance Plan (HAP) as a means of allocating resources. The 1974 Housing and Community Development Act required localities to conduct an annual planning process to determine the distribution of housing needs among various target groups such as elderly or large families, assess the optimal distribution of housing assistance to meet these needs, and request HUD funds based on these assessments. These planning requirements were abandoned during the Reagan Administration when policy priorities favored devolution of authority, but have been resuscitated since 1990 with new legislation requiring comprehensive planning by recipient jurisdictions (Crowley, 1998, p. 196).

The Section 8 New Construction and Substantial Rehabilitation programs were obviously designed as production subsidies. The production programs were intended to function without additional subsidies—program designers having anticipated that high fair market rent levels and guaranteed subsidy streams would be sufficient inducement to builders—but it turned out that banks were not willing to lend without additional incentives, so tax exempt financing and favorable depreciation allowances, among other sweeteners, were added to jump-start the program. And they did. The Substantial Rehabilitation program never produced a large volume of units, but New Construction was quite large, building more than 100,000 units a year in the late 1970s; the two production programs together produced more units in ten years (1.2 million) than public housing had in four and a half decades of production (Mitchell, 1985, p. 202).

The Section 8 Existing Housing program was designed to work principally through the administration of local housing authorities. Based on the Housing Assistance

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Plans from the locality, HUD regional offices would grant local housing authorities or agencies a number of certificates in the form of Annual Contributions Contracts. With these commitments in hand, the local agencies were responsible for processing applications from the waiting list, determining tenant income eligibility, and issuing certificates to the participants. Recipients would then undertake a search for housing for up to 60 days (the period could be extended to 90 days at the agency's discretion). Once an apartment was found, the local agency would inspect the premises for conformance to housing quality standards, make a determination of "rent reasonableness," i.e., whether the proposed rent was in accord with prevailing local rents for similar apartments, and if all was found in order, the agency would execute a contract with the landlord and the tenant. These contracts could be from a period of one to three years and, at least at the program's outset, restricted the landlord only from evicting the tenant without prior notification of the issuing agency (Zuckerman, 1976. p. 6). Otherwise, the landlord-tenant relationship was no different from the relationship between landlords and unsubsidized tenants. One important focus of the program's early administration was the gradual absorption of all units remaining from the Section 23 program. Local authorities rolled these contracts into the Section 8 program and the assistance provided was converted to the new program's tenant-based format (Int. N-14).

During the time when the EHAP experiments were under way, there was substantial discussion and speculation about making housing vouchers an entitlement program where all families under a certain income would be eligible to receive assistance, similar to Medicaid and AFDC. One study produced by the Urban Institute found that an entitlement-style direct cash assistance program for housing, modeled on

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the unconstrained subsidy EHAP experiment, would help fill in the gaps in the system of social assistance to the poor, especially for families that did not fit the criteria for Supplemental Security Income (SSI) or Aid to Families with Dependent Children (AFDC) (Heinberg, et. al., 1974, p. 72). Such an approach to housing assistance closely paralleled the guaranteed income proposals championed by Daniel Patrick Moynihan within the Nixon Administration in the late 1960s, which eventually came to naught when Nixon's Family Assistance Plan was defeated in Congress in 1972 (Lemann, 1991, 214). By the time Section 8 was enacted, little momentum for unconstrained cash assistance remained and the rent subsidy was enacted as a rationed, rather than an entitlement, program. Only a modest fraction of those eligible would be served by Section 8.

In the 26 years since Section 8 was enacted, a large number of government studies and reports have examined the program and its effects. Many focused on the outcomes of the program, its cost-effectiveness, and whether the voucher model was superior to the certificate alternative. These studies reflect the issues that most concerned HUD over the course of the program's development, and can be loosely grouped into three periods that correspond to the federal priorities for Section 8 and its implementation. These periods are

4) 1974 to the early 1980s, when HUD was concerned with program **feasibility, cost, and equity**. Researchers found Section 8 lowered rent burdens, improved housing for recipients, and cost less than project-based alternatives, but served enrollees poorly in high-rent cities where FMRs were set too low. Some cities relaxed quality standards in order to facilitate lease-up (Olsen and Rasmussen, 1979; HUD, 1981; Kennedy and Finkel, 1994; USRE, 1977).

5) Early 1980s to 1992, when the Reagan administration experiment with vouchers and **tenant choice** dominated the discussions, as well as the

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objective of **narrowing the target** to the most needy households poor. The objectives during this period were to promote maximum application of market mechanisms of pricing, supply and demand to the voucher program, offer greatly enhanced choice to participants in terms of expenditures and where they lived, and also shrink the eligibility threshold so only the most needy families could participate (U.S. President's Commission on Housing, 1982; Pierce, 1988; Savas, 1987; Kurtz, 1983; Leger and Kennedy, 1990; HUD, 1987; Kennedy and Finkel, 1994).

6) 1992 to the present, as HUD has been more concerned with promoting economic and racial **integration**, encouraging local authorities to **cooperate with other agencies in their regions**, and linking vouchers to efforts to **move recipients off of welfare**. Efforts to promote integration are closely tied to the deconcentration hypothesis that has been given new momentum by studies of Chicago's Gautreax program, which showed that poor families could move out of ghettos and into more mixed neighborhoods if given appropriate resources. Regional cooperation between housing agencies and links to social services and self-sufficiency programs have also been a high priority in recent years (Atlas and Dreier, 1996; Goering, et. al., 1995; Feins, et. al., 1997; Turner and Williams, 1998; Davis, 1993; Frees, et. al., 1994; Blomquist, et. al., 1994; HUD, 1997).

Categorizing objectives in this way is necessarily incomplete—HUD pursued a much wider range of goals than can be examined in the present study—and the chronology is imperfect, as many of the goals overlapped the periods presented here and attention to them ebbed and flowed. Nonetheless, these categories roughly approximate the priorities articulated by HUD at various points and offer a useful series of benchmarks against which to assess local practices. Despite the existence of a wide array of publications on Section 8, none have investigated in detail the topics of this study, i.e., the relationship between local administrative practices and HUD objectives, and the way those practices are shaped by local conditions, local politics, and administrative structures.

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These three periods and their corresponding objectives are particularly important for the present study since they form the basis for assessing the degree to which localities deviate from the goals of federal officials.

Section 8: Early Results (1974-1980)

The earliest studies of the Section 8 Existing program were focused on basic feasibility issues like success rates in renting units, but equal attention was paid to concerns about program effectiveness, equity, efficiency, and external outcomes. Researchers addressing effectiveness assessed measures of improvement in the housing quality of program recipients. Equity was tested in terms of whether some categories of eligible households were benefiting more than others. Efficiency related to the relationship between costs and benefits for residents, and external outcomes were examined to evaluate whether the subsidy for some poor families was bidding up rent levels for other, unsubsidized, poor families.

For the most part, early experience with Section 8 showed it to be a "fundamentally sound program," where program goals are met for the most part. Housing conditions of recipients did indeed improve substantially, at lower cost than the supply side programs like Section 8 New Construction, and evidence was found that the subsidy prompted landlords to make repairs and upgrade units to qualify for the subsidy (Olsen and Rasmussen, 1979, p. 28-29). Landlords making repairs spent an average of $284 per apartment in order to meet housing quality standards under the program (five times higher than the amount measured in the EHAP experiments), and 32 percent of landlords interviewed said they improved their units to qualify (Olsen and Rasmussen,

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1979, p. 2-5). Recipients reported high satisfaction rates with their new housing: 75 percent of participants who moved reported being more satisfied with their new dwellings (46 percent of recipients moved to receive the subsidy). Finally, they paid less money for better housing: recipients spent an average of 95 dollars less per month on housing than they had before the program and received housing worth 60 dollars more, in HUD's estimation. Rent burdens were reduced to less than 25 percent of net income in all cases (HUD, 1981, p. S-12). These advantages were secured at a cost less than half that incurred under the New Construction program (Hays, 1995, p. 161).

Concerns with program equity were also an early consideration. Policy makers sought to avoid treating similar classes of potential recipients in such a way that some subgroups would be favored over others ("horizontal inequity"). They also tried to make sure that the program served groups in a pattern that reflected a rational calculation of their relative need for assistance, e.g., assisted poorer families more than better off ones ("vertical equity"). While the program achieved the latter goal quite successfully, there were mixed reports in terms of horizontal equity. On the positive side, Section 8 Existing did a much better job than its supply side sister (New Construction) at assisting needy groups in proportion to their incidence in the eligible population. Section 8 New Construction tended to favor elderly and white families over non-elderly and minority families, while the tenant-based Existing program succeeded in mirroring the eligible population in its assistance (HUD, 1981, S-6). On the other hand, the way HUD established Fair Market Rent levels in localities tended to favor recipients in cities with low rents, and provided fewer resources relative to housing costs in cities with high rents (Olsen and Rasmussen, 1979, p. 21). Since more than half of those who enrolled in the

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program in 1979 did not succeed in becoming recipients, critical concerns were raised regarding who failed to find housing and why (Kennedy and Finkel, 1994, p. 1).

Important information emerged in the early Section 8 studies regarding the behavior of administrative agencies (housing authorities and others) that were carrying out the program requirements on behalf of HUD. To begin with, agencies varied widely in their enthusiasm for implementing housing quality standards: some agencies failed as many as 80 percent of the units they inspected, while others rejected just a small fraction (Olsen and Rasmussen, 1979, p. 6). One HUD study found that half the units approved by administering agencies were actually in violation of at least one "acceptability criterion" for adequacy and noted that "special remedial efforts" were under way, such as more intensive training of inspection staff and clarification of some of the standards to be applied (HUD, 1981, p. S-9).

A more detailed study of administrative practices by Urban Systems Research and Engineering (USRE), presented a more complex picture in which local administrators struggled with what they felt to be excessive and overly rigid program requirements and devoted significant local resources to enable the program to succeed in the face of HUD restrictions—especially the inadequate FMR ceilings—that undermined success rates. One half of the agencies interviewed by USRE complained that Fair Market Rent levels as set by HUD were too low for recipients to be able to find adequate housing (USRE, 1977, p. 2-41). As a way to facilitate rapid lease-up of apartments and allocation of the available certificates, two-thirds of the agencies interviewed were signing leases with landlords contingent on *ex post facto* repairs to bring the apartment into compliance; this

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is a direct violation of HUD regulations, but was found to correlate strongly with successful rates of lease-up for new agencies (ibid., p. 2-80).

Many of these same agencies were found to have made substantial resource commitments in order to facilitate program start-up and ensure ongoing support. USRE found that 24 out of 30 agencies studied provided some form of unremunerated staff time to the program, allowing staff paid on other programs to assist Section 8 on an ongoing basis. They also found that most agencies had loaned money to the Section 8 program while waiting for disbursement of federal funds, and five agencies gave outright grants to the program. Many agencies also provided in-kind rent for program space. Such activities were not entirely motivated by agency altruism; reimbursement schedules and administrative payments from HUD were tied to lease-up rates, creating a strong incentive for agencies to utilize their full allocations as quickly as possible. Nonetheless, this early report showed agencies working in creative ways to meet HUD priorities for rapid lease-up (USRE, 1977, 2-22ff.).

At the same time, agencies complained quite strongly about burdensome HUD regulations, arguing that many of the program requirements were unnecessary and time-consuming and would interfere with implementation if followed. More than one-third of the agencies admitted ignoring HUD requirements to submit family characteristics forms for recipients. Similar numbers reported ignoring or improperly amending other forms required by HUD. Many agencies said they had never heard of some of the forms researchers were inquiring about. Respondents in the USRE study acknowledged that the Equal Opportunity Housing Plan was a requirement they met through use of "boilerplate" reproductions from other housing applications (USRE, 1977, p. 2-30ff., 2-45).

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When asked about HUD's role in assisting with Section 8, agencies had little positive to say. Most said they did not receive help from the local HUD offices in preparing their initial Section 8 applications. They found the offices slow to inform them of changes in program rules (USRE, 1977, p. 2-37). And, most serious, 50 percent of the agencies said that HUD-established Fair Market Rent (FMR) levels were too low, making the search for adequate units an arduous one. The USRE study found that program outcomes such as lease-up rates were determined less by agency practices and strategies than by the level of the FMR and the tightness of the local housing market. Variations in these exogenous conditions had a much greater impact than the extensive client services many agencies provided (such as negotiating with the landlord on behalf of the tenant and assisting in the housing search) (USRE, 1977, pp. 2-72, 4-4).

In the first years of the program's operation, HUD responded to these criticisms by increasing the FMR ceiling in many cities at a rate higher than inflation of housing prices. Curiously, HUD was soon criticized for this by Olsen and Rasmussen (1981, p. 22ff) and the Comptroller General (1980, pp. ii-v), who argued that providing assistance at an FMR higher than the price required for minimally standard housing violated the principle of vertical equity and subsidized some households to a higher degree of benefit than that enjoyed by the lowest rank of ineligible households. Of course, if FMRs were reduced to exactly the mean price required for minimally standard housing, natural variations in the stock of assisted units would mean that many units would fall under the benchmark for adequacy, a point made by Hays (1995, p. 163). Indeed, as noted above, many units reviewed in the 1981 study failed adequacy tests even under the higher FMRs then in effect.

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Any overall assessment of the Section 8 Existing Program's first decade would be likely to reach positive conclusions about its potential for improving housing conditions and lowering excessive rent burdens for the poor at a comparatively low cost. It might be said that the program had passed its threshold of "feasibility," proving to its critics that the basic outline of what policy makers set out to accomplish was being carried out. Possible inequities in how assistance was being allocated concerned Section 8 policymakers during this period. While evidence suggested that, at least on an inter-metropolitan basis, some constituents were benefiting more than others, and the program's high rate of vouchers returned unused created additional concerns, extensive information regarding these matters would not be available until the demonstration and utilization studies reached publication in the early 1990s.

On the administrative side, it is noteworthy that many local agencies both ignored HUD directives with impunity and simultaneously found HUD to engage in over-regulation of the program. Nonetheless, these problems did not prevent most cities from leasing up their allocations successfully. Dramatic rent increases for the unsubsidized poor, outbursts of citizen opposition, and serious inequities in the ability of some groups (especially minorities) to use the certificates, all fears expressed by opponents of the program, never materialized.

By the early 1980s, the focus shifted from questions of whether a tenant-based, demand-side program could work at all to whether there were ways to improve a model which had, after all, been created in some haste under circumstances of high political drama, and without the benefit of the results of the EHAP experiments. Such

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considerations were given additional impetus with the new attitudes toward social assistance programs of all kinds that characterized the Reagan Administration.

Section 8: The Middle Years (1981-1992)

In his inaugural address, Ronald Reagan signaled a sharp departure from previous administrations in his approach to government social assistance programs. Declaring that "government is not the solution to our problems; government is the problem," Reagan set out to enact unprecedented change in reduction of government expenditure, regulation, and social policy. Perhaps the overarching theme of the early years of the Administration was that government could not accomplish goals, even social policy goals, as well as the private market. The housing voucher program fit nicely into this formulation.

Reagan appointed officials at the Department of Housing and Urban Development who shared these priorities, with the expectation that they would take steps to minimize the federal role in housing production and assistance, reduce overall program size, devolve power to states and localities, reduce regulatory restrictions, and incorporate market-based strategies to the extent possible. While many of these priorities were not new, their combination as part of a deliberate and ambitious rollback of the American welfare state was, and the Reagan administration pressed them with special emphasis. Cuts to subsidized housing were identified by Budget Director David Stockman as "one of the most crucial entitlement reforms in the whole fiscal plan" (1986, p. 197).

In the first few years of the Reagan Administration, substantial cuts were made in the rate of new units being added to the stock of project-based assistance programs. New housing starts in the Section 8 New Construction program fell from 183,000 units in 1980

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to 42,000 units in 1984 (Hartman, 1986, p. 364). Public housing construction allocations fell from 206,000 new units in 1980 to 127,000 in 1983, after Congress rejected the administration's 1983 request to reduce the total pool of public housing units by 27,000 (Struyk, et. al., 1983, p. 62). Meanwhile funding for Section 8 Existing housing increased from 76,000 units in 1980 to 144,000 in 1983, resulting in a shift from a 63/37 mix of new construction/existing housing funds, respectively, to a ratio close to 90/10 in favor of certificates (Struyk, et. al., 1983, pp. 15, 70).

Similarly dramatic changes were carried through in overall expenditures. Budget authority for housing programs was cut from $30 billion in FY 1981 to $17.5 billion the following year, and then reduced further to a negative budget authority request from the White House in FY 1983. Congressional Democrats fought back and restored substantial funding in FY 1983 and 1984 (Hays, 1995, pp. 235ff.). These are budget authority (as opposed to appropriations) figures, which imply much deeper cuts than were actually carried out; much of the reduction can be accounted for by serious reductions in the time horizons of many program funding commitments. For instance, where HUD once gave 15 year contracts to local agencies for Section 8 certificates, new contracts in the Reagan Administration were reduced to five years, and eventually to an annual agreement.

High level HUD staff were selected for their commitment to these priorities and they carried them through decisively in many areas. As a HUD administrator of the time explained, "President Reagan had a very clear and understandable strategy: Cut taxes, cut spending, cut regulations, keep a sound dollar. Terrific ideas. I was a strong supporter." (Int. N-46).

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In its first annual budget request in 1981, HUD requested money for a new housing voucher program that would be similar to the existing Section 8 (certificate) program but would replace the Fair Market Rent limit with a "payment standard." Tenants who wished to spend more than the payment standard could do so (and pay more than 30 percent of their income in rent) and tenants who found housing below the payment standard could pocket the difference, benefiting from the so-called "shopping incentive." Budget Director Stockman rejected this new program, fearing the new emphasis on tenant-based assistance might result in an entitlement program in housing. In December, 1981, HUD officials appealed to President Reagan directly and, despite Stockman's criticism of the idea as a "housing stamps" program, convinced him to approve the new policy initiative (Savas, 1987, p. 208).

In June of the same year, a Presidential Commission on Housing was appointed, headed by banker William McKenna, and soon produced a report that called for budget cuts, reduced regulation of the private housing market, reduced HUD oversight of public housing, and an increased reliance on market-based strategies such as housing vouchers to assist the poor (U.S. President's Commission on Housing, 1982). This commission called for a "Housing Payments Program" based on the new HUD voucher initiative that would be the "primary Federal program for helping low-income families to achieve decent housing" (1982, p. 18). The commission envisioned a program that would provide more choice, would reduce the eligible population, and would increase the family contribution. Recipients would have more choice in their housing search because they could select apartments above the Fair Market Rent (now to be called the "payment standard" in the voucher program). Eligibility was to be reduced to 50 percent of area

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median and localities were encouraged to establish preference criteria such as rent burden, displacement, or substandard housing to further narrow the pool of eligible households. Finally, families were expected to pay 30 percent of their income in rent[10], and the commission recommended including in-kind assistance such as food stamps in the calculation of income, which would further drive up the tenant contribution. In another cost-saving measure, the commission recommended reducing the length of the HUD payment commitments to three to five years, which would have the effect of reducing budget authority required for each voucher (U.S. President's Commission on Housing, 1982, pp. 23ff.).

The new program was endorsed by The New York Times, as well as influential academics such as Anthony Downs, and was favored by most conservatives for its tendency to reduce the kind of bureaucratic government apparatus that characterized the public housing program (New York Times, 1981: Kurtz, 1983, A13). Many liberals, however, opposed the program, mostly on the grounds that the poor would not be able to find adequate housing with the vouchers and the program would do nothing to stimulate additional low-income housing production in cities with tight rental markets. The Pratt Institute Center for Community and Environmental Development in New York City—a key national proponent of local community development efforts—called the program "devastating," since it would force the poor to pay too much for housing, would lead to overall net reductions in housing assistance, and would reduce housing investment as well as employment in housing-related jobs. Congressman Charles Schumer said the

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[10] This change was enacted in 1981during budget negotiations (Stockman, 1986, p. 223). It had been permitted statutorily since 1979 but HUD had refused to implement it (Comptroller General, 1980, p. iv).

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program "contains the most pernicious ideas of the Reagan urban policy." (Daniels, 1982, p. B1). There were critics from the Right as well, like Colorado Senator William Armstrong, who believed the program's costs could not be contained in the long term, and others who held the more extreme view that government should provide no social assistance whatsoever (Kurtz, 1983, p. A13).

Despite the mixed reviews of the voucher concept, Congress approved the voucher program in 1983 on an experimental basis, authorizing just a few thousand vouchers in the first year. Slow to get the new program underway, HUD would not issue its first voucher until 1985. The Section 8 Existing housing program was thus divided into two similar programs: the original "certificate" program and the new "voucher" program, each with somewhat different administrative rules and its own formula for calculating the tenant contribution and HUD payment. The voucher program enacted most of the commission's recommendations, with the exception of the requirement that in-kind assistance such as food stamps be calculated as income when figuring the family contribution. The most important innovation, of course, was the new payment standard. The tenant contribution would no longer be a fixed percentage of their income, regardless of the actual cost of the unit. Instead, it would be figured according to the formula:

$$P = R - (S - .3i)$$

where P is the payment by the tenant, R is the actual rent on the apartment, S is the payment standard as established by the local housing agency (usually a bit lower than the FMR), and i is the household income. If the tenant selected a unit where the rent was above the payment standard, the monthly tenant contribution would simply rise about 30 percent of household income; if the unit was below the payment standard, the household

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could pocket the difference as per a "shopping incentive." The advantages of this method were that it permitted the tenant more choice in dwellings, encouraged him or her to bargain for the best price (minimizing the chance that rents would be bid up by the program), and rewarded the tenant for finding a suitable unit at low cost.

Substantial program savings were imposed by Congress in 1983 when they shortened the length of the contract commitments provided with each voucher and increased the level of tenant contribution to 30 percent of income (Struyk, et. al., 1983, p. 73). Subsequently, in 1987 and 1996 Congress reduced the FMR ceiling for the certificate program from 50 percent of area median to 40 percent. This last change triggered sustained criticism from advocates for the program, since it eliminated from the pool of potential apartments those units renting between the 40th and 50th percentiles, many of which were the most likely to be adequate to housing quality standards (Citizens Housing and Planning Council, 1997, p. 24; Benoit, etc.). For voucher recipients, this change would have the effect of forcing families to pay more for the same quality unit.

While HUD officials wanted the voucher program to replace Section 8 certificates, the contentious environment in which vouchers were created led to a more limited reform: the certificate program was continued while vouchers were implemented on an experimental basis. Not until 1990 was the voucher program established as a permanent housing assistance program, and the programs were not merged until 1998, fifteen years after the policy change began. Even then, many features of the certificate program would be preserved.

During the 1980s, extensive research was conducted to analyze the effects of each program and assess which elements of each should be preserved when they were merged.

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The earliest of these studies, called the "Freestanding Housing Voucher Demonstration," found the programs similar in their costs and outcomes. The voucher program cost slightly more in terms of the government contribution to the rent ($310 vs. $293), but slightly less to administer ($257 vs. $261 per year) (Leger and Kennedy, 1990, pp. 35-6). The report found that voucher units had slightly higher rents ($493 vs. $460 for recipients who moved to qualify) and slightly higher tenant rent burdens (35 percent vs. 31 percent) (1990, pp. 25, 31); fully 57 percent of the voucher recipients who moved ended up in apartments renting above the FMR (1990, p. xiii). Finally, voucher recipients had slightly higher rates of success in finding units within the 60-day period provided (65 percent vs. 61 percent) (1990, p. 23). There were no substantial differences in success rates between demographic groups, and the report provided no information on housing adequacy outcomes.

Leger and Kennedy did, however, make two important observations regarding overall success rates and the degree to which the two programs operate within the housing market at large. Overall success rates, at less than 65 percent, were quite low. In New York City, the success rate was 33 percent. While the researchers concluded that these rates were "reasonably high" (p. 10), it is noteworthy that one-third of the recipients failed to utilize their certificates or vouchers within the required time. It is possible some of these enrollees were granted extensions in their search period, as housing agencies can allow an additional 30 days at their discretion, but the report offers no information about whether any of the unsuccessful enrollees were granted extensions or eventually found suitable apartments.

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In addition, the report raised the possibility that Section 8 was creating a "submarket" for assisted housing where landlords and realtors were specifically advertising for Section 8 tenants, and housing agency lists were sending enrollees to the same buildings where numbers of other recipients lived. Nearly 80 percent of the landlords in buildings where recipients found housing were described as "well acquainted with the certificate program," while close to 40 percent of the newspaper advertisements used specifically mentioned the program. Twenty five percent of recipients found housing by means of a housing agency referral (Leger and Kennedy, 1990, pp. 60-61). This suggests that the market conditions for housing searches in the Section 8 Existing program are quite different from those experienced by unsubsidized families; housing agency lists, newspaper ads, and outreach by landlords are all resources to assist housing searches, but they also may act as channels that concentrate recipients in certain apartments, buildings and neighborhoods.

The 1990 Housing Act brought important changes to American housing policy, particularly as it reflected HUD Secretary Jack Kemp's high-priority goal of selling public housing units to their residents by means of the Housing Opportunities for People Everywhere (HOPE) program. While the Act established a more permanent status for the voucher program, it did not go so far as to eliminate the certificate alternative, leaving HUD to administer two similar programs with regulations that were converging slowly but would take nearly another decade to merge entirely. The Act did express clearly that federal housing assistance for the poor would rely primarily on the tenant-based model and that new construction would be carried out with more local discretion via HOME block grants.

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The 1990 Housing Act also gave impetus to a trend that had been developing since the mid-1980s toward linking Section 8 vouchers and certificates with social services in such a way as to move recipients off of welfare. Originally called Project Self-sufficiency, the program design attempted to use rent assistance as a way of stabilizing a family while welfare recipients made the transition to jobs. Additionally, the program sought to direct housing resources toward the most highly motivated welfare recipients who were actively seeking jobs or willing to commit to doing so. It was hoped that the combination of a more targeted incentive structure, stability in terms of housing payments, and the chance for mobility provided by the voucher model would assist many families in moving off welfare (HUD, 1987, p. 14). Early results of the experiments with these efforts were promising, with participants increasing their employment levels by as much as 25 percent, which eventually led to the establishment of a more formal Family Self-Sufficiency Program in the 1990 Housing Act (HUD, 1987, p. 116; Hays, 1995, p. 259).

A study of Section 8 vouchers and certificates conducted in the early 1990s found that success rates for enrollees searching for adequate units were improving, but also found additional evidence to indicate the existence of a Section 8 submarket where landlords are familiar with Section 8 and may have rented to Section 8 tenants previously. This later study split the New York City sample off from the rest of the study due to "its unique market dynamics and enrollee profile" and reported success rates separately for a national sample and for New York. While this method has the effect of artificially inflating the reported national success rates since New York has lower rates than rest of the sample universe, there is still substantial evidence that enrollees were

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finding units more easily in the early 1990s than had been the case previously. Enrollees from the national sample had an 87 percent success rate in finding housing, while those in New York succeeded at a rate of 62 percent (Kennedy and Finkel, 1994, p. ii).

Vacancy rates had increased since the late 1980s in some of the cities studied by Kennedy and Finkel, and a number of local Section 8 program directors believed this to be the motivating factor for the improved success rates. Such an outcome would have reinforced the findings of the early Urban Systems Research and Engineering study that found success rates to relate more to the level of the Fair Market Rents and the tightness of the housing market than to any administrative efforts undertaken by the local agency such as assistance with the housing search and counseling of applicants. Kennedy and Finkel, however, found that vacancy rates nationally only increased from 7.2 percent to 7.4 percent between the 1986 study and their analysis in 1992, far too small an increase to account for a jump of 14 percentage points in success rates in their weighted sample. They did find that vacancy rates correlated with success rate variations between cities included in the study (1994, pp. 12-14).

One clue that might help account for the improved success rates was the growth in the number of landlords who had experience with Section 8 and were willing to rent to additional enrollees. Local housing agencies kept lists of such landlords and recipients often heard of them through word of mouth as well. Fully half of the new units rented came through these two sources, with the rest divided between newspapers (21 percent), signs on buildings (eight percent), and real estate agents (eight percent) (Kennedy and Finkel, 1994, p. 69). Enrollees found 80 percent of the landlords from whom they successfully rented to be "well acquainted" with Section 8 (for apartments where the

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landlord refused to rent to the applicant, only 59 percent fell into this category). In addition, over half of landlords interviewed indicated that they had some units they would not consider renting to Section 8 tenants for various reasons (1994, pp. 70-74).

Important equity issues are raised by these findings. It is possible that overall success rates are skewed by applicant characteristics such as race or welfare status. In addition, even if overall success rates are randomly distributed through the enrollee population, some submarket units may still be closed to some classes of searchers, resulting in more arduous searches for these groups. Kennedy and Finkel found that, for their "national" sample, there were few serious differences between groups of searchers: families needing larger apartments had more difficulty, and strangely, applicants who were employed had slightly more difficulty than applicants on welfare (1994, p. 28).

For New York City, there were substantial differences, as blacks succeeded at a 55 percent rate while whites found housing 73 percent of the time (Kennedy and Finkel, 1994, p. 38). Finally, they found that nonwhite families and single-parent recipients nationwide had a higher likelihood of being rejected when they applied to a landlord to rent an apartment where the previous resident was white or was not a single parent, respectively (Kennedy and Finkel, 1994, p. 79). These data suggest that, at least in some areas, the search for housing in the Section 8 program was more difficult for blacks and single parent families and that this difference could be accounted for by the practice engaged in by some landlords of renting certain units as their "Section 8" units while not considering certain kinds of applicants for their other (possibly better quality) apartments.

These concerns with the market dynamics of the program dominated the discourse around Section 8 during the 1980s and early 1990s. Federal policy makers promoted the

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voucher model because they were concerned that the program should take full advantage of the choice opportunities and self-regulating pricing that, in their estimation, characterize a private market in housing. Interestingly, the Reagan Administration embraced the voucher model with enough enthusiasm that the number of households assisted grew rapidly during the 1980s; Secretary Pierce was able to boast in 1988 that it had taken 40 years (1940-1980) for the federal government to assist three million households, while the Reagan Administration was able to expand this total to 4.3 million households by the end of its second term, largely through the expansion of the voucher program (Pierce, 1988, p. A26).

Research conducted during this period focused on the ability of recipients to use these new market-oriented vouchers, and on the possibility that the entire supply of units that might qualify under the Fair Market Rent threshold was not being made available to all enrollees. By the early 1990s, however, HUD priorities shifted once again and new issues came to the fore.

Section 8: 1992-1999

While urban policy has had a low priority in the Clinton Administration, the Republican assault on HUD during and after the 1994 Congressional elections led to aggressive efforts to re-cast the agency's image. Vigorous leadership was provided by Secretary Henry Cisneros, who proposed massive consolidation of HUD programs into block grants and suggested "vouchering out" all HUD project-based programs, providing vouchers to the residents and forcing the projects to compete for residents on the open market (Atlas and Dreier, 1996, p. 353ff.).

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HUD Secretary Henry Cisneros considered racial segregation and the lack of cooperation between governments within metropolitan areas to be two key priorities for the agency to address. The Section 8 program figured prominently as a means of addressing both ills. While project-based assistance such as public housing was extremely difficult to build in non-minority areas, vouchers freed the recipient from geographic restrictions on where they could be used. vouchers could be used anywhere in the jurisdiction covered by the issuing agency, and recipients could move between jurisdictions and keep their assistance in most cases. As for metro-wide and regional cooperation between governments, Section 8 was an important program where multiple jurisdictions could benefit by cooperating. HUD regulations that permitted tenants to "port" their vouchers from one jurisdiction to another burdened agencies that did not cooperate with one another with complicated paperwork and billing arrangements (Goering, et. al., 1995, p. 79; Feins, et. al., 1997, Chapter Three).

Important innovations in the Section 8 program were undertaken to address these two issues. The Moving to Opportunity program sought to use vouchers to encourage the poor to move to areas with low concentrations of poverty. Created on an experimental basis in 1994, MTO granted five housing agencies extra Section 8 certificates along with funds for counseling of enrollees so they could assist families to move from public housing or project-based assisted housing in high-poverty neighborhoods into private housing in low-poverty neighborhoods. MTO certificate recipients were only able to move to neighborhoods where the poverty rate was ten percent or lower (Turner and Williams, 1998, p. 33).

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Moving to Opportunity was a promising program that drew on influential theories of urban political economy (see Peterson, 1985, Kasarda, 1985, Wilson, 1987), and was given special impetus by the high-profile effort under way in Chicago to disperse minorities from the ghettos using housing vouchers. Called the Gautreaux program after the anti-discrimination case that led to its creation, this effort showed promising results as families moving into the suburbs had higher rates of employment, high school graduation, college-track education, and teen employment (Davis, 1995, p. 249).

Unfortunately for voucher proponents, Moving to Opportunity soon ran into heated opposition from suburban residents who claimed Section 8 tenants would adversely affect their neighborhoods. The most visible and sustained opposition occurred in Baltimore, where a City Council candidate predicted the suburbs would be overrun with people "who would have to be taught to take baths and not steal" (De Witt, 1995, p. B10). The controversy highlighted the tensions that exist among coalitions of voucher advocates: conservatives tend to favor the voucher approach but are reluctant to engage in what one local politician called "social engineering," that places a high priority on racial integration (ibid.). Liberal supporters of the program fear that aggressive efforts to create spatial desegregation risk undercutting the wide support that exists for vouchers.

Little opposition to Section 8 was recorded in the early years of the program; a Gallup survey in 1989 found that Americans favored using vouchers to enable "unemployed people to move to areas where job opportunities are better" by a margin of 51 percent to 40 percent (Roper Center, 1989). But by the 1990s, as tenant-based assistance grew both in real terms and in public awareness, articles began appearing in local newspapers that painted vouchers in a negative light. Articles appeared in The

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Boston Globe, The Times-Picayune (New Orleans), the St. Louis Post Dispatch and other papers drawing a link between Section 8 tenants and criminal behavior. Police in St. Louis reported that crime levels "shot up" after one group of apartment buildings accepted a large number of Section 8 tenants (Todd, 1994, p. 1D). In New Orleans, the arrest of a woman dealing drugs from her Section 8 apartment was front page news (Weiss, 1995, p. A1). In Massachusetts state legislators cut funding for state rental vouchers until the Boston Housing Authority expanded their capacity to sanction abusers (Boston Globe, 1993, p. 12).

Federal officials responded to the complaints by issuing new program regulations in 1995 facilitating the eviction of criminals from Section 8 apartments, but such efforts were not sufficient to fend off criticism of Moving to Opportunity, which reached a crescendo during the 1994 elections and led Maryland Senator Barbara Mikulski to eliminate funding for further expansion of the program in 1994.

A similar program enacted in 1996, the Regional Opportunity Counseling (ROC) program, seeks to accomplish many of the goals of MTO in a less restrictive framework. Where MTO participants are required to use their vouchers in areas with low concentrations of poverty, ROC relies on counseling, outreach to landlords, and enhanced services to achieve the same goal. The 16 jurisdictions participating in ROC receive additional funding for these efforts, but no extra vouchers—resources are to be applied to the existing stream of applicants through the Section 8 process. Clients are counseled as to the benefits and opportunities of living in low-poverty areas, and landlords are induced to participate through intensive outreach where program benefits (such as a guaranteed income source) are emphasized, and recent changes in Section 8 regulations designed as

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incentives for landlord participation (such as elimination of the much-criticized "take one, take all" provision where landlords participating in the program were enjoined from refusing additional applicants) are highlighted. In addition, the program funds transportation to interviews for applicants, and assistance in relocating to new neighborhoods. Finally, ROC is designed to encourage agencies that operate in fragmented or overlapping metropolitan jurisdictions to cooperate with one another in promoting mobility for voucher holders. Agencies operating in the same area are forming partnerships for sharing landlords outreach lists and consolidating tenant counseling programs to achieve economies of scale (Center on Budget and Policy Priorities, 1998). So far, this program has not generated the kind of negative publicity that characterized Moving to Opportunity.

Another trend that has characterized the Section 8 program under the Clinton Administration is the use of vouchers to supplement other programs and efforts. Principle among these are public and assisted housing projects that are either being demolished or converted; as over 30,000 of the most dilapidated public housing units are being demolished, ongoing subsidy support for the tenants is being provided through portable Section 8 vouchers. In St. Louis and Chicago, vouchers were given to residents of public housing projects that were being demolished or converted. HUD's 1994 proposal to "voucher out" all public housing and project-based Section 8 and let residents move where they pleased foundered when skeptical members of the Republican Congress killed the proposal, arguing that the best tenants would leave public housing and the projects would be left even worse off than before. In FY 1998, Congress appropriated over $8 billion to renew expiring Section 8 project-based contracts and provide new

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vouchers for tenants in expiring 221(d)(3) and Section 236 projects (Citizens Housing and Planning Council, 1997, p. 36; Jacobs, 1997).

In addition to the combination of vouchers with bail-outs of public housing and project based programs, efforts have continued to link vouchers to programs that move welfare recipients to self-sufficiency. The original "Project Self-Sufficiency" that was begun in the late 1984 produced modestly encouraging results, as 42 percent of participants were deemed to have "significantly improved their situations" in getting jobs, entering educational programs, and so on (Frees, et. al., 1994, p. 4). These successes were followed up with "Operation Bootstrap," which sought to accomplish the same goals with a wider population that included all Section 8 recipients, as well as residents of public housing projects. Similar outcomes were measured: Abt Associates researchers found "modest but noticeable progress toward employment but not self-sufficiency" among the target population (Blomquist, et. al., 1994, pp. 88-89). Participants had indeed found jobs at a somewhat higher rate but, strangely, this did not seem to lead them to break away from government support: investigators found a slight increase in use of food stamps and welfare benefits among program participants. Nevertheless, the Clinton Administration continued to encourage HUD to promote a link between vouchers and efforts to move families off government assistance. In 1998 HUD Secretary Andrew Cuomo proposed 50,000 new vouchers a year for families moving from welfare to work in the wake of the new federal law converting welfare benefits to temporary assistance and the efflux of families from the rolls.

The long-awaited merging of the certificate and voucher programs occurred the same year, as Congress passed the Quality Housing and Work Responsibility Act of

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1998, which combined the two programs into one, called simply "Housing Choice Vouchers." Lawmakers retained elements of each of the earlier programs and eliminated some provisions that were thought to be harmful. The voucher payment standard was retained over the certificate fair market rent method of determining tenant contribution, meaning that participants could still pay more than 30 percent of their adjusted income in rent, as they had in the original voucher program. But the new law limits the tenant's initial rent burden to 40 percent of income to avoid circumstances where HUD was subsidizing tenants who were still choosing to pay 50 or 60 percent of their incomes in rent.[11] In addition, the "shopping incentive," a key element in the original voucher program where tenants could rent for less than the payment standard and pocket the difference in subsidy, was eliminated (Hunt, et. al., 1998, p. 16). Exception rents, which were permitted under the certificate program when tenants wished to rent up to 10. percent above the fair market rent, will no longer exist, since the voucher model allows such rentals above the payment standard already—though the tenant pays the difference, not the authority, as was the case under the certificate program. By the end of 2001 all certificates will have been converted to vouchers (Int N-14).

Federal admission preferences, which had prioritized subsidies for applicants suffering high rent burdens, substandard housing, or involuntary displacement, were repealed (they had already been provisionally suspended in 1996), though local housing agencies are still permitted to enact their own preferences based on local needs and priorities (Hunt, et. al., 1998, p. 7; Citizens Housing and Planning Council, 1997, p. 17). A number of provisions were enacted to make the program more attractive to landlords

[11] If the rent rises subsequent to the initial lease, resulting in a higher rent burden, this is permitted by the new law.

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and neighbors concerned about crime in Section 8 buildings: The "take one, take all" lease provision that prevented landlords who had accepted one Section 8 tenant from discriminating against further applicants for other apartments, was eliminated. Housing authorities are empowered to screen tenants on top of the screening carried out by landlords, and are also allowed to check an applicant's criminal record on behalf of the landlord (Hunt, et. al., 1998, pp. 16-19, 23).

Finally, the 1998 act is designed to make Section 8 work more smoothly between jurisdictions and with other project-based programs as well. To encourage metropolitan and regional cooperation between housing agencies, Congress is allowing two or more agencies to join together into a Section 8 consortium, reducing planning and reporting requirements overall and facilitating uniform practices among agencies. In addition, the new voucher program has been made more explicit as a means for disinvesting from public housing projects: authorities are allowed to convert projects to voucher-based assistance whenever it can be demonstrated that this is economically feasible and meets policy objectives. Troubled housing authorities must show why their projects should not be converted to tenant-based assistance. Lawmakers also created a provision allowing local agencies to devote up to 15 percent of their vouchers to project-based assistance, which will be useful for agencies that want to use vouchers to subsidize local assisted projects (Hunt, et. al., 1998, pp. 12-18).

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CONCLUSION

American housing policy makers came late to the belief that housing vouchers should be an important component of our efforts to house the poor, but once convinced they soon placed the tenant-based approach atop the list of options for providing low-cost rental assistance. Since its inception in 1974, the Section 8 tenant-based program has attracted the widest base of political and policy support of any federal housing program, and has grown to be the single largest method for providing housing resources to poor households. These developments are particularly impressive when considered against the skepticism and hostility that greeted the voucher approach from policy analysts, conservative political figures, and liberal housing advocates in the early years of the program's development.

Many lessons have been learned about the tenant-based subsidy method and its effects, but for the purposes of the present study a few points are worth emphasizing, especially as they related to local administrative practices. These pertain to the ongoing problems associated with the voucher approach, the relations between federal officials and local housing agencies, and the political dynamics affecting the program.

Despite the general success of vouchers, evidence collected over the years of research with EHAP and the various forms of Section 8 suggests that certain key problems remain for tenant based assistance. Corresponding roughly to the concerns raised in the three periods of Section 8 mentioned above, the most serious of these problems regard issues of program equity, advantageous use of market forces, and efforts to promote social change for voucher recipients. Legitimate concerns that the program was serving some groups more effectively than others were raised by early studies

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showing relatively greater benefits for whites, higher-income families, families in better quality units when they applied, and residents of low-rent cities. Later studies suggested that these problems were not so serious as early analysts believed, but even the later research found pockets of inequity where success rates were low: minorities and single-parent families appear to suffer from landlord practices of renting only a portion of their units to Section 8 tenants, and minorities in New York City's tight housing market fared much worse in their housing search than non-minorities.

While the voucher ideal assumes that recipients exercise choice much like any consumer in a free market, research has indicated this is not necessarily the case. The tendency of some landlords to withhold certain units from the Section 8 market limits the choices of enrollee searchers. In addition, the progressive restriction of Fair Market Rent levels to 40 percent of area median combined with the increasing pressure to meet housing quality standards has forced Section 8 recipients to hit a diminishing target over the program's 25 years of operation. Families searching for housing are not only burdened by having to find landlords willing to rent to a voucher recipient, but must find a unit that can pass inspection and is still below 40 percent of the area median rent. In effect, this is likely to foreclose the more desirable units from the housing search, since units of better quality and in better neighborhoods are likely to rent at or above the area median rent, thus making them ineligible for the program without additional out-of-pocket payments from the tenant. Finally, Congress' 1998 shift to allow agencies to target 15 percent of their vouchers to project-based units reflects a development that has occurred in some localities where Section 8 vouchers are the only source of income sufficient to keep many public and nonprofit projects operating in the black while

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continuing to serve low-income families. While these changes have important policy justifications, they all serve to limit the degree to which program dynamics mimic those of the free market.

The last of the ongoing problems for Section 8 has to do with efforts to use the program to promote social change for recipient families. The history of Section 8 and EHAP suggests that the program will not lead to significant deconcentration of minorities or poor families unless extraordinary efforts (like the Moving to Opportunities program) are undertaken to force the issue. In addition, programs that try to take advantage of vouchers to move people off of welfare have had only modest success. While HUD and Congress are placing additional emphasis on ways to get a greater "bang for the buck" from Section 8, it remains unclear whether the program design can sustain such hopeful outcomes.

In the last chapter it was explained that the outcome of interest in this study is the degree of divergence or conformity from the federal objectives. Since there are a variety of dimensions to these federal goals, I have divided them into eight elements to reflect the varied priorities from the different periods of the program's development just discussed. These are listed in Table 1.1.[12]

[12] This table is copied from Chapter One for the convenience of the reader.

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TABLE 1.1: SUMMARY OF FEDERAL SECTION 8 OBJECTIVES

Objective	Description
Feasibility	Utilization rates, housing search success rates, quality standards, administrative competence
Efficiency	Cost per unit
Equity	Benefit population reflects eligible population, is more needy than non-recipients
Targeting	Benefit population is tightly targeted using preferences
Choice	Tenants are offered maximum choice in where to live, how much to spend, and whether they can move
Integration	PHA encourages tenants to move to areas of low poverty
Reg. Coordination	PHAs cooperate with other agencies across region and housing market
Service Linkage	PHAs implement Family Self-Sufficiency[13] or other programs encouraging independence

It is very important to mention that these benchmarks do not necessarily reflect HUD's current priorities for the program, particularly in terms of targeting, which was important during the Reagan administration but has been relaxed recently at the federal level. This benchmark has been included because there is still residual effect from the period when preferences were required for the homeless, ill-housed and other categories of need; some agencies have dropped the preferences while others have retained them. In addition, divergence from federal objectives does not necessarily indicate that the PHAs are carrying out the program incorrectly. For instance, agencies in high rent cities may have quite high costs per unit, as may agencies that strongly encourage mobility and deconcentration for participants. These kinds of practices can only be understood within the economic and political context of each city. Still for the purposes of this study, these items represent a set of useful categories for assessing local practices and performance.

[13] Family Self-Sufficiency allows Section 8 participants to establish goals that contribute to their financial independence from government assistance—such as completion of educational programs or starting a part-time job. As participant incomes rise, the PHA allows them to pay money into an escrow account in place

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A final word on the relations between federal officials and local administrative agencies is in order. First, as the early Section 8 studies showed, local agencies are willing to make significant efforts on behalf of the program (especially if, as was the case until recently, HUD reimburses them generously for administrative expenses based on the number of units leased up). In addition, local agencies have not generally developed a warm relationship with HUD or Congress: local authorities complained that HUD did little to assist them in running the program, imposed excessive reporting and regulatory requirements, and, at the direction of Congress, reduced Fair Market Rents to levels that jeopardized the success of the program. Nonetheless, research has shown consistently from the times of EHAP that local agencies often ignore or flout HUD rules with impunity, especially with regard to housing quality inspections and reporting of family characteristics.

Finally, we have seen that Section 8 is a highly political program at the national level. From its inception in the Nixon years to its use as a tool of HUD's reinvention following the Republican congressional victory in 1994, the voucher program has been at the center of political disagreements over how assistance to the poor should be provided. It is not a simple picture, with conservatives on one side and liberals on the other. In general, Republicans and politicians with a modest libertarian bent have supported the program as a cheaper way to help the poor and a program that effectively minimizes government interference in the workings of the housing market. Notable exceptions have come from budget hawks concerned about a housing entitlement and fringe advocates who believe no housing assistance of any kind should be provided to the poor. Hostility

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of paying a higher contribution toward their rent. As FSS goals are met, escrow money can be withdrawn from the account.

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from community residents worried about voucher households has generally been muted, though it has increased in recent years and reached a high point during the outcry against Moving to Opportunities in Baltimore.

On the liberal side, opposition to the voucher program came from prominent Democratic politicians, progressive housing advocates (all the way back to the "social workers" of Senator Taft's time), and leaders of community development organizations. At the same time, national progressive advocacy groups like the National Low Income Housing Coalition offered tentative support for the approach as long as it was not used to eliminate public housing units, and many on the Left came to support Section 8 as the best opportunity for providing widely supported assistance to the poor (Winnick, 1995). The diverse reception vouchers have had among low-income housing advocates does not seem to have affected the program significantly; most criticism has focused on the model as a whole (generally portrayed as a poor alternative to project-based assistance), though some efforts were made by liberal advocates to promote the certificate model over the voucher alternative, since certificates limit a tenant's contribution more effectively (Int. W-3).

In the following chapters, we will examine the ways in the voucher program has been implemented at the local level in two cities, Portland, Oregon and New York City. While local conditions largely affected the policy making process in these cities, many developments have occurred in the shadow of federal changes and have often been attributed directly to some of the events described above. Furthermore, local-federal relations and political attitudes toward vouchers in these two cities will reflect many of the dynamics indicated from the research into EHAP and Section 8.

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CHAPTER THREE

MAKING POLICY IN PORTLAND

INTRODUCTION

Portland is a city of just over 500,000 people that straddles the Willamette River in Northwestern Oregon. Originally a quiet western city with a modest industrial base and a bustling waterfront, Portland's ship-yards and access to raw materials transformed the city during the Second World War, leading to a rapid expansion in its industrial base and development of a manufacturing economy as government contracts flowed through at a high pace. As in many other American cities, Portland experienced a period of relative stability after the war, as politically conservative forces prevailed in the local government.

Significant changes began again around 1970, as progressive land-use provisions were passed at the state level and steps were taken toward consolidating some local services on a region-wide basis. The election of a progressive mayor in 1973 led to vigorous efforts to preserve and revitalize the downtown area and to build a high-quality public transportation system that would link the central city to outlying areas and suburban jurisdictions. The last 25 years have brought additional progressive policy initiatives to address homelessness, services for the aging, growth management and affordable housing, and Portland is now seen as a city where a liberal social agenda has achieved a strong foothold. Today Portland offers an attractive downtown, excellent public transportation, a strong economy and easy access to outdoor recreation. It is a city with a high quality of life and a promising future, but it is also a place where real housing

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problems exist for many residents and where the best course of action for solving them has not always been a matter of agreement for policymakers.

PART ONE: ECONOMY, DEMOGRAPHICS, AND HOUSING

Economy

Transformations in the Portland economy in recent decades have not fit the pattern of Rustbelt cities such as New York, where a tailing off of the manufacturing and durable goods trading sectors coincided with a dramatic growth in the service economy. This economic pattern, often referred to as "postindustrialization," fits the rapid growth in Portland's service sectors since 1970, but fails to account for significant growth in manufacturing, trade, and construction that occurred as well (see Mollenkopf, 1992, Chapter Three). A more accurate model for Portland might be called "industry-plus," to account for the rapidly growing levels of activity focused on production and commerce in goods, combined with impressive increases in services; the finance, insurance, and real estate (FIRE) sector; and government employment.

Portland entered the 1970s with an economy still characterized by its position as the commercial hub of the Pacific Northwest. Taking advantage of its high-capacity deepwater port and proximity to shipping lanes for the West Coast, British Columbia, and Asia, the city's employment base relied heavily on manufacturing of textiles, metalworking, the paper and pulp industry, and lumberyards. When reformist mayor Neil Goldschmidt took office in 1973, an event often cited as a turning point in Portland's political and commercial culture, manufacturing jobs still outnumbered those in the service sector. The metropolitan area still retained strong ties to its past as a center for

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timber processing and trade, shipbuilding, and metalworking (see Abbott, 1983, Chapters 7-8).

During the next twenty five years, the Portland region experienced many of the same economic changes that swept through older, eastern cities: impressive additions to the employment pool for local government jobs; finance, insurance and real estate; and retail trade. Most importantly, the region experienced dizzying increase in the level of service positions, tripling the number of service jobs between 1970 and 1996 and achieving a service employment growth rate of over 200 percent—nearly eight percent a year, and well above the rate of growth for employment as a whole.

Table 3.1: Employment by Sector in the Portland Metro Region
All numbers in 1000s

	1970	1980	1990	1996	Rate 1970-96
Manufacturing	88.6	118.8	121.7	139.2	57.1
Lumber and Wood Products	9.4	10.8	9.3	7.7	-18.1
Transportation Equipment	6.9	9.2	10.2	10.4	50.7
Electronics	20.9*	40.9	40.1	54.2	159.3
Electrical Mach. & Instruments	13.2*	27.9	26	34.2	159.1
Total Services	77.6*	114.2	182.2	238	206.7
FIRE	25.3	46.6	52.1	63	149.0
Govt, State and Local	49.9	68.1	79.9	93.9	88.2
Total Employment	475.6	699.3	890	1083.1	127.7

* Figures for 1972, earlier sources unavailable.
Source: Oregon Department of Employment, Washington Employment Security Department, Bureau of Economic Analysis; reported in Metro, 1998, pp. 66-69.

But unlike New York, where high land costs and a deteriorating port infrastructure led to a precipitous decline in manufacturing jobs, Portland maintained its status as a producer of durable goods and captured an impressive share of new jobs in high-tech manufacturing. Moreover, these changes took place in an atmosphere of rapid growth in overall employment; the Portland region added half a million jobs between 1970 and 1996, a growth rate nearly double that of the United States as a whole. The region suffered minor losses of jobs in the resource-extraction related industries related to

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lumber and paper products, but these were more than compensated for by large jumps in the number of jobs related to the manufacturing of electronics equipment and electrical machines. Major employment growth was spurred by Intel, Tektronics, Epson, and Nike. Overall, manufacturing employment increased at an average annual rate of 2.2 percent, with strong growth continuing in the 1990s.

Portland's development, then, has followed a pattern which may be described as "industry-plus" as it has maintained its traditional share of heavy manufacturing jobs, expanded its production of export goods into growth sectors such as computers and electrical instruments, and simultaneously taken advantage of new opportunities for job creation in the non-industrial service, government, and FIRE sectors. The region's economy has increased in diversification, while adding significant numbers of high-paying jobs in both the manufacturing and service sectors. These developments have certainly contributed to Portland's high wages and low rates of unemployment. One recent estimate indicates wages in the metro area have risen by nine percent in the last ten years, compared with a 1.6% increase in the rest of the country's metropolitan areas (Cortright and Burnett, 1999, p. 30), though the City of Portland has experienced a modest drop in wages during the 1990s (see Table 3.1). Unemployment fell steadily from a high of more than ten percent in 1982 and has been below five percent in eight of the last ten years, well below the national average (Edmonston and Vilalta, 1999, p. 13).

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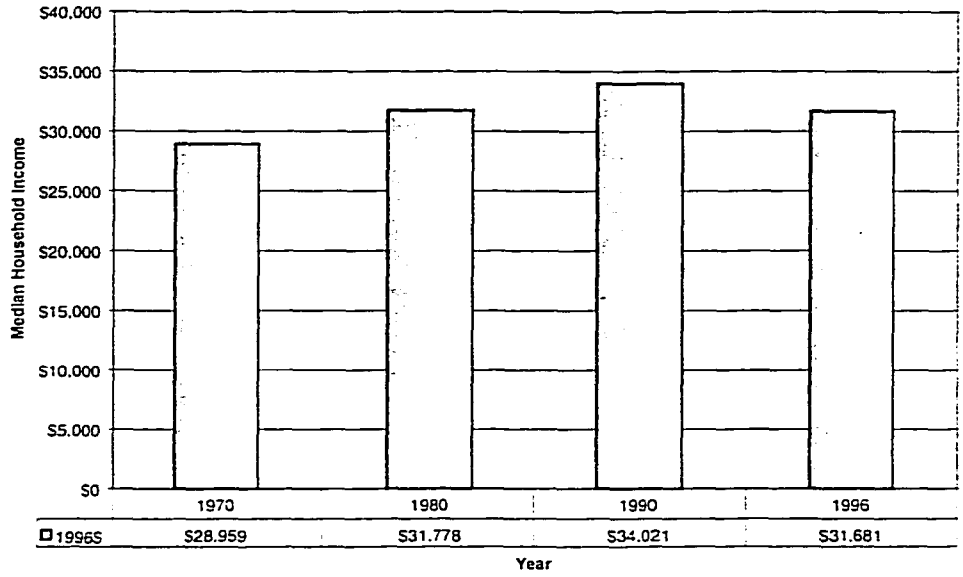
Chart 3.1: Median Household Income
Portland 1970, 1980, 1990, and 1996 (in 1996$)



Source: Portland State University. Center for Population Research and Census

Demographics

For a place where growth management is one of the dominant themes in the public discourse, the city of Portland has maintained a remarkably stable population over the last thirty years. Growth rates from 1970 to the present hover just over one percent, and a substantial portion of that increase is attributed to aggressive annexation practices in the 1980s and 1990s that redrew the city's boundaries and added 113,000 residents (CPRC, 1991, p. 17; CPRC, 1998, p. 19). In fact, the recent history of change within the city limits of Portland suggests a modest growth in population coupled with significant development of commercial property in the downtown area. Moreover, rapid growth in downtown office space has not kept pace with the swelling suburban jurisdictions: where

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Portland had 84 percent of the region's office space in 1970, by 1992 its share had declined to 53 percent. (Lewis, 1996, p. 170).

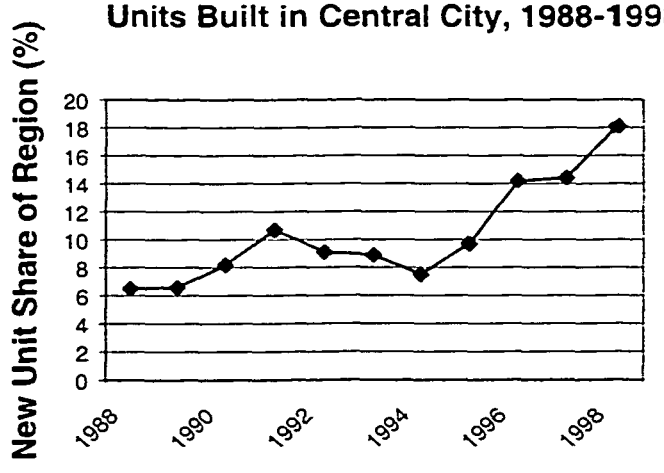
Table 3.2: Population Growth 1970-97

	1970	1980	1990	1997	Rate 1970-97
Portland City	382,000	368,139	438,802	508,500	33.1
Multnomah Cnty	555,000	562,647	583,887	639,000	15.1
Portland SMSA	1,009,129	1,242,594	1,412,344	1,658,500	64.3

Source: Portland City and Multnomah County numbers 1980-97 from U.S. Bureau of Census Data, reported in Edmonston, 1998. SMSA statistics U.S. Bureau of Census, reported in Metro, 1998, p. 1. 1970 Portland and Multnomah County statistics from U.S. Bureau of the Census, 1979.

In recent years, the central city has garnered an increasing share of new housing construction. As a share of the metropolitan area, Portland's portion of new housing units increased from 6.5 percent in 1988 to nearly 20 percent in 1998 (Nelson, 1999, p. 6). As Chart 3.2 shows, this share has increased consistently over the last decade, but a significant jump appears to have occurred in the late 1990s, suggesting that Portland is exerting an increasing pull on new housing construction in the area.

Chart 3.2: Share of New Metropolitan Housing Units Built in Central City, 1988-1998



Source: Nelson, 1999, p. 6, from U.S. Census, Building Permit annual reports

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Paul Lewis (1996, Chapters 4 and 6) points out that even the reduced proportion of the metropolitan region's office space that remains in Portland is still a high percentage when compared to similar cities elsewhere. Many western and Sunbelt cities, faced with demographic and economic developments similar to Portland's, failed to control the growth in meaningful ways, leading to depleted central cities surrounded by burgeoning "edge cities," all connected with endless ribbons of high capacity freeways (Nelson, 1999). The result in these places has been longer average commuting times, one-dimensional downtowns that are deserted at night, and an irrational distribution of the costs and benefits of the region's growth. Portland has a vibrant downtown which has benefited greatly from infrastructure investments in bus and light rail transit—investments that in other cities might have been spent on highway construction to meet the needs of suburban commuters. Nevertheless, we can acknowledge Portland's success in maintaining the character and centrality of its downtown without denying the power of the centrifugal social, economic, and demographic forces at work in the last three decades.

While Portland's development has been incremental and even rather modest in scale, a quite different picture emerges when considering the multiple counties (Washington and Clackamas are the next largest) that make up the Portland region as a whole. Here the rate of growth has been rapid, averaging nearly three percent a year, with the highest levels coming in the 1970s, followed by moderate growth in the 1980s and increasing numbers in the last decade. These rapidly growing counties are attracting a lion's share of the economic development of the region: Washington and Clackamas counties together attracted 194 percent more commuter traffic in 1990 than in 1970.

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Multnomah County, where 80 percent of the population lives in the city of Portland, enjoyed only a 50 percent increase in the same period.[14] Even within Multnomah County, growth rates have been widely differentiated. Census tracts in southeast and northeast Portland (the city's primary residential districts), actually lost population during the 1990s, while the eastern and northwestern parts of the county, especially such towns as Troutdale and Gresham, gained 25 to 50 percent more residents (Sharkova, 1998, p13).

Rates of growth, especially due to migration, have fluctuated quite a bit from year to year, both in Portland and the metropolitan region. High rates prevailed in the 1970s until the national recession in 1980 combined with a collapse in the local timber industry, leading to several years of poor economic conditions where unemployment peaked at 11 percent in the first half of the 1980s. The Portland metro region experienced a net loss of population in 1983 and suffered five more years of anemic growth before returning to high rates of in-migration around 1988; these have been sustained to the present day (see Metro, 1998, page 34). It is widely speculated that much of the migration into Oregon in the late 1980s and early 1990s was from "equity-rich" Californians seeking to cash in on rising property values in their home state and relocate to a place with a lower cost of living (Metro, 1998, page 9). More recently, as the Portland region's economy and housing prices have heated up, evidence has suggested that many of the newcomers, young and highly educated, are seeking to tap into the area's growing opportunities in manufacturing of electronics and electrical equipment, as well as the booming service sector, which includes finance, real estate, and insurance businesses (Metro, 1998, page 32).

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[14] Author's calculations based on data from Bureau of Economic Analysis, U.S. Dept. of Commerce, as reported in Data Resource Center, Metro, 1998, page 106.

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Economic conditions in Portland have long affected the racial composition of the city. In the 1940s, the Kaiser Corporation turned Portland into one of the nation's most productive centers of ship building, importing tens of thousands of African-Americans to fill the wartime labor need. Facing ardent discrimination in a tight housing market, the newcomers were forced to live in grim temporary housing constructed by Kaiser and foisted upon the recently chartered housing authority for management responsibility. When the shipyards reduced output after the close of the war, the African American population shrunk back to its pre-war size, aided by a catastrophic flood that destroyed the homes of more than 18,000 people (Sanders, 1991, Chapter Four). In 1970 Portland was 92.3 percent white, 5.6 percent black, and about one percent Hispanic (U.S. Bureau of the Census, 1979). A strong economy led to substantial increases in the 1970s and again in the 1990s, with the most recent numbers showing African-Americans at 8.3 percent of the population, Hispanics at 4.4 percent, and Asians at 6.5 percent, while the white population has dropped to 79.7%[15]. Nevertheless, despite a doubling of the rate of non-whites living in Portland, the city remains one of the least racially diverse large cities in the nation. A history in Portland of racially charged behavior may be on the wane: while the region's strident Protestants proved fertile recruiting grounds for the Ku Klux Klan in the 1920s and residents fought public housing with racist pamphlets in the late 1960s (Sanders, 1991, p. 69), a recent study of political decision making in several cities found that the policy preferences of Portland's black residents are satisfied more often by political decision makers than those of the population at large (Berry, et. al., 1993, p. 157).

[15] Source: American Community Survey, 1998.

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Housing Market

Portland is largely a city of single family homeowners who live in relatively good housing stock. Fifty seven percent of the population own their homes, nearly eight percent above the national average for central cities. Housing conditions for all households are generally better than those for the rest of the nation's cities: rates of units reporting moderate or severe physical problems are about half the rates found elsewhere. Virtually all units benefit from complete plumbing facilities, and overcrowding is just over half the national average. In the metropolitan region taken as a whole, a very high rate of new construction is indicated by the number of dwelling units constructed in the first half of the 1990s: eight percent of all dwelling units in the metro area were built during this time. Homes are of average size, and recent movers indicate typical feelings about their new homes and neighborhoods when compared with nationwide statistics. For renters, the median total cost is about 30 percent of household income, again, typical for the U.S (Table 3.3).

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Table 3.3: Comparison of Housing Stock in 1995
All numbers in 1000s

	Portland	NYC	US Cities
Total occupied units	191.1	2795	33513
% owner occupied	57.2	29.8	49
% 1 family detached	65.3	8.1	45.5
% in buildings 5 units or more	20.9	63.6	29.8
Median year built	1950	1939	1958
Built in last 4 yrs (SMSA, all units)	57.5	33.7	876
Median Square Feet	1682	2383	1680
% > 1 person/room	2.4	8.1	3.9
% lacking some plumbing	0.5	0.9	0.3
% moderate physical problems	3.2	6.9	5.5
% severe physical problems	1.1	6.1	2.5
Median year moved in	1991	1989	1991
% recent movers say better home	50	53.4	50.9
% recent movers say better neigh	35.6	31.7	35.2
Median cost burden for renters	30	32	30
Poverty Households:			
% > 1 person/room	4.7	12.9	9.5
% lacking some plumbing	1	0.7	0.5
% moderate physical problems	5.9	8.8	9.6
% severe physical problems	2.4	10.4	4.5
Median year moved in	1992	1989	1992
% recent movers say better home	42.5	56	46.7
% recent movers say better neigh	34	36.4	34
Metro median cost burden for renters	66	81	63

All data from American Housing Survey; Portland and New York from metro area AHS. Portland and New York data represent city subarea (not MSA) unless indicated. Universe is occupied stock unless indicated

For households with incomes below the poverty line, however, conditions and rent burdens are significantly worse. Nearly five percent of the units are overcrowded and more than eight percent report moderate or severe physical problems in the unit—nearly double the rate of higher income households. Recent movers prefer their new housing at lower rates than non-poverty households, but neighborhood preferences are unchanged. Most important, poor renter households suffer an enormous rent burden when compared with average renters. The cost burden as a percentage of income reaches

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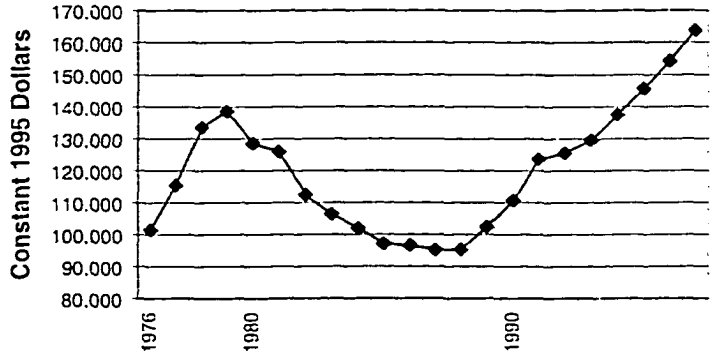
66 percent, more than twice that of typical renters. Nonetheless, when considered in comparison to the conditions faced by the poor in other U.S. cities, Portland's poor do comparatively well on all accounts except their high rent burdens.

Housing demand in Portland has been strong since the late 1980s, with home values and rents rising rapidly. Mean sales prices on single family homes in the metro area rose at annual rates above 20 percent during the late 1970s, slowed during the recession of the early 1980s and fell every year from 1982 to 1985 before recovering in the latter part of the decade. Prices

increased sharply from 1989 and show little evidence of slowing into the late 1990s. A

Chart 3.3: Portland Metro Area Home Prices: 1976-1997



Source: Realtor's Multiple Listing Service, in Metro, 1998, page 95. Figures for single family dwellings only. Portland metro area, excluding Clark County.

1998 comparison of home sales prices in nine western cities showed Portland to have the fifth highest housing prices in 1996, but the fastest rate of growth of any of the nine cities (Saba, 1998, p. 12).

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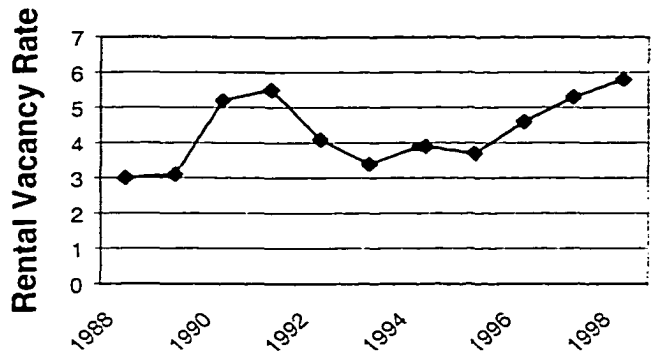
For renters, the city has a comparatively tight housing market. The 1998 American Community Survey reports that the city of Portland has a rental vacancy rate of 3.4 percent. Market studies from a private research firm indicate vacancy rates for Multnomah and nearby counties ranging from 3.4 percent to 5.8 percent in the 1990s, a tight market for renters, especially in the five years in the mid-1990s when vacancy rates were below five percent. (Chart 3.4).

Chart 3.4: Rental Vacancy Rates



Multnomah, Washington, Clackamas and Clark Counties
Source: McGregor Millette Reports, Fall/Winter 1997, Fall/Winter 1999

Census data from 1990 showed that Multnomah county had sufficient affordable rental units available to meet the housing needs of all households earning up to 50 percent of area median income, but that for the very poor—those earning less than 30 percent of median—there was a 10,000 unit shortfall in affordable units. Among this group of very low-income households, 61 percent were paying more than half their income in rent (City of Portland, et. al., 1995, pp. 17-19). In downtown Portland, rental units affordable to low-income residents have declined 26 percent since the late 1970s, as buildings have been converted to market rate housing or removed from the housing stock altogether

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(Northwest Pilot Project, 1998, p. x). Adding a spatial dimension, a recent study by Portland State University found a large number of census tracts in the eastern part of Portland's urban core that have lost housing units during the 1990s leading to reduced levels of housing density, while tracts on the west side of the Willamette and the eastern suburbs of Gresham and Troutdale gained as much as one dwelling unit per acre of land since 1990 (Sharkova, 1998, pp. 14-15).

PART TWO: INSTITUTIONAL AND POLITICAL CHANGE

A Changing Environment for Land Use

For the last thirty years Portland has been at the epicenter of a series of developments in land use and planning regulations that have achieved national attention. Beginning with concerns about environmental destruction resulting from unchecked urban sprawl in the late 1960s, state lawmakers passed bills that substantially changed patterns of growth in the Portland metro area, and in the process established the fault lines along which city, county and state politics would develop to the present day. These changes were intended to create a rational system for evaluating land use decisions, and their impact has been far-reaching, affecting housing market conditions, the arrangement of county and city government institutions, transportation plans, and Portland's reputation as a livable city.

Portland, along with the rest of the state of Oregon, has long maintained a sort of dual identity as a city which embraces the prescriptions of political progressives and conservatives with equal fervor. A wave of legislation during the Progressive era led to the adoption of the initiative, referendum, and recall, as well as Portland's unusual

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"commission" form of city government in which the mayor presides over a council of four at-large commissioners each serving simultaneously as legislator and administrator with direct oversight of city agencies. But while populist and progressive ideals have long found fertile ground in Portland, the city has never been immune from forces of bigotry, corruption, or domination by business interests. Well publicized inroads were made by the Ku Klux Klan in the 1920s, racial covenants on real estate helped keep black workers confined to factory slums during World War Two, successive administrations were assailed by charges of corruption and vice in the mid-century, and Portland's history in the 1950s and 1960s is marked by a tendency to conservative, pro-business boosterism (MacColl, 1979; Abbott, 1983).

The modern political history of Portland is generally traced to a period of rapid change in the late 1960s and early 1970s. The Willamette Valley in the 1960s—low-density with a growing economy and many natural amenities—was a prime location for many of the worst aspects of urban sprawl. Fearing their towns might come increasingly to resemble southern California, local advocacy groups such as the League of Women Voters, the Chamber of Commerce, and progressive business interests encouraged the creation in 1964 of a Metropolitan Study Commission to promote consideration of metro-wide solutions to growth (Abbott, 1983, p. 249). By 1969, federal pressures for regional planning led to the establishment of a region-wide government planning council, and a year later the state legislature created a limited form of metropolitan government for providing services and land-use studies in the area, the Metropolitan Service District (Lewis, 1996, pp. 105-107).

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Simultaneously, the Oregon legislature adopted a ten-point list of land-use objectives, including the preservation of agricultural lands and open space and the provision of land for affordable housing. These objectives were given enforcement power with the adoption of Senate Bill 100 in 1973, which established the Land Conservation and Development Commission (LCDC) to oversee and approve all local plans in accordance with state guidelines (Abbott, et. al., 1994, Introduction). The LCDC, in turn, created Oregon's groundbreaking regulation requiring all urban areas to incorporate an "urban growth boundary"(UGB) into their land use plans. In effect, the state government forced urban municipalities to adopt land use plans that drew a line around their metropolitan areas and banned any non-agricultural development outside the boundaries (Knaap, 1994, pp. 10-12).

These developments at the state level not only changed Portland's land use policies, they helped generate support for regional governance and, eventually, institutional change as well. The LCDC, despite a cautious approach born of a sensible desire not to implement a new policy too aggressively, used its new powers to curb urban sprawl in many areas, and in particular, to rein in localities that were accustomed to use zoning provisions as a way to exclude low-income residents. The use of large-lot and low-density provisions in zoning codes has long been a staple of municipalities seeking to maintain a resident base of middle- and upper-income families (see Downs 1994, Chapter One). The new guidelines implemented by LCDC were a significant curb to this practice: the Commission went to court a number of times between 1978 and 1983 to force localities to eliminate large-lot zoning provisions, abandon efforts to prohibit multifamily and government assisted housing, remove excess permitting requirements for

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migrant housing projects, and provide inventories of "buildable" land. These conflicts helped establish the willingness of state administrators to enforce provisions that municipalities provide their "fair share" of affordable housing opportunities and contributed to a policy making environment in which municipalities were discouraged from pursuing particularistic, self-serving objectives at the expense of jurisdictions that were home to large numbers of low-income people (Toulan, 1994, pp. 103-105).

A vigorous progressive mayoral administration in the 1970s headed by Neil Goldschmidt generated further impetus for regional government and land use reform. Goldschmidt, an admirer of the urban planning theories of Jane Jacobs, was an ardent defender of the multi-use development of downtown Portland and a foe of freeway projects that would encourage additional suburban sprawl. In the process of pursuing programs to maintain the vitality of the central city Goldschmidt utilized the metropolitan planning bodies and tri-county transportation agency to further support for a light rail system running between downtown Portland and the neighboring town of Gresham. This helped create momentum for a more powerful elected regional government, which was established in 1978 when voters approved a referendum merging the two principal metropolitan planning agencies into "Metro." This three-county government, the only elected regional government in the nation, has primary responsibility for managing the region's urban growth boundary, as well as the ability to provide solid waste services, oversee local planning efforts, and operate the region's sports facilities and convention center (Int. P-16; Lewis, 1996, Chapter Six).

Restrictive land-use policies have not been without their critics. Trade associations for Portland realtors and landowners have argued that the growth boundaries

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are driving up housing prices and need to be expanded.[16] The city council of Milwaukie, a town near Portland, was recalled when residents revolted against the council's support for compact development ideals. Nevertheless, successful political candidates in Portland and its principal neighboring jurisdictions are generally supportive of the controlled growth strategies implemented thus far, and few voices are heard calling for a return to the less regulated practices of the past. Instead, current disagreements tend to occur between those who favor maintaining the growth boundaries nearly at their current position and those who feel significant expansion is needed (Int. P-16).

Portland's unique metropolitan governance structure has been credited for facilitating the development of downtown Portland as a center for office activities, reducing the region's reliance on automotive commuter traffic, and most importantly for the present study, generating region-wide analysis of ways to promote equitable growth in the affordable housing stock (Lewis, 1996, pp.169-72, 195). Whether these forces have succeeded in generating more affordable construction is debatable, however. Housing prices have increased faster than incomes in Portland over the past decade (see Toulan, 1994, p. 115; and Charts 1.2 and 1.5 above), though Portland's suburban counties have built apartments at comparatively high rates during the same period. One study showed some jurisdictions building more apartment-style units from 1985-90 than they would have in their twenty year plans before regional government led to more restrictive regulations for the inclusion of high-density housing (Lewis, 1996, p. 181).

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[16] A recent national study of housing problems by Stegman, Quercia and McCarthy agrees that the growth boundaries may have an effect, and urges states and communities to "take explicit account of the need for more affordable housing in the development and implementation of smart growth policies" (Stegman, et. al., 2000, p. 23).

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None of this should be construed to mean that Portland created an environment hostile to housing development through its efforts to manage growth. In fact, most analysts agree that the original growth boundaries were drawn rather generously, leaving ample space outside of the already-urbanized areas for new development. In addition, state regulations have forced localities to consolidate and streamline the process for permitting development projects, establishing a 120-day deadline for government responses to applications for new construction permits. As Paul Lewis points out, LCDC not only restricts development outside the limits of the boundaries, but within those limits, it "forces cities to maximize buildable, serviced land (1996, p. 113).

Developments in Housing Policy

Portland enjoys a reputation as a city where the political environment is characterized by cooperation, inclusion, and an ethos of "disinterested" rational decision making (Abbott, 1997; Nkrumah, 1997a; Ints. P-16, P-30). Until quite recently, such terms described the style in which decisions were made regarding housing policy. In the late 1980s and early 1990s the city had a significant stock of vacant and abandoned buildings, totaling over 1500 units at its peak (City of Portland, 1995, p. 15), and a consensus emerged in support of a "revitalization" strategy that would boost the capacity of the community development corporation (CDC) sector in order to repair and occupy tax-foreclosed properties. This revitalization agenda sparked comparatively little controversy, but as housing prices rose sharply in the mid-1990s attention shifted to problems with affordability and displacement. These problems have proven less

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tractable, and the solutions pursued by policy makers and advocates have generated more controversy (Int. P-15).

Recent developments in housing policy have their roots in efforts to combat homelessness in Portland in the 1980s. An agreement at the beginning of that decade between the City of Portland and Multnomah County divided responsibilities for services, giving "hard" services like firefighting, police, roads, sewer, and water to the City, while the County agreed to maintain responsibility for social services, courts, and elections. Housing policy, which can simultaneously address problems of infrastructure and social service needs, came to occupy a special place in the City's portfolio: an area where social needs and outcomes were given particular emphasis within the efforts to promote public order and provide adequate infrastructure (Int. P-8, P-16, P-30).

In the latter half of the 1980s, Portland Mayor Bud Clark devoted increasing attention to the problem of homelessness on the streets of Portland. The issue was receiving national attention, and Portland-based homeless advocates were traveling to Washington to help raise awareness of the plight of the homeless and the need for affordable housing. Mayor Clark issued a ten-point plan to address homelessness and his administration began exploring ways to attract developers who might repair and operate City-owned, tax-foreclosed properties. While early efforts focused on ways to get homeless people off the streets and into mental health or "detox" facilities, a growth in the number of homeless families led to increased attention to the problems of affordable housing (Int. P-30).

In 1990 County Commissioner Gretchen Kafoury ran for the Portland City Council on a platform that emphasized the importance of creating affordable housing.

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With extensive experience in housing issues both at the state and county level, Kafoury was a vigorous advocate for devoting more resources to the revitalization of Portland's housing stock. She received unprecedented support from Mayor Clark in this effort, as he gave her control over the city Bureau of Housing and Community Development, including direct responsibility for the allocation of federal Community Development Block Grant (CDBG) funds.

The HUD-mandated Comprehensive Housing Affordability Strategy provided Kafoury with an opportunity to build support for increased measures to provide affordable housing in Portland and to rehabilitate distressed properties. Dozens of meetings with a broad array of stakeholders allowed the city to alter funding priorities for allocation of CDBG money, giving increased support to projects that produced affordable housing for low-income residents and especially projects that were carried out by CDCs. Where in the 1980s substantial funds went to the pro-growth Portland Development Corporation (PDC) which had concentrated on developing the commercial capacity and environment of the central business district, under Kafoury's direction the city Bureau of Housing and Community Development increased its support for CDCs in operating support and technical assistance. The early 1990s brought an increase in capacity of CDCs to develop tax-foreclosed properties as the number of organizations more than doubled (totaling more than 15 organizations active by the late 1990s) (Merrick and Abdel-Hamid, 1998; Ints. P-8, P-12).

According to city officials, these changes were driven by three factors: the extensive inventory of abandoned properties in the city, the need to develop CDCs as serious players in real estate development (since for-profit developers and lenders

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shunned the neighborhoods where abandonment was rife), and the sources of funding that were available in the late 1980s and early 1990s (Ints. P-15, P-31, P-8). The last of these factors represented an important constraint on the kinds of development activity that were contemplated during this period.

In the late 1980s the principal source of funding for affordable housing was the Community Development Block Grant (CDBG), which provided most of the six or seven million dollars a year that were available. These funds were largely restricted to projects which involved renovation of existing structures, not new construction or rent subsidies; in addition, CDBG income targets were comparatively relaxed, allowing the city to spend a substantial portion of the money on moderate income projects. The other major source of funding came from tax increment financing provided through the Urban Renewal program. Channeled through the Portland Development Commission, which focused on commercial projects such as the Pioneer Courthouse Square and middle income housing developments that enhanced the city's tax base, these funds did little to provide or preserve dwellings for the city's poorest residents (Ints P-17, P-31, P-8).

To carry out the revitalization strategy, the city offered low interest loans, grants, regulatory relief, and other incentives to encourage developers to focus on neighborhoods with the greatest need for investment. Proposals were accepted on an "open door" basis, with BHCD staff assessing applications against criteria developed in Portland's housing planning process. Nevertheless, despite the modest levels of funding, resources often went untapped. As much as ninety percent of the funds went to private, for-profit developers, many of whom either were uninterested in projects in BHCD's target

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neighborhoods or were seeking larger blocks of money for larger developments with higher profit margins (Int. P-31).

In the early 1990s the creation of the federal HOME program along with a substantial boost in local support for affordable housing led to changes in how housing dollars were allocated. Federal guidelines for the HOME program encouraged cities to use the money to support development by CDCs, which reinforced the direction local policy was following at this time. By the early 1990s, the share of city housing funds allocated to CDCs had grown to 90% or more. Meanwhile, as the region's economic turnaround gathered momentum Portland fiscal planners began projecting substantial budget surpluses in 1995 and 1996. The Portland Organizing Project, engaged in a struggle to secure the inclusion of low income housing units in the large urban renewal project planned for the River District, urged a large set-aside from the city's general fund for the creation of affordable housing—some within the River District project area and the rest distributed throughout the city. In exchange for support for the River District urban renewal plan, the Organizing Project received the support of the business-dominated River District Steering Committee for their low-income housing proposal (Maves, 1995, p. B2). Drawing additional backing from the burgeoning CDC sector, Kafoury and the Bureau of Housing convinced the City council to establish a $30 million dollar Housing Investment Fund (HIF) to encourage the renovation of distressed properties and the creation of affordable housing (Int. P-8).

Spread over three years (1996-99), the HIF more than doubled the annual funding available for affordable development and targeted these funds to units affordable to low-income and very low-income people. A larger housing budget enabled BHCD to fund

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larger projects as well, which helped to bring private developers back to the table in recent years; one city official estimated that HIF led to a more even split in funds allocation between the CDCs and for-profit developers, a balance which has continued through the end of the decade. Finally, PDC responded to criticism from the advocacy community as well as oversight from the City Council and began devoting a greater share of its efforts to CDC support and the construction and preservation of affordable housing (Ints. P-8, P-31, P-18, P-15, P-17; Parente, 1997, p. A1).

These changing conditions, along with the growing pressures brought by advocacy organizations, led to important changes in Portland's affordable housing efforts in the 1990s. Policy makers not only devoted a larger proportion of resources to low-income housing, but also found they had a bigger pool of money to spend. Increased distribution of funds to CDCs was combined with a refocusing of priorities; the 1995 Consolidated Plan targeted resources to families earning below 60% of area median income (BHCD, 1995, p. 17) and a recent document released by the city's Housing and Community Development Commission notes that 96 percent of HIF dollars went to support dwellings affordable to households at this income level. In addition, 23 percent of the resources were devoted to units affordable at the 30 percent of median income threshold (HCDC, 1999, p. 4).

As of 1999, only a small fraction of HIF funds are still available for allocation, and the city has returned to reliance on a mix of CDBG, HOME, tax increment, and other smaller funding sources to support affordable housing. The city's failure to renew the Housing Investment Fund to1996 levels may reflect changing political priorities (a recent study found affordable housing ranked last on a list of ten policy concerns cited by

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Portland metropolitan area residents [Wollner, 1999, p. 4]), but it is also likely related to Oregon's changing system of tax regulation. In 1990 citizens passed "Measure Five," a referendum intended to limit the growth of property rates in the state. Phased in through the mid-1990s, the bill restricted localities to property tax rates at or below 15 dollars per $1000 of real market value. Portland had a tax rate nearly twice that threshold in 1992-93 and has been forced to cut back on public spending to remain within these new limits (Lewis, 1996, p. 109). Efforts to secure a dedicated source of funding for affordable housing development have met with little success: a ballot measure championed by Commissioner Kafoury in the late 1980s would have established a county-wide real estate transfer tax for this purpose, but went down to a stinging defeat with the support of less than a third of the voters. Recently, advocates have been working with the regional government, Metro, to resuscitate the proposal on a region-wide basis, but no concrete progress has been made as of 1999 (Ints. P-8, P-12, P-18).

Market conditions also had a large effect on Portland's housing policy. As real estate prices increased rapidly during the mid-1990s, neighborhoods that once suffered problems associated with abandonment and disinvestments began to experience rapid gentrification. The inventory of abandoned properties dropped from over 1500 in 1990 to fewer than 500 in 1994 (City of Portland, 1995, p. 15). Meanwhile, CDCs were faced with shifting constituencies as new, more affluent residents of neighborhoods like Northeast Portland were beginning to criticize their projects for lowering the quality of life and endangering property values in areas where only a few years previously residents had welcomed CDC investments as essential to stemming the flow of abandonment (Fitzgibbon, 1999, p. E2). As rising real estate prices eliminated one set of problems for

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housing advocates (abandonment and blight), new challenges quickly took their place as low-income residents found themselves squeezed out of the market (Int. P-15). Housing advocates attempted to address these changes through strategies encompassing new affordable construction and preservation of existing subsidies.

Housing Advocacy

Advocacy efforts for low-income housing in Portland were somewhat limited until the late 1980s, when the Alinsky-ite Portland Organizing Project helped call attention to the failure of city and Housing Authority officials to address the problem of neighborhood blight. Subsequently, nonprofit housing developers and other activist organizations (notably the Portland Organizing Project) successfully mobilized to promote the Housing Investment Fund, scoring a major victory and heralding a period in which low-income housing advocates enjoyed extraordinary access to decision-makers at City Hall. During most of this period, interest groups representing landlords, developers, and realtors worked in comparative harmony with advocates for the poor, as the demands of the latter remained within boundaries where negotiation and a consensus approach to policy making could prevail. The atmosphere of collaboration and comprehensive planning has broken down somewhat in recent years, however, as an acrimonious battle has been fought over the right of landlords with federal project-based Section 8 contracts to opt out of those arrangements when their contractual obligations expired.

Policy making in Portland is widely viewed as a collaborative process where consensus-building and inclusion are practiced by most stakeholders (Abbott, 1997; Ints. P-8, P-22, P-29), and the tenor of discussions around affordable housing in the late 1980s

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and early 1990s seems to bear this out. Despite the confrontational tactics of the Portland Organizing Project, a church-based organization that highlighted the city's responsibility for blighted properties, activists and their allies at City Hall--particularly City Commissioner Gretchen Kafoury--soon established a cooperative relationship. By the end of the decade, the Oregonian would report that "City housing programs became virtually untouchable in the budget-cutting process" (Parente, 1997, p. A1).

Early initiatives focused on transferring blighted units to CDC ownership, increasing operating and other kinds of support for CDCs engaged in redevelopment, and preserving or replacing affordable units in the downtown that were being demolished or converted. In one notable early effort, the state Attorney General helped city officials force a notorious slum landowner in Northeast Portland into bankruptcy, at which point the city used CDBG funds to secure a loan that enabled them to "flip" the properties to a CDC established to manage them (Int. P-8).

In addition to supporting the creation of the Housing Investment Fund. advocacy organizations pushed the city to create more dwellings (many of which were to be funded by HIF) that would be permanently affordable to people at the lowest end of the income scale: below 30 percent of median income (Nkrumah, 1995, p. A1). Prosecuting this agenda, advocates secured city allocation targets that reserved one third of total city housing resources for households earning 0-30 percent of the median family income. Actual expenditures were somewhat less redistributive, providing only 23 percent of dollar resources to units affordable at this level (Int. P-15; HCDC, 1999, Attachment A, pp. 1-5). It should be noted that these priorities led to the fewer units overall. Much deeper subsidies had to be attached to units affordable to the poorest households: the city

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spent over $23,000 per unit for the 0-30 percent of MFI group, $12,800 per unit for the 30-50% category, and just $504 per unit in the 80 percent and above category (HCDC, 1999, p. 4; see also Nkrumah, 1995, p. A1).[17] While some advocates and city officials (including the mayor) argued that these priorities would lead to a sub-optimal distribution of resources as important overall construction goals were sacrificed for deep subsidies in a modest number of units, the great majority of CDCs, along with the prominent leaders from the Northwest Pilot Project, argued that the real need was in the 0-30 percent of area median income range. To buttress this claim, they cited the housing needs survey Comprehensive Housing Affordability Survey, which identified thousands of units needed by this group, but a modest surplus among the 50-80 percent of median group (Nkrumah, 1995, p. A1; Int. P-12).

Low-income housing advocates successfully promoted their three primary goals of shifting resources to CDCs, increasing expenditures on housing preservation and construction, and targeting resources to the poorest families by the mid-1990s. And by-and-large, through collaboration, negotiation or simple pressure tactics, they often secured the support of important business and civic advocacy organizations for these objectives, with the River District Steering Committees endorsement of the Housing Investment Fund being the most prominent example (Christ, 1995, p. B2; Int. P-30). But a fourth objective—preserving affordable housing financed under expiring federal subsidy arrangements—would prove more elusive, even threatening to undermine the

[17] These categories reflect a variety of programs, including new construction and preservation efforts, so the categories are not exactly parallel. Nonetheless, the point should be clear that a much larger expenditure per dwelling unit is needed to create or preserve a unit affordable for a family that can contribute little or no funds toward rent or maintenance.

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loosely collaborative arrangements under which pro-growth interests (realtors, landlords, and developers) and advocates for the poor generally avoided sharp conflict.

"Expiring use restrictions" for Section 8 and Section 236 properties had been an issue gaining national attention from housing advocates since the 1980s, but it took the closing of two Single Room Occupancy hotels in downtown Portland for local advocacy organizations to push the problem to the top of their priority list. Construction of a federal courthouse in the central business district in 1992 led to the demolition of an SRO hotel with nearly 200 units, most of which were not replaced. Then in 1997 the Section 236 contract for the Roosevelt Hotel expired and the owner decided to sell it for market rate housing (Int. P-17). Despite an agreement from HUD to grant all evicted tenants Section 8 certificates, advocates learned that Section 8 had a "turn back" rate of 30%, meaning that many subsidized tenants might lose their subsidies. The residents of downtown SROs were, as one city official put it, "incredibly inequipped to go out and find a unit and compete on the open market" (Int. P-31). An advocate who worked to relocate displaced tenants called the Section 8 apartment search a "difficult chore" (Int. P-17). With dozens of Section 236 and Section 8 project-based contracts, representing over 1,000 units, set to expire within the next decade in Portland, the possibility of a substantial number of assisted residents losing their housing was becoming a major concern of policy makers and advocates (Christ, 1998, p. E2).

In response to what they perceived as an impending crisis, low-income housing advocacy organizations worked with Commissioner Kafoury to secure introduction of legislation into the Portland City Council requiring notification of the city when federal project-based subsidies were due to expire, as well as a provision for a right to first

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refusal by the city if the owner planned to opt out of the federal contract. In effect, this "Replacement Housing Ordinance" would require owners to offer to sell their buildings to the city at fair market value rather than convert them to market-rate rentals or put them on the up for sale to the highest bidder. Landlords who failed to notify the city and who let the federal contracts expire would be charged $30,000 per unit as a replacement fee, a penalty justified by supporters of the bill as necessary to prevent squandering of the contracts, which were seen as public resources for the Portland community (Ints. P-8, P-12, P-17, P-18, P-21).

As activists from the Community Alliance of Tenants, Elders In Action, the Community Development Network, and other organizations held weekly demonstrations at City Hall in support of the ordinance, negotiations between advocates and policy makers resulted in a somewhat less restrictive bill than that originally proposed, but one which was still unpalatable to property owner organizations such as the Home Builders Association of Metropolitan Portland and the Metro Multifamily Housing Association. Nonetheless, the City Council passed the ordinance unanimously, provoking an angry response from an editor at The Oregonian, who decried their "mafia-style" tactics and denounced the ordinance as an "abomination" that punished owners who had voluntarily participated in federal programs to create low-income housing (Reinhard, 1999, p. G5).

Rather than accept the city's ordinance, landowners took their case to the state level, hoping for a more sympathetic hearing in the Republican-dominated state legislature. Prominent landowner and philanthropist Harold Schnitzer and his lobbyists argued the case on behalf of the owners. Within months, the state had struck down important parts of the city's ordinance, requiring the city to use condemnation

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proceedings in order to take over the properties. A negotiated agreement left the city with the possibility of enacting a more moderate ordinance that would still result in notification and the opportunity to take properties through "friendly condemnation." Landlords claimed victory as tenant advocates argued that a strong preservation ordinance was still a likelihood. Meanwhile, the city and PDC had purchased projects that were at risk of expiring during the negotiations over the ordinance.

A number of participants in the process noted that the generally cooperative relationship that had prevailed before the preservation ordinance between the affordable housing advocates and the organizations representing landlords (the Multifamily Housing Council, the Homebuilders, and the Portland Association of Realtors) broke down during the debates in the City Council over the ordinance (Ints. P-18, P-21, P-30). It is too early to tell whether this change is simply an anomaly or heralds a period of more open conflict between the two sides of the housing debate. It is also unclear whether this consensus-building style of decision making remained popular only as long as advocacy organizations remained within certain boundaries that "landed" interests could accept. Advocates say that rent regulation was never seriously considered in Portland as a way to control rising real estate costs (indeed, there is a state law preempting rent controls and another law preventing localities from enacting inclusionary zoning codes), and they say that regulatory strategies in general are quite unpopular (Ints P-18, P-21).

It is possible that the conflictual nature of the struggle around the preservation ordinance is rooted in a breaching of the tacit agreement that had existed around housing policy from the late 1980s. An atmosphere of cooperation was possible so long as low-income advocates did not press strategies that undermined property rights or the ability of

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landlords to operate their properties with minimal restrictions on profit. The homebuilders and real estate interest groups could support significant public expenditure on behalf of new construction for the poor, increased services for the homeless, shifting of resources to CDCs, even (as will be discussed later) competition from the Housing Authority in the production of new units. But there appears to be little room for cooperation over such issues as rent control, inclusionary zoning, or restrictions on disposition of privately owned properties. One way of summarizing the distinction between policies where cooperation is possible and those where it is not is to point out that the latter areas involve inroads on property rights themselves—i.e., how owners can use and dispose of their private property. Property owners may be less opposed to measures which involve extensive public expenditures and redistributive policies, but do not directly interfere with property rights.

Section 8 on Portland's Public Agenda

While the Section 8 project-based program has been a great source of concern for low-income housing advocates in Portland, the tenant-based voucher and certificate program has received relatively little attention, despite the tenant-based program's much larger size—5400 units versus about 2400 in the federal project-based inventory (Christ, 1998, p. E2). While groups like Oregon Housing Now have worked to pressure federal legislators to add to the pool of available vouchers, local activists have devoted few resources to how the program is implemented by the Housing Authority of Portland (HAP). While advocates and HAP staff agreed that the program receives scant attention,

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nonetheless, some issues have arisen which provide important information about the environment in which Section 8 decision-making takes place.

To begin with, HAP receives regular feedback from landlords, tenants, advocates, and city officials about a host of episodic problems related to the competent administration of the program. The bulk of such complaints originate with landlords who are unhappy with HAP's occasional problems with timely payment of the government portion of the rent, or with landlords or neighbors alleging criminal or disruptive activity by the Section 8 tenants. The police department is another source of such complaints; they attempt to contact HAP when an arrest occurs in a Section 8 unit or when a Section 8 building is placed on their list of problem buildings. By all accounts, the frequency of such problems has diminished during the 1990s, and this improvement is generally attributed to the effective managerial style of the housing authority's executive director, Denny West (Ints. P-4, P-25, P-31).

A more specific issue arose in the early 1990s when the City Council was engaged in passing an anti-discrimination ordinance and considered whether Section 8 recipients should be included as a protected class under the "source of income" category. It is a common practice in Portland for landlords to advertise apartments in the newspaper with the restriction, "No Section 8" (Ints. P-8, P-21). Legislators agreed that source of income should be a protected category, but landlords objected to Section 8 as a qualifying source of income, arguing that the program imposed significant burdens on them administratively and that the likelihood of late payments from HAP should be reasonable grounds to deny someone an apartment. During the negotiations, Denny West sided with the landlords and committed to improving HAP's performance so that Section 8 status

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would not be a liability for tenants looking for apartments. This testimony carried the day despite the opposition of many low-income housing advocates, and West subsequently set up a Landlord Advisory Committee to address problems that might discourage landlords from accepting tenants with Section 8 (Ints. P-8, P-18, P-21).

A second issue involved the trials endured by applicants who were camping out on city sidewalks in the hopes of getting a good spot on the Section 8 waiting list. The wait list is only opened periodically when the pool of current applicants has been reduced to a few hundred names. In mid-1996, HAP opened the wait list and 600 applicants were in line at the agency when they opened for the day's business. Advocates complained about the extremely long lines and the authority agreed to switch to a lottery system operated at multiple locations. The new method shuffles the order of the applications, so being first in line will not help an applicant get to the top of the list any faster (Briggs, 1997, p. B1).

Finally, advocates pushed for a relaxing of restrictions regarding how much rent tenants in Section 8 should be paying. It was perhaps unsurprising when Community Alliance of Tenants and the Northwest Pilot Project (NPP) opposed federal guidelines requiring all Section 8 tenants—even those with zero income—to pay a minimum rent of $25 a month (Nkrumah, 1996, p. B1). An unusual twist occurred, however, when low-income housing advocates split over the maximum rent to income ratio allowed in local programs, with the majority arguing successfully to allow tenants to pay a much higher proportion of their income for housing. Studies conducted by advocates including NPP found that requirements of high income to rent ratios of up to 3:1 were a serious impediment for many poor housing searchers. Indeed, the income to rent ratio was

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identified as an obstacle whose effect on the poor was a form of (legal) discrimination, as its application tended to exclude poor families—regardless of their past history of timely rent payments—systematically from units they believed they could afford.

Working with the Bureau of Housing's Housing and Community Development Committee, advocates shifted the focus for tenant screening from future rent burden to past payment history, meaning tenants with good references and records of payment would be allowed to rent subsidized apartments even if they would end up paying extremely high percentages of their income in rent, sometimes over 60 or 70 percent. While some CDCs (notably REACH) continued to use income to rent ratios, they lowered the threshold somewhat to 1.5:1, meaning their rent burden cap was 66 percent of income. The Housing Authority, meanwhile, eliminated the income to rent ratio as a criterion for selection, and has permitted rent burdens among Section 8 recipients to rise to levels (up to 70 percent of income) that would be considered extremely high by national policy makers (Ints. P-1, P- 29, W-3). In cities with higher percentages of minority residents, concerns about obstacles to finding housing often take a racial cast as advocates zero in on discriminatory practices against blacks and Hispanics. In Portland, which has few minority residents, similar concerns about access to available units develop along non-racial lines, with the result (in this case) that local policy makers have developed an unusually high tolerance for renting to families that will bear high rent burdens in assisted units.

While these events show that Section 8 was an occasional concern for Portland's housing policy decision-makers, the program received far less attention than issues such as the role of CDCs in aiding revitalization, the creation of a Housing Investment Fund,

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the income mix planned for urban renewal areas, the expiring federal subsidy properties, or the income target thresholds for city-subsidized projects. For a program that serves twice as many households as both the federal project based subsidies and traditional public housing, and which is equal in size to the amount of housing provided through CDCs, Section 8 has a comparatively low profile: A 1999 study on displacement and affordability by the Coalition for a Livable Future listed a series of "best practices" for how a community can create and preserve affordable housing. The list included community land trusts, housing trust funds, jobs-housing linkage arrangements for commercial developers, employer-assisted housing, replacement ordinances for project-based conversions, and inclusionary zoning provisions. None of the dozen examples cited make mention of tenant-based assistance using vouchers or rent subsidies (Coalition for a Livable Future, 1999, pp. 35ff.).

Conclusion

Housing policy-making in Portland has been characterized by rapid change since the late 1980s. Developments in the local economic structure, in the housing market, and in the configuration of political organizations that are attentive to housing issues all helped shape the policies that were created and how they were implemented. The revitalization of the housing market and the development of an organized and influential low-income housing advocacy sector (together with the election of key allies in city government) were the most important changes, having long-term consequences for how problems were identified, what solutions were promoted, and how resources were allocated.

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The rapid change in Portland, however, should not obscure some stable traits that characterize the local policy environment. Interviewees generally agreed that the city benefits from a very open political environment where a wide range of stakeholders have access to decision makers. Moreover, within certain limits there seems to be a collaborative, inclusive approach to weighing competing interests. Landlord and tenant advocates serve together on important commissions; pro-business urban renewal policies are balanced with agreements to invest in low-income housing; city and county agencies divide responsibilities according to a rational plan; and accounts of how policies are developed rarely mention lawsuits, acrimony, or the exclusion of interested parties. Racial antagonisms, while not entirely absent, take a comparatively low profile, possibly due to Portland's high proportion of white residents. In addition, as Table 3.3 shows, Portland's housing stock is not characterized by any serious deficiencies when compared to other American cities. In fact, the city's housing is in notably better condition than the average city, there is a higher rate of home ownership, and rent burdens are about average, though slightly higher for poor renters.

The Portland experience promises to shed light on some of the hypotheses under investigation in this study. If we revisit the elements of federal intent listed in Table 2.1, we see that Portland is marked by characteristics that make the city more likely (based on simple analysis of existing local conditions) to pursue some objectives over others. The city's tight real estate market suggests that "feasibility" issues may be significant obstacles in Portland, as Section 8 recipients struggle to find units in a housing market where rental vacancy rates have been below five percent in recent years (reducing enrollee success rates for housing searches). On the other hand, the housing authority

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and the city as a whole have a reputation for effective government administration and rational policymaking, which should make feasibility questions that relate to competence (utilization rates, inter-agency cooperation, reporting, etc.) less nettlesome.

Portland's rising housing costs will make efficiency a more likely problem, as tenants have to spend more per unit to find housing. Low rental vacancy rates and a shortage of low-cost units vis-à-vis the number of very poor tenants will exacerbate this problem. On the other hand, equity questions might be less salient, since Portland is overwhelmingly white and, in recent years, has maintained a low level of conflict between racial groups. Unlike New York, where in the past decade allegations of favoritism and discrimination have been leveled at city agencies (including the housing authority), and where tensions between Jews and blacks have given rise to rioting, race relations in Portland have been comparatively well managed. The federal objective of narrowing the target population to the neediest applicants would find support among Portland's tenant advocacy community, but when we consider the configuration of needy households we might well reach a different conclusion. Portland is a comparatively wealthy city with low unemployment rates, with a growing housing stock, where poor households are better housed than average, less crowded, in better conditions, and with about average rent burdens. One might expect policy-makers in Portland to be less focused on directing the maximum number of vouchers to the direst cases, whereas in a city like New York, subcategories of the eligible applicants (such as the homeless, or victims of domestic violence) can sometimes reach such large numbers that no vouchers are left for families that are "only" poor, making targeting a more essential priority.

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The federal goal of using vouchers to promote maximum choice among participants might be expected to gain more support in Portland, where rent control and rent regulations are not widely supported outside of the ranks of tenant advocates. In contrast, the goal of encouraging tenants to move to low-poverty areas might seem less urgent, since the city lacks the kind of high-density areas of racial isolation that characterize some other large cities. On the other hand, as mentioned above, much of Portland's job growth (particularly in the manufacturing sector) has come outside of the city center, meaning that mobility programs might be expected to have a strong positive effect on poor households. In terms of regional coordination, Portland is a national model, with an elected regional government and a high level of inter-agency cooperation; we would expect this to carry over into the Section 8 program. Finally, there is no indication that Portland would be more or less supportive of the notion of linking services to Section 8, though a history of concern for homeless and aging services suggests that this approach might find fertile ground within the housing authority.

Moving on to our hypotheses, Portland offers an excellent opportunity to consider the role of advocacy organizations in shaping policy, since the city has a well developed and active tenant advocacy community that has occasionally focused on Section 8. Local tenant advocates seem fairly cohesive, organizing aggressively for the Housing Investment Fund, more resources for CDCs, and even the Preservation Ordinance which, though a setback, still showed significant potential for housing advocates to unify behind demands that shaped city policy on a controversial matter. Moreover, the advocacy community's agenda has been fairly clear in recent years: encourage the growth and viability of CDCs, target more city resources to the poorest families (0-30% of area

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median income), build and rehabilitate more affordable units, and preserve federal project-based subsidies. Tenant advocates have not been heavily involved in Section 8 issues, but they clearly have influence within the city and we might expect to find this reflected in Section 8 policies when we examine them more closely.

The second hypothesis, that members of governing coalitions will have strong influence over policy, will hinge on whether the ascent of Gretchen Kafoury to a prominent role on the City Commission led to important changes in how Section 8 is carried out. Since Kafoury's agenda was virtually the same as that of the tenant advocacy organizations during this period, we can view decisions in line with the priorities of the both of these groups as evidence of possible influence, but teasing out the independent strength of advocacy groups and governing coalition members could be a very challenging task. At the same time, we must remember that Portland's "commission" form of government seems to lead to a much more diffuse power structure at City Hall, since each commissioner has quite a lot of independent power (much more than their counterparts in New York City). With Portland's non-partisan election system and lack of powerful racial or ethnic voting blocks, the kinds of clear distinctions that demarcate governing coalitions in New York and Atlanta are not present. As a consequence of overlap with tenant advocate demands, diffuse governmental power, and the absence of clear competing interest groups, it will be difficult to assess the effect of governing coalitions in Portland. Nevertheless, it is possible that the detailed analysis provided in the next chapter will provide some insights, however tentative, into the interactions between Section 8 decision-makers and local political actors.

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Finally, the question of the role of administrative structure that is raised by our last hypothesis may well be tested in Portland, where the housing authority (as we will see) is quite independent of political control. The authority's Board of Commissioners appointments are split between three separate governmental jurisdictions, making the Board more divorced from the political dynamics of the City of Portland than counterparts in, say, New York, where the mayor directly appoints all three board members. If archetypal authorities—professionally run, independent from electoral pressures, with stable administration—might be expected to carry out federal objectives better than city line agencies, then Portland turns out to be a very good place to test the hypothesis. If Portland's authority can't resist demands from advocates and political actors, than authorities with less independence and "good government" credentials might be expected to be even less resistant. The flip side of this analysis suggests that, to the extent federal goals reflect rational local paths of action, we are likely to see these carried out in Portland if administrative structure is a key variable.

The description of policymaking in Portland presented in this chapter has been limited to a fairly large scale: overviews of major developments and trends, programs created, coalitions formed. And while this level of description is essential to understanding the environment in which policymaking takes place, we require a more detailed view of what Section 8 administrators at the Housing Authority of Portland are doing and how they have come to the practices they employ to gain a deeper understanding of the forces at work and the effects of their operation. This will be the subject of the next chapter.

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CHAPTER FOUR

SECTION 8 AND THE HOUSING AUTHORITY OF PORTLAND

INTRODUCTION

The Housing Authority of Portland and its Section 8 department have a rich and varied history, with periods of emergency growth and times of benign neglect, undergoing significant changes in administrative structure, operating philosophy, and policy practices. Many of these changes, as we will see, had a profound effect on the operation of Section 8. Many of them also led to a system where important HUD priorities for Section 8 were carried out in practice by HAP, though rarely in so simple a format as HAP responding directly to HUD directives or urging. Indeed, outside actors, whether HUD oversight staff, local public officials, or tenant advocates, played a comparatively marginal role in recent Section 8 history at HAP, as institutional forces and individual leadership drove policy innovations in important ways.

The Housing Authority of Portland (HAP) received 29 million dollars in 1999 to operate the Section 8 program, an amount greater than the City of Portland's entire budget for the Bureau of Housing and Community Development.[18] The 5339 households funded under contract to HUD represent just under two percent of all households in Multnomah County and over ten percent of households with incomes below $15,000.[19] In terms of households served, Section 8 is twice the size of HAP's public housing program; by virtue of size alone, it may be considered the most important housing

[18] Source: HAP Section 8 budget data, Interview P-15. Portland's BHCD budget is approximately $25 million per annum.

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program in Portland. Changes in how Section 8 is administered affect more tenants than any other assisted housing program in the city, determining who gets assistance, what kind of housing is available, the regulations that constrain landlords, the services provided to tenants, and the adjudication of disputes. As will be discussed below, the degree of latitude enjoyed by HAP officials in shaping Section 8 policy is noteworthy in light of the major role the program plays in Portland's subsidized housing environment.

THE HOUSING AUTHORITY OF PORTLAND

From War Housing to Homelessness, the First Forty Years

Founded in 1941, the Housing Authority of Portland has played an evolving role in efforts to provide low cost housing in and around Portland. The whirlwind environment of the agency's early years, rooted in the emergency need for thousands of dwellings for war workers in local docks, was soon supplanted by a complacent administration that provided little impetus for public housing construction or expansion through the 1950s. Things changed in the 1960s, however, as civil rights activist Fred Rosenbaum joined HAP's board and presided over two decades of growth in public housing and tenant-based programs. Finally, the appointment of Denny West as executive director in 1991 brought a new style of leadership and administration which profoundly affected the way HAP does business, emphasizing innovative management practices borrowed from the business sector, such as cost-based accounting and a team model of service production. These latter two phases, the socially conscious Rosenbaum era and the market-influenced management practices of Denny West, co-existed with the Section 8 program and affected both administrative practices and outcomes for clients.

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[19] Source: County household totals taken from the American Community Survey, 1998.

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A few words on HAP's history will help place more recent developments in context. When the agency was created in 1941 it was hoped that the authority could marshal resources sufficient to provide housing for the tens of thousands of workers who came to Portland to work in the Kaiser shipyards building warships. When public authorities could not organize quickly enough to match the rapidly growing needs of Edgar Kaiser's workforce, Kaiser contracted directly with the Federal Public Housing Authority to construct over 700 buildings that would house 40,000 people by the middle of 1943. By 1944 the housing authority had assumed management of the sprawling Vanport City complex located to the north of downtown Portland in the flood plain of the Columbia River and Portland had the nation's largest public housing program, 40 percent larger than second-place New York City's 13,000 units (Abbott, 1983, p. 133; Sanders, 1991, Chapters Three and Four).

Even at this early date, HAP recognized the importance of linking community facilities and service with assisted housing. Richard Sanders, HAP chronicler, writes:

> Uprooted Americans from the Blue Ridge and the Ozarks to the Sierra, and the plains between, from the Florida Keys to the Puget Sound...formed a population exposed to new conditions, new climates and new work. Not yet integrated into a strange community, the migrants were exposed to loneliness, homesickness, and discouragement, according to temperament. They represented many problems and not of physical housing alone. Four walls and a roof were not enough. Much more was necessary to keep a scarcely natural community on an even keel (1991, p. 37)

Responding to these complex needs, HAP coordinated social service provision in Vanport from state, county, and city agencies that addressed health, social service, religious, recreation, and even juvenile court needs of the local residents. Firefighting services were provided directly by HAP, since the project was outside Portland city limits. The Vanport school district was organized to provide day care during extended

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hours to free up parents for the lengthy work required at the nearby shipyards. The housing project was the only one in the nation with an on-site library (Sanders, 37-45). Nonetheless, HAP efforts to promote a stable community are not judged a success by all observers. According to urban planner Carl Abbott, "no effort by Housing Authority publicists in praise of 'one of the marvels of the war effort' could conceal from its residents the reality of dull gray buildings awash in a sea of gray Oregon mud" (1983, p. 143).

When the war ended Portland leaders vacillated about what to do with Vanport and its teeming population of underemployed shipbuilders. In 1948 policy debates were cut short when the Willamette breached sand-bagged dykes during a heavy spring run-off. Over 18,000 Vanport residents lost their homes. Portland civic leaders, relieved of the need to make tough decisions about whether to preserve Vanport as public housing, turned a deaf ear to calls for a renewed public housing effort that could re-house some of the displaced Vanport residents. By the early 1950s the HAP Board of Commissioners consisted mostly of appointees who were selected based on their opposition to public housing (Sanders, 1991, 47-61).

The housing authority was the locus of little activity in the 1950s, and the total number of units in operation shrank from 5,868 to just 628 during the course of the decade. But this trend began to reverse in the 1960s when over 600 units of public housing were built. More importantly for those with an interest in tenant-based subsidies, Portland was a national leader in utilizing the Section 23 Leased Housing program to add to its stock, leasing over 1500 units under the program for a greater total than existed in the public housing program (Sanders, 1991, pp. 115ff.). Perhaps because Section 23

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afforded an opportunity to expand support for the poor at a time when Portland residents vigorously opposed the construction of new public housing projects, HAP administrators supported the program by applying and qualifying years before any other authority in the Pacific Northwest, as well as devoting a new administrative division within the authority to address the tasks of leasing Section 23 units (Sanders, 1991, pp. 67-8).

In 1965, Fred Rosenbaum was appointed to the HAP Board of Commissioners and was elevated to chairman shortly afterward. Rosenbaum was a civil rights leader in Portland, having served as chair of the Portland Human Relations Commission, and he brought a strong emphasis on social justice, anti-discrimination, and social services to his administration of the authority. As he explained in a 1999 interview:

> "Portland is a different housing authority. At least when I was chairman, and I'm sure that some of the stuff remains, not only did we provide housing, but we tried to make public housing a lifestyle that is above the usual norm. We had a day care center, we had a dental clinic, we had medical students live in the high rise for the elderly, we had a summer camp for our kids, we had a discount grocery store, we had all these things."

These priorities were in evidence during Rosenbaum's fifteen year tenure on the Board, as HAP fought to overcome racially charged community opposition to a housing development in Hillsdale, decentralized administrative operations to have an expanded presence in communities where HAP did business, and sponsored the widely publicized Camp Rosenbaum together with the Oregon National Guard for children in HAP dwellings (Sanders, 1991, pp. 69-79). Rosenbaum also presided over the formal expansion of the authority's catchment area from the City of Portland to Multnomah County, a change favored by county administrators who did not want to expend the resources needed to provide housing for the poor (Sanders, 1991, pp. 80-81). Rosenbaum's approach was complemented by the management style of Executive

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Director Lyn Musolf, who operated the agency during the 1970s as "a theorist, interested in innovating and expanding the interconnecting networks that humanized public housing programs and enriched the lives of those in them" (Sanders, 1991, p. 90).

By the end of the 1970s, the cost of Rosenbaum's multi-faceted approach to helping the poor combined with federal cutbacks in housing funds to put strain on HAP finances. Tenant services had to be cut by 63 percent, non-routine maintenance by 68 percent, and HAP's operating budget reduced by one third. Responding to the agency's dire financial situation, HAP refocused its priorities on "its primary charge, 'to house people'"(Sanders, 1991, p. 83).

The 1980s saw the successful stabilization of the authority's finances, along with some important efforts to pursue goals without resort to HUD for funding. Leaders like Rosenbaum and Musolf who wanted a "lifestyle above the usual norm" for residents left the authority and were replaced by Executive Director Bill Hunter, who centralized authority, de-emphasized innovative programs for linking services and lifestyle enhancements to HAP efforts, and brought fiscal discipline to its operations (Sanders, 1991, pp. 89-92). While Hunter's hard-nosed management style restored financial security to the authority, he did little to delegate authority or encourage mid-level managers or staff to act as agents of change in authority practices. As one HAP administrator explains,

> "People were really in the dark about budgets and money. [Hunter] had a lot of control over that stuff. He was also very authoritative. It was a very top-down organization. He used to have these employee meetings monthly and every employee of the housing authority would go to these meetings and had the chance to ask him...he was really in charge...he was the man, and a lot of people liked that. (Int. P-20).

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Hunter opened an important avenue for change within HAP by pursuing efforts to achieve a measure of financial independence from HUD. The authority collaborated with the Portland Development Commission to preserve downtown SRO units through an arrangement where PDC provided low-interest loans for rehabilitation and HAP issued Section 8 Moderate Rehabilitation (project-based) certificates to ensure that properties had adequate cash flow. HAP also used bonding authority to purchase tax-foreclosed properties from the county in order to promote homeownership among low-income families (Sanders, 1991, p. 93-97). These initiatives were small in scale but represented the first steps in what became a major undertaking in the 1990s.

Hunter left HAP in 1987 and was replaced by Don Clark, previously Chair of the Multnomah County Commission and Director of a large community development corporation, Central City Concern. Clark worked to keep HAP engaged in citywide political and policy events, such as the effort to rebuild a city block destroyed in a gas explosion in 1986. Clark also oversaw an extensive partnership between public and private agencies to reduce a serious drug and violence outbreak at the Columbia Villa project (Sanders, 1991, pp. 97-107). A highly publicized study of homelessness by HAP staff led to increased efforts to provide housing for special needs populations after 1988 (Int. P-29).

Under Clark's direction the authority made an important change in administrative structure, purchasing a landmark commercial building downtown and centralizing program administration in one location. Prior to this HAP administration was organized primarily according to geography, with staff in several offices around the city carrying out multiple functions associated with a variety of programs. Thus, a service coordinator

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could conduct intake interviews, establish eligibility, inspect apartments for adherence to housing quality standards, assist landlords with complaints about tenants, recertify tenant incomes, investigate fraud allegations, and make sure payments were made correctly. In Section 8, each staff person carried a case load of 300-400 client families and had primary responsibility for implementing the program for these families and their landlords (Ints. P-20, P-5). The advantage of this approach was to encourage a personal relationship between HAP staff and landlords and tenants that allowed HAP staff to learn the tendencies of each individual client, which could include everything from efforts to house unauthorized occupants to special service needs of a householder (Int. P-5). Clark's centralization of HAP administration under one roof changed these practices and created a "departmental" system where certain functions, such as inspections and social service coordination, were split off from the coordinator's caseload and assigned to a separate group of specialized staff. This was the beginning of a shift to more narrow job responsibilities for HAP Section 8 staff that was to become even more pronounced under Executive Director Denny West.

More Like a Business

Before Clark left in 1991 he helped recruit Denny West, a specialist in business spin-offs and commercial initiatives at the Oregon Health Sciences University, as his replacement. West, an academic with a lasting interest in the authority form of government and its application to housing, transportation and ports, saw the HAP directorship as "an opportunity to put government and business together and do something different (Interview, September 1999)" While remaining committed to the

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goals of a public enterprise, West proved more interested than his predecessors in exploring the ways in which HAP could operate more like a business and be more effective as a result. West's innovations would soon fundamentally reshape HAP's operation of Section 8.

The solid financial basis achieved under Bill Hunter had begun to erode by the end of Don Clark's tenure and HAP was operating in the red when West arrived, so his first order of business was to reorganize the agency into different divisions (Section 8, Housing Services, Low Rent Public Housing, Affordable Housing, and Planning and Development), with each area functioning as if it were a separate revenue-dependent enterprise. Budgets were restructured so each "enterprise" could track its income and expenses independently of the others, carrying over unspent revenue into future budgets. In an effort to raise awareness of actual resource allocation within HAP, West led staff and supervisors through a process of "Activity Based Costing," where each activity is analyzed discreetly and its total cost in salaries, cash outlays, and overhead was calculated. This analysis was relied upon to reorganize functions and improve efficiency (Ints. P-2, P-3).

By all accounts, West has been extremely energetic in reshaping internal operations at HAP to take maximum advantage of strategies and practices drawn from the business world. He continued the trend started by Don Clark to organize the agency more by function than by geography or caseload and implemented a structure where teams of staff would carry out one set of related functions, with landlords and clients interacting with each team as the necessity arose. Case loads in Section 8 were eliminated. A consultant with experience training manufacturers and construction

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companies was recruited to work with each division and help staff to reorganize according to a team based management structure. The consultant encouraged HAP departments to adopt a "self-directed team" approach, which would attempt a radical decentralization to the extent that teams might undertake decisions related to peer discipline, workload distribution, even hiring and firing (Ints P-2, P-20, P-29).

Team-based management was adopted with varying degrees of enthusiasm in HAP's different divisions, but Section 8 was on the positive end of the scale. Program Director Edwina Moaning used part of the department's budget to bring the consultant back for more detailed assistance to her staff, resulting in subdivisions that included an inspections team, communications team, and eligibility team. The transformation was not without its opponents: people objected to the team approach on grounds that line staff were not qualified to make all the decisions delegated to them (supervisory decisions were eventually taken away from the Section 8 teams), that jobs were narrowing in scope while workloads were increasing, and that personal contact with clients was being replaced by a system where the tenants were anonymous. One staff member explained,

> "We don't know who they are anymore. And when the clients call,
> 'Don't you remember me?'
> 'Well, no, but how can I help you?'
> And because our clients are so needy a lot of times they look for that connection and we've lost that on a very large scale"(Int. P-5).

A different staff member says,

> "We got into people's lives a lot more in those days, too. We seemed to get embroiled in disputes between landlords and tenants a lot more then than we do now, but also [did] a lot of advocacy work, assisting tenants. We probably didn't have a real defined role. I mean what is our role, case manager, social worker, or were we just a housing provider or administering a subsidy?"(Int. P-20)

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Despite misgivings among some staff, team-based management was strongly supported by upper-level HAP administrators and became the basic management structure within the authority and especially within the Section 8 Program by the mid-1990s.

It is important to note in this context that the shift to teams and narrowing of job descriptions (a process that began under Don Clark) has been accompanied by a progressively more professional approach to conducting "housing quality standards" inspections. Both HAP and HUD agree that these inspections are done thoroughly and that the units accepted in the Section 8 program are of generally good quality (Ints. P-1, P-9, P-20). Strict enforcement of housing quality standards is a key way in which the regulatory thresholds of the program have been maintained at HAP; despite the appreciation that Section 8 administrators have for market mechanisms, none seem to be advocating that HAP not enforce quality standards, despite the existence of city codes and enforcement mechanisms that, at least in theory, afford tenants a measure of protection.

Another innovation of West's brought the authority closer to a profit-making business model of operation. Before West came to the authority HAP had purchased and developed a small number of projects that were not public housing but were part of the HAP ownership portfolio. He organized these properties under a separate division called "Affordable Housing" and encouraged HAP staff to develop new properties aggressively, setting a target of 500 new units a year in acquisition or development. This division soon swelled to equal the size of HAP's 2800-unit public housing program[20]. Using a variety of tools available to the authority, mostly Low-income Housing Tax Credit allocations won in competition with other private developers, HAP developers built hundreds of

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units of new housing. In addition, HAP purchased private buildings that might be lost as affordable housing due to gentrification and took ownership of troubled federal project-based units at HUD's request. Finally, in response to the attention generated in Portland around the preservation of expiring federally funded projects, HAP is planning to take ownership of some of these as well, working in concert with local policy-makers (Ints. P-24, P-15, P-3).

These new properties are all cash flow neutral or positive, and are intended to provide net revenue for the authority in coming years to offset any cutbacks in federal aid. In general, the properties serve a higher income group than Section 8 or public housing, and some properties, like the Willow Springs development in northeast Portland, offer patios, a recreation center, swimming pools and a sauna to tenants who can earn up to 80 percent of area median income.[21] They also cost 42 percent less to manage than HAP's conventional public housing.[22] These projects rent at or above local market levels and are expected to be some of the more lucrative for HAP in the future. Though it might seem incongruous for a housing authority to be operating garden apartments renting above the local market average prices, HAP has experienced little criticism from low-income housing advocates on these grounds. And despite the negative tax effect for the City of Portland when properties are taken over by HAP and removed from the rolls, city officials have generally been supportive of the efforts, not least due to HAP's cooperative practice of taking over federal subsidy projects at the city's request (Int. P-24).

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[20] Source: HAP document, "Housing Authority of Portland: At a Glance," 6/99.
[21] Source: HAP, "Affordable Housing Portfolio," March, 1999.
[22] Source: HAP, Moving to Work plan, Tab 4, page 12. 1999.

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The 2800 units in the affordable housing portfolio are managed with entrepreneurial zeal by a three-member team who outsource all day-to-day management operations to private management companies. As one staff member in the unit explains,

> "This is a little private sector company that we've run in the middle of this big governmental agency and the agency is bright enough and wise enough to say, 'Go do what you need to do. Use all the tools of the private sector to develop and manage housing.'" (Int. P-24)

As a consequence, HAP staff provide oversight to private management companies who manage the properties for less cost than HAP could do internally, and money flows from the division to areas of HAP that are resource-deficient, like the social services provided to Section 8 tenants in self-sufficiency programs (Int. P-24).

Denny West's efforts to make the housing authority more "businesslike" have not sparked much opposition among tenant advocates, a circumstance that may owe as much to West's skillful management of relationships with potential critics as it does to the innocuousness of his reforms. Interviewees at tenant advocacy groups, service provider agencies, and the city Bureau of Housing all emphasize West's habits of diligent outreach, listening, and cooperation. One housing advocate went so far as to declare, "Well, you know Denny is God. I love Denny. I just think he is such a wonderful leader and he is so visionary. I wish he was my dad" (Int. P-26). West argues that running HAP more like a commercial enterprise is in the interests of the clients because it will help conserve diminishing resources and attract landlords to the Section 8 program, a necessary pre-requisite for successful housing searches by new voucher recipients (Ints. P-3, P-8, P-15, P-21, P-26). Referring to tenant advocacy organizations, West says,

> "I would say that whole spectrum of people are nervous about the extent to which we have good relationships with the landlords. And from their point of view--I mean I get along well with all of them--I think there is the sense that I am

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> blatantly business...I am blatant about being businesslike, and I am. And I do it purposely because I think it's a perspective on the nature of what we do that nobody in the industry talks about. And yet if you don't do it well, if you don't recognize the fundamental commercial nature of a lot of that program, it doesn't work right. You don't develop the program to its potential." (Interview, September, 1999)

Despite the lack of confrontation over HAP's evolving use of commercial practices for management and performance analysis, this shift represents an important change in how the authority administers its programs and in how the programs affect poor tenants. Fred Rosenbaum's idea of making assisted housing conform to "a lifestyle that is above the usual norm," with day care, medical, and recreation services provided directly by the housing authority embraces a much broader view of the authority's role than currently exists. The difference is not simply one of costs—although there seems to be a correlation between fiscal crisis and the enhanced service approach to management if one examines HAP's history. West's businesslike approach is fiscally conservative, but it also supports a policy perspective that favors market solutions over social service or regulatory ones. Even when HAP provides social services (as it does through its popular GOALS program), the services are often designed to get residents out of assisted housing and into the unassisted market.

Moving to Work

Changes in budgeting practices, administrative reorganization, and the growth of the Affordable Housing division all helped to make HAP run more like a large business than a tax-based government agency. The emphasis on accurate revenue accounting and the requirement that each division operate on a positive or neutral cash flow resulted in a different calculus for decision makers than existed before: under the new rules, efficiency

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and feasibility tests became much more critical in determining courses of action. The success of the Affordable Housing division, run like a "little private sector company" serves to underscore these changes. Regulatory restrictions, rigid bureaucratic command structures, and an emphasis on process over results became obstacles to success at HAP, problems to be solved by the new methods drawn from the business sector.

The culmination of this change occurred when HAP applied for inclusion in a national demonstration project to promote innovation and local control in housing authorities called "Moving to Work" or, in recognition of Oregon's senator who is a leading supporter of regulatory relief, "The Hatfield Experiment." In essence, Moving to Work (MTW) is a deregulation effort, releasing housing authorities from many of the restrictions imposed by the 1937 Housing Act and its revisions. The Housing Authority of Portland was one of four authorities in the nation approved for the five-year demonstration program, and HAP's acceptance as a demonstration site was heralded in the local press as a way for the agency "to preserve housing during a period of shrinking budgets, rising demand and little construction of subsidized low-income units" (Landauer, 1997, p. E7).

Portland's MTW application contains a photo of the federal housing regulations going up in flames on its cover, but the hostility to HUD is tongue-in-cheek. Both local HUD and HAP administrators report a solid working relationship, though HAP administrators indicate less cooperation from the national HUD office (Ints. P-1, P-3, P-29). There was some frustration within HAP that HUD took more than a year to approve their MTW application and that many of their innovations regarding the Section 8 program were adopted wholesale in the 1998 Quality Housing and Work Responsibility

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Act. As one HAP staff member pointed out, "It kind of took the wind out of the thing because here we were going to be moving to all vouchers and doing this and doing that, and before we could even get started a new law comes out and everybody has to do it" (Int. P-20). Internal HUD memos regarding Portland's application focused primarily on questions of whether some elements of their plan might require additional resources from HUD, and whether a proposal to allow the City of Gresham to maintain a residency preference for local applicants might violate fair housing protections. There is some indication from the correspondence between the two agencies that HUD was something of a reluctant partner in MTW: HAP noted at one point that

> "at this stage of drafting [the MTW agreement] nothing in the Agreement suggests that the Demonstration is a positive event in which HUD has any interest beyond compliance. There is no indication of any optimism that it will produce results that will be of value or of the slightest HUD commitment to even a good faith effort to continue things of value beyond the Demonstration's termination, let alone to fight for them."[23]

Nevertheless, local HUD staff were excited that one[24] of their constituent authorities was getting national attention through MTW. HUD approved the Housing Authority of Portland's application in the fall of 1997, but it was nearly two years before details of implementation were worked out and HAP was cleared to begin carrying out the changes.

The Moving to Work plan submitted by HAP changed substantially during various draft revisions between 1997 and 1999. Planning was a collaborative process: all HAP staff were invited to participate in working groups, resident councils in public housing projects were consulted, as were community organizations, activists, and city agencies. A proposal to limit Section 8 assistance to five years, favored by many HAP staff, was removed when tenant advocates opposed the measure (Int. P-5), and a plan to

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[23] Source: HAP correspondence, letter from Denny West to Rod Solomon (HUD), May 28, 1998

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allow Gresham residents to maintain a local preference for public housing residents was postponed when federal fair housing officials argued this would lead to more racial segregation (Gresham's racial composition is nearly all white, while areas with higher percentages of African-Americans are found just outside the city limits).[25]

HAP's first detailed plan for implementing the Hatfield Experiment highlights twin objectives of efficiency for the housing authority and self-sufficiency for its clients. On the first count, the authority believes more freedom from federal regulation will allow for substantial cost savings which can be used to offset any reductions in federal funding for HAP programs. Revisions in capital repair procedures and preventive maintenance practices are expected to save the authority hundreds of thousands of dollars each year, while merging the certificate and voucher regulations will reduce staff time spent administering two nearly identical programs. Additional savings are anticipated from utilization of site-based waiting lists in SRO projects and streamlining the Section 8 inspection process. A review of agency expenses utilizing the Activity Based Cost methodology is expected to further reduce expenditures by identifying areas that consume excess resources. The MTW plan anticipates that a less regulated authority can bring down the cost of managing public housing units to match costs in the private sector (HAP, 1999, pp. 5-6). Changes to the Section 8 program include a move to an all-voucher system (which will give tenants more flexibility in finding a unit but will mean higher out-of-pocket costs for many), capping rent burdens at 70 percent, and reducing

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[24] Actually, two housing authorities: Vancouver, WA was another applicant.
[25] Sources: Int. P-5; HUD memorandum from E. Santone, 1/2/98 to Deborah Mann, et. al.; HAP 1999, p. 13.

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the total number of housing quality inspections based on the performance of landlords and the age of a structure.[26]

The second objective, promoting self-sufficiency among recipients of HAP assistance, will be achieved through an expansion of its GOALS[27] program, which allows residents to accrue savings and receive training and services to help them find employment, buy a home, and eventually move off government assistance. GOALS participants sign an agreement with the authority where they commit to participate in training and services that will help them achieve financial independence, while HAP commits to assist them in finding these services and, most importantly, allowing them to keep additional incremental earned income through an escrow account. Tenants whose incomes increase as a result of finding employment or receiving a pay increase during participation in GOALS will not be assessed higher rent contributions by HAP; instead, the tenant pays the amount of the increased contribution into an escrow account which can be used to purchase a home, a car (if needed for employment), or for other expenses that contribute to self-sufficiency (Int. P-23).

Despite HUD efforts since the 1980s that encourage housing authorities to establish self-sufficiency programs for residents—called the "Family Self-Sufficiency" program in its current form—most agencies have been lukewarm toward the idea, complaining about another unfunded mandate from the federal government (Ints. W-6, P-23). But HAP's program, nominated for a HUD "Best Practices" award, is the product of a significant commitment of resources by the agency and its partners. Run by the Housing Service Department since 1994 and funded by grants from HUD, the state of

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[26] Source: HAPpenings, January-February 1999; Int. P-20).
[27] "Greater Opportunities to Advance, Learn, and Succeed.

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Oregon, and Section 8 administrative fees, the GOALS program provides services to 356 families and has graduated over 100 families who achieved objectives such as completing training programs, getting a job, or leaving public assistance. Forty six percent of these graduates have become homeowners. Staffing is limited to four positions, and this has prevented HAP from assisting all those who want to participate: the current waiting list is over 350 families. Nonetheless, HAP receives support and cooperation from over 90 public and nonprofit agencies who provide referrals, education, social services, health care, and counseling to HAP clients seeking to change their dependence on public resources. Expansion of this program to accommodate all applicants is a central element in HAP's Moving to Work plan. Currently, Section 8 administrative fees are used to fund 44 percent of the GOALS salary costs. [28]

Denny West's announcement of HAP's acceptance into MTW declared the agency's intention to "blaze a pathway toward a more commonsensical, nonbureaucratic way of serving the community."[29] This new stage of HAP's development brings the agency closer to West's goal of using management practices from the private sector to full advantage. Indeed, the MTW application emphasized that HUD regulations are no longer the main obstacle to the agency's success: the real problem lies in "60 years of self-perception as a franchisee of HUD."[30] HAP's increasing emphasis on using "businesslike" practices and the motivating force of this idea in bringing about the Hatfield Experiment are made clear in the introduction to the MTW plan:

> "Government is not corporate America. However, there is no reason why a PHA [public housing agency] should not seek to function like a private company in terms of efficiency, competitive product management, customer service and

[28] Source: HAP Document, "Goals Self-Sufficiency," 1999, from HAP Housing Services Department.
[29] Source: HAP press release, October 31, 1997.
[30] Source: MTW application, Tab 4, page 9. Regional HUD files.

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> thoughtful use of out-sourcing. Above all, it should know the cost of doing business."[31]

With Moving to Work, West has succeeded in cutting HAP free of much of the federal regulatory "burden" while taking advantage of the extensive process of consultation, analysis and planning required by the application to refocus the agency, re-connect to stakeholders and constituents, and clarify what outcomes are chosen as HAP's most important objectives for the immediate future.

THE SECTION 8 PROGRAM AT THE HOUSING AUTHORITY OF PORTLAND

Introduction

Section 8 administration at HAP has followed similar courses as the agency at large during Denny West's tenure, with increasing emphasis placed on efficiency, teamwork, and market principles. Program Director Edwina Moaning has been at HAP for nearly twenty years and has achieved national recognition as an innovative and successful manager. The program has won HUD "Best Practices" awards and nominations for its programs to increase landlord participation and its innovative way of determining reasonable rent levels for apartments rented by enrollees. Administration of Section 8 shows a clear priority for satisfying the needs of landlords who rent to voucher recipients, with major efforts under way to improve communication with landlords, to adjust program guidelines to meet their needs, and to curb tenant abuses. But with the notable exception of the GOALS program, efforts to help tenants or achieve social goals with the program, in contrast, have not been undertaken with much fervor: lines of

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[31] Ibid.

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communication are less developed for tenants and their advocates, the elimination of case management has led to reduced personal attention from HAP staff, and efforts to promote tenant moves to areas with low-concentrations of poverty appear to be perfunctory.

While HAP staff enjoy wide latitude in making decisions regarding Section 8 policy, they do not operate in a vacuum. Local HUD officials exercise some influence—the 1994 management audit resulted in changes in HAP's method of conducting market surveys—but their input is sporadic and has also been diminishing as budget cuts dropped local HUD staffing levels during the 1990s. The areas where HUD seems to have been most active are rent reasonableness, reasonable accommodation for people with disabilities, and concern that an element of the waiting list procedures for the MTW application might have a racially discriminatory effect.[32] Landlords play a surprisingly large role in decision making, as HAP officials view their participation as critical to the program, while tenant input is more sporadic, occurring when there is need for an "advisory group" to help HAP solve a problem but not required on an ongoing basis. Tenant input may find a more accommodating response from the authority when the recommendations do not require sacrifices from other stakeholders. Finally, as the examples of lead paint and the waiting list "riot" show, the Section 8 administrators do respond aggressively to negative publicity about the program, making the press an occasional player with quite a bit of influence.

[32] Sources, HUD letter to HAP dated August 25, 1995; HAP memo dated June 18, 1997 from Denny West to Board of Commissioners, HUD file on MTW application.

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Summary Data

Section 8 is the largest housing program administered by HAP, with an annual budgeted subsidy from HUD of nearly 29 million dollars providing assistance for a target of 5,339 units. Unit totals have declined somewhat in recent years as changes in how HUD reimburses authorities for administrative costs have limited their ability to lease close to 100 percent of allocated units. In practice, HAP is budgeting 5,273 units to be leased this year, 1.2 percent lower than the HUD-allocated amount.[33] Since HAP often certifies only half the clients whose names are pulled from the waiting list, and one-fifth of these enrollees are unable to find units, the program is always slightly undersubscribed, even by HAP's budgeted unit targets. Like an airline over-booking a flight, HAP tries to pull more names than it can assist, but the final total of recipients varies, and is often lower than the target HAP wants to serve. In August of 1999 the total number of units leased up within the certificate and voucher programs was 4,895, eight percent lower than the HUD-allocated total and seven percent lower than the budgeted total—though rates a year earlier were over 100 percent for three months running.[34] Since HUD's minimum standards for lease-up are 95 percent of the allocated or budgeted units, the lease-up rates are quite low, leaving between 185 and 402 families (depending on which standard is used to calculate the total available units) without assistance that the federal government has authorized but HAP is not using.[35] Some of the reason for these

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[33] Source: HAP, Section FY 2000 budget, 1st Quarter YTD Actuals.

[34] Source: Author's calculation from HAP monthly report, Section 8 program and HAP, Section FY 2000 budget, 1st Quarter YTD Actuals. "Year earlier" rates from HAP Quarterly Section 8 report, Second Quarter, 1998.

[35] The August 1999 monthly report indicates that lease up rates according to the HAP budget are actually 99%, with the following note: "This figure has been miscalculated for the past few months and has read 89 to 90% where it should have read in the higher 90 percentile range." There is no explanation for how this miscalculation occurred, or why the HAP budgeted units should have dropped to such a low level compared to the ACC numbers from HUD. My calculations in the text are based on the unit total reported

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low-lease figures may be related to accounting practices, while others may be related to the higher payment standards recently implemented, which result in a higher per-unit cost for each voucher and fewer vouchers overall that can be allocated. Nonetheless, a 1994 HUD program audit noted that HAP records often conflicted with HUD allocation figures, indicating that the authority "does not have a clear understanding of unit resources available, nor is staff keeping current with changes in these resources."[36] HAP's abrupt upward revision of rates in mid-1999 may reflect ongoing problems with calculating lease-up rates or meeting minimum standards for utilizing the vouchers available. It is also possible that the declining utilization rates reflect changes in HUD's method of reimbursement to the agencies, an unadvertised reduction in the actual level of federal subsidy.

In June 1999 there were 2560 names on the Section 8 waiting list. 241 names were pulled from the list and 127 units were leased up, while 34 households were terminated due mostly to eligibility problems and inability to meet program requirements. In the three months from April to June, the fraud control unit investigated 172 allegations about tenants (79 of them relating to drugs or criminal activity), and terminated 21 contracts. Also during the quarter, the Inspections department conducted 2,884 inspections, failing between 40 and 62 percent of the units, depending on the type of inspection (initial, annual, or voucher). The success rate for housing searchers (the percentage of enrollees who received a certificate or voucher and succeeded in finding a unit) was 89 percent in this quarter, up from 85 percent in the first half of 1998.[37]

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in August 1999 compared to the April-June Section 8 budget provided by the Section 8 Department at HAP.

[36] Source: Source: HUD Management Audit, 1994, "Finding 2." Portland regional HUD files.

[37] Source: HAP Quarterly reports for Section 8 program, Second Quarter 1998 and 1999.

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Each year HAP reports various information to HUD regarding unit totals, tenant characteristics, and program expenses. These are compiled by HUD and posted in a national database called the Picture of Subsidized Households. Table 4.1 summarizes selected variables from this dataset for Portland, the three New York City Section 8 agencies, and the nation.

Table 4.1
Summary Data: Section 8 by Agency

	U.S.	NYCHA	HPD	DHCR	HAP
Percent Reporting	87	87	59	99*	98
Household Size	2.7	2.8	2.1	3	2.4
Average Rent	217	198	145	281	214
Average Subsidy	471	587	410	619	538
Percent of Median	24	27	18	23	23
Percent Welfare	21	28	37	21	17
Percent Elderly	17	32	23	19	22
Percent Black	40	43	46	37	29
Percent Hispanic	15	22	41	19	5
Percent Overhoused	9	7	9	5	6
Average Wait	28	25	45	37	19
Last Report	8	18	10	5	14
Tract Poverty	20	27	37	17	22
Tract Minority	41	71	83	43	24

Source: HUD, Picture of Subsidized Households, 1998. Note: Average rent is that paid by tenant; percent of median is the average income as a percent of area median income; percent overhoused is with more than one bedroom per person; average wait is months on the wait list; last report is the average months since information was reported to HUD; Tract Poverty and Minority are average rates in census tracts.

* DHCR numbers are **for statewide program** and are missing approximately 50 percent of the statewide cases. The 99 percent figure for reporting is probably an error (Int. N-24).

Assuming Multnomah County has 20,100 units occupied by renters below the poverty level and New York City has 559,800 units in the same category.[38] we can calculate that Section 8 vouchers are available for approximately 26 percent of Portland's poor rental

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households, compared to 17 percent in New York City, though New York has a variety of other programs to serve poor renters, including a massive public housing program and an extensive portfolio of City-owned stock.[39] Nationally, Section 8 vouchers are available for 16 percent of occupied rental units where the householder is below the poverty level.[40] Thus, Portland has a high proportion of units relative to need that are subsidized through Section 8, but the quantity of the subsidy falls far short of the number of households that could qualify for assistance.[41]

HAP's occupancy rates are the same as the other agencies at 99 percent, but it is noteworthy that the total number of units included in the PSH database is well below the number shown in other HAP and HUD documents cited in the present study. It may be that lease-up rates in the PSH are based not on the number of units allocated by HUD but on self-reporting by the agencies. With an average tenant rent cost of just $214, the program obviously reduces the rent burden for families served: HUD pays over $500 a month in rental payments and administrative fees on average. HAP's program appears to be quite close to the national average on most counts, though its household size is a bit smaller, its federal spending higher (probably due to high fair market rents in an urban area), and the average income of its recipients is quite a bit lower than the average, though as a percentage of area median income, Portland is about average. Interestingly,

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[38] Source: Author's calculation based on Table 4-12, American Housing Survey Metro Area books for New York City (1995) and Portland (1995).

[39] It should be noted that some households in Section 8 are above the poverty level but below 50% of area median income, making them eligible for Section 8. This calculation is simply a measure of the number of available Section 8 vouchers in relation to the number of poor renters.

[40] Source, American Housing Survey, 1995, Table 4-12. Author's calculation.

[41] Note: HUD statistics vary widely from data provided in HAP's internal documents. The rate of elderly families estimated (they do not have exact figures apparently) in HAP's 1999 Moving to Work plan is 57 percent, not 22 percent as reported in the PSH (HAP draft document "The Hatfield Experiment: Moving to Work FY2000 Annual Plan," April, 1999, page 7). This same document (page 9) reports 29.5 percent of

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Portland and the rest of the state seem to have fewer families on Section 8 that are receiving welfare, a difference in Portland's case that may be related to its higher proportion of elderly recipients.

The city serves a lower percentage of blacks and Hispanics than the national average and moves its families off the waiting list more quickly than other places. At the same time, the rate of blacks served is more than three times their incidence in the general population, but the rate of Hispanics served is just five percent, only .6 percent higher than the rate in the city as a whole. This difference may relate to the relatively recent arrival of many Hispanic residents in Portland, but it certainly suggests that a potential problem exists for program equity.

As for whether Portland Section 8 recipients live in areas with concentrated poverty and minorities, the poverty level in tracts surrounding Section 8 recipients in Portland is two percent higher than the national average and quite a bit lower than the two principal agencies in New York City. Program recipients as a group are slightly more likely to be African-American than the residents of their neighborhoods, offering an overall picture in which Section 8 recipients live in neighborhoods that, while poorer and with more minorities than the average tract in Portland, are still reasonably well off in terms of income and have a modest number of minority families.

The Landlord Advisory Committee

It is legal in Portland to discriminate against tenants on the basis of their receipt of Section 8 assistance. Real estate listings in local papers routinely note "No Section 8" as

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the recipient families to be Hispanic (probably a typographical error), and 10.8 percent to be black (low compared to HUD's figure from a year before).

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a criterion for applicants (Ints. P-18, P-21). In the early 1990s as the Portland City Commission was considering legislation to expand the city's human rights protections against discrimination, tenant advocates pushed for inclusion of protection for Section 8 recipients. Landlords and their advocates turned out in force for the hearings, sharply criticizing HAP for lax administration of the program and arguing that they should not be involuntarily subjected to erratic payments of HAP's portion of the rent, arcane lease restrictions from HUD, and haphazard enforcement of anti-fraud provisions. West's response was to advise the Commission not to enact the protections for Section 8 recipients, and he instead committed the authority to work together more closely with the landlords to address their concerns.

The late 1980s and early 1990s were a period in which Section 8 was coming under increasing criticism from landlords, neighbors, and law enforcement officials. HAP and nonprofit sources agree that much of the criticism was justified (Ints. P-3, P-4, P-20, P-27). Some of the problems stemmed from HUD regulations originally created to protect tenants but phased out gradually through the late 1990s: requirements that landlords who took one Section 8 tenant take other applicants for additional available units, anti-eviction provisions in the Section 8 leases, and restrictions on security deposits all served to discourage landlords from entering into leases with HAP. Repeal of these provisions took many years at the federal level (some important improvements were still being made in the 1998 law that combined the certificate and voucher programs), and local administrative practices, many irksome to landlords and even HAP staff, persisted even longer as HAP's internal guidelines sometimes failed to take advantage of a looser

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regulatory environment by streamlining or improving program rules (HAP, 1999, Tab Four, p. 9).

In addition to problems that could be attributed, at least in part, to federal regulations, HAP alienated landlords by making little effort to meet their needs. When the housing market was comparatively loose in the 1980s and owners were eager to find Section 8 tenants to fill units and stabilize income in their properties, "there was kind of an attitude that we were doing the landlords a favor," recalls a HAP staff member (Int. P-20). Many HAP staff saw themselves as tenant advocates and made little effort to address owner concerns, particularly in relation to tenant transgressions such as damaging apartments, selling drugs from units, or noise violations. Tenants could lose their vouchers if they violated HAP administrative requirements by missing appointments or failing to provide requested documentation, but compiling a record of abuse of apartments, neighbors, or landlords was rarely a cause for termination of assistance (Ints. P-3, P-20, P-25, P-27).

West made good on his pledge to work closely with landlords and address their concerns with concrete changes in HAP policies and practices. The Section 8 department created a "Landlord Advisory Committee [LAC]," drawing representatives who were property owners, landlord lobbyists, large nonprofit community development corporations, and experts on landlord/tenant relations from the housing industry. As a HAP administrator remembers, "We said, 'Look, we want your business. You tell us what we have to do to get you to put units in the program and we'll do it unless it's just impossible'" (Int. P-3). The members of the LAC quickly helped to generate some important reforms in how the housing authority administered Section 8, assisting the

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authority in providing trainings to landlords and helping to intervene with landlords who were having problems with the program (Ints. P-25, P-26). The committee helped revise the documents and forms HAP used, both to make them more "user friendly" and to make the language conform more to a tone indicating the authority valued the business services being provided by participating landlords. A sixty-page booklet was produced to give plain language information to landlords on how the program works and a newsletter, HAPpenings, was created to provide monthly updates on developments in Section 8, as well as giving information and advice on how to negotiate HAP's regulations and procedures (Ints. P-2, P-25). In addition, HAP worked to eliminate gaps in payment when new tenants moved in or tenants changed units within a development, so landlords began receiving more timely payment of HAP subsidies (Int. P-5).

Perhaps most important, the LAC played a major role in encouraging Section 8 to create a Communications Team as part of its administrative reorganization. Landlords who were not always able to reach a caseworker under the earlier structure were pleased with the new Communications Team, which is available to answer questions and resolve problems during regular business hours. The change had mixed results for tenants, who are able to use the hotline the same as landlords but have lost some of the personal case management attention they received from HAP staff under the previous system. The change was most controversial among HAP line staff, some of whom felt that the workload assigned to the Communications Team was modest compared to the increasing burden being placed on the Eligibility Team, where significant efficiencies were being implemented that led to narrower job descriptions and heavier workloads. The Communications Team, where staff must be available nearly exclusively to attend to

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phone inquiries, has fewer responsibilities in terms of managing paperwork and carrying out rote tasks (Ints. P-5, P-27). This has created some tensions among staff, but higher level administrators argue that the team system allows them to assign people to jobs where their skills are put to best use: Communications Team members are selected for their ability to interact effectively with landlords and tenants, skills not possessed in equal quantities by all HAP personnel (Ints P-2, P-20). Of course, the change also has the effect of helping to address landlord concerns about poor communication with HAP staff.

The Housing Authority's motivation in creating the LAC resulted from a need to recruit more landlords in a market situation where these "suppliers" of the Section 8 product were becoming increasingly scarce. In contrast, HAP has never experienced a shortage of qualified tenant applicants for the Section 8 program. Perhaps this is why HAP administrators did not set up a "Tenant Advisory Committee" as a counterpart to the efforts to reach out to landlords. Instead, after the LAC had been in operation for a number of years they invited a representative from Portland's most prominent tenant advocacy organization, the Community Alliance of Tenants, to sit on the LAC as an observer. This occurred in response to another round of efforts by tenant advocates promoting a policy requiring landlords to accept Section 8. CAT leaders met with HAP administrators, who were cool to the idea of mandatory participation for landlords but agreed to allow a tenant observer on the Landlord Advisory Committee (Ints. P-21, P-26).

The tenant observer, a Section 8 recipient who was a leader of CAT and happened to reside in a building owned by a nonprofit whose director was also on the committee (a situation many found awkward), attended meetings for a year until the landlords asked him not to come anymore. Landlords cited a number of reasons for this decision: they

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were not able to speak frankly in front of a tenant representative and felt that some of the committee's confidential discussions were leaked inappropriately; they also found the individual to be wanting in "diplomacy," raising confrontational questions and irrelevant matters during meetings. The event that precipitated the final break appears to have been a meeting where a HUD official came to brief the LAC about HUD's Community Builders program, and the tenant representative used the opportunity to ask if it were true that President Clinton had "raided" the HUD budget to fund the war in Kosovo. The landlords felt this was not relevant to the business of the committee. This episode, which followed a meeting where some tension arose about different interpretations of the state law that overturned much of Portland's Preservation Ordinance. left the landlords determined to ask that the tenant representative's observer status be rescinded (Ints. P-2, P-3, P-21, P-25). HAP has agreed to submit copies of the minutes from LAC meetings to CAT, and is planning to create a Tenant Advisory Committee sometime in 2000 (Ints. P-3, P-21).

A principal goal of the Landlord Advisory Committee has been to increase the number of landlords in the program and make it easier for new applicants to find units that accept Section 8. To this end, members of the committee have been used as "emissaries" to the landlord community, speaking in front of trade associations and other gatherings on behalf of HAP (Ints. P-2, P-26). HAP administrators report that the number of landlords who participate in Section 8 has risen since the creation of the committee and that the success rate for Section 8 housing searchers has climbed from a low of 78 percent to over 90 percent (though in the recent tight housing market the success rate is back down to 83 percent. Yet no information is available to indicate

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whether a smaller percentage of the landlords advertising in local papers is indicating "No Section 8" in ads. Assessing the effect of the LAC on landlord participation in Section 8 is difficult, since changes in success rates and the number of landlords can be affected by market conditions and shifts in the composition of landlords (more large landlords, for instance), variables which could easily confound interpretation of HAP's results.

Combating Fraud and Abuse

Detection of fraud and abuse is one of the most important areas where the Section 8 department at HAP has pursued innovative strategies in recent years. While most observers do not feel fraud is rampant in Section 8, there are a significant number of cases where tenants receive unreported income, where unauthorized people live in apartments, or where tenants use their units as a base to engage in illegal activities. For many years, HAP and the Section 8 program suffered from a perception that little was done about these problems. A HAP administrator comments that once a year service coordinators were "supposed to look the recipient in the eye and see if they were cheating. And there were a number of them who were convinced that they could tell by looking. That was just bullshit" (Int. P-3).

Changing HUD regulations helped address the problem as housing authorities were given more leeway in sanctioning noncompliant tenants, though many changes were still being generated along these lines in the 1998 Section 8 reform bill passed by Congress. Members of the Landlord Advisory Committee helped lobby for these changes at the federal level. The Housing Authority of Portland improved the situation

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by increasing their level of cooperation with local law enforcement authorities, designating staff members to attend monthly meetings with the police to review problem addresses and identify possible interventions HAP could undertake. Police officials say this increased level of communication and attention has led to better relations between HAP and law enforcement staff, who sometimes object to Section 8 on the ground that it "enables" the recipients to continue to engage in illegal or anti-social behavior (Int. P-4).

The authority also increased the potential for landlords to access tenant records relating to nonpayment of rent or disruptive tenancy in other subsidized projects. Tenant records had been considered confidential until HAP began requesting (as part of its efforts to respond to landlord needs) that tenants sign an agreement as part of their application process for Section 8 that would enable landlords to request information about their rental histories. Requests are processed immediately and landlords can get timely information by fax if the tenant has agreed to release it. If the tenant does not agree to make the information available, there is no obligation on the part of the landlord to accept his or her application (Int. P-3).

The most important change in HAP's anti-fraud program has been administrative: in late 1997 the agency hired an outside fraud expert to join the staff and devote full-time effort to following up on complaints and tips about tenants. Thus, service coordinators and eligibility specialists had this responsibility lifted from their workloads, where HAP supervisors felt implementation was erratic, and it was passed to the fraud investigator. Assignment of investigative tasks to one person who treats the job as an important contribution to the program (instead of people who may identify more closely with the plight of poor tenants, for instance, who are trying to earn extra money by renting to an

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unauthorized person) led to more vigorous enforcement of HAP regulations and more successful prosecutions of tenants caught violating the rules (Ints. P-3, P-20, P-27). As part of HAP's more professional approach to fraud detection, Section 8 funds were used to subscribe to three database systems that allow the fraud investigator to examine the records of potential violators. One system allows the HAP investigator to find out what sources of income a family has in government assistance, such as welfare, SSI, food stamps, even child support (including the address, name, and social security number of the father). Another system allows HAP access to any civil or criminal action taken against an individual in Oregon. Finally, HAP subscribes to the private Commercial Information System, which allows them access to property ownership records and gives information by address regarding who has used the address for licenses for hairdressing, nursing, or driver's licenses. The agency also conducts credit checks to see if recipients who claim little or no income are borrowing large sums of money to buy cars or other expensive items. While these data sources are costly and provide extensive information about voucher recipients that would otherwise be considered confidential, they have helped HAP to prosecute and terminate as many as 100 tenants annually in recent years, helping to convince landlords and other stakeholders that HAP is serious about pursuing tenants who abuse the program (Int. P-25, P-27). In HUD's 1994 audit of HAP's Section 8 practices, federal regulators were concerned that HAP was requiring recipients to sign a release form that gave the agency over-broad powers of investigation, powers which had successfully been challenged in lawsuits in other places. HAP responded by revising its forms, but maintaining a higher standard of disclosure than HUD was initially recommending.[42]

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[42] Source: Letter from D. West and H. Shapiro to HUD, July 6, 1994. HUD regional files.

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Administrative Reforms

Not all of the changes in HAP's Section 8 practices have been designed with the needs of landlords or law enforcement officials in mind. Section 8 has streamlined the way it recertifies income, improved wait list application procedures, maintained a minimal list of tenant preferences, increased capacity to assess market conditions for rentals, and promoted awareness of the dangers of lead paint in the community. All of these changes have improved the effectiveness of the program, often making things easier (or safer, in the case of the lead paint initiative) for tenants. Nonetheless, in the absence of a Tenant Advisory Committee, few of the changes came in response to any input from tenants or their advocates, with HUD oversight and HAP's need to cut costs playing a more prominent role.

"Mail-in recertification" is a HAP innovation that emerged out of the lessons learned when the department underwent Activity Based Cost analysis. The annual recertification process, staff discovered, took up an inordinate portion of Section 8 staff time, as each tenant was required to come in for an interview and had to provide documentation showing whether their incomes and family composition had changed. With missed interviews, late arrivals, and people who arrived with forms half-filled-out, the process was a time-consuming one. Nor were the results in proportion to the effort expended: many staff (along with HAP's outside management consultant) believed the documents could just as easily be provided through a "mail-in" process, with follow-up interviews scheduled only where necessary, and indeed this is just what HAP

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implemented as its new policy in April of 1997.[43] Combined with the newly empowered fraud unit, the mail-in approach appears to be working well. There is no indication that fraud has increased as a result of the new policy (Int. P-3). Of course, from the tenant perspective, it has the added benefit of taking less time, reducing the need to make appointments each year at HAP.

Additional innovations were made in HAP's wait list policies that made the program easier for most tenants to negotiate. During Don Clark's tenure as HAP executive director the waiting list had been left open for a lengthy period because, as a HAP staff recalls, "it just drove him crazy that a person couldn't even apply. That made no sense to him that a person who would need housing would come into an agency and be told, 'Well I'm sorry, there's a waiting list.' And have that followed up with, 'Oh and the waiting list is closed..." (Int. P-20). Expanding access to the waiting list may have made things easier for tenant applicants, but it was administratively burdensome for the authority; as the more than 5000 names on the list became older, fewer and fewer of the people whose names came up retained the same addresses and phone numbers, and often changes in their financial or personal circumstances meant they were no longer eligible, which meant that HAP had to reach out to larger numbers of people to fill each open slot in the program. A failed experiment with phone-in applications led to the decision that the best way to open the list would be to make people apply in person at the housing authority, and give out the vouchers to applicants on a first-come, first-served basis. The list was to be held open for applications for just a short time to avoid a repetition of the problems with outdated applications (Ints. P-20, P-2, P-5)

[43] Source: HAPpenings, August-September, 1997.

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The pressure that built up for applicants to be the first in line when the list was reopened in 1997 resulted in negative publicity for the housing authority as hundreds of people camped out overnight to increase their likelihood of getting assistance. According to one HAP staff member, "We literally had a riot, with the police outside this building even before anybody had even shown up for work" (Int. P-20). Scuffles among those waiting in line were reported in the local papers, and HAP resorted to its time-honored method of resolving problems by recruiting an advisory group to recommend a solution. A wide spectrum of advocates from social service and housing agencies were invited and HAP decided to eliminate the first-come, first-served method of culling the waiting list, instead using a computer to reshuffle the names each time more names were taken. In addition, when the list was opened, applications were taken at a number of locations, easing the task of applying for many. Some social service agencies agreed to collect applications directly from their clients who might not be able to get to HAP sites during the application period (Int. P-5). All of these changes eased the application process for many tenants.

Despite the desire of some agencies to establish waiting list preferences for certain classes of clients (elderly, disabled, etc.), the presence of such a wide spectrum of groups on the advisory group worked against this as each group's demands were cancelled out by others who refused to allow some special interests to be met but not theirs (Int. P-20). In the end, HAP retained its rather minimal waiting list preferences: the authority gives preference to homeless families for a limited pool of 182 vouchers left over from a homeless demonstration program in the early 1990s, it gives preference to terminally ill patients whose doctor certifies that they have a life expectancy of less than

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one year, and it gives preference to families in other HAP programs whose needs can't be met in that program (for instance, disabled families for whom no accessible unit is currently open in public housing). Aside from these preferences, HAP does not apply any of the federal preferences they once used (high rent burden, elderly, or involuntary displacement), now that the federal government has suspended the requirement that local agencies employ them (Int. P-2).

The limited list of preferences may reduce the "vertical equity" of the program in Portland, since it treats the extremely needy the same as those who simply qualify under the program's income requirements, but this approach has the advantage of simplifying implementation for HAP, which has fewer preference-claiming applications to verify, while treating nearly all applicants under uniform rules. The preferences for homeless applicants and the terminally ill are residual commitments made to serve special needs populations due to outside pressure in the past. The homeless preference is not, properly speaking, a preference but rather a set-aside, since it originated with HAP's homelessness prevention efforts in the early 1990s and the agency received extra vouchers to assist the homeless people served in the program. The current set-aside simply maintains the commitment to use those vouchers for the homeless (Int. P-2). The terminally ill provision was created in response to a request made some years ago by the Cascade AIDS project to house poor AIDS patients who had little time left to live, but HAP extended the category to include any qualified applicant who could certify a life expectancy of less than 12 months. Some HAP staff noted that many of the applicants who qualify under this provision turn out to live much longer than projected, but the agency has preserved the preference in any case (Ints. P-2, P-20).

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When the federal preferences were still in place, HAP staff found them difficult to administer due to the necessity of maintaining different waiting lists and verifying documentation that proved applicants qualified under the preferences. Many tenants also found the preferences objectionable. A HAP staff member familiar with the process reports:

> "Some of them were aggravated...and often times irate. And I think it's mostly because they have such a great need, and you could see the need, but if they couldn't provide that proof, whether it was a rent receipt or an electric bill in their name...and they could almost meet a rent burden but if the electricity wasn't in their name then you can't count that amount in there and therefore they didn't qualify. So it was really touchy."(Int. P-5)

Finally, HAP has affected the population served by imposing informal limits on applicants at times: in its most recent opening of the wait list the agency required that Section 8 applicants be families, not single individuals, a requirement that HUD is forcing them to abandon (Int. P-2).

Related to the issue of preferences, HAP has managed to use a small number of Section 8 vouchers which were originally intended for tenant-based assistance in a way that ties them to the buildings occupied by the recipients, in effect converting the tenant-based vouchers to a project-based format. This has occurred in just a few projects, some of which were undertaken under HAP's program to aid homeless families (or elderly families at risk of homelessness) and some of which came out of efforts to preserve expiring Section 236 and Section 23 housing developments. HAP currently has about 200 units of project-based vouchers in its Section 8 portfolio and has no plans to do additional units under this method, since HUD opposition to the linking of vouchers to projects created what one administrator called "excruciating" obstacles which had to be overcome through extensive negotiations (Ints. P-20, P-29).

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The use of project-based vouchers raises important equity issues, since HAP soon found it impracticable to assign applicants from the general wait list to the project-based buildings when vacancies occurred. Applicants on the list were simply not interested in living in converted SRO units in unattractive neighborhoods. With HUD's approval, HAP offered the project-based units to the entire wait list at once, and then created a separate wait list for applicants who would be more appropriate for the kind of housing provided. The practical result of this decision was to divert a modest percentage of the vouchers to a subset of the qualified applicant pool, particularly the elderly and homeless (Int. P-20).

Recently, HAP has engaged in a concerted effort to increase awareness of the problems of lead paint in Portland. In 1998 a tenant in a Section 8 apartment discovered that her child had an elevated level of lead in her blood as a result of being exposed to lead paint. The tenant sued HAP for a million dollars. The authority responded by organizing a "Get the Lead Out" conference attended by over 100 landlords to help raise awareness of the problem. From a public relations perspective, HAP was able to make a convincing argument that lead is not just a problem faced by the authority but by all property owners in the community. This line of response had the effect not only of (correctly) pointing out that lead paint awareness is a responsibility of all landlords, but also of diffusing potential criticism of the authority for doing a poor job of dealing with the problem. The authority also stepped up enforcement of lead paint provisions in its inspection division (Int. P-32). One individual familiar with the issue noted that "The person who does public affairs, she was just crushed by the lead thing (Int. P-26).

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Determining "rent reasonableness" and the area's Section 8 payment standard is the last major area where HAP engaged in innovative administrative reform. This time the change appears to have been sparked by HUD oversight. The local HUD office conducts occasional management audits of the Section 8 program: the last one in Portland was in 1994 and uncovered a number of deficiencies in administration, including problems with inspections, accuracy of information in tenant files, low lease-up rates, and inadequate determination of rent reasonableness, leading to a score of 67 out of 100 points for a rating of "fair." Audit staff from HUD visited 44 apartments that had passed HAP quality inspections and failed 16 of them, 8 of which had violations that were present when HAP passed the apartment in its inspection. In reviewing tenant files, HUD found 25 percent where information was incorrect or unverified and which could affect a tenant's rent payment. The HUD standard for adequate lease-up rates (the percentage of units leased as a portion of those allocated in the Annual Contribution Contract from HUD or the agency's budget estimates) is 98 percent, with rates below 95 percent considered the minimum acceptable; in 1994 HAP had rates of 96 percent for certificates and 95 percent for vouchers, prompting HUD to conclude that "many Multnomah County families are not being assisted."[44] This was particularly egregious since insufficient lease-up rates had been a problem in the previous HUD management audit conducted in 1991. Finally HUD determined, in another repeat finding, that rent reasonableness analysis was not being conducted adequately to assure that landlords were charging fair rents given the local market conditions. HAP had been trying at one time to determine rent reasonableness by internal staff estimations, and at the time of the HUD audit was contracting to a research institute at Portland State University to conduct regular surveys

[44] Source: HUD Management Audit, 1994, "Finding 2." Portland regional HUD files.

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that would provide guidance, but was dissatisfied with the quality of the rent surveys. At HUD's urging, HAP sought out alternative sources of real estate market data and contracted with McGregor/Millette, a real estate research firm, to conduct quarterly surveys on HAP's behalf.

The new survey method not only improved HAP's ability to gauge whether a landlord was demanding an unreasonably high rent, but also strengthened HAP's hand in arguing for rapid increases in fair market rents and payment standards to meet the sudden inflation the Portland real estate market experienced in the latter half of the 1990s (Int. P-1). While the shift to a voucher-only program eliminated the problems associated with rent reasonableness, since under vouchers the tenants pay the difference between the payment standard and the asking rent (HAP paid the difference under the certificate program), the raising of the payment standards helped tenants avoid paying dramatic out-of-pocket increases as a result of market conditions that were changing more rapidly than previous research methods would be able to detect.

Finally, it is important to note that the fiscal situation for Section 8 changed during Denny West's tenure at HAP. Originally, the program was used as a "cash cow" for the rest of the agency, with the generous HUD administrative allocations being split between the Section 8 department and the rest of the housing authority (Int. P-20). HUD allowed this practice, which was typical in housing authorities, even though the likely effect was that resources were diverted that might have been well used to offer services to tenants and landlords or improve administrative effectiveness. West's emphasis on running each department as if it were a separate enterprise meant that Section 8 was allowed to keep nearly its entire administrative allotment, with the only major diversion

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being the funding of a staff position in the Housing Services department to help operate the GOALS program. This resulted in more money for Section 8, though a major change in how HUD allocates administrative fees sharply reduced the department's intake. Until 1997 HUD signed Annual Contribution Contracts with each agency and agreed to reimburse the agency for the actual costs incurred in administering the program. In practice, this meant that HUD would absorb excess administrative costs, but the new system works according to a single pool of money for the administrative fees. Cost overruns must be born by the local authority, which means they must be vigilant not to lease up more units than they can administer effectively. This has resulted in a modest but real reduction in the actual number of units leased up at HAP in the last year (Int. P-2).

Off the Agenda

The Section 8 program at HAP is notable not only for the policy priorities administrators have pursued in carrying out the program, but also for the issues that failed to reach the agency's policy agenda or were simply determined to be relatively unimportant to HAP's mission. While limited resources engender limited areas of activity, nonetheless some of the areas where HAP has decided resources are better withheld are worth noting. Mostly these relate to tenant services, HUD directives to use the program as a means of deconcentrating the poor, and tenant input mechanisms.

Since the days of the Experimental Housing Allowance Program policy analysts have debated the utility of providing services to tenants in connection with their vouchers. James Zais found substantial positive effects from providing help in the

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housing search process with success rates for black housing searchers in particular more than doubling with the additional assistance (1981, p. 257). These findings contradicted an earlier study that found market conditions a much greater determinant of success rates than any services that were provided (USRE, 1977, pp. 2-72, 4-4).

The Housing Authority of Portland provides very limited services to Section 8 enrollees in order to help them in their housing search. HAP maintains a bulletin board in its entrance lobby where they post information cards for vacant apartments that are called in by landlords accepting Section 8, but they distribute no centralized list of the hundreds of landlords who accept Section 8 to tenant-searchers who might contact property owners in neighborhoods where they are interested in searching. Nor does the agency provide travel assistance or tutoring in application or interview strategies for enrollees. A recent study conducted by HAP of families that are homeless or at-risk of becoming homeless and were assisted through a county-wide program[45] that offered various kinds of services together with rent assistance found that clients reported a variety of services to be helpful, including housing counseling, money management, transportation assistance, and household management classes (Nesbit, 1999, p. 16). Success rates for Section 8 tenants searching for housing have increased during the 1990s, despite some recent fluctuations, and HAP attributes this to more effective stewardship of their relationship with landlords, along with the increases in fair market rents and payment standards (critical for success under the recently terminated Section 8 Certificate program). Nonetheless, the success rate at the end of 1999 stood at 83 percent, up from a low of 78 percent but still somewhat below the national rate of 87

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percent recorded in HUD's last major study of the matter (Kennedy and Finkel, 1994, p. 12). It is impossible to gauge whether additional emphasis on assisting tenants in the housing search would have a significant impact on success rates in Portland's tight housing market, but it seems clear that HAP has preferred the devote the bulk of its efforts to the supplier part of the equation while leaving the consumers largely on their own.

While HUD has never placed much pressure on local authorities to devote administrative resources to assisting tenants in the housing search, federal officials have increasingly emphasized the importance of encouraging tenants to move to areas with low concentrations of poverty. Based largely on the conclusions drawn from the Gautreaux experiments in Chicago, where voucher recipients moving to low-poverty areas experienced higher rates of employment and high school graduation (Davis. 1993), HUD has issued numerous policy documents that encourage authorities to give tenants help in moving out of high-poverty neighborhoods. One recent document highlights efforts in Hartford, Connecticut where the housing authority provides intensive mobility counseling to enrollees and even takes them on tours of targeted low-poverty areas to encourage them to explore new neighborhoods (HUD, 1996, pp. 26-7). But in Portland, local HUD officials and HAP administrators agree that concentrated poverty is not a serious problem (Ints. P-1, P-2, P-9), and the authority provides minimal information to enrollees on strategies for moving to more advantageous neighborhoods. The packet of information distributed to enrollees at their orientation session contains four documents pertaining to the hazards of lead, but information on mobility is limited to the following

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[45] This program (Rental Assistance Support Program) provides rental assistance using funds from the federal HOME program. Clients are not yet in Section 8 and do not necessarily have to move to receive

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sentence in a four-page briefing summary: "There are many advantages to renting a unit outside of the high poverty areas." No further information is given about what these advantages are or specifically which communities are low-poverty areas, nor did the issue come up during the informational briefing for new enrollees that I attended in 1999. A draft plan for implementing the Moving to Work Program, written in April, 1999, indicates that "HAP's Section 8 Program has revised its briefing packets to ensure that they include information regarding areas where families may rent units and the benefits of moving to another state or county. The briefing packets also include other housing authority addresses and a list of landlords."[46] It is possible that HAP plans to carry out these changes in the near future as the MTW program gets under way.

It is certainly true that Portland, with its small percentage of minority residents, has less of a problem with concentrated poverty than many cities of its size. There is no "ghetto" that compares with areas marked by extreme poverty and social dislocation in cities like Chicago, Detroit, or New York. Nonetheless, as a recent report by the Coalition for a Livable Future suggests, Portland does have areas of comparatively concentrated poverty. A map of census tract poverty rates based on the 1996 American Community Survey shows a clear "belt" of census tracts with rates above 30 percent that runs from the northwest section of downtown to the inner northeast. The map shows eight contiguous census tracts in this belt having poverty rates above 30 percent, while in the rest of Multnomah County there are just three additional tracts with poverty rates this high. There are also three tracts in this area where the average income in the tract is below 50 percent of area median family income (Coalition for a Livable Future, pp. 13-

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assistance, which is time-limited.

[46] Source: "The Hatfield Experiment: Moving to Work FY2000 Annual Plan." April, 1999, page 13.

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15). If tenants used their Section 8 vouchers to move away from this poverty belt and into neighborhoods with lower poverty, they might well reap some of the benefits measured in the Gautreaux experiments. Little research has been done on what threshold of poverty that must exist before concentration effects are found, and while Portland's comparatively low rates of concentration may have little or no effect on opportunities for local residents, Section 8 still represents an important opportunity for mobility and one that some residents might take better advantage of if, for instance, they had information about the comparatively high job growth in nearby Washington County. Yet HAP administrators have downplayed the extent to which poverty is concentrated in Portland and have done little to experiment with ways in which enrollees might be encouraged to use their vouchers to live in better neighborhoods.

HAP's experience with the Landlord Advisory Committee should underscore the degree to which the agency has chosen to meet program goals by reaching out to landlords and responding to their input. It also underscores the low priority HAP places on seeking organized input from tenant leaders: No tenant advisory counterpart to the LAC has been established to date, and when tenant organizers approached HAP about setting up such a group they were told that HAP would participate if the Community Alliance of Tenants would be responsible for handling the logistics, something the small nonprofit organization was not equipped to do (Int. P-21). As a consequence, landlord representatives were able to help re-draft important HAP documents and review policy changes that affected their constituents for a number of years while their tenant counterparts were included in decision-making on an as-needed basis, such as in the discussions over how to revise waiting list policies. In practice, this meant that tenant

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input was substantial at times, but that this input was sporadic and *ad hoc*, while at the same time landlord input was sought in monthly meetings from a well organized group whose members were very familiar with the program and the staff who administered it.

There are some obvious justifications for the approach taken by HAP. Most prominently, the landlords are indeed the suppliers of the program's goods, as was emphasized in interviews with HAP and HUD staff, and if many of them refuse to participate in the program then the burden on tenants in the housing search is increased (Ints. P-3, P-9, P-26). Unlike landlords, there is a long line of tenants waiting to participate in the program in its current incarnation, suggesting that HAP needs to spend less time meeting their needs. Some landlords on the committee are executives in nonprofit housing agencies, and they do provide a measure of tenant advocacy within the committee (Int. P-13). In addition, one HAP administrator pointed out that in Portland, "Like any city, you've got advocacy groups that are more assertive than the tenants" (Int. P-3).

Tenant advocates confirm the somewhat radical politics of the city's tenant leadership—a number of the advocates participate in Democratic Socialists of America—but it is unclear whether they are less representative of their constituents' views than the landlord advocates are of landlords. Tenant advocates charged during the debates around the preservation ordinance that most landlords had no objection to the bill, which only affected a small fraction of the city's landowners, but that the vehement opposition of Harold Schnitzer, prominent philanthropist and landowner in Portland, along with inflammatory mailings from real estate trade organizations turned the tide against the ordinance at the state level (Int. P-8). Finally, there is some feeling at HAP that line staff

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naturally sympathize with tenants and are less attentive to the needs of landlords, so the extra institutional emphasis on working closely with the latter group is simply an effort to balance the tenor of relations (Ints. P-5, P-20).

Whether the comparatively lower level of tenant input into the program contributed to a tendency for HAP to favor landlords over tenants is a matter open to interpretation. The authority has made a number of decisions in recent years that clearly favor tenant needs. Changing the application procedures to end the first-come, first-served regulation clearly makes the process easier for tenants, as did allowing Section 8 to keep its administrative fees and funding a staff position for the GOALS program. HAP has also refused to implement a recent HUD regulation requiring tenants to pay a minimum of $25 a month in rent contribution, even if their income is zero.[47] The long waiting list for entering the GOALS program indicates that it is favored by the tenants, but it is also noteworthy that the program is designed to promote self-sufficiency; it is not the kind of ongoing lifestyle-enhancing service that would probably have inspired Fred Rosenbaum in the 1960s (with his belief that subsidized housing should provide something "above the usual norm"), nor, with the emphasis on moving people into work, does the program necessarily conform to the priorities of some advocates that such work should be meaningful in order to attract people away from government assistance voluntarily (Int. P-21).

Other tenant-friendly initiatives also benefited HAP: mail in recertification makes the process easier for tenants but the stated motive for the change was to reduce costs at HAP. In contrast, some staff pointed out that most waiting list preferences were ended because HAP thought they were unfair to tenants who could not provide the necessary

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paperwork or fell just outside a threshold for qualifying. Nonetheless, this change also made the program less complex administratively and was carried out during a period where this was one of HAP's highest priorities (Ints. P-2, P-5). Finally, raising the payment standards for vouchers translated into lower payments for tenants as well as easier housing searches, but it also translates into higher payments from HAP to the landlords (Int. P-1).

One element that characterizes all of these tenant-friendly initiatives is the general lack of opposition to the course of action that was taken. Changing wait list procedures, increasing self-sufficiency funding, allowing mail-in recertification, and raising payment standards all benefit tenants without requiring sacrifice from landlords, the housing authority, or other stakeholders in the community. Thus, when there are no conflicting needs between the tenants and another group, HAP often finds ways to improve their experience in Section 8. Yet when faced with a choice between the needs of tenants and landlords, law enforcement officials, or even the housing authority, tenants do not seem to have much influence. The most obvious manifestation of this is in the authority's aggressive anti-fraud effort, which helps make Section 8 popular with landlords, the police, neighborhood groups, and even the mayor (who is a vigorous supporter of the police in Portland). Yet the same initiative subjects Section 8 recipients to quite extensive investigation by the authority and allows HAP to access credit records, licensing records, and other personal information about tenants. Less easy to interpret, but potentially even more serious, is HAP's tendency to lease up fewer than 100% of units allocated by HUD. No annual summary data are available on lease-up rates, but if HAP is leasing five percent less than the HUD allocation then hundreds of potential

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[47] Source: "The Hatfield Experiment: Moving to Work FY2000 Annual Plan." April, 1999, page 14.

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recipients are going without subsidy, a problem that no tenant advocacy group has raised so far. Another example is the shift from case management, which staff say permitted them to relate more personally to the tenants and meet their individual needs more effectively. The new team-based system is surely more efficient, but it may come partly at the expense of personal attention from HAP staff. Finally, the principal Section 8 policy objective of tenant advocates in Portland is to provide legal protections to housing searchers by forbidding landlords to refuse Section 8. HAP has chosen to oppose this initiative, on the grounds that landlords who volunteer to be in the program are more likely to provide good quality housing and conform to program rules (Ints. P-2, P-26). Each of these changes can be justified on the grounds that they produce a better program over time; a Section 8 program with little fraud, that landlords choose voluntarily, and which is efficiently administered is likely to retain critical community support and gain a reputation for spending tax dollars wisely. But taken as a whole, these decisions suggest that HAP's management philosophy is less in tune with the agenda of tenant advocates than it is with representatives of the landlord community.

CONCLUSION

Section 8 at the Housing Authority of Portland offers a rich source of examples to examine the degree to which local agencies exercise discretion in decision making, to consider the relationship between actual local practices and federal goals, and to assess the influence of political forces, advocacy coalitions, and administrative structure. Clearly, HAP and its Section 8 department are places where innovation and creative policy-making are at a high pitch, and this provides unique opportunities for analysis.

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And while questions of political influence have to some degree broken down along landlord/tenant lines, there is still much to be learned about the role of various political and advocacy actors from the HAP experience.

To begin with, the history of Section 8 in Portland must underscore the freedom local program administrators have to determine program outcomes. To a very large degree, the voucher program at HAP operates independently of input from HUD and even local government and nonprofit agencies. Even in Portland, where the housing authority makes unusual efforts to include input from advocates, public officials, and local HUD staff, it is striking to see the amount of discretion available to local policy makers. Administrators who worked on the Moving to Work application and decided that HAP would shift to an all-voucher program, eliminate the shopping incentive, and limit the rent burden to 70 percent of income—all important policy decisions with great import for tenants—found there was little interest from advocacy organizations, local officials, or even HUD staff in debating these proposals. Denny West's leadership has been at the root of many changes in policy, from mail-in recertification, to the creation of the Landlord Advisory Committee and the administrative reorganization that changed the way HAP deals with tenants. The key decision to hire an outside real estate consulting firm to conduct market analysis and to use this information to secure dramatic increases in Fair Market Rent and Payment Standard levels was made largely by the director of one of the Section 8 departments, yet if this initiative had not been taken FMRs would have lagged far behind the real increases in rents in Portland and tenants would have had a much more difficult time finding units affordable at their subsidy level.

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These examples give a sense of the voucher program as contingent, dependent largely on the commitment and creativity of local authority staff. At the same time, HUD and Congress are not without influence. The basic structure and practices of the program are set at the federal level, including eligibility thresholds, reporting requirements, funding levels, housing quality standards, and administrative benchmarks (such as rent reasonableness, utilization rates, and participation in Family Self-Sufficiency programs). In addition, some areas of local discretion are comparatively minor, such as drafting of communications materials, determination of exceptions to program rules, and decisions on the minutiae of income verification. Nonetheless, when we consider some of the very real ways that Portland exercises discretion and the potential impacts on outcomes for tenants and other stakeholders, the forces that shape local decision-making become quite important.

Re-visiting the eight federal objectives discussed in the first two chapters, we see that Portland conforms to most of the federal goals to some degree, deviating mostly when unique local conditions provide a justification. Beginning with the feasibility question, it seems that HAP has met HUD standards for the most part. The critical 1994 management review audit found deficiencies in utilization rates, housing quality inspections and record keeping, yet HUD officials currently praise HAP for maintaining a high level of administrative competence and say that the problems identified in 1994 have been largely resolved. And while it is difficult to evaluate this without a new management audit, interviewees at HAP and elsewhere agreed that the volume of complaints about Section 8 performance have declined in recent years and that the

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program meets minimal standards of success in terms of distributing assistance in an orderly and effective way.

In this context, we should note the surprising lack of systematic data regarding basic performance measures in Section 8. HAP maintains quarterly performance reports that summarize key indicators such as utilization rates, lease-ups, and fraud investigations, yet categories are not consistent over time, making longitudinal analysis impossible, documentation explaining how each indicator is calculated are not available, and annual summaries do not exist. Key statistics, such as the number of apartments inspected and passed on an annual basis, or the annualized "success rates" for housing searchers, are not maintained, and HUD has not required them, though there is currently an initiative under way at the federal level to standardize performance reporting (the Section 8 Management Assessment Program is expected to begin in 2000). This leaves our conclusions regarding feasibility somewhat tentative, since we must rely on anecdotal evidence from HUD and HAP officials, as well as outside observers, for assurance that key benchmarks are achieved.

In terms of our second element, efficiency, Table 4.1 shows that HAP rent levels are nine percent higher than the national average. But according to a Harvard University study of housing conditions and costs in 1996, Portland's average contract rents are 11.7 percent higher than the national average (Joint Center for Housing Studies, 1996, Table A-7). So the program is within the range of costs that one might expect given the city's real estate market. HAP officials claim that rent levels are kept low partly due to their innovative rent reasonableness procedure in which they contract out to a private firm to determine market rent levels.

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It is interesting that HAP officials have recently opted for higher payment standard levels, which has the effect of making it easier for enrolled families to find housing but results in fewer families served overall. This boosts the per-unit cost, but also improves housing search success rates and possibly tenant dispersion into areas of low poverty. As we will see in the chapters on New York City, this trade-off between low costs and higher success rates is not always resolved in favor of raising payment standards. One might conclude that Portland operates a moderately efficient program, based on total expenditures per unit, but that the city foregoes some efficiencies in order to achieve a "feasibility" goal, i.e., boosting enrollee success rates. Given the tightening in the city's real estate market recently, this approach seems a reasonable compromise.

Regarding the "equity" dimension of federal goals, Portland's Section 8 program has made some unusual decisions: providing special preference for applicants with terminal illnesses and for the homeless, setting aside project-based units which utilize vouchers to support the homeless and aged, and requiring applicants to be families rather than single individuals. All of these decisions, however, affect a fairly small number of applicants. In addition, there is some evidence that Hispanic families are underserved, based solely on their incidence rates in the general population, though whether this is due to HAP practices or exogenous factors is impossible to determine without further research.

Many of the decisions about who receives benefits have been made in response to input from outside the authority. Homelessness was a problem that garnered extensive attention nationally and in Portland in the late 1980s and early 1990s, it was a special concern of Portland's mayor during this time, and the issue's great momentum led to

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extensive HAP efforts to provide some units for homeless people, even though this meant undertaking complex development projects that tied together multiple sources of funding and diverted Section 8 vouchers from their general pool. The issue was not pressed upon an unwilling authority though; HAP's executive director and director of planning were committed advocates for the homeless and matched the enthusiasm of outside advocates in their desire to address this problem. Similar dynamics appear to have been at work in the decision to provide preferences for the terminally ill, though in this case an outside advocacy organization secured HAP's support despite the absence of internal advocates who were already working on the issue. And even though Hispanics do poorly in terms of outcomes, the authority has tried to be accommodating of their needs as well: The Board recently decided to apply a new federal requirement that subsidy recipients prove legal residency only to new applicants, "grandfathering-in" prior enrollees. This occurred partly at the urging of a Hispanic member of the Board (Int. P-28). So the authority shows a degree of permeability on issues of equity: preference can be given to certain groups if their problems reach the public agenda and there are advocates (and in the case of the homeless, funding sources) available to press their cause.

On the other hand, HAP administers a fairly simple set of preferences. Given Portland's well organized community of advocates for the aged, one might expect HAP to have preserved the federal preference for elderly applicants, but this is not the case. To say that political pressures sometimes lead to extra assistance for certain sub-groups does not mean that HAP is highly susceptible to such pressures, as its successful negotiation of the waiting list crisis in 1997 without adding to the complexity of the eligibility procedures would indicate. In addition, it is worth noting that the principal problem with

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equity that has occupied federal policy makers is the tendency of certain groups to fail at higher rates in the housing search. There has been little attention to this issue in Portland and no data are available to assess whether a problem exists. On balance, it is reasonable to conclude that Section 8 at HAP may not achieve HUD's objective of equitable distribution of subsidies due to the low incidence of Hispanic households served. There is no evidence or allegation that this has occurred as a result of discriminatory actions at HAP, but the difference between black and Hispanic rates of participation are striking and merit further investigation.

With its minimal wait list preferences, Portland can be seen to not be supportive of HUD's goal of tighter targeting of resources. This might seem surprising in light of the strong efforts made by tenant advocates to narrow the targeting of city housing subsidies in the Housing Investment Fund. Nonetheless, compared to New York's programs, which strongly favor homeless advocates, domestic violence victims, and people with large rent burdens, Portland employs minimal restrictions beyond the basic income requirements. Again, this should be taken in context: HUD has not emphasized the targeting objective as much recently as was done during the Reagan years. And Portland, with a comparatively small population of homeless and poorly housed families, might well opt for simplicity over measures that allow precise targeting of resources. Finally, with the Housing Investment Fund and other project-based programs serving the homeless and special needs households, Section 8 might reasonably be seen as an alternative that serves a more "generic" population.

In terms of market forces, Portland's Section 8 program hews quite closely to the free market model envisioned by federal policy makers in the early 1980s. The authority

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rejects regulatory approaches to bringing landlords into the program, has reorganized its staff so it resembles (in the words of one administrator) a "claims processing" department (Int. P-2), has raised payment standards to a level where they are comparable to actual market rents in most parts of the city, has eliminated most elements of the program (such as the restriction on security deposits and the endless lease) that imposed extra burdens on landlords, and allows tenants to pay a very high proportion of their income in rent if they so choose—just as would be the case in a free market system. The modest program which "project-bases" some of the Section 8 vouchers represents less than four percent of the total units in the program, and though this is a slight counterweight to the generally free market orientation, it is a comparatively minor initiative and HAP officials predict no further use of this method.

Finally, there are the three goals articulated during the Clinton Administration: deconcentration of poverty, regional cooperation, and linkage to services. At HAP, regional cooperation and family self-sufficiency have been major priorities while deconcentration has not. This balance of priorities is certainly attributable to Portland's comparatively low level of concentrated poverty, yet it is still notable that HAP does almost nothing to promote mobility among its Section 8 recipients. Portland's demographics would make a large-scale mobility program seem excessive, yet small efforts, such as pamphlets outlining the benefits researchers have identified with living in low-poverty areas or maps showing where the most concentrated census tracts are could help some families look further afield for their units, at minimal cost to HAP.

Regional cooperation, on the other hand, seems to be at a high level at HAP. The simple fact that the authority is organized on a county-wide level, covering multiple

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towns and cities, shows this to be the case. At the same time, the authority seems to make a point of being well integrated into the civic life of the county, working closely with government agencies, nonprofits and advocacy organizations. HAP officials point proudly to the fact that their market research reports (carried out to meet rent reasonableness requirements from HUD) are used by a number of other agencies for different purposes. Even the HAP Board of Commissioners is responsive to a range of jurisdictions, with appointments from two cities and the county as well.

On the "linkage to services" font, HAP has elevated the self-sufficiency program to a major undertaking within the authority, devoting substantial resources from Section 8 and outside grants to helping recipients meet their personal goals and achieve independence from public assistance. The GOALS program is an impressive model (and a popular one with tenants) that fits in well with HAP's market-based approach to administering Section 8. The point of the services provided under GOALS is not to allow tenants to continue to receive public housing assistance indefinitely while the government enhances their quality of life through services tied to their housing, but rather to move people toward independence and provide services in this context. HAP has partnerships with a variety of "traditional" social service agencies that help clients with counseling, health care, education, and other needs, but the authority places less emphasis on connecting clients with these services (referrals are given on an *ad hoc* basis) than it does within the rubric of GOALS.

Summarizing these variables, we see that HAP's practices support federal objectives in about half of the cases, with some items, such as feasibility and equity, requiring further research to draw more solid conclusions. At the same time, we must

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note that, with the exception of the equity issue, there are reasonable local justifications for deviating from federal intent. Based on housing conditions, economic trends and the availability of subsidy relative to need, Portland has strong reasons not to target Section 8 as tightly as some other cities where circumstances for some categories of applicants are more dire. Similar reasoning can be applied to the general lack of interest in deconcentration strategies. As a city with a small minority population and low poverty rates, as well as only modest concentrations of poverty, Portland has some justification for the argument that deconcentration is not a priority. And even though strong advocates for deconcentration might disagree, local HUD officials have not pushed HAP administrators to do more on this front.

TABLE 4.2: SUMMARY OF FEDERAL OBJECTIVES AT THE HOUSING AUTHORITY OF PORTLAND

	HAP
Feasibility	+?
Efficiency	+
Equity	-?
Targeting	-
Choice	+
Integration	-
Reg. Coordination	+
Service Linkage	+

Note: A plus sign indicates the evidence from the agency mostly indicates support for the objective, while a negative sign means it suggests the objective is not supported. A question mark indicates that insufficient data exist to draw conclusions.

And so federal Section 8 objectives seem, for the most part, to be reflected in practices at the local level in Portland.

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But simply knowing that federal goals achieve some measure of traction at HAP does not tell us why this occurs. Is it because federal regulators are particularly effective at shaping local practices? Or perhaps local advocates or political actors share some of these goals and have pressured HAP to adopt them. Maybe HAP's independent structure and culture are responsible for the practices they have adopted. These are the topics of the three hypotheses we outlines in Chapter One, which we turn to next.

Table 4.3: Three Hypotheses on Section 8 and Local Politics

I. ***Organized Clients Benefit***	Cities with well developed housing advocacy networks will be likely to deviate from the federal priorities, but not in ways that benefit the at-large recipient. Program benefits will be skewed toward clients organized through the nonprofit housing sector, rather than random applicants on the waiting list.
II. ***Governing Coalitions Benefit***	Where implementation options potentially favor the needs of one or more members of a governing coalition, these options will be chosen over other possibilities. Regimes in highly competitive political environments will be most likely to deviate from federal priorities. Regimes which prioritize the interests of suburban homeowners will be less likely to promote mobility to low-poverty areas.
III. ***Institutions Matter***	Institutional venues will play a significant role in determining program outcomes. Public authorities will be more distant from the demands of political entrepreneurs and will be more like to follow norms of professionalism in implementing federal guidelines. These agencies will be the most likely to adhere to federal priorities. The degree to which they are responsive to the needs of recipients will be determined by the organization's internal history and culture.

The HAP experience does not seem to confirm our first hypothesis, that advocacy coalitions drive policy. The experience with the Landlord Advisory Committee offers the strongest evidence of this. Portland's very well organized and powerful advocacy community clearly wanted to include a regulatory protection in the city code to force landlords to accept applications from Section 8 tenants without prejudice. Not only did HAP oppose the initiative, but in subsequent actions the authority seems to have strongly

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supported the cause of the landlords, while supporting tenant-friendly initiatives only on a limited basis and when they were comparatively uncontroversial.

One might argue that HAP responded to the demands of one well organized advocacy coalition over those of another, which would tend to support our hypothesis. Yet there is little evidence for this. Even tenant advocates who are critical of HAP's tendency to favor landlords do not allege that the authority is doing so as a result of direct pressure from landlord advocates. Instead, the primary force behind the decisions that have been made seems to be Denny West's strong professional belief that market mechanisms should underpin the workings of HAP's programs to the extent possible. The creation of the Landlord Advisory Committee seems to have resulted from an offer by HAP, not a demand by the landlords.

Tenant advocates did succeed in convincing HAP to redesign their wait-list policies so tenants would not have to stand outside in long lines when the lists are opened, but even this change was partly a response to the negative press from the incidents in the most recent round of applications. Top concerns of tenant advocates that were detailed in Chapter Three—producing more affordable housing, utilizing CDCs more to provide housing assistance, and targeting resources to the population earning from 0-30 percent of area median—have not been carried out through the Section 8 program. This might seem reasonable given seeming antipathy between these objectives (except the last) and those of the voucher program, yet as we will see in the chapters on New York City, creative policy makers can find ways to incorporate just these kinds of objectives into Section 8 when conditions are right. There seems to be little evidence that

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tenant advocacy coalitions (or any kind of advocacy coalitions) had much impact on Section 8 practice in Portland.

Similarly, there seems to be only slight support for our second hypothesis, that governing coalitions will affect policy. The only example in support of this is the effort made on behalf of the homeless, which appears to have taken place due to the rapid rise in homelessness and attention to the problem in the late 1980s, as well as the interest taken in the issue by local advocates and the mayor. Yet the total number of vouchers set aside for the homeless was quite small, and the ascension of Commissioner Kafoury to a position of prominence on the City Commission seems to have had little affect on Section 8 policies. While HAP administrators and city officials say they are in regular contact with one another, no one cites important effects this has had on the Section 8 program. City government involvement is limited communication with the authority over issues such as the lead paint suit, which affected HAP policy, but more as a result of negative publicity and potential liability than because city "power brokers" or their constituents demanded change.

Finally, the third hypothesis—that institutional structure will play a role—seems to have quite a bit of support from the Portland example. While in the past the Housing Authority of Portland, its Board members and administrators, have at times reflected the priorities of political actors, in recent years under Denny West's direction this does not seem to be the case. West appears to have a clear, longstanding philosophy about how authorities should operate, and his decisions and influence within the authority appear to be very consistent with this philosophy.

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West's influence is seen throughout the Section 8 program, from the administrative reorganization that narrowed the job descriptions of service coordinators, to the creation of a vigorous fraud detail, the decision that allowed Section 8 to keep more of its administrative fees for its own clients, and perhaps most importantly, the establishment of a standing committee for landlord input. West, who was recruited by the outgoing executive director, is careful to consult with outside stakeholders regularly and is a skillful manager of the authority's relationship to advocates and political actors. At the same time, West describes himself as someone interested in taking full advantage of the institutional structure provided by an authority, and whose actions have shaped HAP's practices to take advantage of resources available to government agencies and private business alike, ranging from tax-exempt financing arrangements to Activity Based Costing methods.

HAP's performance on the eight elements of federal intent can largely be attributed to West's direction and the atmosphere of innovation, businesslike behavior, and accountability that he has engendered. He can be seen as a force for efficiency and effectiveness in the program, for promoting "choice" and market forces, and for rational coordination of HAP programs with other agencies. Elements where his approach is less relevant, such as promoting racial equity or social outcomes such as deconcentration, are less vigorously pursued. And while one might argue that the real driver at HAP's Section 8 program is not institutional structure but rather leadership, it is impossible to separate West's leadership from the authority form of government that attracted him to HAP in the first place. In addition, as HAP officials have reported that they have relatively little interference from advocates or political actors when making decisions, it seems less

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likely that the same atmosphere of creativity and internal accountability would take place within a city line agency that operates under direct oversight from public officials.

And so at first blush, it seems that our third hypothesis has the greatest explanatory power for Section 8 in Portland, and that one result of this is that federal objectives have been carried out to a fair degree in HAP's practices. It is worth mentioning that this has not always been the case at HAP, and that Section 8 today is radically different from the program that was operated in the 1980s. If we had visited HAP during Don Clark's tenure, we might have concluded that governing coalition members have a greater role, and that HUD objectives like tenant choice were not receiving great attention. Yet this is not the case today, and it seems reasonable to conclude that institutional format has played a major role in recent outcomes at HAP.

Finally, we may want to consider whether our three hypotheses operate independently or if, perhaps, situations where the authority form of government is strong preclude the influence of advocates and governing coalition members. In such a model, institutional structure plays a mediating role for the other variables. Only if the program is operated through an agency with little structural independence can advocates and coalition members come to play a part in decision making. These possibilities will be examined in greater detail in the next chapters, which focus on Section 8 practices in New York City.

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CHAPTER FIVE

HOUSING POLICY IN CONTEXT: NEW YORK CITY

INTRODUCTION

New York city, home to over seven million people, is the largest city in the nation's most populous region. With nearly 2000 people per square mile in the metro area, New York can also lay claim to being the nation's most densely populated urban area (Portland, with over 300 people per square mile, ranks 70th among 273 metro areas).[48] While the city's prominence as a center for manufacturing and maritime commerce has diminished, its position as a center for global business services is unmatched, as is the city's reputation as a vibrant cultural center. A global tourist destination with a striking skyline, it is one of the world's most recognized places.

New York is a city of contrasts. It contains some of the wealthiest communities in the United States, some of the most densely populated census tracts, and a huge concentration of premium office, retail, and hotel space. The city's per capita income has increased over time relative to the rest of the country. Yet for tens of thousands of residents New York is also a city of grinding poverty, joblessness, and criminality. Part of the distinction exists in the contrast between Manhattan and the other four boroughs, Brooklyn, Queens, The Bronx, and Staten Island. Manhattan is the economic epicenter of the region, the location of almost two-thirds of the jobs in the city, 40 percent of which are found in the Finance, Insurance, and Real Estate (FIRE) or Government sectors. A great proportion of the jobs in Manhattan are connected to the advanced professional

[48] Source: U.S. Bureau of the Census, State and Metro Area Data Book, 1997, Table 6a.

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services of the FIRE sectors and other similar businesses, including investment and commercial banks, accounting and legal services, advertising and communications services, and legal services. Meanwhile, jobs available in the "outer" boroughs are more likely to be in hospitals, social services, retail, and other services such as auto repair (Buck, et.al., 1992, p. 81).

These contrasts have led observers to describe New York as a "dual" or "divided" city (Mollenkopf and Castells, 1991; Fainstein, et. al., 1992). In terms of racial discrimination, New York is more segregated than most large metropolitan areas. Only eight of 23 metro areas with large black populations have higher rates of segregation than New York, and it ranks third out of 20 metro areas in segregation of Hispanics (Yinger, 1995, pp. 112-113). The importance of the corporate services and FIRE sectors in New York's economy may account for the city's status as one of the most unequal cities in the country. In the last two decades of the twentieth century, income inequality in New York City widened considerably. Data from the city's Housing and Vacancy survey (conducted every three years) show a nearly perfect ordinal relationship between income quintile and income trend: the lower quintiles lost ground, the middle quintile was stable, and the top two gained. Between 1980 and 1992, the constant-dollar median household income of the top quintile of earners increased from 64,000 to 74,000 dollars (with the great bulk of the increase coming between 1986 and 1990), while the income of the lowest quintile dropped from 7,000 to 5,400 dollars, a decline of 23 percent for the poorest households compared with an increase of nearly 16 percent for the wealthiest (Blackburn, 1995, p. 75). A study conducted in 1999 found that New York State had the highest level of income inequality of any state in the nation, with the New York City

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PMSA was even more unequal than the rest of the state. The richest fifth of families had an average income over 20 times greater than that of the poorest fifth, $155,485 versus $7,774 (Fiscal Policy Institute, 2000, pp. 5-6). On the other hand, as Mollenkopf and Castells note, the dual city metaphor has its limits: New York contains vibrant immigrant and minority neighborhoods with diverse populations. Some minorities have benefited from the growth in service sector jobs (though unevenly), and blacks in particular have closed the gap somewhat with whites in terms of educational status (1991, pp. 13ff).

New York is America's premiere "global" city. Despite the decline of its port operations in recent decades, the city has capitalized on the revolution in global communications infrastructure, including not only data processing and the internet but also improved jet transportation, to stand beside Tokyo and London as cities uniquely intertwined with business and social relations across the globe. A Fortune magazine listing of the top global firms in America underscored New York's dominance: the city houses forty percent of the nation's top 100 multinational corporations and is even more dominant in terms of revenue, with over 55 percent of the total foreign revenues of these companies accruing to firms in the New York area (Drennan, 1991, p. 37).

It is a city with a complex political structure. New York has a "strong mayor" system where the mayor is directly elected in at-large elections every four years and has independent power to appoint top staff in all city agencies, to set revenue estimates upon which the city budget is established, and to appoint members of various commissions and boards of authorities, including the New York City Housing Authority. The 59-member City Council is comparatively weak. The Council passes the city's budget after negotiation with the mayor and Council committees have oversight powers for city

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agencies but little authority to compel compliance with Council demands. Council members have small staffs and little capacity for independent research that might challenge the mayor's control over city agencies.

Aside from the mayor there are two public officials elected city-wide: a comptroller who oversees city finances and conducts audits of programs and expenditures, and a public advocate who acts as a sort of ombudsperson on behalf of citizens in a wide range of issues. Current political boundaries include five counties (called "boroughs"), consolidated in the late nineteenth century, each of which has a borough president with modest powers, and each borough is further subdivided into community districts which are structured to encourage citizen involvement in local decision-making.

The political boundaries of New York City do not closely correspond with the spatial distribution of economic activities in the area. While the great majority of jobs in certain sectors, particularly those associated with corporate services, are located in Manhattan and the city's four boroughs, a great many manufacturing jobs are located across the Hudson River in northern New Jersey. Most of these are concentrated in industries with capital-intensive production, including petro-chemicals, pharmaceuticals, cosmetics and machinery (Buck, et. al., 1992, pp. 74-76).

PART ONE: ECONOMY, DEMOGRAPHICS, AND HOUSING

Economy

Once a city that gained vitality from its thriving port and manufacturing enterprises, New York by the 1990s had lost many jobs in these sectors while becoming

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increasingly dependent on corporate and professional services. In the 1950s the city's workforce was heavily concentrated in blue-collar manufacturing jobs: over a million people were employed in the garment industry, printing, electronic and electrical equipment, industrial machinery, and other sectors related to the creation, assembly, and transportation of durable and non-durable goods. By the 1990s a "post-industrial" transformation had taken place, with over 600,000 jobs lost in manufacturing and replaced by sharp increases in services, the FIRE sector (finance, insurance and real estate), and government. New York consolidated its role as a node for global commerce during the same period, as advanced corporate services such as accounting, management consulting, advertising, law firms, as well as FIRE sector corporations, grew both in terms of employment and overall earnings (Mollenkopf, 1992, pp. 49-56). One analyst estimated in the late 1980s that half of the private sector gross city product originated in corporate service firms (Drennan, 1991, p. 38).

As Table 5.1 indicates, less than ten percent of the city's jobs in the mid-1990s were in manufacturing, while business, professional, and personal services accounted for over forty percent of the jobs. The finance, insurance and real estate sector employed over ten percent of the workforce and while these jobs remain vulnerable to economic downturns they are quite lucrative and provide a substantial proportion of the city and state tax revenues. More recent studies have confirmed these trends: a 1999 report by the City Comptroller found over 50% of the city's jobs in the services or the FIRE sector (Office of the Comptroller, 1999, p. 25).

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Table 5.1
Distribution of Total Employment in New York City
1993

Industry	Percent of Total Employment
Agriculture	0.2%
Construction	4.1%
Manufacturing: Non-Durables	6.9%
Manufacturing: Durables	2.6%
Transportation	9.6%
Wholesale Trade	3.4%
Retail Trade	14.1%
FIRE	11.3%
Business Services	6.8%
Personal Services	4.6%
Entertainment	2.4%
Professional Services	29.2%
Government	4.9%

Source: Blackburn, 1995, p. 121

Matthew Drennan of New York University has tracked these trends on a regional scale. He finds that between 1969 and 1994 the New York region relative to the rest of the nation lost ground in population, share of national earnings, and share of national employment, yet per capita personal income increased from 129 percent of the national average in 1959 to 134 percent in 1994, while earnings per employee (a measure of productivity) increased during the same period. Drennan concludes that "the region may be smaller, but it is definitely not poorer than it was twenty-five years ago" (Drennan, 1997, p. 51). Drennan's regional data also confirm the shift to a post-industrial economy in New York: goods production and distribution plunged relative to other economic activities during the twenty-five years prior to 1994, dropping from more than 37 percent of the region's earnings to just over 20 percent. Meanwhile, producer services gained 13 points to account for 31 percent of the region's earnings and consumer services doubled in proportion, reaching 11 percent of the region's earnings (ibid., p. 52).

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The city's economic performance has generally tracked that of the nation, though in boom times income growth can outpace that of the country as a whole, while recessions can be much deeper in New York and their effects felt long after the rest of the country is recovered. Indeed, New York's economic volatility is a distinguishing characteristic; when compared to London, New York's economic sectors declined more dramatically in recessionary times and improved more rapidly in boom years (Buck, et. al., 1992, p. 89). In the 1970s national recessions and declining tax revenues brought the city to the verge of bankruptcy as years of unsustainable borrowing practices led the city government to default on its bonds. Severe fiscal retrenchment followed, with thousands of layoffs in city agencies, reductions in services, and significant negative consequences for local residents. Visited by presidential candidates to underscore proposals to combat urban blight, by the late 1970s the city and especially the neighborhoods in the South Bronx, Central Brooklyn, and Northern Manhattan that suffered extensive abandonment and crime were viewed by many as a symbol of urban decay (Shefter 1985; Tabb, 1982).

Economic and fiscal recovery occurred throughout the 1980s, as noteworthy growth in corporate services and FIRE (Finance, Insurance, and Real Estate) sector jobs led to rising incomes at the top of the wage scale, swelling city budgets, and increases in basic services. New York's status as the premier "global" city in America, its strong ties to markets in Europe and other foreign countries, and its multiethnic and well educated workforce all positioned the city to garner a substantial share of the growth in international services, especially those rooted in the FIRE sector. By the late 1980s city officials were predicting sustained growth and a steadily improving environment for local residents, but the 1989 recession precipitated another sharp pullback in local economic

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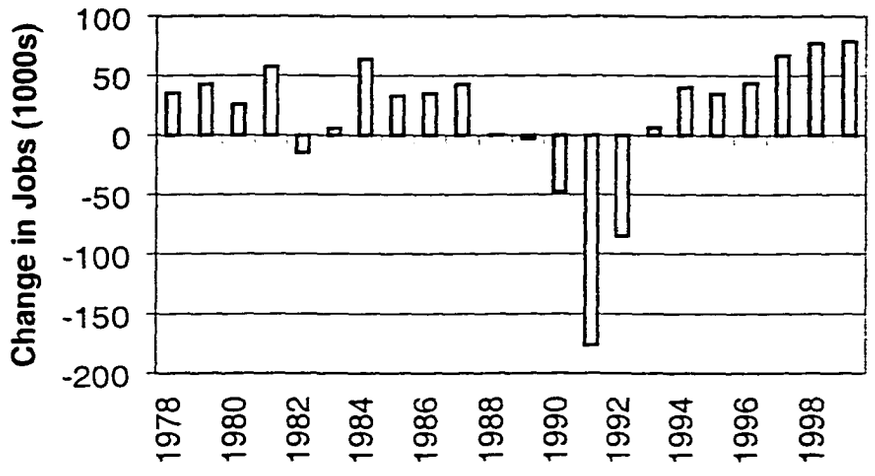
indicators, leading to a new round of public layoffs, stagnant and declining wages, and as Chart 4.1 shows, four consecutive years of net employment decline in the private sector.

Chart 4.1: Private Sector Job Growth
New York City, 1978-1998



Source: Mayor's Management Report, 1999, page 55.

Recent economic developments mirror the boom years of the late 1980s: The city enjoyed positive economic growth in 34 out of 35 consecutive quarters from 1991 to 1999 with a high Gross City Product reaching 7.8 percent in the third quarter of 1999. Office vacancy rates are down while hotel occupancy rates (and prices) have climbed (Office of the Comptroller, 2000, p. 3). After losing more than 150,000 jobs in 1991, the worst year of the recession, the city has been steadily gaining back what was lost; the three years between 1995 and 1998 saw employment growth of more than 50,000 jobs a year, and the 81,100 private sector jobs added in 1999 represented a record total, the highest since statistics were first kept in 1951 (Office of the Comptroller, 2000, p. 4). Interestingly, the 1992-96 period saw net increases in regional employment of nearly

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300,000 jobs, but even in the face of an improving economy there were continued declines in jobs associated with goods production and distribution and government, sectors which Drennan estimates to have lost over 112,000 jobs during the recovery period (1997, p. 57). One area where job growth in business services has been particularly strong is computer services and software, a sector that more than doubled in size as Manhattan's "Silicon Alley" gained repute as a center for high-tech firms. These "new media" jobs nearly doubled in size between 1993 and 1997, reaching a total of 30,100, which pay an average of 20 percent more than other private sector jobs in New York (Office of the State Deputy Comptroller, 1997, p. 11). Business services are the current job growth leaders in New York City, followed by trade, health and social services, movies, and construction.[49]

High economic growth rates, however, have not been correlated with inflation. The rate of increase in the Consumer Price Index for the New York area—over five percent for much of the late 1980s—dropped steadily after 1991, averaging between two and three percent for most of the decade and plunging below two percent in 1998 (Office of the Comptroller, 1999, p. 14; Rent Guidelines Board, 1999, p. 112). Studies of operating costs for multifamily rental dwellings have found that inflation rates in the real estate sector have fallen as well; annual price increases of 6 to 11 percent in the late 1980s and early 1990s dropped during the 1990s to just .1 percent and .03 percent in 1998 and 1999 (Rent Guidelines Board, 1999, Appendix B). These figures reflect low inflation only in the costs of operating rental housing. Unfortunately for local residents

[49] Source: New York City Comptroller Press Release, February 15, 2000, "NYC gained 81,500 Jobs in 1999."

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paying high proportions of their income in rent, they have not translated into lower costs for housing consumers, as will be discussed below.

The city's impressive growth in jobs and income during the last decade, however, has not translated directly into high employment rates. The unemployment rate peaked at 11 percent in 1992 and declined sharply until 1995, but then increased again until 1997, reaching 9 percent before declining for the last three years of the decade. In 1999 the rate stood at 6.8 percent, the lowest in a decade but still well above the rates of the late 1980s. New York City in 1999 had the highest unemployment rate of the nation's twenty largest cities (Office of the Comptroller, 2000. p. 8; Rent Guidelines Board, 1999, p. 54).

Demographics

New York City has been gaining population nearly continuously since the early 1980s. After the declines of the late 1970s, the city's population stood at 6,872,000 people, but crossed the seven million mark in the mid-1980s, reaching 7,145,000 in 1991. After a dip in population between 1991 and 1993, the numbers increased again to stand at 7,230,000 in 1996 (Stegman, 1987, p. viii; Lee, 1999, p. 40). Geographically, Manhattan and Staten Island have gained population faster than the other boroughs, while Brooklyn gained only .2 percent annually between 1984 and 1993, and lost more than 40,000 residents between 1993 and 1996 (Lee, 1999, p. 40). As a percentage of the city's population, whites have declined since the 1960s. Between 1981 and 1984 the white population declined to less than 50 percent, and in 1996 it stood at 39 percent. Out of 273 metro areas ranked by the Census in terms of the percentage of black residents in

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1996, the New York CMSA[50] is 59th (Portland is 203rd).[51] Meanwhile, the proportion of blacks, Asians, and non-Puerto Rican Hispanics has increased, with the Asian totals rising most rapidly. The percentage of Asians doubled between 1987 and 1996 to reach 8.9 percent of the population, while blacks were 26.5 percent, Puerto Ricans 10.8 percent, and other Hispanics 14.2 percent (Lee, 1999, p. 44). A disproportionate number of white households are classified by the Census Bureau as "elderly." Just 12 percent of the 1996 households were elderly, yet close to 20 percent of white households were over 65 (Lee, 1999, p 52).

Population growth in New York City is lower than the rate of growth in the surrounding suburbs. During the first half of the 1990s, the New York metro area population grew modestly, outpacing the central city but not matching the rate of a high-growth city like Portland (Table 5.2). This disparity between the rates of change of the city and suburb suggests important opportunities for voucher recipients.

Table 5.2: Population Change in New York and Portland, 1990-1996

			% Change
	1996	1990	1990-96
New York-Northern New Jersey-Long Island CMSA	19,846,588	19,462,450	2.0
Portland-Salem, OR-WA CMSA	278,357	1,793,476	15.9
New York, NY	7,380,906	7,322,564	0.8
Portland, OR	480,824	463,634	3.7

Source: U.S. Bureau of the Census, State and Metro Data Book, 1997-98, Table D, "Central Cities – Population"

Not only are housing and land costs significantly lower outside the central city in New York, but the addition of nearly 400,000 residents to the metro area in a five-year period, with the great bulk moving to neighborhoods outside the city limits, implies a significant

[50] CMSA is "Consolidated Metropolitan Statistical Area." Containing multiple counties in multiple states, it is larger than a Standard Metropolitan Statistical Area.

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capacity of the lower-density areas in Northern New Jersey, Long Island, and Westchester county to absorb incoming families.

Immigration has played a major role in shaping New York's demographics. Driven by an influx of over half a million people from the Caribbean, Latin America, and Asia, the rate of immigration was alone responsible for the city's population increases in the 1980s (Mollenkopf, 1992, pp. 56-7). If current trends continue, native-born residents will soon be in the minority. Fully 45 percent of the 1996 population was foreign born, a figure which has increased from 37 percent in 1984, with Caribbeans representing the largest plurality (at 12 percent) (Lee, 1999, p. 86). One important result of the increase in immigrant households has been to reverse the decades-long trend toward smaller households. From 1960 to 1980 household size decreased in New York City, leading to increased demand for housing even, at times, when the population declined. But during the early 1990s, largely due to the influx of larger immigrant families, household size increased from an average of 2.57 to 2.60 persons. Since immigrants have an average household size of 2.85 persons, compared to native-born households that average 2.27 persons, it is likely that they are the driving force behind the uptick in household size (Schill and Scafidi, 1999, p. 13).

Incomes in New York City have been affected by the city's economic cycles, rising in constant dollars from $23,000 in 1980 to nearly $27,000 in 1986, then falling during the early nineties (Blackburn, 1995 p. 82). Since 1992, median household income has increased at an inflation-adjusted rate of over 2 percent a year, reaching $29,600 in 1995 (Lee, 1999, p. 111). Income distribution has varied by geography and demographic group. Manhattan and Staten Island have the highest number of wealthy households,

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[51] Source: U.S. Bureau of the Census, State and Metro Area Data Book, 1997.

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while the Bronx has by far the largest percentage of the poor. Whites and Asians have the highest average incomes, at $36,500, with blacks and non-Puerto Rican Hispanics earning an average of about $24,000, with Puerto Rican households earning less than half the white average—just $17,000 in 1995 (Lee, 1999, pp. 121, 128).

Over 80 percent of households list their primary source of income as wages or social security, though 9.8 percent listed welfare 1995. Broken down by race, the highest rate of welfare support is found among Puerto Ricans, where 27 percent relied on welfare as their primary source of income in 1995. Thirteen percent of blacks received welfare, while 17 percent of non-Puerto Rican Hispanics did. (Lee 1999, p. 141). The city's welfare population has been reduced significantly from its 1993 peak, when caseload totals exceeded 1.1 million (Chart 4.2). Aggressive use of eligibility verification and work requirements combined with a tight market for labor have been largely credited with whittling the case load by over one-third. And while New York city has a large number of residents who live in poverty (21 percent of the households in 1996), the metro area as a whole ranks 129th out of 273, with less poverty than San Diego, Tampa, or Los Angeles (Lee, 1999, p. 150).[52]

[52] Source for rank: U.S. Bureau of the Census, State and Metro Area Data Book, 1997, Table 20r.

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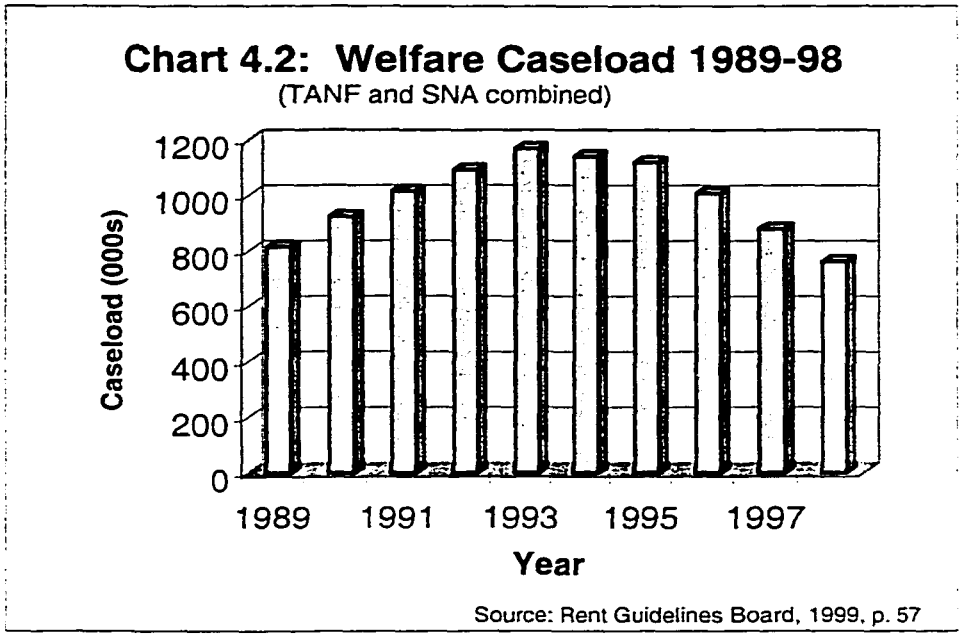

Housing Market Developments

With 2.8 million units, New York City's housing market is both massive and highly complex. The city has one of the most heavily subsidized and regulated stocks in the nation, some of the most severe affordability problems, and some of the most densely populated high-rise stock available. As Table 1.3 in Chapter 3 shows, New York has a rather low rate of homeownership; just 30 percent of households are owner-occupied, as compared to 49 percent nationwide and 57 percent in Portland. In addition, just eight percent of New York's units are in one-family detached houses, indicating a very high degree of residential density, a condition particularly true of Manhattan where residential buildings of more than 10 stories are commonplace. With the median year of construction being 1939, New York has an aging housing stock compared to the rest of the nation, and this likely helps explain the high rates of units with moderate or severe

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physical problems: thirteen percent in New York City, nearly double the national average.

New York City has one of the most expensive housing markets in the nation. With a 1995 median home price in the metro area of $137,000 and a median contract rent of $474, the city is costlier for owners than all other major U.S. cities except Boston, San Diego, and San Francisco. Rental costs in the New York metro area are exceeded only in Boston, Los Angeles, San Diego, San Francisco, and Washington, D.C. (Joint Center for Housing Studies, 1996, Appendix A-7). Within the city limits, median asking rents of vacant units have increased in constant dollars from $412 in 1981 to $650 in 1993 (Blackburn, 1995, p. 178). Rents increases have greatly outpaced the incomes of renters; one study found that, in constant dollars, median incomes for renters had increased by just three percent between 1975 and 1999, while median rents had increased by 33 percent (Lambert, 2000c, p.23). Affordability has long been a problem for New York residents, especially those on the low end of the income scale. An analysis of the 1996 Housing and Vacancy survey found a shortage of affordable units for families below 50 percent of median income totaling over 283,000 units (Schill and Scafidi, 1999, p. 38). Anthony Blackburn (1995, p. 170) found that the number of units renting below $300 a month fell between 1991 and 1993 from 1.19 percent of the rental stock to .58 percent, a virtual disappearance of low cost units typically inhabited by very poor families. Referring to Table 3.1 in Chapter Three again, we can see that, for households below the poverty line, New York has a much higher rent burden (81 percent) than the national average and Portland. 25 percent of the households in New York pay more than half their income for rent (Lambert, 2000c, p. 23).

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The roots of this lack of affordable units lie partly in the wave of abandonment and disinvestments that swept the city's housing stock in poor neighborhoods during the fiscal crisis of the 1970s, partly in the low rates at which lost units were replaced, and partly in high rates of conversion of low-rent units to higher cost uses. Local residents in the 1970s witnessed the first real decline in population ever experienced in New York as the city lost 800,000 residents, an exodus where higher income residents left at ten times the rate of poor families (Roistacher and Tobier, 1984, p. 458-9). Meanwhile, the city was losing housing units (to abandonment, demolition, and arson) at double the rate of the 1960s, an average of 27,000 units a year in the latter half of the decade. The loss of population offset the loss of units during the 1970s but throughout the 1980s and the first half of the 1990s the city lost more units of housing than it created, averaging a net loss of 12,000 to 23,000 units a year. This negative balance in housing units was largely due to a low rate of new construction. The city had added 28,000-46,000 new units a year during the 1960s, but then only added 16,000-19,000 units a year during the 1970s, and the production numbers continued to decline in the 1980s until they reached an average of just 7,500 units a year in the first half of the 1990s (Salins, 1999, p. 56). As Tables 5.3 and 5.4 show, the Portland area benefited from much more housing construction during the late 1990s than did New York, while New York's cost of living index for housing was nearly four times that of Portland and its poverty rate nearly double. Thus, the critical housing availability and affordability challenges that confront low income residents in New York are not being addressed through additions to the supply, whether in the publicly assisted market or the private sector.

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Table 5.3: New Construction, Cost of Living, and Poverty Rates New York and Portland

	Metro Area (PMSA)	
	New York, NY	Portland-Vancouver
1997 Population	8,611,099	1,787,549
New Housing Units:		
1996	11,457	18,260
1995	7,296	18,032
1994	6,553	17,043
1990-96 Total	53,796	105,463
% of 1990 stock	1.6	17.0
Cost of Living Index Q3 1996		
Composite index (100%)	234.5	109.1
Grocery (16%)	144.6	99.7
Housing (28%)	465.5	121.7
Utilities (8%)	173.4	89.2
Transportation (10%)	123.6	112.8
Health care (5%)	206.9	124.0
Miscellaneous (33%)	132.2	104.1
Persons in Poverty		
Number of Persons	1,908,994	189,093
Percent	22.1	11.2

*Private Housing Units authorized by Building Permits.
Source: U.S. Bureau of the Census, State and Metro Area Data Book, 1997-8, Table B-6.

Finally, a tight real estate market in the 1980s led to an unprecedented amount of gentrification as wealthier families moved into previously low-income neighborhoods and "reverse filtering" took place as low-cost units were converted to higher rent apartments. Over 200,000 apartments were converted to co-ops or condominiums in the first half of the 1980s alone (Harloe, et. al., 1992, p. 186).

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Table 5.4:
Housing Production in High-Growth Metropolitan Areas

	Metropolitan Areas	Total Permits 1990-97	Total 1993 Population	Total Permits per 1,000 People
1	Boston	105.2	5,467	19.2
2	Los Angeles	308.9	15,200	20.3
3	San Francisco	153.2	6,470	23.7
4	Philadelphia	150.1	5,941	25.3
5	New York	269.6	8,594	31.4
6	Chicago	276.0	8,467	32.6
7	Detroit	172.4	5,246	32.9
8	Houston	163.5	4,030	40.6
9	Washington, DC	330.5	6,978	47.4
10	Tampa	107.7	2,135	50.5
11	Miami	173.2	3,351	51.7
12	Minneapolis	137.9	2,655	51.9
13	Dallas	241.8	4,283	56.5
14	Seattle	196.1	3,184	61.6
15	Denver	133.5	2,148	62.2
16	Portland, OR	144.3	1,945	74.2
17	Charlotte	104.0	1,233	84.3
18	Atlanta	303.2	3,229	93.9
19	Phoenix	230.4	2,392	96.4
20	Orlando	137.5	1,335	103.0
21	Las Vegas	201.0	1,013	198.5

Source: Extracted from Joint Center for Housing Studies of Harvard University, 1999, Table A-4.

This crisis in units available for the very poor has contributed to New York's visible and vexing homeless problem. Between 1987 and 1995 the city's daily homeless shelter census averaged over 25,000 people, with the bulk (17,100) being part of the family shelter system (Culhane, et. al., 1999., p. 211). Between 10,000 and 15,000 families each year have sought emergency shelter since the early 1980s (Citizens Housing and Planning Council, 1997, p. 20). Estimates of how many people are

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homeless outside the shelter system vary, but one estimate suggests a total homeless population in the city of 60,000 to 70,000 people (Harloe, et. al., 1992, p. 189). Statistics from 1997 show that the city was spending $395 million on services and shelter for the homeless, employing 2200 people in the Department of Homeless Services.[53]

Rental vacancy rates have historically been very low in New York City, a problem which is the commonly cited reason for the city's ongoing maintenance of rent regulation laws. The vacancy rate in 1996 was 4.01 percent, still below the legislative definition of a "housing emergency" of five percent that triggers continuation of the rent stabilization and rent control laws (Rent Guidelines Board, 1999, p. 63), though considerably higher than the rates during the 1980s, which hovered between two and three percent (Blackburn, 1995, p. 172). Vacancy rates for the lowest-cost units, below $300 per month in rent, rose slightly from 1993 to 1996 to reach 2.62 percent, still the lowest rate of any of the ten categories measured in the HVS (Lee, 1999, p. 274). Crowding, which was a serious problem in 1960 when 14.1 percent of the units had more than one person per room, abated by 1980 to a point where only 6.5 percent of the units were overcrowded, but since then the rate of overcrowded units began rising again until in 1996 it stood at 10.3 percent (Lee, 1999, p. 388).

In addition to the characteristics of the stock as a whole, it is useful to consider two important subtenures which will be examined later in this report: units owned by the New York City Housing Authority (NYCHA) and the New York City Department of Housing Preservation and Development (HPD). NYCHA manages over 180,000 units of public housing, which is estimated in the 1996 HVS to be 8.5 percent of all the rental units in the city. HPD manages 23,000 units of tax-foreclosed housing (called *in rem*),

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[53] Source: Mayor's Management Report, 1997.

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which constitutes 1.2 percent of all rental units in the city (Lee, 1999, p. 65). These two tenures have by far the cheapest rents of any subtenure (compared to unregulated units, rent controlled and stabilized, Mitchell-Lama, and other subsidized units), renting at a median of $225 for NYCHA and $250 for HPD, while the unregulated stock rents at a median of $690 per unit (Lee, 1999, 317). They also contain the city's poorest households; NYCHA's average household income was just $9,000 in 1995, HPD's just $8,400, while the citywide average for renters was $24,000 (Lee, 1999, p. 123). Household characteristics vary between the subtenures: HPD has the largest average household size of any subtenure (3.21 people), while public housing has an average family size that matches the unregulated stock (2.81 people) (Lee, 1999, p. 79). And while the incidence of dilapidated units has dwindled to near zero in the past three decades (from 5.0 percent in 1970 to 1.2 percent in 1996), the rate of units with observable defects, which averages 10.3 percent in unregulated buildings, is improving at NYCHA (from 9.6 percent in 1993 to 6.3 percent in 1996) but deteriorating at HPD (from 47.1 percent in 1993 to 55.3 percent in 1996) (Lee, 1999, pp. 347, 354). HPD lost a large number of units from its stock between 1993 and 1996 as the *in rem* universe dropped from 34,000 to 23,000 units; at the same time the vacancy rate in HPD buildings nearly doubled to 8.78 percent (Lee, 1999, p. 269). These numbers underscore the challenges faced by HPD in dealing with the *in rem* stock.

These buildings are considered the worst segment of New York's housing stock, the poorest structures on the worst blocks in the city's most marginal neighborhoods. The large stock of City-owned housing is unique to New York City, where the fiscal crisis of the 1970s triggered a wave of abandonment that resulted in the city inventory of

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occupied *in rem* units climbing from 2,500 in 1976 to over 40,000 in 1979, before peaking at 53,000 in 1986 (Braconi, 1999, p. 98). Much of the debate in the local housing policy arena has centered on what to do with this City-owned stock and whether the programs available are accomplishing the desired objectives. This will be discussed in more detail in the next section.

PART II: INSTITUTIONAL AND POLITICAL CHANGE

One important area of contrast between New York City and Portland relates to the character of the local government's executive leadership. Portland has nonpartisan local elections and the mayor is "first among equals" in the City Commission. Portland's mayor certainly has important powers to grant and take away service area assignments from city commissioners, but the mayor's office is largely integrated into the activities of the commission and few interviewees mentioned the role of the mayor in affecting housing policies. None thought Mayor Katz had played a crucial role in the outcome of important housing policy decisions.

In New York, on the other hand, there is a "strong mayor" system where the mayor dominates local policy making, directly supervising agency directors, appointing key members of land use and planning committees, and negotiating the city budget with the City Council leadership. And with housing policy playing an important role in local politics, each of the last three mayors has attempted to shift programs to meet their own priorities. In 1986 Mayor Koch embarked on an expensive and ambitious housing construction program, an effort many observers believe had roots in his correct perception that his political support was eroding among key liberal constituencies

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(Mollenkopf, 1992; Gelb, et. al., 1997; Int. N-22). Mayor Dinkins, who ousted Koch in the 1989 Democratic primary, made compassion for the homeless and ill-housed a centerpiece of his political agenda and campaign. He made a point of eliminating the Private Ownership Management Program (POMP), an initiative begun under Koch to privatize City-owned buildings that had been foreclosed for back taxes, and expanded the use of nonprofits as providers of shelter and services to the homeless. Dinkins was ultimately constrained by serious budget shortfalls linked to the city's economic downturn of the early 1990s, exacerbated by a certain degree of policy indecisiveness during his term (an effort to fast-track the acquisition of permanent housing for the homeless was abruptly abandoned after city officials concluded people were declaring themselves homeless in order to obtain subsidized housing [Gelb, Kamber, and Nelson, 1997]). The layoffs and hiring freeze enacted during the budget crisis had a substantial negative effect on HPD, leading to a 15 percent reduction in staff and restricted ability to carry out planned initiatives.[54]

Finally, Republican prosecutor Rudolph Giuliani beat Dinkins in 1993 on a campaign platform that vowed to get tough on the homeless, proposing limits on the length of shelter stays and tighter restrictions on eligibility for subsidized housing. Giuliani reinstated the privatization program eliminated by Dinkins (albeit with community-friendly provisions attached), reduced expenditures for subsidized housing construction, appointed NYCHA commissioners who attempted to bring more working families into public housing, and instituted tight eligibility verification procedures for people applying for a place in homeless shelters, though he never followed through on

[54] Source: Department of Housing Preservation and Development, Office of Communication. "Timeline," N.D.

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the proposal to limit shelter stays. His relations with advocates and nonprofits have been mixed: some complain of his excessive focus on privatization of City-owned stock and say his practice of retaliating against groups that are critical of city policies by cutting their contracts and freezing them out of policy discussions has contributed to antagonisms between advocates and the City. The acrimony between Giuliani administration officials responsible for administering federal grants to shelter the homeless and nonprofit agencies claiming to be shut out of the process as a result of their criticism of City policies reached a boiling point in early 2000 as HUD revoked the City's right to allocate federal homeless funds, alleging that the process of choosing nonprofit contractors had become too politicized (Lambert, 2000, p. B3). Others note that, on many issues, HPD has been more collaborative and open than prior administrations (Gelb, et. al., 1997; Ints. N-25, N-32).

Housing policies, then, have unfolded in a highly competitive political environment in New York City, as two incumbent mayors have been turned out of office in the last decade. And while housing issues have probably not been dispositive factors, candidates have certainly referred to housing and homelessness in speeches and reports, differing sharply in their analysis of the roles of privatization, the *in rem* programs, income and special needs targeting, and the successes or failures of previous administrations. Each successive administration has attempted to put its own stamp on housing policies, and while mayors devote very little direct attention to the details of housing policy, they appoint agency commissioners who are seen to be committed to the priorities of each administration, whether it is disposing of *in rem* property, compassion for the homeless, privatization, or income mixing.

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Developments in Housing Policy

New York has long been one of America's most innovative cities in applying public policy solutions to housing problems. The city's first public housing project, the aptly named First Houses, was completed in 1935, prior to the creation of the federal public housing program (Thompson, 1999, p. 120). Policymakers in New York apply the broadest array of tools to the problems of providing decent and affordable housing, including rent control and rent stabilization laws, tax incentives for construction and rehabilitation, partnerships with nonprofits, and transfer of City-owned tax-foreclosed properties to private owners, community organizations, and even the tenants. With over 600,000 units of rent regulated apartments and an equal number that have received tax incentives for new construction or rehabilitation, nearly 200,000 units of public housing,[55] over 50,000 units of HUD financed stock, 100,000 units of tenant-based Section 8, and nearly 70,000 middle-income subsidized apartments, the majority of New York's two million rental units are regulated or subsidized in some way.

TABLE 5.5. Housing Subtenures and Incomes in New York City

	Rent regulation			Project-based programs				Tenant-based programs		
	Un-regulated rental	Rent stabilized	Rent controlled	Public housing	HUD regulated	Mitchell-Lama	In Rem	Sec. 8 cert or voucher	PA shelter grant	Other rent subsidy
Total NYC Units	545,198	1,014,751	70,572	165,647	50,517	69,259	22,997	102,003	146,668	53,986
% Low Income	31%	38%	57%	74%	78%	45%	72%	83%	85%	83%

Source: Van Ryzin and Kamber, 1999, Table 1. Note: Contains only programs identifiable through Housing and Vacancy Survey data. Does not contain Ten Year Plan data.

[55] Public housing unit totals are misleading since many data sources (including the HVS data used in Table 1) do not include 15,000 units of city-financed public housing. The correct total listed by NYCHA is 181,000 units. Source: NYCHA Project Information Web page, April 12, 2000.

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At the conclusion of World War II New York City faced a serious shortage of available housing. While population remained roughly stable in the first 15 years after the war, family size shrank, leading to increased demand for units during the 1950s. With rental vacancy rates estimated below one percent at the close of the War, the City embarked on twin policies of rent control and public housing construction to ease the crunch.Rent control was taken over by the State after the federal government relaxed its restrictions in 1950, and 96 percent of all rental units were placed under strict restrictions that enabled rent increases mostly when apartments became vacant. Meanwhile, 72,000 units of housing were added to the public housing stock, about half of which were financed by the State and City with no immediate assistance from the federal government (Roistacher and Tobier, 1984, pp. 449-454).

In 1955 the state legislature passed the Mitchell-Lama program to promote construction of limited-equity properties for middle income renters and co-op shareholders. Just 11,000 units were built during the first five years of the program, but by 1968 over 56,000 units had been completed, and by the time construction halted in 1980 over 122,000 units had been constructed with City and State financing (Department of City Planning, 1986, p. 5).

Substantial public housing construction continued through the 1960s in New York, supplemented by the burgeoning federal assistance programs such as 221(d)(3) and the growing Mitchell-Lama output. New construction of public housing units totaled 41,000 during the 1960s, but other publicly subsidized construction reached 75,000 units. This latter total reflects mostly moderate-income assistance, as just 11,000 of the units were built for families earning below 50 percent of area median income (Roistacher and

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Tobier, 1984, p. 452). In a key development that affected the 350,000 units built after 1947 (and hence not subject to the rent control laws), the City Council in 1969 adopted a "rent stabilization" ordinance that controlled rents in multifamily rental buildings with six units or more. This form of rent control was somewhat less stringent than the original rent control statute and allowed for rent increases pegged to increases in operating costs for owners (Roistacher and Tobier, 1984, pp. 457-8). With the exception of a brief period when the State legislature experimented with deregulation in 1974, the City and State have renewed both forms of rent regulation to the present time.

New public housing construction continued to tail off into the 1970s, when only 16,000 units were created, but the addition of substantial federally subsidized Section 236 funds (62,000 units in the first half of the decade) and Section 8 New Construction units (totaling about 5,000 units between 1974 and 1980) meant that more opportunities existed for poor renters (Roistacher and Tobier, 1984, p. 459). Unfortunately, this influx of available units coincided with the worst fiscal crisis the city had faced since the Depression, as real incomes fell across the income scale and large numbers of families left the city. As the effects of New York's nationally publicized fiscal crisis reached their full import, voters elected Ed Koch as mayor, a Congressman with liberal credentials who talked tough on fiscal austerity. By early 1976 over 15 percent of the city's workforce had been laid off, including 15,000 teachers and school employees, and the next ten years were dominated by the aftermath of the fiscal crisis and its effect of promoting fiscal retrenchment (Tabb, 1982, p. 30). Bankers and members of the Emergency Financial Control Board who were restructuring the City's debt in 1975 sought the termination of rent control as a means to ameliorate the crisis, but this was

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resisted by Mayor Beame, who instead agreed to a five-year moratorium on constructing new middle-income housing (Shefter, 1985, p. 135). Unfortunately for the City it was too late to protect its investment in Mitchell-Lama buildings; the majority of the developments financed by the City were in arrears in 1975, forcing a restructuring of Mitchell-Lama debt that resulted in a long-term loss of hundreds of millions of dollars in debt service (Roistacher and Tobier, 1984, p. 477).

Most observers trace the modern history of housing policy in New York City to the growth of the *in rem* stock in the late 1970s. As the fiscal crisis worsened, thousands of landlords stopped investing in their properties, allowing property taxes to go unpaid while the buildings deteriorated. Some landlords burned down their buildings in order to collect fire insurance awards that exceeded the current market value of the properties, while others simply walked away, letting the City take ownership in foreclosure actions (called *in rem* proceedings) to recover unpaid taxes. Efforts to auction the buildings brought no relief as many of the properties returned to City ownership in a short time, but in worse condition. In 1976 Local Law 45 accelerated the tax foreclosure process, allowing the City to take ownership of buildings just one year in tax arrears, rather than the previous three-year threshold. The rate of tax foreclosures quickly increased, and the City soon owned 35,000 occupied units in over 4,000 buildings (Sierra, 1993, pp. 5-6; Schwartz, 1999, p. 843; int. N-27).

Advocates soon recognized that the city's housing policies regarding these properties represented both a danger and an opportunity for low-income residents. HPD was serving as "manager of last resort" for tens of thousands of residential units and the challenge was proving too great for the agency's limited funds and expertise. In 1978

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housing and social services advocates joined with City Councilmember Ruth Messinger to form the Task Force on City-Owned Housing. Working with the task force, HPD created a special department to manage, rehabilitate, and dispose of *in rem* units. Called the Division of Alternative Management Programs [DAMP], the department housed three programs for property disposition, divided by the eventual owners of the buildings: private owners, community-based nonprofits, or tenant cooperatives. The disposition programs for selling buildings to community groups and tenant cooperatives, called the Community Management Program [CMP] and the Tenant Interim Lease [TIL] program, were quite popular with most elements of the housing advocacy community. Community Management soon became a staple of many community development corporations' housing development efforts, with the groups working with HPD to identify buildings in their neighborhoods, help oversee the repair process, and purchase the buildings at very low cost. For buildings with more activist tenant groups, TIL offered training to tenant leaders in building management skills while HPD carried out major systems rehabilitation; at the end of the training and rehabilitation process, the buildings were sold as tenant co-ops for $250 per unit (Sierra, 1993, pp. 7-11).

Low income housing advocates were generally not so positive toward POMP, arguing that it encouraged landlords to evict tenants so rent levels could be raised. Advocates charged that POMP landlords did a poor job of maintaining properties, and criticized the program for trying to meet incompatible goals of profit-making and provision of affordable housing for the poor (Int. N-21). Nevertheless, HPD administrators found that POMP managers possessed the rehabilitation and management skills to bring a building into private ownership more quickly than TIL or CMP, so the

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program enjoyed solid support during the late 1980s and early 1990s before it was eliminated (Braconi, 1999, pp. 106-7).

As in so many other American cities, the 1980s brought a sharp growth in homelessness in New York City. As a result of a lawsuit brought by homeless advocates in the late 1970s, the City was committed to providing shelter on demand for homeless individuals and families, which the Koch administration did through congregate, barracks-style shelters, as well as apartment-style shelters for families, and supported Single-Room Occupancy (SRO) units for single adults. Costs increased six-fold between 1982 and 1988, which helped spur Koch on to more aggressive efforts to address the problem, particularly in light of the sharp challenge by mayoral candidate David Dinkins, who ran against Koch using the theme "a shelter is not a home." (Culhane, Metraux, and Wachter, 1999, pp. 203-5). Dozens of homeless people formed an encampment in City Hall park for much of 1988 that cast an ill light on the municipal housing policies (Jiler, 1997).

In response to the growing crisis, the City vastly expanded funding for contracts to nonprofits providing shelter and services to the homeless, increasing contract dollars from zero to over $130 million in less than a decade. The DAMP initiatives helped the Koch administration expand funding of community-based housing nonprofits through contracts to provide development in CMP or training and technical assistance to tenants in the TIL program. Studies by the Urban Institute found that nonprofits in New York relied more heavily on local government funding than similar groups in other cities (Mollenkopf, 1992, pp. 157-8).

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But the greatest increase in funding for community-based housing groups came at the end of the Koch years. Perhaps sensing the electoral danger that would result from defections in his once solid coalition of liberals and white ethnics, in 1986 Koch announced an ambitious plan to spend $5.2 billion from the City's capital budget for the construction or rehabilitation of over 250,000 units of affordable housing. The Ten Year Plan, as the initiative came to be called, helped ameliorate the city's homeless crisis, but did little in the short term to generate warm support for the mayor among the vocal ranks of low-income housing advocates, who found the plan wanting in commitment to very-low-income households while at the same time granting substantial funds to programs for moderate-income families (Ints N-21, N-32). Nonetheless, the Ten Year Plan generated impressive increases in subsidized housing construction during the late 1980s and much of the 1990s, and is credited with helping to revitalize slum areas of the South Bronx, Harlem, and Central and East Brooklyn.

The Ten Year Plan was often touted as the largest and most comprehensive subsidized housing effort undertaken by any city in America. Under the plan, HPD built more locally subsidized housing during the late 1980s and early 1990s than the next fifty cities combined, constructing or rehabilitating over 150,000 units of affordable housing in ten years (Schwartz and Vidal, 1999, p. 239). Indeed, the annual outlay of $4.2 million [56]amounts to $57 per resident in New York City, while Portland at the height of its expenditure under the three-year, $30 million Housing Investment Fund spent $22 per resident. It is worth noting that Portland spent the bulk of their money directly from tax

[56] Mayor Koch's projected expenditure of $5.2 billion was scaled back by the Dinkins administration during the recession of the early 1990s, and expenditure levels were reduced again by the Giuliani administration as production schedules were stretched over additional years. Alex Schwartz reports that in

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levy money while the Ten Year Plan relied heavily on the city's capital budget to finance construction costs. About 63 percent of the funds were from the city capital budget, another 16 percent from proceeds resulting from the creation of a market-rate development in lower Manhattan (Battery Park City), with most of the rest coming from state and federal funds (Van Ryzin and Genn, 1999, p,. 803; New York City Housing Partnership, 1994, Introduction). These levels of expenditure indicate a very substantial effort by the city to use local dollars to address the housing problems of its low-income residents. Indeed, housing researcher Alex Schwartz declares that "No city in the United States can match New York City's commitment to the development and rehabilitation of affordable housing" (Schwartz, 1999, p. 839).

The Ten Year Plan encompassed dozens of initiatives, from large scale gut rehabilitation of abandoned buildings through the Vacant Building and Special Initiatives Programs, to new construction of townhouses and single-family homes through the New York City Housing Partnership and the Industrial Areas Foundation's Nehemiah Program, to moderate rehabilitation of privately owned buildings through the Participation Loan Program and Article 8A loans, as well as the moderate rehabilitation of buildings in the DAMP programs. A recent article by Alex Schwartz and Avis Vidal reported that just seven percent of the City's resources went to new construction, while gut rehabilitation took 61 percent, with the rest spent on moderate rehabilitation (1999, p. 241). In terms of units, about 76,000 received funds for preservation or moderate rehabilitation, generally targeted at low income households, while 43,000 underwent gut rehabilitation (targeted at a mix of homeless, low, and moderate income households), and

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the first ten years after the announcement of the Ten Year Plan the city allocated $4.2 billion dollars (1999, p. 239).

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21,500 new units were built for low, moderate, and middle income buyers (Van Ryzin and Genn, 1999, p. 804). Most of the money was spent between 1987 and 1992, when capital expenditures ranged from $500 to $700 million a year. After Rudolph Giuliani's election in 1993 expenditures have dropped significantly, ranging from $200 million to $350 million a year (Schwartz and Vidal, 1999, p. 240). According to advocates, many of the Ten Year Plan programs are targeted either to the very poor or families with moderate incomes. Programs like the Special Initiatives Program devote a large portion of their units to the homeless, while the low-density new construction efforts tend to assist families with moderate incomes. For families who are too poor to purchase even a modestly priced home but not so poor as to be homeless or doubled up, the Ten Year Plan does not provide a great deal of assistance (Int. N-32). Some of the programs, like J-51, Section 8 Moderate Rehabilitation, and Participation Loan, can have an adverse effect for unsubsidized tenants who, while they may benefit from improved conditions as a result of the rehabilitation work, face substantial rent increases as well. For tenants whose incomes are too high for Section 8, who do not apply at all, or who cannot negotiate the application process, these increases can be quite burdensome (Int. N-17).

Two recent efforts to gauge the effects of the Ten Year Plan on housing in New York reached mixed conclusions, finding that the construction and rehabilitation may have helped neighborhoods escape the cycle of neglect and deterioration in some ways while at the same time possibly concentrating the poor and jobless geographically. Alex Schwartz looked at a variety of data sources using bivariate correlation and qualitative models and found that the City programs accounted for a high percentage of new construction in New York during this time, generating more than half of all new

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construction starts in the boroughs of Brooklyn and the Bronx (1999, p. 845). In addition, the neighborhoods where the bulk of Ten Year Plan construction took place had dramatic decreases in the number of vacant buildings: the citywide vacant stock dropped by 43 percent, and in the Bronx the reduction reached 78 percent. An analysis of employment patterns found that the neighborhoods with the highest Ten Year Plan construction rates tended to have better employment rates and a growth in business establishments, though the improvements have been "uneven" and most of the growth has centered on food retailing, often at the expense of a more diverse range of businesses (Schwartz, 1999, pp. 851, 857-8). In addition, Schwartz found bivariate relationships between the amount of Ten Year Plan housing built or rehabilitated and reductions in welfare dependency rates and violent crime rates (1999, pp. 861-864).

Van Ryzin and Genn (1999), using a multivariate model of analysis, found that the program was associated with reductions in the rates of boarded-up buildings but, strangely, was positively associated with increases in the rates of maintenance deficiencies. Home values went up in neighborhoods with large amounts of Ten Year Plan activity, but so did the median rent burdens. Perhaps most disturbing for analysts worried about concentrations of poverty, Van Ryzin and Genn found significant correlations between the amount of Ten Year Plan construction in an area and increasing rates of single-parent families, increasing rates of public assistance recipients, and falling household incomes (1999, pp. 813-826).

These accounts are based on limited data, both in terms of the locations and types of housing constructed in the Ten Year Plan and in terms of the locations of crimes and economic activities in the target neighborhoods. In addition, many of the districts studied

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had only received the city housing resources within the last years of the study period (meaning the social effects of the housing may not have had sufficient time to take place). Central Harlem was such a dramatic outlier in Van Ryzin and Genn's analysis that they eliminated it from their statistical model. Nonetheless, these two studies suggest that the Ten Year Plan made an important contribution in reducing the number of boarded up buildings, raising home values, and decreasing crime, but may have led to increased rent burdens, and higher rates of welfare dependency and poverty. The economic data in particular are contradictory, with Schwartz finding a generally positive effect on jobs and economic activity and Van Ryzin and Genn finding higher rates of poverty and dependency. This may be an artifact of the different data sources employed by the different researchers or may indicate that the workers filling the new jobs came from households residing outside the community districts where the establishments are located. In any case, the high rates of effort during the Ten Year Plan period began declining shortly before Mayor Giuliani took office in 1994 and have provided for about half as much subsidized housing as was produced during the program's zenith from 1989 to 1992 (Schwartz, 1999, p. 840).

On top of a tendency of modest reductions in subsidized housing spending, the Giuliani administration has made important changes in policies for handling tax-delinquent properties, as well as significant shifts in the configuration of the DAMP property disposition programs. After an abortive effort by the outgoing Dinkins administration to resuscitate a private ownership option through the Neighborhood Ownership Works program, Mayor Giuliani announced in 1994 two initiatives designed to take the place of CMP and POMP: the Neighborhood Reinvestment Program [NRP]

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(to sell to nonprofit organizations) and the Neighborhood Entrepreneurship Program [NEP]. The latter initiative was a more politically palatable version of POMP, with the private owners recruited from community-based entrepreneurs (with a strong emphasis on recruitment of minority-owned firms) and with nonprofit community groups acting in an oversight capacity. Giuliani also officially embraced a practice that had begun quietly during the Dinkins years (1989-1993): refusing to vest more buildings for tax arrears. No new buildings were added to the *in rem* stock after 1993; Instead, the City embarked on a complex program to sell the tax liens for buildings to private financial institutions that would have the right to collect the debt or foreclose on the property. In negotiation with the City Council, a provision was included to exempt certain "distressed" properties from tax lien sales and to dispose of these properties through a "Third Party Transfer" program that would shift ownership to private for-profit and non-profit owners (Braconi, 1999, p. 110; Int. N-32). The result of these policy shifts was to close the intake pipeline for new *in rem* properties, an undertaking which, when combined with the ongoing disposition efforts under the DAMP programs, led to a substantial reduction in the number of City-owned properties, with consequent savings for the City budget. These developments have also led to sharp changes in the composition of the buildings HPD is assisting: Many of the "best" DAMP buildings—in the best physical condition and with the best organized tenants—were disposed of in the late 1980s and early 1990s, making it harder for HPD to rehabilitate those that remain. In PLP, many buildings that were once eligible by dint of location in a distressed neighborhood are no longer shut off from traditional bank financing now that those neighborhoods have improved, eliminating the buildings from participation in the subsidy program (Int. N-17).

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Housing Advocacy

New York is home to an expansive network of organizations devoted to housing advocacy, low-income housing production and management, and training and technical assistance to support these endeavors. Local nonprofit community development corporations (CDCs) such as MDB Development in the Bronx, Hope Community in Manhattan, and Fifth Avenue Committee in Brooklyn are located in nearly all the city's neighborhoods and many produce modest levels of affordable housing, own and operate affordable units developed through CMP or NRP, as well as provide social services and housing organizing services to community residents. The CDCs are represented on a city-wide basis by ANHD, a trade association and advocacy organization, and many are associated with the Local Initiatives Support Corporation and Enterprise Foundation as providers of tax credit financing and technical support. Much of the city's affordable new construction is carried out by the New York City Housing Partnership, a group which has strong ties to the business community while at the same time working with dozens of community based developers through the NEP program. The New York State Tenants and Neighbors Coalition, which organizes tenants statewide to support continuation of the state's rent regulation ordinances, has a strong presence in the city. In addition there are a multitude of specialized organizations that work on low-income housing issues, including mutual housing associations in Manhattan and Brooklyn, advocacy organizations like the Metropolitan Council on Housing, community planning groups such as the Pratt Institute Center for Community and Environmental Development

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in Brooklyn, and locally based advocacy coalitions such as the Northwest Bronx Community Clergy Coalition.

By any standard, housing nonprofits have proliferated in New York City. And by most accounts, these organizations enjoyed a positive and collaborative working relationship with one another through the 1980s. They mostly agreed that the City should devote more resources to assisting the homeless and to building low-income housing, particularly units that would be affordable for many years, generally through nonprofit or limited equity tenant ownership. They were opposed to POMP and tax incentives for private construction in wealthier neighborhoods, but strongly supported TIL, CMP, and the rent regulation laws. This loose policy consensus did not embrace the views of all organizations (the New York City Housing Partnership and Citizens Housing and Planning Council were often dissenters with a warmer relationship to local developers and mainstream public officials), yet a number of the people interviewed for this study agreed that relative harmony prevailed among the advocates and housing organizations until the advent of the Ten Year Plan.

When the Ten Year Plan was created, ANHD—through its affiliate the Housing Justice Campaign—declared its claims to helping the poor to be a "cruel hoax" and opted to sue the City to block its implementation (Van Ryzin and Genn, 1999, p. 807). In sharp contrast to the experience in Portland, where advocates worked closely with the City Council to craft the Housing Investment Fund and treated its inception as a major victory for the advocacy community, advocates in New York felt the Ten Year Plan devoted too many resources to middle and moderate income households. It was generally viewed as Mayor Koch's program—not a positive attribute in the eyes of grassroots advocacy

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groups—rather than the successful culmination of an effort by the housing advocates. But while some advocates were fighting City Hall on the grounds that the plan should be targeted more tightly toward the neediest cases, others were beginning to reap the rewards of the increased spending. In Community Management and other programs, the City ramped up funding for nonprofit developers and technical assistance providers. These years also witnessed significant new development under the Low Income Housing Tax Credit, where the Local Initiatives Support Corporation and Enterprise Foundation began packaging tax credits and assisting local development organizations in building affordable housing (Ints. N-21, N-27).

In the late 1980s and early 1990s the nonprofit advocacy community became more diverse in its treatment of City Hall. There are many ways to characterize the pattern of opinions that emerged, but divisions appeared on two key issues: targeting and ownership. Some groups like MBD Development in the Bronx and Hope Community in Harlem became vocal supporters of a community integration approach which would use public dollars to lure middle-income families back into some of the city's most deteriorated neighborhoods. They split with other advocates who argued that the families with the greatest need should be supported before others benefited. On the ownership issue, community-based organizations supported homeownership efforts that sometimes tore down dilapidated tenements and replaced them with single-family detached homes affordable to middle-income households. Meanwhile, many advocates opposed private ownership models of any kind on the grounds that permanent affordability could not be attached to the units, that public housing resources should not used to provide a windfall to private developers and speculators, and that private rental housing encourages

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landlords to exploit poor tenants. Since many of the community-based nonprofits who were amenable to compromise with HPD on targeting and ownership issues were headed by minorities and the citywide housing advocacy leadership is largely white, there was also a racial component to the divisions (Ints. N-21, N-22, N-27).

It should be noted that, like Portland, many of New York's low-income housing advocates bring a critique of capitalism and the private market to their work assessing housing policies (Int. N-21, N-37). Housing analyst Frank Braconi notes:

> "The opposition of some leftist advocacy groups to POMP was, at root, ideological. Those activists portrayed for-profit ownership as fundamentally inconsistent with the provision of low-income housing and sought in the *in rem* program a means of socializing, or 'not-for-profitizing' the preponderance of the city's low rent housing infrastructure" (1999, p. 107).

This may help explain the reluctance of some organizations to support privatization as an option for City-owned housing. It also gives context to the reception the Section 8 program received in New York, which will be discussed below.

After the initial wave of opposition to the Ten Year Plan ended, advocates focused their energies on securing the elimination of the POMP program, encouraging more resources for the tenant- and community-based alternatives (TIL and CMP—and later NRP), pushing for more targeting of assistance to the homeless, and protecting the rent control and rent stabilization laws during their tri-annual renewals. Meanwhile, organizations such as the New York City Housing Partnership, LISC and Enterprise, and the larger community development corporations worked to secure streamlined processes for land acquisition, permit and construction approval, and delivery of subsidies so ongoing development efforts could be carried out in a cost-effective and timely manner (Orlebeke, 1997, pp. 125ff.).

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Three public agencies are substantially involved in delivery of subsidized housing assistance in New York City: HPD, NYCHA, and the state Division of Housing and Community Renewal. While the first two are primarily occupied with *in rem* and public housing, respectively, DHCR oversees implementation of the Low Income Housing Tax Credit program, the Mitchell-Lama program, and parts of the Rent Control and Rent Stabilization laws. This agency also administers a small contingent of Section 8 units in the city. Housing advocates have devoted far more energy to HPD's programs than those operated by NYCHA and DHCR. This is partly because NYCHA is viewed as an effective agency that does a much better job of operating public housing than its peers in other cities while HPD's *in rem* stock is in terrible physical condition. It is also partly a function of the ability of activists to affect policy decisions at different levels of government: NYCHA is generally able to articulate disagreements with advocates in terms that emphasize the power of federal regulations over local decision-making, while DHCR is subject to oversight by the Republican-controlled state government and must satisfy constituents in the politically conservative counties in upstate New York. Finally, HPD contracts with local organizations to provide many of its programs, while NYCHA directly operates nearly all its programs and DHCR only has contact with CDCs through the Tax Credit program where LISC and Enterprise act as a buffer between the government and the grassroots organizations responsible for carrying out the construction and management in the communities served (Ints. N-21, N-22, N-32, N-33). The outcome of these forces is that HPD is the prime target for public policy advocacy on housing issues in New York City, as publicity-shy agency administrators attest. The only significant exception to this tendency are the major efforts carried out every few years by

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the New York State Tenants and Neighbors Coalition and other groups on behalf of the city's rent control and stabilization laws. Even here, the bulk of the effort is spent persuading city and state legislators to support extension of the rent protections.

Section 8 on the Public Agenda

In the 1970s when tenant-based rent subsidies were in their infancy, New York City was the epicenter of vocal opposition to the voucher approach. Housing advocates from the city traveled to Washington to testify to the advantages of project-based subsidies over vouchers, and NYCHA's early experience with the vouchers was to embrace the program with great reluctance. According to one chronicler, NYCHA effectively shelved its initial allocation of vouchers and the authority's "search for suitable existing units seemed desultory, some thought grudging" (Winnick, 1995, p. 116). Yet as the years passed city housing administrators gained an appreciation for the potential benefits to be realized from a voucher program, not only from its use in supporting construction and needy tenants, but also as a rich source of discretionary administrative funding from HUD. At the end of 25 years of operation, Section 8 has achieved a measure of acceptance and support from by housing advocates, city officials and nonprofit agencies alike.

Nonetheless, as in Portland, the Section 8 program in New York has retained a low profile among advocates and housing policy analysts. With few exceptions, housing advocates have become involved in Section 8 advocacy only to the extent that they have supported efforts to encourage the federal government to provide more certificates and vouchers (Ints. N-27, N-32, N-33). An early advocacy effort spearheaded by the Pratt

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Institute Center for Community and Environmental Development (PICCED) focused on the difficulty voucher recipients have in finding units in New York's tight housing market. In the late 1980s, NYCHA was targeted by domestic violence advocates to use vouchers to help battered women. And recently, HPD has come under some criticism from social service and housing groups working with the SRO programs who say the agency does a poor job of processing applications in a timely manner. While these were all important moments in the development of Section 8, the program has avoided great notoriety among local advocates, who tend to view it as a federal program over which local activists have little direct influence (Ints. N-32, N-33).

In 1981 PICCED released a study of the Section 8 program in New York City that received prominent attention within New York's advocacy community. Since the study is a rare example of a sharp exchange between advocates and Section 8 administrators, it is worth examining in some detail. The study criticized Section 8 for failing to assist a high percentage of enrollees (27%) who were unable to locate standard housing within the three-month time frame allowed by NYCHA. PICCED also noted a racial imbalance among unsuccessful families, where 29 percent were white and 52 percent were black, and criticized NYCHA for asking too much of tenants:

> "the process can be incomprehensible and discouraging, at best. To survive the system, one must be able to fill out forms and be willing to answer questions which may seem personal; one must be able and willing to gather rent receipts and wage statements to prove what may seem obvious."[57]

The PICCED report noted that many families are limited in their housing search choices due to the restrictions of the Fair Market Rents and the failure of many apartments to conform to housing quality standards imposed by the program. The report

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said that many tenement apartments do not have three-piece bathrooms and that some rooms lack windows, but the apartments are otherwise inhabitable and should be considered potentially worthy of subsidy. In addition, it did not directly lead to improvement of substandard units. And finally, Pratt suggested that Section 8 may accelerate the decline of unstable neighborhoods by encouraging families to move out to seek standard housing. The Pratt Center report favorably compared HPD's Section 8 program, which linked units directly to buildings being renovated by the City, to NYCHA's open market program, which allowed tenants to move wherever they wished.[58]

The Pratt report drew a scathing response from long-time NYCHA Section 8 Director Harold Sole, in the form of a nine-page single-spaced memo to the agency General Manager that criticized Pratt for not allowing "the facts to stand in the way of their preconceived notions," which Sole believed rejected tenant-based assistance in favor of subsidies that would be tied to specific projects. Sole argued that it would be more appropriate to look at the success rate in terms of the 73 percent of enrollees who did find housing, and to recognize that 36 percent of the families served are black. He insisted that the government has a legitimate purpose in requesting backup documentation from applicants to prevent fraud and abuse, and that the housing quality standards not only ensure that HUD is not subsidizing apartments in slum conditions, but also function as a key mechanism for encouraging landlords to maintain their buildings in decent condition.[59]

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[57] Source: Pratt Report, pp. 39-40, as quoted in NYCHA memo from Harold Sole to John Simon, 12/1/81. The Pratt institute was not able to provide me with a copy of the report.
[58] Source: Quoted in NYCHA memo from Harold Sole to John Simon, 12/1/81.
[59] Source, NYCHA memo from Harold Sole to John Simon, 12/1/81.

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In response to Pratt's argument that many old-law tenement apartments are "otherwise suitable" for living and should be permitted in the program, Sole argued:

> "Pursuit of a flexible housing voucher program has produced this strange sentence with its interesting use of the word, 'otherwise'; i.e., aside from the fact that the unit does not have sink, bathtub or toilet in the apartment and, aside from the fact that some of the rooms (usually the bedrooms) do not have any windows—aside from these facts, the apartment is standard. Of course, the federal government might hold that it was never their purpose to subsidize slums, and some enlightened citizens might agree."

Finally, Sole points out in response to the report's praise of the HPD program that NYCHA and HPD began their programs the same year, but by 1981 HPD was serving only 1,534 families, while NYCHA was serving 35,735 families in buildings owned by 7,200 different landlords and was receiving nearly 53,000 applications a year for the program, more even than the highly successful public housing program. Sole concludes that "it is somewhat difficult to fathom the yardstick used by the authors of this Report in determining which programs are more successful and which are less."[60]

It is worth mentioning in this context that a national study of success rates for housing searches in the voucher program, conducted by HUD in the early 1990s, found that New York City fell well below the national average success rate but had experienced a large increase between 1987 and 1993 when the two phases of the study were carried out. In 1987 New York had a success rate of just 42 percent for enrollees in the voucher program, while the national rate was 73 percent. By 1993 the rate in New York had climbed to 62 percent and the rest of the nation was at 87 percent (Kennedy and Finkel, 1994, p. 12). While the Pratt report suggests a correlation between a city's vacancy rate and the success rate of Section 8 enrollees, the HUD study contradicts this, pointing out that the national success rates had increased while the vacancy rates had been stable. On

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the other hand, a recent study by a New York City housing research organization found that the success rates in NYCHA's Section 8 program plummeted during the 1980s to a low of 24 percent in 1988 (at the height of the real estate boom) before recovering dramatically to top 90 percent by the late 1990s (Citizens Housing & Planning Council, 1997, p. 9). These results offer some support for PICCED's contention that low success rates are a potentially serious problem for the voucher model, and that they may be related to real estate cycles.

A second period of pressure from advocacy organizations occurred in the late 1980s and early 1990s, as the Coalition for the Homeless and other groups pressured City Hall to do more to house the homeless and a coalition of domestic violence advocates and public officials advocated on behalf of programs to provide more shelter beds for victims of domestic violence. Homeless advocates had generated substantial pressure via the courts starting in 1979 with the *Callahan v. Carey* lawsuit and later cases that led to a set of broad guarantees of a right to emergency shelter for homeless families and individuals. City homeless administrators soon found the burgeoning shelter system difficult and expensive to administer, while the continuing visibility of the homeless in public places and organized protests during the late 1980s led the Koch administration to create measures to provide more housing to people in the shelters. These included building more shelters for families, building more affordable housing under the Ten Year Plan, building SRO units in cooperation with New York State, and most importantly for the present study, using NYCHA to place more homeless into permanent housing, both in public housing and in Section 8 (Culhane, et. al, 1999, p204).

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[60] Ibid.

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Current members of the Section 8 staff at NYCHA, HPD, and DHCR recall no pressure from homeless or domestic violence advocates seeking program changes directly from Section 8 departments, but both HPD and NYCHA adopted policies to house more homeless families during this period, policies which linked homeless families and individuals to Section 8 certificates and vouchers while placing them in stable housing conditions. Moreover, domestic violence advocates indicate they met with NYCHA officials in 1989 and convinced them to create a preference for domestic violence victims on the Section 8 waiting list. This preference, together with a preference for homeless families, led to these two groups receiving nearly all of NYCHA's newly available vouchers by the late 1990s (Ints. N-26, N-13, N-14, N-15).

More recently, advocacy organizations involved in providing supportive SRO housing have engaged in efforts to persuade HPD to change the administration of Section 8 vouchers to provide a more dependable flow of subsidies in SRO projects that depend on the vouchers for solvency. The SRO Providers Group represents 81 nonprofits that manage nearly 11,000 units of SRO housing in New York City for previously homeless and very low-income tenants, many of whom benefit from drug, alcohol, counseling, and mental health services that the agencies provide.[61] Correspondence between HPD and HUD in 1993 indicates that the city housing agency was working to loosen HUD processing restrictions to streamline the process by which subsidies were granted, asking for discretion to waive housing quality inspections on recently rehabilitated buildings and to certify homeless tenants on public assistance as income-eligible without additional

[61] Source: Documents provided by the SRO Providers Group, dated July, 1997.

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documentation, among other items.[62] Nonetheless, in 1994 it took an average of six months to process Section 8 applications, as approval was delayed while HPD waited for complete documentation from the applicant, completion of necessary work in rehabilitated buildings (many of which were still in construction when applications were received), as well as inspection and processing by city administrators, who lacked basic computer resources that might automate and speed the process (Ints N-3, N-13).[63]

By mid-1994, the SRO Providers Group was working with HPD Section 8 staff to help find ways to reduce the paperwork associated with applications, rent increases, recertifications, and relocations of tenants. HPD and the advocacy group appear to have had a good working relationship, with HPD responding creatively and favorably to input from the housing providers, and providing trainings for SRO management staff in negotiating the Section 8 process. In one instance, when the advocates asked that the rent increase and tenant recertification process be combined to simplify paperwork, HPD managed to "synchronize" the processes to achieve much of the desired goal, even though rent increases and Section 8 recertification are carried out by two different departments in the city agency.[64]

At the same time, HUD had been pressuring HPD to change its methods of allocating vouchers and move away from the "project based" model where certificates and vouchers were granted to all eligible households in buildings renovated by HPD.[65] HPD successfully withstood this pressure.

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[62] Source: Letter from HPD Commissioner Felice Michetti to HUD Assistant Secretary Shuldiner, August 31, 1993.
[63] Source: Letter from HPD Director of Rent Subsidies Barry Geller to Jill Williams, July 7, 1994.
[64] Source: Letter from HPD Director of Rent Subsidies Barry Geller to Maureen Friar, SRO Providers Group, August 2, 1994.
[65] Source: Letter from Maureen Friar, SRO Providers Group to Steven Cymbrowitz, HPD, November 23, 1994.

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Starting in 1995, SRO providers shifted tactics and began an effort to convince the city to let them carry out much of the administrative work associated with implementing Section 8, under the assumption that the extra work involved for the nonprofits would pay off in accelerated processing of subsidies (Ints. N-3, N-18). Among the suggestions made for outsourcing Section 8 administrative duties were proposals to "deputize" property managers to conduct tenant interviews, allowing them to self-certify housing quality standards, amending contracts for tenant transfers (insteading of executing a new contract, which brought delays in payment), and prepackaging of all forms and supporting documents for income and tenant information.[66] HPD responded by giving a larger role to managing organizations for prepackaging of materials and briefing tenants, but cited HUD restrictions as a barrier to delegation of inspections and liberalizing the transfer procedures.[67]

Nonetheless, despite HPD's efforts to improve processing procedures, the agency reduced staff in the Section 8 department and provided little in the way of computer resources to facilitate reductions in processing time. In late 1995 the SRO Providers Group complained that, despite the best efforts of the HPD Section 8 staff to address their concerns, initial applications sometimes took as long as 18 months to be processed, resulting in tens of thousands of dollars in lost revenues for the nonprofits that operating SROs. In several instances, HPD lost applications that had been submitted. Backlogs for rent increase processing ran into the thousands of cases, with processing times exceeding six months for approvals. Delays in approving transfers for tenants who wanted to move to private housing sometimes resulting in landlords changing their minds and refusing to

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[66] Source: Letter from Roseanne Haggerty, Common Ground, to Deputy Commissioner Laurie Michel, HPD, 3/22/95; and Int. N-3.

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rent to Section 8 tenants. It was not until the late 1990s that HPD revamped its procedures for processing Section 8 applications and achieved a level of processing efficiency that satisfied stakeholders in the SRO construction program (Int. N-37).[68]

In 1995 Congress eliminated funding for new Section 8 subsidies, triggering a crisis among developers whose project budgets depended on promised rent subsidies for tenants. A wide range of HPD-supported programs were affected, including the private market subsidies in Participation Loan and Article 8A, the tenant co-ops in the TIL program, and the SRO programs. HPD adapted some programs to reduce reliance on Section 8, particularly the NEP and NRP programs, but the SRO projects and others serving homeless and very low-income tenants were left dependent on HPD subsidies, which at one point had dwindled to 1,900 vouchers while the agency faced outstanding commitments of 9,000 units in various programs.[69] HPD responded to the crisis by increasing the pressure on NYCHA to return 3,600 vouchers that had been "lent" to NYCHA in 1988 and had never been returned. NYCHA eventually agreed to provide HPD with 2,899 vouchers to replace the original pool, which led to HPD being able to make good on commitments to the SRO projects that had been promised rental subsidies (Int. N-37).

In sum, Section 8 has been the subject of very limited advocacy in New York City. What advocacy there has been has been sporadic, focusing on the feasibility of using a voucher program in tight housing markets, the promotion of special needs groups to a position of priority on Section 8 wait lists, and ways to improve the ease of

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[67] Source: Letter from Deputy Commissioner Laurie Michel to Roseanne Haggerty, April 3, 1995.
[68] Source: Letter from Maureen Friar, SRO Providers Group, to Deputy Commissioner Michel, October 13, 1995; and Int N-37).
[69] Source: Letter from Maureen Friar, SRO Providers Group, to Deputy Mayor Fran Reiter, April 4, 1996.

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participation for nonprofit landlords using vouchers to shore up development programs. While none of these issues have erupted into major city-wide controversies (though the Pratt report did gain some attention among advocates and policy experts), they do represent important efforts to shape how Section 8 is implemented and how housing voucher programs are viewed. Otherwise, agency officials report little input from advocates or the public beyond ad-hoc assistance to specific clients with particular needs and occasional appearance at hearings held when local preferences are being determined (Ints. N-8, N-40).

In light of the size and importance of Section 8 as a means of helping poor renters, it is somewhat surprising more attention has not been paid to how the program is operated. Affecting more households than the DAMP programs or Mitchell-Lama (though fewer than rent stabilization or public housing), and accounting for well over $500 million in federal subsidies each year, Section 8 is one of the most important housing programs in New York City. But advocates and policy analysts say the program's operations have generally been viewed as determined by the federal government and, consequently, beyond the reach of local action. Observers familiar with subsidized housing issues and the political dynamics of the city agree that interest in low-income housing has been on the wane since the early 1990s and is rarely a factor in electoral politics, with Section 8 remaining, in essence, a non-issue (Ints. N-21, N-40). They also point out that the largest share of Section 8 is provided through NYCHA, an agency generally viewed as competent, and that overworked nonprofits have had higher priorities, such as securing approval of the DAMP programs and maintaining rent stabilization protections for half a million households (Ints. N-32, N-33).

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Conclusion

New York City's economy, housing market, and political environment provide a unique setting for the Section 8 program, one that has important meaning for many of the variables examined in the present study. By understanding the configuration of housing needs and how these relate to changing demographics and economic opportunities, we can better assess the choices made by program administrators and policy makers in the city. By recounting the political changes (both electoral and advocacy-related) that coincided with these contextual developments and policy decisions, we can articulate a richer description of the development of Section 8 policy and how decisions may have come about.

It should be clear that poor New Yorkers face very serious housing problems with little prospect for improvement over the near term. Prices are high and can be expected to continue to rise in the face of strong demand related to the growth of New York's professional services sector and other high-income professions. Incomes for the poorest quintile have been stagnant, with high unemployment rates a continuing challenge even in prosperous times. Economic opportunities for unskilled workers have become sharply constricted. The supply of housing is not expanding to meet the growing needs of the city. It is no surprise, then, that poor families endure extremely high rent burdens and occupy housing with high rates of maintenance deficiencies. Certain subtenures, such as HPD's *in rem* stock, face serious and mounting challenges in continuing to meet the basic

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needs of their rental tenants, a critical problem not only for the tenants but for the city agencies charged with providing adequate housing at a reasonable cost.

At the same time, we should note that poverty and inadequate housing conditions are not spread evenly over the city. High rates of racial segregation persist in New York. Hispanics, and especially Puerto Ricans, have much lower incomes than other racial groups and have much higher rates of welfare participation. Among the homeless, however, there is a predomination of African Americans. High rates of immigration present important challenges not only in terms of the high rent burdens of the new arrivals, but also as they often occupy inadequate and even illegal dwellings. Sharp reductions in welfare caseloads will certainly aggravate the precarious position of some families in the short term.

Needy citizens are not the only ones with a claim on resources from public housing subsidies. Nearly all the public agencies that administer subsidy programs are experiencing severe budgetary pressures; programs such as Mitchell-Lama have cost far more than anticipated and agencies are continually looking for ways to maximize income into publicly subsidized projects. Similar dynamics are at work on the nonprofit side, with CDCs seeking to provide housing to the neediest households while still maintaining the fiscal integrity of the project.

Geography plays an important role as well. Most new construction occurs outside the city limits, but poor residents of the inner city have little prospect of taking advantage of these housing opportunities. Since the city expenditure on subsidized housing dwarfs that of the state, and since New York has no regional government structure such as Portland's, there is a spatial mismatch between "buildable" land beyond the city limits

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and the ability of subsidy dollars to take advantage of this. This constricts the ability of subsidy recipients to take advantage of housing and economic opportunities.

Considering the hypotheses presented in Chapter One, New York City presents an opportunity to test several issues, both in terms of deviation from federal intent and reasons for choosing certain policy options. In terms of federal intent, New York presents special problems in terms of feasibility, mostly because the city's extremely tight rental market and high prices make it hard for enrollees to find adequate housing within the Fair Market Rent, but also since the city's racial demographics suggest that both segregation and racial discrimination can be barriers to success for non-white housing searchers. Efficiency is another potential problem. New York might be expected to perform poorly on this count, as tight market conditions and a history of cost-overruns in project-based subsidy programs suggest per-unit costs will be high. With a diverse and shifting racial composition co-existing with a volatile and competitive political system, we might expect equity concerns to be significant variables, as political "entrepreneurs" use subsidies to benefit preferred constituencies.

With such a shortfall in subsidy as compared to need, targeting is an important variable. We might expect New York to employ tighter targets to needy sub-groups, in contrast to Portland, where the gross level of need is somewhat less acute. In contrast, we might expect to find that the federal objectives of promoting free choice and use of market forces receive little support, as the city's track record of preferring regulated and project-based solutions suggests. This is further reinforced by the city's very real need for neighborhood revitalization and its concomitant focus on project-based solutions.

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While the federal objective of achieving integration applies well to New York and might reasonably be expected to have been considered a local priority, the city's tendency to accept fragmented government structures suggests that the objective of achieving regional cooperation will receive less support. Finally, we would expect support for linking services to Section 8 to have varied with the changes in mayoral administrations, as the Dinkins administration would be expected to have provided more support for this objective than might be expected during the Guiliani years. Alternatively we might find consistent support for the objective, but variations in the approach, i.e., support for traditional social services under Dinkins and support for transitional work-experience programs under Giuliani.

New York presents an excellent, possibly unparalleled, opportunity to assess the effect of our three independent variables, regarding the role of advocacy coalitions, governing coalitions, and administrative structure. The city is distinguished for the breadth and depth of its housing advocacy organizations, which would lead us to expect them to play some role in policy making. At the same time, our period of study has seen three distinct electoral and governing coalitions at work, whose very precariousness implies a role for electoral and institutional politics. The role of governing coalitions may be expected to be even stronger in a "strong mayor" system like that in New York, since the mayor has enough control over HPD and even NYCHA to effectively reward political supporters, if so desired. Finally, with three different administrative structures at work in the same geographic space, we can profitably examine the differences in how each operates in light of this last variable.

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All of these observations, of course, can only be of a tentative nature. A more in-depth analysis will depend on understanding how Section 8 actually operates in each of the agencies responsible for its administration in New York City. This is the subject of the next chapter.

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CHAPTER SIX

SECTION 8 IN NEW YORK CITY

INTRODUCTION

Section 8 is administered in New York City by three agencies—the New York City Housing Authority (NYCHA), the New York City Department of Housing Preservation and Development (HPD), and the New York State Department of Housing and Community Renewal (DHCR)—with overlapping jurisdictions but different administrative rules and practices. The agencies are quite distinct. The New York City Housing Authority is a public housing authority with quasi-independent status, though its board is appointed by the mayor of New York City and the authority is subject to various forms of regulation and oversight by local, state, and federal officials. HPD, on the other hand, is New York City's housing agency, directly accountable to the mayor and subject to the oversight of the City Council Committee on Housing and Buildings. Finally, DHCR is part of the State government, with its directors appointed by the governor and oversight provided by the state legislature. As in other cities, the primary dynamic that drives administration of Section 8 is one of scarcity: The current total of less than 100,000 vouchers serves a pool of approximately 650,000 potentially eligible families, and the cuts to HUD's budget in the mid-1990s reduced the number of vouchers available annually from 16,000 to 4,000 (Citizens Housing and Planning Council, 1997, p. 33, 38).

These agencies all administer Section 8 certificates and vouchers as part of a variety of housing programs—local, state, and federal—under their jurisdictions. As will be discussed in the next section, each agency came to administer Section 8 through a path separate from the others, but no effort has been made to unify the administrative practices

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across agencies; landlords who rent to tenants subsidized by all three agencies must contend with three separate sets of administrative documents and practices (Int. N-11). Program staff report occasional contacts between the agencies to double-check local interpretations of HUD directives, to compare client lists to assure no tenant is being granted the subsidy by more than one agency, and to coordinate Family Self-Sufficiency efforts. HPD adopts NYCHA's calculations for utility allowances, and even "loaned" some excess vouchers to NYCHA at one point. But none of these connections approach full-scale efforts to create a uniform program within the city or to standardize administrative procedures (Int. N-31).

Federal oversight of the Section 8 program in New York is a rather loose affair, with just two HUD staff at the regional HUD office assigned to monitor all three programs, and even these staff count the New York City programs among a variety of jurisdictions they advise and monitor. No comprehensive management audit of any of the New York City programs has been carried out since 1990, as HUD officials explain that they receive very few complaints about the New York programs and say they are operating at a high rate of occupancy. In a 1998 interview with HUD officials responsible for local oversight respondents were unsure whether the New York City Housing Authority had a Family Self-Sufficiency Program and were unaware of the fact that New York was one of the sites for Moving to Opportunities (Int. N-7). One official describes the enforcement practices as "basically giving away huge sums of money with no accountability.... the whole oversight/enforcement structure is extremely lax" (Int. N-40).

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All three agencies report a generally positive relationship with local HUD staff, despite having some sharp conflicts with federal HUD officials over issues ranging from management of wait lists to calculations of how many units could be supported with HUD contracts (Ints. N-7, N-9, N-12). Local officials do not generally mention local HUD staff as a factor in their decision making or administrative practices (Ints. N-9, N-12, N-15, N-13).

At the same time, local officials complain about the volume of information they are required to provide when applying for voucher allocations and about the detailed reporting they must undertake to account for the vouchers that have been provided. In general, once one detailed application has been filed with HUD, the authority can simply amend the numbers where necessary for future applications. But some of the required materials are perceived as "boilerplate" items that result from little or no analysis within the authority. One official pointed out that HUD had provided their agency with a sample Equal Opportunity plan, and

> "the agency just took the plan and just copied the same plan onto their own letterhead and signed it and sent it and that was their Equal Opportunity plan and that was fine with HUD. They didn't care about it. As long as the paperwork got filed, that was it." (Int. N-11).

So HUD is viewed as requiring excessive and at times unnecessary information, while still lacking the resources or processes to conduct rigorous oversight. The introduction of the more rigorous Section 8 Management Assessment Program (SEMAP) scoring process will likely correct for much of this. SEMAP is already having an impact on local practices for Section 8 management. At NYCHA, for example, they have revamped what administrators say was an imperfect housing quality inspection system so that every apartment will be inspected on an annual basis with the same calendar month as the

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inspection deadline. This is to qualify for more SEMAP points, since the previous method of inspecting by calendar year meant an apartment could be inspected in February of one year and not until November of the next. The need to complete inspections in a timely way is also pushing NYCHA administrators to invest in a system to automate the inspection process so inspectors are equipped with mobile data recording devices (Int. N-14).

Since the uniform evaluation methods of HUD's SEMAP process have not yet been implemented, it is impossible to make detailed comparisons of program outcomes such as utilization rates, success rates for housing searchers or demographic statistics on who is served. Nevertheless, HUD does include data on Section 8 programs in its Picture of Subsidized Households database, which aggregates reports on household characteristics from the Multifamily Tenant Characteristics System, a compilation of household data required by HUD from local authorities. As Table 3.1 indicates[70], data are reported for just 87 percent of households nationally, and HPD reports on only 59 percent of its households. As there is no way to tell whether the missing cases are randomly distributed or to assess the accuracy of the data, caution must be used when drawing conclusions. Still, the data do suggest some interesting differences between the three New York agencies and their Portland counterpart.

[70] This table is re-printed here from Chapter 3.

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Table 3.1
Summary Data: Section 8 by Agency

	U.S.	NYCHA	HPD	DHCR	HAP
Percent Reporting	87	87	59	99*	98
Household Size	2.7	2.8	2.1	3	2.4
Average Rent	217	198	145	281	214
Average Subsidy	471	587	410	619	538
Percent of Median	24	27	18	23	23
Percent Welfare	21	28	37	21	17
Percent Elderly	17	32	23	19	22
Percent Black	40	43	46	37	29
Percent Hispanic	15	22	41	19	5
Percent Overhoused	9	7	9	5	6
Average Wait	28	25	45	37	19
Last Report	8	18	10	5	14
Tract Poverty	20	27	37	17	22
Tract Minority	41	71	83	43	24

Source: HUD, Picture of Subsidized Households, 1998. Note: Average rent is that paid by tenant; percent of median is the average income as a percent of area median income; percent overhoused is with more than one bedroom per person; average wait is months on the wait list; last report is the average months since information was reported to HUD; Tract Poverty and Minority are average rates in census tracts.

* DHCR numbers are **for statewide program** and are missing approximately 50 percent of the statewide cases. The 99 percent figure for reporting is probably an error (Int. N-24).

The "percent reporting" and "last report" variables show both what percentage of units have been included in data sent to HUD and the number of months it has been since the average included unit was reported. HPD fares poorly in terms of completeness while NYCHA, with an average of 18 months since the last report, comes out behind for timeliness. HAP is slow but provides complete data, and DHCR looks good on both counts, though the unit totals in the HUD reports suggest more missing units than are reported here.

In terms of cost, NYCHA and HAP are somewhat higher than the national average, while DHCR is much more expensive and HPD appears to be quite a bit

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cheaper, remarkable in light of New York's expensive market. NYCHA's recipients have incomes that are a bit higher (figured as a percent of the area median) than the U.S. average, but they are also more likely to be on welfare and are almost twice as likely to be elderly. In contrast, HPD's tenants are much poorer and much more likely to be on welfare, but contain fewer elderly residents (though still more than the national average). DHCR is typical of the rest of the country on income, welfare, and elderly variables and so is HAP, though they serve a population somewhat less likely to be on welfare.

The statistics on race paint a surprising picture of who benefits from the programs. Blacks, who make up 26.5 percent of the population (Lee, 1999, p. 52), account for about 40 percent of the Section 8 vouchers, unsurprising given their higher poverty rates compared to Whites and Asians. Hispanics, on the other hand, make up the same percentage in terms of population and have lower incomes than Blacks, but tend to receive subsidy at a lower rate. Hispanics fare particularly poorly in NYCHA's program, with a 22 percent share of the vouchers, less than their 25 percent share of the city's population. HPD's program serves many more Hispanics and somewhat more African Americans than NYCHA, and with much of the DHCR population in majority white upstate counties, it is hard to tell what percentage of their New York clientele is minority.

The accuracy of these statistics is difficult to determine: Data provided by NYCHA for this study indicate a participation rate for Hispanics of 43 percent in 1998, up sharply during the course of the 1990s (Chart 6.1).

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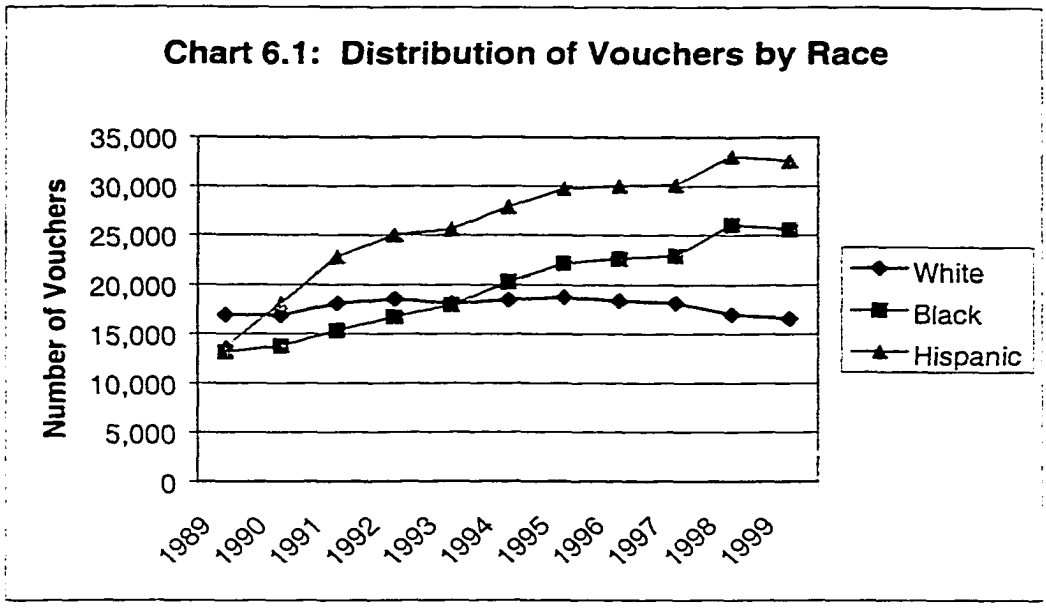

Source: NYCHA, October, 2000.

HUD officials indicate that NYCHA recently made corrections to their method of reporting Hispanics, which had the effect of doubling the rate of Hispanics reported served in the current HUD database,[71] but it is unclear why rates were under-reported before and, if we accept the data provided by NYCHA as accurate, why the proportion of Hispanics served increased so rapidly after 1989. The HUD PSH survey is based on partial data, with 87 percent of households reported, but there is no reason to expect that Hispanics predominate in the population of missing households, which would be necessary to explain the difference.

Maps of the geographical distribution of the vouchers provide additional evidence regarding who is served. Appendix A shows a series of maps depicting the location of blacks, Hispanics, and Yiddish-speaking families in Brooklyn, income distributions, and the location of Section 8 recipients by race. The strong concentrations of vouchers in the Hasidic neighborhoods of Williamsburg and Borough Park suggest that Hasidic Jews

[71] Source: Correspondence with Robert Gray, Office of Policy Development and Research, August, 2000.

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receive large quantities of vouchers, but the income maps put this in perspective somewhat: these are also among the lowest income neighborhoods in the borough. One rabbi interviewed by *The New York Times* pointed out that Hasidic Jews have very large families and the adult males end secular education at an early age, leaving many families poor; he estimated that 30 percent of Williamsburg's 30,000 Hasidic Jews are receiving welfare benefits (Sexton, 1997). An academic who has studied Williamsburg reports that many there believe the Hasidic Jews as a group are extraordinarily effective in navigating the complex regulations in the city's welfare programs, a competence which some assert translates into sophisticated schemes for presenting fraudulent documentation of income in order to receive benefits (Int. N-42). A source involved in local politics reports that Hasidic leaders refer to allocations of vouchers they have been promised by various elected officials in exchange for political support, singling out HPD as a source of such allocations (though the maps show HPD vouchers to be more randomly distributed in Jewish and Hispanic areas) (N-45)[72].

All the agencies seem to do a good job matching up families to apartments of appropriate size. Waiting periods are long in all cases, but far beyond the average at HPD. Finally, we can get a rough idea of the record of the programs in locating people in racially diverse areas with low concentrations of poverty: While DHCR is about average and Portland, with it low rates of minorities, is also unsurprising, both NYCHA and HPD (in particular) fare poorly on the racial variable. The percentage of minority residents in tracts where HPD's vouchers are used is double the national average, and at 83 percent exceeds the threshold used by segregation researchers for racially "hypersegregated"

[72] The maps in Appendix A, however, indicate that HPD vouchers are more randomly distributed in Williamsburg than those issued by NYCHA or DHCR, which are concentrated in Jewish areas.

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conditions (see Massey and Denton, 1993, pp. 75-6). Tract poverty rates are also above the national averages, though less sharply. HPD participants, however, still reside in tracts that, at an average of 37 percent poverty households, are just below the HUD definition for "concentrated" poverty used in the Moving to Opportunities program. Of course, since this is an average of all the tract poverty rates, a high proportion are likely above the 40 percent threshold used by HUD in that program.

Before discussing the particular practices of each agency administering Section 8, it is worth noting one more important element of the program for all three agencies: Each year HUD establishes a fair market rent (FMRs) level for the metropolitan area, which since 1995 has been pegged to 40 percent of the area median rent. In New York, this process has resulted in what administrators say is a fairly generous threshold, offering enrollees a good range of apartments (Ints N-9, N-15, N-31). The FMR on a two-bedroom apartment in 1996 was $817, quite a bit higher than the real average rent on that size unit in the Section 8 program, which was just $625 that year. In addition, the FMRs have been raised steadily over the years in New York, with annual increases averaging over six percent since the late 1970s, a rate that is higher than both inflation and the legally mandated rent stabilization increases, though this does not necessarily mean that apartments renting below the FMR are plentiful in the city, nor that quality units in good neighborhoods are easily obtained (Citizens Housing and Planning Council, 1997, p. 24).

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THE NEW YORK CITY HOUSING AUTHORITY

Overview

NYCHA is the largest housing authority in the country and the largest Section 8 administrator as well, operating over 180,000 units of public housing in addition to 75,500 certificates and vouchers provided via 25,000 landlords. The authority's 344 public housing developments are home to over 600,000 residents, including as many as 150,000 unauthorized occupants living in doubled-up units. The agency pays out over $500 million in Section 8 subsidies each year. At present the program has an annual turnover of about 4,500 units, with another 3,500 "set-asides" available (vouchers dedicated to welfare to work, family unification, project based conversions, and veterans programs) (N-31). Administratively, Section 8 is implemented through the "Leased Housing" department at NYCHA, a term which harkens back to the days in the mid-1970s when Section 23 units were being converted into Section 8 tenant-based vouchers. Over 450 people are employed at NYCHA in Leased Housing (Int N-8, N-9, N-14).

The mayor appoints all three members of the NYCHA board, a significant opportunity to dispense political patronage as Board seats are full-time jobs with salaries of more than $100,000. This arrangement has led to substantial turnover of Board Chairpersons and General Managers in recent years, each position changing hands five times within a decade. The effect on mid-level managers has been pronounced: an atmosphere of caution and resistance to innovation has set in among many day-to-day program administrators (Thompson, 1999, p. 136). Long considered one of the nation's best-run public housing authorities, NYCHA has faced increasing difficulties in recent years as the tenant population has changed and lax management has created financial and

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performance problems. Between 1985 and 1995 the percentage of NYCHA households in the workforce declined from 48 percent to just 30 percent—partly as a result of City efforts to place homeless families in the projects. The 1994-97 period saw a destructive series of arson attacks in NYCHA stairways requiring substantial rehabilitation. In the mid-1990s the number of vacant units spiked to 6,000 despite the existence of nearly 125,000 families on the waiting list. Still, the underutilization of potential units has not led to any public outcry (Thompson, 1999, pp. 129-136).

In response to these difficulties, NYCHA administrators moved to increase accountability from public housing managers by decentralizing operations into nine borough and sub-borough divisions. But efforts to improve management have faced attitudinal, legislative and technical obstacles. The "politicized" atmosphere at the top has led to cynicism among lower-level managers. At the same time, efforts to promote employment opportunities for NYCHA residents have run aground on Davis-Bacon prevailing wage restrictions and lack of cooperation from the construction and maintenance unions on which NYCHA depends. Finally, the main computer system at NYCHA was designed for a trucking company and has been described as "wholly inadequate," and does not track key variables such as rent collection or repairs at the building level (Thompson, 1999, p. 124-5, 135).

For many years, NYCHA maintained a high degree of stability in its projects by screening tenants and tending a careful mix of working families, retirees and welfare recipients within the projects. As a result, not only did NYCHA have a high rate of working families and comparatively strong social networks among its residents, but the authority has also located substantial numbers of units (20 percent of the total) in

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majority-white Census tracts. Since the tenant composition is less than 10 percent white, this has likely contributed to racial integration in the city. Phil Thompson has pointed out,

> NYCHA's historic success is probably best described as a 'social capital' approach that emphasized infusion of job networks (workers) into buildings housing welfare recipients, as well as strict screening of applicants. In precisely these respects, NYCHA was not 'public' housing. NYCHA housing was not an entitlement—it was not first come, first serve—and it was not devoted to serving the most needy" (1999, p. 128).

In recent years, as the rate of working families has eroded, the authority has sought to use HUD regulatory changes to grant preference to working families as they move into the projects. This has generated a mixed response from the community: some praise the policy for seeking to stabilize conditions in the projects while others say the policy will exclude the neediest cases from assistance (Thompson, 1999, pp. 122-138).

SECTION 8 AT NYCHA

History and Structure

With 75,500 units under lease, NYCHA has the largest Section 8 program in the nation (Int. N-14). The program began in 1975 with an allocation of 503 certificates to NYCHA. Shortly afterward, the Beame administration attempted to gain approval from HUD to use the bulk of the city's certificates to assist residents of City- and State-financed public housing in paying their rent. Such a move would have helped shore up the housing authority's finances but was strongly opposed by a variety of non-profit and for-profit landlords, notably Sam Lefrak, owner of Lefrak City, subsequently one of the largest providers of units to Section 8 tenants. With Lefrak initiating court action and substantial opposition among the city's property owners, HUD rejected Beame's

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application to tie the certificates to public housing (Int. N-9; Citizens Housing and Planning Council, 1997, p. 8).

For many years after the program's inception, NYCHA administrators placed a very high priority on building the client and landlord base. In the early years of the program, as many landlords were reluctant to rent to Section 8 tenants or were suspicious of a subsidy program they knew little about, NYCHA assigned a staff person to conduct outreach to landlords to encourage them to participate in Section 8. This individual made the rounds of meetings of real estate boards and landlord associations, detailing the virtues of the voucher program (principal among these would be the steady stream of income along with rent increases in line with guidelines set by the rent stabilization laws). NYCHA also met individually with large landlords such as the management staff at the sprawling Mitchell-Lama development, "Co-op City," where over 500 households were receiving Section 8 at one time.[73] Since large landlords required only one check from NYCHA for all their Section 8 tenants and their professional manager teams soon learned what was needed in order for apartments to pass the housing quality inspections, their participation benefited the authority by simplifying the relationship between the agency and the landlords. And as the program has grown, so has the number of participating landlords, from 10,000 in 1987 to over 25,000 in 1999. At the same time, the character of the landlords has changed: the percentage of tenants renting in one to five unit buildings rose between 1985 and 1995 from less than ten percent to 25 percent of the total Section 8 pool (Citizens Housing and Planning Council, 1997, p. 28). NYCHA

[73] Section 8, while primarily thought of as a program serving renters, can also be used to subsidize low-income shareholders paying high maintenance burdens in co-operative apartments, a form of tenure which is very prevalent in New York City.

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maintains a hotline for landlords to call in vacancies, but currently conducts no systematic outreach to attract new landlords (Int. N-9, N-14).

As in Section 8 programs at many other housing authorities, NYCHA does not spend all the HUD administrative fees generated by Section 8 on Section 8 administration. Instead, these go into a general fund and budgets are calculated on a "pro rata" basis, meaning that separate budget figures are not available for NYCHA departments. As a consequence, it is impossible to know how much money is spent each year by Leased Housing (Int N-8), though HUD records indicate payments of $51 million in administrative fees on housing assistance expenditures of $481 million.[74] Leased Housing enjoys a high rate of stability in its management staff. The director of the department, Harold Sole, began working at the authority in 1947 and ran the Section 8 program from the day it was begun until his retirement in 1997. Most supervisors have ten or more years of experience (Int. N-8).

Similar to Portland, NYCHA organizes its administration of Section 8 by function. A proposal made during the Dinkins years to operate according to a case-management approach was rejected in consideration of the high volume at NYCHA and the consequent need to specialize, along with a feeling that a functional approach created checks and balances against fraud. Agency officials report that the decision to remain organized by function was generally supported by the staff, in contrast to the Portland experience where staff were resistant to losing personal contact with the clients (Ints. N-31, N-36). Since the inception of Section 8, NYCHA has utilized a "teams" approach to carrying out the tasks associated with the program. Teams are organized by function,

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[74] Source: Voucher for Payment of Annual Contributions (Vouchers and Certificates have been summed). period ending December 31, 1998, lines 17-19. HUD regional office files, Portland Oregon.

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with the primary teams being "rental teams" and "management teams" (Int. N–31). Depending on the volume of new vouchers, there are up to ten rental teams, with each ten-person team handling a case load of 900 to 1500 rentals a year. Rental teams take over cases once the Housing Applications Department[75] has certified that an applicant is eligible, and are responsible for all tasks associated with the renting of the unit. This includes briefings, assigning of the voucher, determination of rent reasonableness, and coordination (and sometimes conducting) of the initial inspection (Ints. N-8, N-9, N-14).

Management teams are larger, about 30 people, and are responsible for recertification of tenants on an annual basis, organized by zip code. They carry a caseload of 9,000 and determine tenant incomes each year to establish the basis for changes in the tenant contribution as well as continued eligibility. They also must handle requests for apartment transfers (which require the execution of new housing assistance contracts), as well as problem solving for tenants who are in-place. From time to time, as the rate of new rentals slowed and the workload of the management teams grew, rental teams have been "cannibalized," in the words of one administrator, to help ease the burden of their counterparts (Int. N-8, N-9, N-31). Interestingly, NYCHA uses a "mail-in" method of recertifying tenants, practice that dates to the days of the Section 23 program. In Portland, their adoption of this method is viewed as an important innovation, while in New York it has always been done this way. The great majority of tenants never visit the NYCHA offices after their initial intake briefing (Int. N-31).

The inspection unit is separate and carries out the annual housing quality inspections for recertification, plus re-inspection of failed units, as well as the bulk of the

[75] A department with offices in each borough which takes applications for a variety of NYCHA programs and conducts the initial interview for Section 8 (Int. N-14).

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transfer inspections. There are plans to give this unit responsibility for initial "intake" inspections, but so far this has not occurred. Intake inspections must be completed on a very short time line—the current target is ten days—and when an apartment is still on the market, it has made more sense for the rental unit to have control over how quickly a unit is inspected (N-31).[76] This makes it more likely that inspections will occur soon enough that landlords don't rent the unit to someone else. When units fail the landlord is notified and given 30 days to correct the condition (Int. N-14).[77]

The most important structural change at Section 8 in recent years has been the move to borough offices. Mayor Giuliani's administration has made decentralization of functions a priority, with a number of agencies that serve the public establishing additional offices in communities around the city. After the mayor's election in 1993 it was decided that the housing authority should decentralize operations: The Housing Applications department, public housing management, and community relations functions had been distributed through the five boroughs for some time and in the late 1990s it was decided that Leased Housing would be split up as well, so the agency would have offices in each borough, closer to the tenants and landlords whom they served (Int. N-8, N-14, N-31). This was a decision made by NYCHA's top administrators and its implementation was delayed by the opposition of the director of Leased Housing, along with other factors, for a number of years. Administrators report that the change has brought a significant additional burden in planning and coordination for program staff

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[76] The time period in which inspections are actually completed is somewhat unclear. Outsiders report that initial inspections can take months, while NYCHA employees report that the time line is closer to ten days (Int. N-30). Absent systematic reporting, it is difficult to determine the real level of performance on this measure.

[77] This period used to be longer (60 days) but under the new SEMAP process it has been set at 30 days. NYCHA lobbied HUD unsuccessfully to permit a longer period for repairs when an apartment has failed inspection (Int. N-14).

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who often share paperwork with people in other borough offices and the central office in Manhattan. Under the previous organization they would simply walk down the hall to get a needed signature on a document, but the new system requires extensive use of interoffice mail and faxing of documents, complicating and delaying some operations. But one manager points out that for tenants and landlords who live closer to the borough offices than to the central location, however, the decentralization is likely to be perceived as a convenience, and that Section 8 operations in the old central space were becoming overcrowded and this brought its own burdens to administrators (Int. N-31, N-36, N-14). It is worth noting that NYCHA's decentralization initiative took the opposite course of action from what was done in Portland, where they centralized operations to achieve more efficiency and better supervision.

Making Section 8 Policy

The Director of Leased Housing plays a very important role in determining how program decisions are made. Most practical decisions regarding how the program will be administered are made at this level, with the occasional participation of the general manager and the Board when important policy decisions are being considered, such as whether to "contract out" some of the functions associated with administering the program, whether the waiting list preferences will be adjusted to benefit a particular group. Many of the decisions made by the director of the Section 8 program have important implications for the policy outcomes of the program. For instance, the director decides whether the waiting list should be "purged" periodically to eliminate names where do not respond to a mailing requesting they update their information. NYCHA for

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many years did not purge their list, while Chicago's Section 8 program recently began doing so (N-14). On more important decision, such as what priority order to use for the preference categories on the wait list, the Board of Directors will make the decision, consulting with the mayor's office if necessary. On rare occasions, such as when NYCHA and HPD were negotiating over return of the vouchers lent by the latter agency, or when the homeless crisis was garnering city-wide attention and NYCHA was being asked to place families through Section 8, the mayor's office has played a substantial role in guiding policy (Int. N-14).

NYCHA leaders indicate that the authority operates with a fair degree of independence from the mayor's office (Int. N-8), but others strongly disagree. Philip Thompson describes NYCHA board membership as "one of the premier patronage appointments in city government" (1999, p. 136), a HUD official agreed, saying "NYCHA is thoroughly, thoroughly political, at every level" (Int. N-40), and others interviewed indicated that NYCHA administrators are strongly influenced by political considerations in decision making (Ints. N-4, N-43). The mayor appoints the three members of the NYCHA Board and they hire the general manager, who has direct responsibility for the operations of the authority's far-flung programs and developments across the city's five boroughs. Once the Board members and general manager are selected, however, the mayor's office has only occasional input into the practices of the Section 8 program. It is assumed that the general manager and the Board reflect the mayor's overall priorities, which in Giuliani's case would include privatization of operations where feasible, mixing of incomes (mostly through attracting working families into the lowest income developments), and simplifying, streamlining, and automating

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operations. On the day to day operations of the Section 8 program, a high-level administrator reports that the mayor's staff "have absolutely never really had any direct input" (Int. N-8).

HUD administrators cannot cite any examples when Section 8 decision-making was substantially affected by pressure from the political hierarchy, though they believe political considerations weighed heavily in decision making regarding public housing in Williamsburg, Brooklyn, where Hasidic Jews received more housing than their Puerto Rican neighbors, resulting in an acrimonious lawsuit by the Puerto Rican Legal Defense Fund and Brooklyn Legal Services Corporation. The lawsuit was settled in 1978 with a consent decree that required NYCHA to offer vacancies to Hispanic households until the proportion of whites and minorities was balanced, but legal wrangling has continued to the present day as Hispanic advocates argue that the Hasidim have manipulated NYCHA administrative rules to transfer apartments within families rather than moving out, which would place apartments on the waiting list where Latino families could access them (Ints. N-40, N-41, N-42). The Williamsburg case, despite the focus on public housing rather than Section 8, is important since it raises questions of favoritism in allocation of housing from NYCHA. A HUD official says, "it's widely felt at HUD that that was a political fix. And it was looked upon very negatively within HUD. It was not like people were arguing in HUD, 'Oh, it's OK.' No one was taking NYCHA's side. All of the arguments were over how to work everyone's way out of it. But it was universally felt at HUD that something very unfair had happened." This individual suggests that similar dynamics may have been at work in the voucher program, and an attorney familiar with the litigation agrees, but neither offers evidence of this (Ints. N-40, N-41). In addition, the

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Williamsburg case offers evidence that NYCHA may have bypassed Hispanic families on the waiting list in favor of Hasidic applicants, a practice that indicates that the official order on NYCHA's waiting list in public housing was not the order in which families were offered units (Int. N-42).

Two exceptions to the tendency of the Mayor's office to let Section 8 operate independently relate to the use of Section 8 in an "enabling" role where vouchers are granted to particular groups facing unusual and high-profile housing emergencies. In one example, in the aftermath of a building collapse in 1996 the mayor committed to providing public housing units or Section 8 subsidies to all the families who were income eligible and were homeless as a result of the collapse. The Section 8 unit was asked to fast-track the applications from these families (Int. N-8).

The other exception sheds light not only on the relationship between the city administration and NYCHA, but also between the authority and the City's housing agency, HPD. In 1989 HPD was operating a program that combined vouchers with HUD rehabilitation subsidies and faced a problem where the slower-than-expected pace of construction was insufficient to absorb the allocation of rental subsidies from HUD. Rather than return the vouchers unused, HPD, HUD, and NYCHA were able to negotiate an agreement that required HPD to transfer the 3600 excess vouchers to NYCHA, with the understanding that they would be "returned" at a later date (actually, NYCHA agreed to grant HPD applicants preference for a similar number of vouchers on request) (Ints. N-6, N-8, N-13).

HPD had been maintaining a fairly large reserve account during the early 1990s in the expectation that they would eventually be allowed to use the reserves to fund

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additional vouchers as large number of Ten Year Plan buildings came on-line during the first half of the decade. Instead, HUD decided to "recapture" the excess reserve accounts of local Section 8 programs and transfer the money into a flood relief fund, a step that cost HPD $150 million and had a sudden and very negative effect on their ability to provide rent subsidies to match the pace of production in the mid-1990s. Together with the elimination of additional units from the federal government after 1996, this generated a crisis atmosphere in the Section 8 unit at HPD where suddenly thousands of vouchers that had been promised to developers of units within the Ten Year Plan were unavailable (Ints N-8, N-13).[78]

In 1996 HPD approached NYCHA about getting access to the promised vouchers and NYCHA initially refused to accommodate their request, citing the changed program environment that had shaped their initial agreement. The federal Rental Rehabilitation program had since expired and was no longer the program under which the units would be rented. HPD and NYCHA entered into a lengthy and complex negotiation over the subsidies and the mayor's office helped to mediate the dispute. HUD was involved as well; one administrator described NYCHA as "more interested in fighting a jurisdictional war with HPD than in trying to support efforts that would lead to more housing. It was more about their institutional needs..." (Int. N-40). Though no one interviewed for this study will say exactly what role the mayor's office played, it seems likely they encouraged NYCHA to cooperate with HPD by amending the original agreement to reflect the new rehabilitation programs HPD was using in 1996 (Ints. N-6, N-8). At the same time, the mayor's office urged NYCHA to cooperate with HPD in helping to provide additional subsidies that were required to meet the need generated by the City's

[78] Source: HPD document "Meeting HPD's Urgent Need for Section 8." No date.

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rehabilitation programs, and NYCHA assisted with these requests as well (Int. N-8). In the end, NYCHA provided HPD with 2,899 certificates and vouchers, substantially helping to address their shortfall.[79]

NYCHA Section 8 staff at a variety of administrative levels interact with the regional HUD office, with financial people dealing with their counterparts, and Leased Housing administrators dealing directly with HUD when the need arises. Similarly to the prevailing opinion in Portland, NYCHA administrators describe their relationship with local HUD officials as "great," but are not positive about their interactions with the national HUD office, which is said to be "out of touch with what is going on in the real world." Most of the complaints seem to be focused on public housing issues, however; top Section 8 officials in Washington are viewed as accessible and responsive (Int. N-8).

Not surprisingly, NYCHA plays a very substantial role on the national policy stage. High level NYCHA officials are active in the National Association of Housing and Redevelopment Officials (NAHRO), where they occasionally lobby on Section 8 issues, and the authority has been quite active in the National Leased Housing Association, where long-time director of the Section 8 program Harold Sole served as president in 1997. A HUD administrator says NYCHA has "this incredible direct relationship with [Senator Alfonse] D'Amato that transcended administrations in City Hall," but that in the end most of NYCHA's arguments with HUD were legitimate differences of opinion on the best way to provide housing to the poor:

> "I could curse all the city agencies till the cows come home...but in the end, despite their incredible arrogance, their incredible wastefulness, their lying, their cheating, their conniving, their politics, their Hasidic stuff, all this stuff, a lot of what NYCHA did was very good and some of what NYCHA did was very right because it led to more or better housing for people" (Int. N-40).

[79] Source: HPD document "Meeting HPD's Urgent Need for Section 8." No date.

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With Senator D'Amato holding a key position overseeing HUD in the Senate Banking Committee, his intervention has been crucial to NYCHA's successful advocacy of its agenda on issues like returning to a "unit count" (an accounting formula that would have resulted in substantial reductions in the total number of families served by NYCHA) (Ints. N-7, N-8). As a HUD official puts it, this was "a very good example where they invoked D'Amato like six minutes into the conflict before any attempt, in my opinion, at negotiation. They just went nuclear with D'Amato, and you know he issued a press release attacking HUD" (Int. N-40).

It seems that outside advocacy organizations and politicians are quite active in promoting the needs of particular tenants, but have played almost no role in guiding Section 8 policy making on a more systematic basis. The Housing Applications Department has a ten-person team devoted to responding to the volume of letters from advocates, Legal Aid attorneys, and public officials who seeking to assist particular applicants who are having difficulties with the process, and they report that these letters sometimes affect a particular decision regarding clients, mostly because the clients are not familiar with the dynamics of the program and sometimes fail to note or prove a preference qualification that might move them into a better place on the waiting list. One administrator explains:

> "When somebody gets wind in Washington that they're going to throw us a bone of a few more vouchers, people in the city know about it. A year before we do! They immediately begin—with our tremendous waiting list—they smell that it may be opening up a crack. They want to get as many people slid in there as possible" (Int. N-31).

The role most outsiders seem to play, aside from plugging as many clients as possible into the slots available at NYCHA, is to facilitate communication between the

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client and the authority, helping tenants make a strong case when applying, transferring between units, or having difficulties with a landlord (N-31, N-9). But broader issues, such as the services that will be provided to enrollees when searching for units, or the details of what an inspection will cover, are determined internally. Section 8 administrators say they are swayed by occasional letters from landlords who make suggestions for ways to improve the program, like combining different documents into one mailing to ease record-keeping for landlords. But the kind of collaborative decision-making that characterizes aspects of the program in Portland is absent at NYCHA (Int. N-9).

There has been one notable exception to this tendency: In the late 1980s the Legal Aid Society initiated a lawsuit on behalf of a Section 8 tenant facing eviction. The *Williams* case, as it became known, turned into a class action lawsuit and resulted in significant changes in the procedures landlords must follow when they wish to evict a Section 8 tenant. As a result of the case, landlords were no longer permitted to proceed with an eviction unless NYCHA had been notified and it was made clear whether the rent the landlord was seeking was the tenant's share or NYCHA's share. In effect, the suit made it virtually impossible for the landlord to evict a tenant if the tenant was paid up but NYCHA was withholding payment, either due to administrative delay or the failing of a housing quality inspection. Tenants can still be evicted for non-payment of their own portion of the rent, and the landlord's requirements are more of a reporting obligation than a condition where NYCHA is granting permission to carry out the eviction, but the restrictions are nonetheless greater in New York than elsewhere as a result of this case.

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These restrictions were written into the lease signed by the landlord in the mid-1990s Ints. N-9, N-31).

Not surprisingly, NYCHA administrators from Board members to Section 8 administrators are active on the national policy stage, regularly lobbying HUD on issues of concern to the authority. One area where this has been the case is in the clear preference by NYCHA administrators of the certificate over the voucher program. New York was one of the sites of the national voucher demonstration program in 1983 when HUD was testing the feasibility and effects of a voucher model. The key difference between certificates and vouchers is that the certificate program limited the tenant contribution to 30 percent of income, while the voucher alternative gave the tenant more flexibility, allowing them to make up the difference out of pocket if they found a unit renting above the payment standard, while keeping the savings if the unit rented for less.[80] Key administrators at NYCHA, including Harold Sole and General Manager Paul Graziano, strongly favored the certificate program despite HUD's efforts to promote vouchers as a preferred alternative, arguing that tenants in the voucher program often spent too much of their incomes in rent, that the "shoppers incentive" for tenants who rented cheaper units was often wasted since many people who benefited from it were renting in-place, and that the ability of some families to afford high rent burdens may have been related to their receipt of unreported income (Int. N-9, LaGuardia College Oral History).

Harold Sole criticized the voucher program in a strongly worded memo written in 1989, charging that many voucher families were paying either extremely low or extremely high rent burdens (from 11 percent to more than 60 percent of income), that

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the vouchers cost the government more than certificates, and that the housing rented by the two groups is substantially identical.[81] Sole calls the federal government's use of the term "shopping incentive" "absurd" because over 80 percent of the people who benefit from it rent in-place, and notes that tenants given the option in NYCHA briefings to choose between vouchers and certificates are choosing the certificates at a rate of four to one.[82] Another NYCHA administrator explained his preference for the certificates:

> "I think it almost creates a disservice for our applicants...Most of these people are at very, very low income levels and I think they are easily sucked into things that they can't afford to get sucked into, and they end up then paying 40% of their income. The reason the 30% was set as a payment standard was to maintain some relative relationship of affordability to disposable income. And I think the people end up using more than reasonably almost anybody in the rest of the world would ever spend for housing and as a result, they suffer in other areas because they don't have that disposable income" (Int. N-8)

For a number of years after the voucher program was created, NYCHA operated under a policy that gave enrollees the choice of whether they wanted a certificate or a voucher. The two alternatives would be explained in the tenant briefing and tenants were allowed to select their preferred choice. Tenants selected certificates at a much higher rate than vouchers, possibly because the certificate program protected them from having to pay a higher rent, especially in cases where the apartment rents increased more rapidly than tenant incomes, but also possibly because the way the two programs were explained highlighted the strengths of the certificate and the weaknesses of the vouchers. NYCHA allocated so many more certificates than vouchers that HUD finally intervened and pressured the authority to step up the utilization of vouchers. Meanwhile, the surplus vouchers were granted to DHCR, which used them as the basis for starting up its own

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[80] These two programs were merged in 1998. See chapter One.
[81] Source: NYCHA files, "Final Report on Rentals in Housing Voucher Demonstration in New York City," no date.

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Section 8 operation (Ints. N-10, N-15). It is noteworthy that the eventual resolution of the issues that occurred when the programs were merged in 1998 reflected many of the key points advocated by Sole and others at NYCHA: most importantly the shopping incentive was eliminated and the rent burden was capped at 40 percent (Int. N-31).

Another important national issue that NYCHA administrators on which NYCHA administrators hold strong opinions is the effort to use vouchers to deconcentrate the poor. One administrator called this "social engineering," and said "the proponents of that are the people who write, the people who think, but they are not the people involved" (N-9). Another pointed out that many families moving to low poverty areas may have better access to jobs but will "stand out" more and have less of a system of "life support," from friends, family and supportive social networks (Int. N-8). NYCHA officials made a point of informing HUD in the mid-1990s that their tenant base was already well disbursed, with Section 8 units found in 93 percent of the city's zip codes (Int. N-10).

These opinions may have been formed as a result of NYCHA's particular experiences with tenants and their connections to the neighborhoods where they live. Harold Sole spent the early part of his career overseeing the relocation of tenants who were being displaced as a result of the construction of public housing projects, and found many of these tenants to have an almost obsessive connection to their apartments, no matter how poor the conditions or how attractive an alternative NYCHA was offering.[83] Another administrator recalled that NYCHA was offering families in overcrowded public housing units the option to convert their public housing assistance into tenant-based assistance; out of 8,000 families offered the conversion, only eight accepted the offer.

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[82] Ibid.

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Finally, one NYCHA official questioned the wisdom of placing poor people in comparatively high-income neighborhoods on equity grounds, defending the point of view of high-income families who did not want government-subsidized tenants encouraged to move into their neighborhoods (Int. N-8, N-10).

On the other hand, it appears that the Leased Housing department is fairly conscientious in its attention to issues relating to poverty concentrations. Section 8 staff include maps of high-poverty areas in the packets distributed to tenants in their enrollment briefings. And during the demonstration experiment in the early 1980s when vouchers and certificates were being compared, the agency maintained a pin-map of all the units involved in the experiment to ascertain whether vouchers or certificates were concentrating in certain neighborhoods and to analyze the comparative distribution between the two programs to see if the voucher model led to a different geographic pattern. They concluded that enrollees were living in a broad range of the city's neighborhoods, and that the two programs did not differ in their effect on locational choices of enrollees (N-11)[84] A more recent effort to use computerized mapping to compare the locations of Section 8 tenants with high-poverty Census tracts reached the same conclusions. NYCHA administrators do not believe Section 8 tenants have a tendency to locate in neighborhoods with high concentrations of poverty and have consequently not made deconcentration a major priority (N-14, N-31).

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[83] Source: LaGuardia and Wagner Archives, LaGuardia Community College, CUNY. NYCHA oral history project, interview with Harold Sole. August 2, 1990.

[84] No systematic statistical study of the spatial relationship between vouchers and poverty areas has been conducted. Wide availability of mapping software capable of such a comparison has only come in the latter half of the 1990s.

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Focused on Growth

NYCHA has long placed a priority on maintaining a comparatively low per-unit cost in Section 8. In most areas of management, where choices were made between options that would provide more services and better administration—but at the expense of the total number of families that could be served—NYCHA chose the course which maximized the number of families assisted. As one administrator explained,

> "The number one priority of the program here for probably its whole history until very recently had been growth, as opposed to quality. Quantity built up. The key thing was start the program, build the program, keep building the program. Because there was this incredible demand out there. And so every possible dollar of federal funding had to be obtained, every possible voucher or certificate had to be put out there and rented. All of which is fine. It's still true, always will be true in New York. But then, as far as the on-going management of all that, less attention was paid..."(Int. N-14)

This approach has paid off in terms of the number of units funded by the program. When HUD changed its allocation accounting practices in 1996 from a system based on units allocated to one based on the dollar value of units in operation, NYCHA was able to expand its pool of certificates and vouchers by 6,500 as a result (Int. N-8). At the Housing Authority of Portland, in contrast, the switch led to a reduction in the number of overall units provided (meaning per-unit costs in Portland are rising).

Cost cutting was pursued at all levels of the program, including various efforts designed to keep rents (and subsidies from NYCHA) low, a generally low level of tenant and landlord services, and minimal expenditures on computer infrastructure. And a side-effect of the effort to maintain high lease-up rates may have been inadequate controls over housing quality.

Rents were kept low partly through diligent application of rent reasonableness standards, i.e., efforts to make sure the contract rent reflected the real market rent for that

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unit and not an inflated figure pegged to HUD's FMR. Rental team members became actively involved in negotiating rent levels with landlords as a common practice. Usually basing their argument on rent charged to the apartment's prior occupants, the housing assistants argued that the new rent should be set within the guidelines established by the city's rent stabilization laws, not, as many landlords hoped, at the level of the maximum allowed Fair Market Rent for Section 8 (which was often significantly higher).[85] This issue arose during the debates in the 1980s about the relative advantages of vouchers and certificates, since the voucher program originally did not allow authorities to negotiate rents, relying instead on the applicant's incentive to take advantage of the shopping incentive. The voucher demonstration program in New York found that vouchers cost more money both for the tenant and for the government, $35 dollars a month more in subsidy from HUD, equaling more than ten percent of the total average payment. The higher cost of vouchers was a primary reason why the program held little favor among NYCHA administrators, even though vouchers may have provided more flexibility to participants (N-9).

At one point, NYCHA experimented with a cost-saving measure linked to discounted levels for the voucher Payment Standard. By setting the voucher payment standards below the level of the FMRs, the authority (and HUD) could save money that would have been spent partly on the shopping incentive, i.e., in cases where the tenant paid less than 30 percent of income in rent, if the payment standard were to be increased (without a concomitant increase in tenant income or rent level), the tenant's rent burden would actually decline. On the other hand, for tenants paying higher than 30 percent of

[85] Approximately two-thirds of apartments in the program are covered by rent control or stabilization regulations. In these cases, NYCHA generally follows the schedule of allowable increases established by

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their income in the voucher program, a lower payment standard would increase their rent burden. Perhaps because of this, NYCHA returned to the practice of setting the payment standard at the same level as the FMR after a few years of experimentation with a lower payment standard (Int. N-10, N-14, N-31).

Another area where NYCHA opted for a lower cost-per-unit approach is in the use of "exception rents" in the certificate program, which are allowed by HUD if an authority can make the case that the FMR is too low to permit families from renting decent units in stable neighborhoods. Exception rents (which are no longer relevant under the new voucher program adopted in 1998) allow tenants to move to more expensive units without paying a higher out of pocket cost. On the other hand, since HUD does not provide additional resources to the authority to meet the increased cost to the government, the authority must make up the difference by diverting resources from elsewhere, usually with the result that fewer households receive assistance overall. The trade-off is between some tenants receiving enhanced support at the expense of a number of applicants who will not be served in the present due to the concentration of resources on people already enrolled. NYCHA has generally found that applicants have been able to rent units below the FMR threshold, and has not used the exception rent option, choosing instead to pool resources for the provision of additional vouchers (N-11, N-31).

In addition to keeping rents low, NYCHA has generally eschewed initiatives to link services to the subsidies they provide. As suggested by the Pratt Institute report discussed in the last chapter, Section 8 at NYCHA has long faced obstacles in placing enrollees into units that are affordable and still meet housing quality standards. "Success rates" for housing searchers were once below 25 percent, but have increased in recent

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the Rent Stabilization Association as a standard for rent reasonableness (Int. N-14).

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years to a high of 57 percent in 1999.[86] NYCHA administrators differ on the significance of the problem: one clearly identifies it as a problem, while another explains,

> "in assessing the value of the program, to place this great emphasis on is the success rate high or is the success rate low, is....sure it tells you how much work has to go into it and obviously you need more staff if more work has to go into it. But it's really not the most important question. The more important question is what about the people who rented." (Int N-8).

Despite the potential problems associated with enrollees conducting a housing search in New York City, the authority provides almost no assistance to tenants in the housing search. Aside from the tenant briefings and occasional assistance in negotiating rent levels with landlords, tenants receive little support while trying to find a qualifying unit. NYCHA maintains a list of participating landlords in the Section 8 program, but this list is not automatically distributed to all enrollees or posted publicly as a standard practice. The NYCHA housing assistant responsible for briefing the enrollee at intake has generally been granted the discretion regarding which tenants the list should be offered to, and as a matter of course, if tenants inquire about the availability of such a list it is provided. And of course, the list of landlords does not necessarily indicate which ones have vacant apartments available that might be appropriate for a specific family. In the late 1970s, when concern was rising about the difficulty tenants had in finding adequate units to rent within the FMR, a city-wide nonprofit housing organization called Settlement Housing Fund began maintaining a data bank of available units and forwarding them to NYCHA. This resource helped bring together applicants and units successfully in two-thirds of all NYCHA rentals during the two years Settlement operated

[86] Though this figure includes EARP, where the practice of pre-approving apartments drives up the success rate. Non-EARP success rates range from 70 percent in the mid-1990s to 94 percent in 1998. (Ints. N-9, N-36).

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their program. Once the initiative was abandoned by Settlement, NYCHA returned to a more laissez-faire approach to the housing search process (Braconi, 1997, p. 10).

In addition, even though many NYCHA clients could benefit from training or services that help them adjust to independent living, the authority provides little help for people having problems keeping their units clean, putting out recycling and garbage correctly, or respecting the peace and quiet of their neighbors (N-7, N-11, N-14, N-31). It is worth noting, however, that NYCHA applied for and received incremental vouchers under the special allocation of "welfare-to-work" assistance made by Congress in 1998. These vouchers are much more complicated to administer, since they require maintaining a separate waiting list of people who are already on NYCHA's waiting list but have participated in various training and services programs sponsored by the City Human Resources Administration. In effect, they require NYCHA to coordinate Section 8 assistance with outsourced social services. NYCHA's participation in this effort suggests that, when new incremental vouchers are at stake, the agency is more than willing to undertake additional administrative burdens in order to serve more tenants (N-14).

On the landlord side, NYCHA provides little in the way of special services. Unlike Portland, which allows landlords access to a tenant's rent payment history in previous subsidized units, New York allows no such information. And indeed, it was only very recently that NYCHA began canceling the Section 8 assistance for tenants who failed to pay rent or who damaged apartments. Recent changes in the HUD regulations have permitted local agencies to terminate assistance for such tenants, and New York has begun doing so, but until the most recent round of program changes in 1998, NYCHA

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cited HUD regulations and insisted that the agency should not intervene between the landlord and tenant wherever possible (Int N-31).

The authority has also offered a tepid response to the various HUD efforts to use vouchers to encourage self-sufficiency among client households. NYCHA applied for the original demonstration "Operation Bootstrap" but was not accepted. As HUD began requiring local authorities to incorporate self-sufficiency programs into their Section 8 administration in the mid-1990s, NYCHA complied, but the program was generally viewed as an unfunded federal mandate, was not administered by the Leased Housing department, and very few families signed up. NYCHA had difficulty coordinating the program with the City Human Resources Administration, which administers welfare payments, and the housing authority apparently did not find the program to be a high enough priority that it merited diverting resources from other places to support it, despite the fact that the authority was spending some portion of the Section 8 administrative fees for purposes other than supporting the Section 8 program. In any case, self-sufficiency has not caught on at NYCHA to date; one administrator called it a "dismal disappointment." As of the year 2000, only 250 families were participating, while SEMAP standards would suggest 6,500 as an appropriate target for an agency of this size (N-9, N-10, N-14). With the implementation of the SEMAP process imminent, NYCHA is undertaking a more concerted effort to recruit applicants for FSS (Int. N-31).

Computer resources have been a difficult issue at NYCHA. As recently as 1997, staff had no ability to make direct changes to the NYCHA computer system, relying instead on paper requests to computer input workers, and administrators complained of the staff time lost in filling out tens of thousands of paper documents that could have

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been automated with a more adequate computer system. One administrator described it as

> "absolutely a nightmare...The leased housing program isn't in the twentieth century, let alone ready to move into the twenty first...The easiest way to describe it is probably it's like a little Mom and Pop store that kept growing and growing and growing and they never tried to change the systems that worked when they were a small Mom and Pop and suddenly woke up one day and found out that the systems were totally inadequate and that they were behind the pack" (Int N-8).

The minimal investment in computer resources may have allowed the agency to serve more families through reallocations of funding from HUD, but it left them with few resources for tracking the status of clients, automating HUD reports, or summarizing program outcomes. Housing inspection reports are still written up by hand and computerization of inspection information is minimal (Int. N-14). These difficulties may help explain the slow pace of many administrative tasks. Program managers estimate that it takes between nine months and a year for tenants to pass from having their name called up from the waiting list to actually renting an apartment. It can take six months just to get called up and approved for the voucher (Int. N-31).

Finally, the focus on growth may have led to some laxity in enforcement of housing quality standards. Some analysts suggest that loose HQS enforcement practices are a common way for agencies to boost the success rates of their enrollees (Int. N-14; Citizens Housing and Planning Council, 1997, 26). Indeed, one NYCHA manager said that the priority of generating program growth had resulted in an inspection system where some units were passed that might not have been adequate units meeting HUD housing quality standards, some apartments were missed in their annual inspections and simply carried over into the following year. Despite the assurances of some managers that

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inspections are carried out each year and housing quality standards are rigorously enforced, NYCHA has found itself tightening inspection procedures in recent years in preparation for the more demanding requirements of the SEMAP process, which will begin officially in 2001. Inspection deadlines and annual schedules are maintained more carefully. More important, a much higher number of units are being suspended due to poor conditions—5,000 in 1999 as opposed to 3,000 previously (Int. N-14). And NYCHA administrators at the national level have lobbied for HUD to permit comparatively "minor" violations (e.g., a switch-plate off a switch) to not fail a unit (Int. N-9), perhaps creating a system where units with minimal numbers of "minor" problems and no "major" problems could be passed.

These descriptions should not be construed to mean that NYCHA has a monolithic focus on adding units to the program at the expense of all other goals. The authority has undertaken ambitious efforts to combat fraud, and despite its skepticism about the voucher and MTO experiments, participated actively in these efforts and the debates surrounding their outcomes.

The fraud unit has been expanded and improved in recent years, winning a HUD "Best Practice" award and gaining national attention as a particularly successful effort. NYCHA officials say they were always supportive of vigorous investigation for fraud in the program, but the improvements in recent years have come partly in response to an increased commitment from HUD that fraud detection is a priority. In 1999 the authority investigated over 1100 cases of fraud and terminated 172 contracts, a large increase over the previous year (when just 23 cases were terminated).[87] The ten-person fraud unit engages in extensive computer matching, searching records from the health (for death

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records) and welfare departments, along with payroll data from city, state, and the federal governments. Dun and Bradstreet and the state Attorney General are used to determine if recipients own businesses that they are not declaring. Finally, a large volume of tips come from private citizens alleging fraud and the City Inspector General passes on many referrals to NYCHA to follow up. Investigations by NYCHA and the Inspector General's office have resulted in the termination of hundreds of families for fraud. In one check of death records over 200 deaths had not been reported to NYCHA. Some cases have been referred for criminal prosecution, including a few high-profile cases in the mid-1990s (N-31; Finkel, et. al., 1996, p. 22).

Responding to changes in the federal Section 8 regulations, the authority began conducting background criminal checks on applicants starting in 1999. They check applicant names and social security numbers against a state-wide criminal justice database, and any applicant who has committed certain categories of felonies (mostly related to violent crimes) can be automatically excluded from assistance. The agency also employs a fraud control unit, which has been retained in the central office along with other citywide administrative activities; this unit investigates allegations of fraud or improper payments in the program (N-14).

A Special Case: Moving to Opportunities

NYCHA also participate actively in the New York City demonstration of the Moving to Opportunities (MTO) Program, despite doubts about MTO and its objectives held by a number of NYCHA administrators. In MTO, families with children who live in public housing in areas with poverty rates of higher than 40 percent are invited to apply

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[87] Source: NYCHA statistics, provided to author October, 2000.

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for a voucher that can only be used to move to areas where the poverty rate is less than 10 percent. Two control groups are involved, one which stays in public housing and the other which is provided regular Section 8 vouchers with no restrictions on where they could use them. NYCHA provided the tenants from public housing and administered the vouchers between 1994 and 1997, while a nonprofit organization, the Northern Manhattan Improvement Corporation (NMIC) was contracted to provide counseling and placement services for the families in the experimental group (the ones moving to low-poverty areas) (Int. N-30).

NYCHA officials were disappointed in the number of tenants who had to be recruited to lease up 180 units in the experimental group (5,000 applicants were included in the original group of tenants recruited from public housing), and a planned project in the Rockaways was abandoned due to skepticism about the number of applicants needed to end up with 50 leased up MTO tenants. One NYCHA administrator called it a "frustrating experience" (N-8, N-30), but staff that administered the program at NMIC report that it was "a pretty successful project" (Int N-29). Compared to the measurements recorded in the other MTO sites (Baltimore, Boston, Chicago and Los Angeles), New York had a lease-up rate of just below average: 45 percent, compared to 48 percent across all sites. The program maintained a low profile: there was little press coverage and no community opposition to the program such as occurred in Baltimore. Local HUD officials interviewed in 1997 had no idea that New York City was even participating in MTO, nor did they have any idea whether the local agencies had FSS programs (Ints. N-7, N-30).

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Most of the tenants who opted for MTO cited fear of crime as their primary motivation for moving from the projects. Forty eight percent of MTO applicants reported having been victimized in the previous six months, eight times the victimization rate of public housing tenants in general (Citizens Housing and Planning Council, 1997, p. 35). Staff at NMIC feel quite positive about the program and its results, explaining that participants were pleased with the quality of their new units (though they were often smaller than their public housing apartments) and noted above all that their new neighborhoods were much quieter than where they lived before. One staffer concluded:

> "It was a really positive experience because most of the 180 families who moved were happy with their decision. And then that made me feel good. Like I feel that we made the right decision in helping them. And the big thing was that it was nice to present people with a choice about where they lived. Whereas before they might have felt stuck. Just to give people the better option. It was really a fun thing to be involved with (Int. N-30).

NMIC staff helped enrollees understand the program, select neighborhoods where they could look for housing, and counseled them in how to dress and act in interviews with realtors and landlords. Critical services included locating realtors in low-poverty areas willing to help connect applicants and landlords, getting the city welfare department to agree to pay realtor fees that were required to rent apartments, and having NMIC staff personally work with welfare case workers to get tenants on "direct vendor" payments so landlords could get paid the welfare portion of the rent directly (helping to ensure arrival of the payment). NMIC says NYCHA staff were extremely cooperative during the program, which reflects positively on the agency's fairness, given the low regard deconcentration programs hold among Leased Housing Administrators (Ints. N-9, N-30). Research sponsored by HUD indicates that, across all five sites, the housing counseling

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and support services provided had a significant positive impact on the likelihood of a family to lease up in a low-poverty area (Goering, et. al., 1999, pp. 24ff.).

The program was not without its difficulties, however. Only 180 families succeeded in finding housing out of a total of 450 applicants, a 40 percent success rate, and virtually all of these moved to one area of the Northeast Bronx. Limited to a small number of low-poverty census tracts, participants found Manhattan apartments too expensive and reported too many transportation problems in the affordable areas of Brooklyn and Queens (Int. N-30).

Nevertheless, only one full-time staff person was employed providing assistance in the housing search, and the 40 percent success rate far exceeds the rate for "normal" Section 8 vouchers in some of the city's worst years of performance on this indicator (Int. N-30). HUD reports that the cost of counseling per leased up family was approximately $2,200 (Goering, et. al., 1997, p. 29). Moreover, NMIC staff indicate that the tenants who did not succeed tended to be the ones who were least motivated to find apartments, recollecting that the tenants who found units tended to call regularly during the housing search and proceed methodically and aggressively to find units. Finally, despite fears of some critics that MTO would be perceived as social engineering or an unfair restriction on the choices available to the enrollee (Ints. N-9, N-15), NMIC reports that tenants generally appreciated being given an opportunity to move from the projects and understood that the restrictions were meant to ensure that they moved into a good neighborhood (Int. N-30).

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Who is Served?

NYCHA's population of Section 8 applicants seems to have some unique characteristics when compared with the rest of the nation. First of all, they are much more likely to be homeless than in other places: New York has long granted preference to the homeless for Section 8 assistance and, as will be discussed below, has operated an incentive program that has boosted the percentage of homeless families served in recent years. In addition, the city seems to have a higher rate of families that want to use the rental assistance "in-place," that is, in their current apartment if it meets quality standards. The 1993 utilization study conducted by HUD found that fully 39 percent of applicants preferred to use their vouchers in place, compared to 25 percent in a national sample (Kennedy and Finkel, 1994, Appendix B). And a more recent report indicates that 62 percent of families assisted by NYCHA qualify in-place, which is also higher than the national average. In-place rentals averaged 61 to 64 percent through the 1980s until NYCHA began linking large numbers of vouchers to homeless applicants, a process which boosted the "mover" rate subsequent to 1989. In 1996 the in-place rate stood at 42 percent (Citizens Housing and Planning Council, 1997, p. 11).

Other notable characteristics of the NYCHA Section 8 tenant base include the race and age of the householders. In the early years of the program NYCHA served a population that was disproportionately older and more likely to be white than the residents of public housing. It is possible that white families had higher success rates than their non-white counterparts, and that this accounted for the high rates of white participation. In 1983 almost 45 percent of the families served were white, though this

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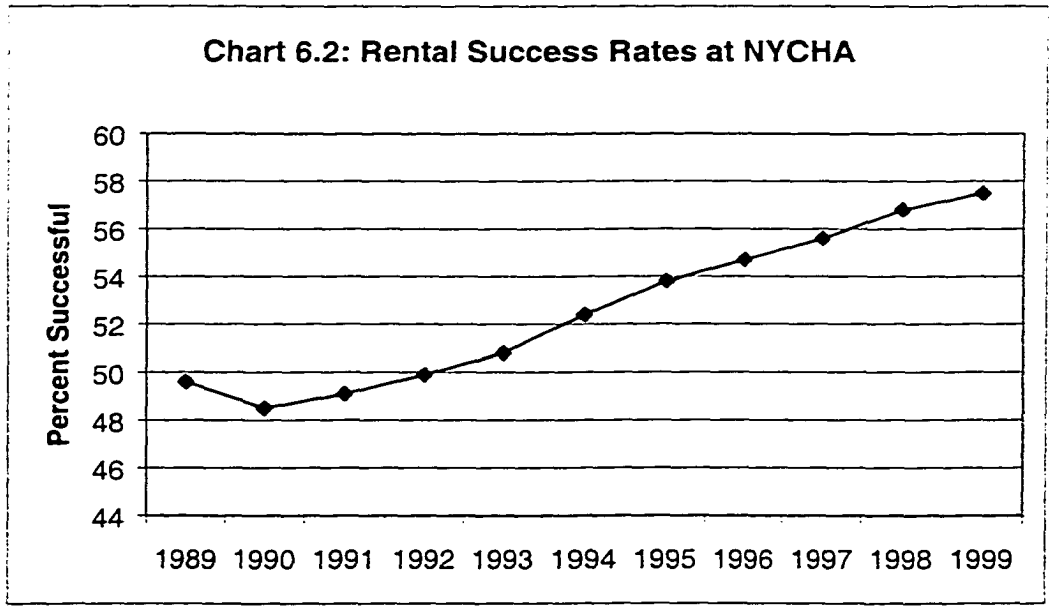
number has come down quite a bit in recent years, so that as of 1995 only 26 percent of the families were classified as white, while 42 percent were Hispanic and the rest virtually all African-American. The rate of elderly recipients has dropped and is now at 29 percent, about equal to public housing in New York but six points higher than the average nationwide. Meanwhile, the likelihood that a household newly receiving Section 8 will be receiving welfare has increased over the years, with employment rates falling in tandem (Citizens Housing and Planning Council, 1997, pp. 18, 19).

Finally, family size has varied quite a bit during the course of the program as well. Beginning at a modest average of 2.07 people per household, NYCHA's average family size for Section 8 stood at 2.79 in 1995. This increase in family size is likely attributable to the shift from elderly clients to younger families with children in the client pool. It is striking that, even with the need for larger apartments on average, the program still increased its success rates in recent years.



Source: NYCHA.

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If one assumes that senior citizens have an easier time finding units than large families then it is surprising that the rise in larger families coincided with higher success rates. This may be attributable to an improving reputation for the program among landlords or to more effective searching techniques (Citizens Housing and Planning Council, 1997, p. 27).

The authority has placed unusual emphasis on maintaining an open waiting list for Section 8 applicants. Most local agencies, once they have built up a substantial pool of qualified applicants on the wait list, close the list and only begin accepting new applications when they have worked through the bulk of the applications in hand. If the wait list grows too large, administrators explain, changing tenant characteristics such as family size, income and rent burden—even such mundane items as current address—mean that fewer and fewer of the people called off the list will succeed in leasing up, which adds to the work of the Section 8 staff and to the frustration of the applicants who are unsuccessful. In contrast, NYCHA maintained an open waiting list for Section 8 from the program's inception until December of 1994 when, faced with over 200,000 people on the list and little prospect of reaching them inside of a decade, the authority closed the list to all applicants except those who qualified under one of the local preferences (Int. N-9, N-31; Citizens Housing & Planning Council, 1997, p. 9).

Waiting list preferences have changed over the years, as a first-come, first-served system was gradually supplanted with local preferences for the homeless, domestic violence victims, and intimidated witnesses in the late 1980s and early 1990s. By the late 1990s, with the rate of new "emergency" applicants at 15,000 to 20,000 a year nearly double the number of new vouchers available, virtually all vouchers were being given to

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families that qualified under one of those three categories; intimidated witnesses represent a small fraction of the total, with the rest split about evenly between the homeless and domestic violence victims (Int. N- 10, N-14). Within the three local preference categories, "city-referred homeless [EARP]," people who come from the Department of Homeless Services, are given the highest priority and are scheduled immediately, followed by domestic violence victims. Non-EARP homeless and intimidated witness applicants rank together in the third tier of preference (Ints. N-14; N-31). Decisions regarding which groups get priority on the waiting list are made at the highest levels at NYCHA, and staff in the Leased Housing Department willingly express reservations about the priorities selected, while at the same time acknowledging that the matter is beyond their control (Ints. N-14, N-36). One administrator questioned why elderly households on fixed incomes who have high rent burdens should be virtually excluded from Section 8 while younger, able-bodied householders are granted preference (Int. N-36).

For most of the Section 8 program's duration, NYCHA used a comparatively low threshold for defining high rent burden. The federal preferences that existed until the 1990s considered a family to be eligible for preferential treatment on the Section 8 waiting list if the family was paying more than 50 percent of its income in rent. When NYCHA first began taking applications for Section 8 in 1976 and was placing a high priority on leasing up families, they noticed that very few tenants were using the "rent burden" preference to qualify for assistance (perhaps because rent levels stagnated during the fiscal crisis of the mid-1970s). In order to allow more families to qualify for this preference they reduced the threshold from 50 percent of income to 40 percent. When

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federal preferences were added to the program subsequently, NYCHA maintained its "local" preference for people suffering a rent burden of 40 to 49 percent, using the federal preference of more than 50 percent to account for the more serious cases. Thus, people with a somewhat lower rent burden were still given extra consideration. Recently the local preference was dropped and the rent burden threshold effectively raised to 50 percent, though only as a federal preference, meaning no applicants in the foreseeable future will have the opportunity to qualify within the category[88]

In addition to granting homeless people preference on the authority's waiting list, NYCHA helps administer an innovative and highly successful program to place homeless families called the Emergency Assistance Rehousing Program (EARP). This effort began in the mid-1980s as a City initiative to provide private landlords with a financial incentive to rent to homeless families applying for permanent housing. Originally the program offered a one-time payment of $2,300 per family member in exchange for the landlord renting to a homeless family for a period of at least three years. EARP achieved modest success for the first few years of its operation, renting to a few hundred families a year in privately owned buildings, but the program began achieving much higher rates of success when Section 8 vouchers were coupled with the EARP bonus payments—an innovation that was brought about through the intervention of Mayor Koch in 1989, shortly before he lost the primary election to David Dinkins (Citizens Housing & Planning Council, 1997, p. 22; Int. N-9). The bonus payments were substantially reduced in the early 1990s, settling at a low of $600 per person, but this did not result in substantially fewer successful rentals through the program. By the late 1990s, NYCHA

[88] This is because the wait list is closed to all but tenants who qualify under the local preference categories.

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was renting 2700 apartments a year through EARP, representing the largest permanent housing resource available to homeless families in the city (Int. N-9, N-14).

The growth in EARP at NYCHA has been a direct result of the dwindling of alternatives for the City as it tries to house more than 10,000 families in need of emergency shelter each year. HPD has had less capacity to house the homeless as the *in rem* stock most suitable for rehabilitation has been largely renovated. NYCHA put large numbers of homeless families into public housing units in the late 1980s and early 1990s until the other tenants complained and the volume was cut back. Few options remain for housing the homeless in New York City other than EARP, which has grown to become the city's primary resource for housing the homeless (Citizens Housing and Planning Council, 1997, pp. 8-9). The impact of this increasing use of the EARP pipeline has been to grant the primary share of the city's Section 8 allocation to families coming out of the shelter system, making it less and less likely that "ordinary" poor families will receive vouchers.

EARP is run by NYCHA in partnership with the New York City Department of Homeless Services (DHS). DHS is responsible for assigning homeless people to the program, as well as recruiting landlords who are interested in renting to the homeless in exchange for the bonus and the steady stream of income provided by Section 8. And the homeless families are not sent out into the private market with a voucher as occurs with non-EARP enrollees; instead, landlords who express interest in the program are pre-certified and their apartments are inspected and approved before a homeless family is assigned to the unit. As a result, EARP has a success rate of 100 percent for enrolled Section 8 families, since apartments are already available for renting and the families are

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choosing between units where the landlord has already agreed to rent to Section 8 tenants (Int. N-9, N-14). Not surprisingly, EARP is one reason (but not the only one) why NYCHA's success rate for apartment searchers has increased in recent years (Int. N-31).

EARP residents have the same right to transfer between units as any Section 8 recipient, and it appears they take full advantage of this right. NYCHA administrators have noticed in recent years that, as the number of EARP tenants has climbed, so has the rate of transfers. This has been further complicated by the rapid growth in the number of families opting to "port" their vouchers to other jurisdictions, which requires NYCHA to administer subsidies in concert with far-flung agencies (Citizens Housing and Planning Council, 1997, p. 34). This creates a significant administrative burden for the department because management teams are not equipped to process the paperwork and arrange inspections for large numbers of transfer tenants; the bulk of their work is focused on recertification and annual inspections. One administrator said it would be preferable to limit the reasons for which a tenant could transfer, and limit the frequency from the current threshold of once a year to something more stringent, like once every five years (Int. N-14).

NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT

Overview

The Department of Housing Preservation and Development is New York City's housing and community development agency, overseeing dozens of programs and hundreds of millions of dollars in construction funds each year. Originally established as

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a mayoral agency in 1967 under the title Housing and Development Administration HPD was reorganized and given its present name in 1977, as Mayor Beame initiated several efforts to address the severe crisis in abandonment and tax delinquency that struck the city after 1975. Since the late 1970s the agency has been the primary channel for spending Community Development Block Grant funds, which have provided the financial basis for many of its programs, along with the billions of dollars in capital funds provided through the City's capital budget under the Ten Year Plan (see Chapter Five). In addition to managing the large stock of buildings in tax foreclosure, HPD is responsible for enforcing the city's housing code, responding to tenant complaints about apartment conditions from the mundane to the life-threatening, and carries out a variety of programs to encourage rehabilitation and new construction of privately owned housing. Responsibility for overseeing rent control laws, held at HPD since 1977, was transferred to the State in 1984, but HPD still oversees the stock of City-financed Mitchell-Lama buildings.[89] The agency operates under the direction of the mayor, who appoints the HPD commissioner and approves the agency's budget, though the City Council Committee on Housing and Buildings offers some limited oversight as well.

The agency's focus has shifted over the years, mirroring the priorities of different mayoral administrations. The emphasis on preservation of the tax delinquent stock that prevailed during the 1970s and early 1980s changed to a full-scale effort to rebuild devastated neighborhoods under the Ten Year Plan, initiated in 1986. In 1990, as David Dinkins was taking office, the agency's mission statement was amended to highlight a growing focus on helping the homeless. References to the homeless were dropped in a

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[89] Source: Department of Housing Preservation and Development, Office of Communications, "Timeline," N.D. Mitchell-Lama information from the HPD Website.

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subsequent revision under Mayor Giuliani;[90] the mission now emphasizes "acting as a catalyst for private sector development and the economic integration of communities" (HPD, 1998, p. 6).

A top priority in recent years has been return of *in rem* stock to the private sector. A 1994 study by the Giuliani administration found the average building remained in City ownership for 19 years, costing $2.2 million, when the tax arrears had been just $36,000. The long-term cost of the *in rem* portfolio was estimated at $10.6 billion. As a result, HPD has continued the Dinkins policy of not vesting tax delinquent properties, has stepped up efforts at neighborhood and housing stabilization, and has worked to promote housing goals through private sector investment, homeownership, and links to commercial development and policing (HPD, 1999).

The management, rehabilitation and disposition of the City-owned *in rem* stock thus occupies a large portion of agency's mission, and is conducted through programs that range from large-scale rehabilitation of vacant buildings (through the Vacant Building and Special Initiatives programs) to the partial rehabilitation of occupied buildings with the assistance of organized tenant associations and community-based nonprofits (in Tenant Interim Lease and the Neighborhood Redevelopment programs). HPD also participates in the lien sales process where, starting in 1996, tax debt has been sold to investors who can collect on the delinquency or foreclose on the property. An alternative to lien sales is also pursued: the recently initiated "Third Party Transfer" program allows HPD to transfer ownership of distressed, tax delinquent properties to

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http://www.ci.nyc.ny.us/html/hpd/html/about/description-of-services.html, July 12, 2000.
[90] Ibid.

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nonprofit and for-profit owners with the purpose of stimulating improvements in the buildings' physical and financial conditions (HPD, 1998; Int. N-32).

In addition to the *in rem* programs, HPD operates programs to promote private sector investment in housing. The Participation Loan and Article 8A Loan programs help provide needed capital to owners, while the J-51 tax abatement program helps offset the cost of improvements in over half a million units across the city (Van Ryzin and Kamber, 1999). Modest quantities of new construction are encouraged through the 421a tax incentive program, which offers abatements and tax exemptions on new construction outside of lower Manhattan. Neighborhood revitalization efforts with the nonprofit New York City Partnership and Nehemiah programs have sponsored the construction of thousands of new homes since the early 1980s for moderate- and middle-income families (HPD, 1998). Finally, HPD provides financing and support for nonprofits engaged in building affordable housing for the homeless that integrates appropriate services with stable dwellings, often in Single-Room-Occupancy buildings.[91]

SECTION 8 AT HPD

History and Structure

The Section 8 program at the City's Department of Housing Preservation and Development administers subsidies for nearly 14,000 units of housing, significantly smaller than NYCHA's 75,000 units but still one of the largest programs in the nation. The housing agency's first allocation of 800 certificates came in the late-1970s through an agreement with HUD to support the popular Participation Loan Program, where

[91] Source: HPD Web site. July 12, 2000. http://www.ci.nyc.ny.us/html/hpd/html/about/description-of-services.html

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private landlords could qualify for public and private rehabilitation financing arranged through the Community Preservation Corporation. Rehabilitation often occasioned restructuring of rents in these buildings. The original HUD allocation was operated as a set-aside to subsidize tenants who could not afford these rent increases (Schwartz and Vidal, 1999, p. 245; Citizens Housing & Planning Council, 1997, pp. 13-14, Int. N-17).

At the outset, HPD's program was largely administered through NYCHA's Leased Housing Department, an arrangement that enabled HPD to utilize certificates for targeted households without having to create an extensive bureaucracy to manage the effort. This relationship with NYCHA endured until the early 1980s when HPD opted to administer the certificates internally. NYCHA had been placing the HPD applicants on the general waiting list and providing them with certificates when their names reached the top of the list, a process which made it difficult for HPD to time the provision of assistance to the imposition of rent increases or disposition of a city-owned building to private ownership. HPD's assumption of the day-to-day responsibilities of the program gave the agency more control over which families received assistance at what time, but generated administrative burdens that sometimes taxed their capabilities (Ints N-3, N-13). The relationship with NYCHA continued in a limited way: HPD simply adopts the NYCHA utility allowance schedule once NYCHA completes the research to determine the amounts, and until the early 1990s HPD did not process transfers when tenants wanted to move out of their subsidized units. Instead HPD sent the transfers to NYCHA, where they were voluntarily absorbed into the NYCHA pool, allowing HPD to place another subsidized household in the vacated apartment (Int. N-13).

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Section 8 at HPD is undeniably an anomaly. The principal characteristic that sets HPD's administration of Section 8 apart from that of other agencies is its similarity to a project-based approach: While tenants receiving vouchers have the same freedom to "port" their assistance to units in other neighborhoods and even states, mobility has not been an aim of the program, nor has free choice among units available on the open market. In order to qualify for an HPD certificate or voucher, tenants have been required to live in (or be moving into) a building being renovated with municipal dollars.[92] From the start, the agency focused on linking the Section 8 tenant-based subsidies to units being renovated with city dollars. Some of these units were in privately owned buildings, while others were being transferred from the *in rem* stock to private or non-profit ownership. This project-based approach has sometimes led to serious tensions between HPD and HUD, but has never quite resulted in the termination of additional vouchers allocated to the City agency. Interestingly, unlike Portland, where a small number of certificates were used on an "official" project-based basis, HPD has no such arrangements; all of their subsidies are technically tenant-based, but incorporate administrative elements that tend to mimic a project-based system (Ints. N-13, N-17, W-3).[93]

HPD uses Section 8 certificates and vouchers to subsidize rents in a wide variety of rehabilitation and construction programs, including:

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[92] Following HUD regulations, HPD does permit families to move to the housing of their choice upon receipt of their subsidy agreement (i.e., they don't have to move into the building they were targeted to), but administrators say a tiny percentage take advantage of this option—most choose to occupy the newly renovated units being made available. HUD allows agencies to refuse to permit transfers within one year of moving into a unit, a restriction that HPD has adopted (Int. N-13).

[93] HPD does administer nearly 4,000 units of Moderate Rehab Section 8, which is a project-based model similar to the much larger federal Section 8 New Construction program (Int. N-17).

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- New construction and rehabilitation programs, including the "85/85" (homeless) and LISC/Enterprise programs, as well as City-financed Mitchell-Lama buildings;
- Rehabilitation of occupied privately owned buildings through the Small Homes, 8A and Participation Loan Programs[94];
- Rehabilitation of City Owned buildings through the Special Initiatives Program (SIP), Tenant Interim Lease (TIL), Mutual Housing Association (MHA) and other Division of Alternative Management (DAMP) programs.[95]

It is important to understand the flow of rental subsidies into these programs over time. Some of the above programs utilized a large number of vouchers during the peak years of Ten Year Plan construction but are no longer important sources of production. Others used Section 8 during the years when the certificates and vouchers were plentiful, but now that the pipeline of new rental subsidies is constricted and HPD is prioritizing use of new vouchers for the homeless, programs that don't primarily serve the homeless must do without the subsidies. Most of the Section 8 subsidies today flow through the SRO programs for the homeless and the DAMP programs, especially TIL, a program where the tenants form a co-op to buy their building from the City (Int. N-23).

HPD's status as a city agency affects the administrative structure and practices of the program in important ways. To begin with, the program is chronically under-staffed. City hiring freezes and oversight by the cost-conscious Office of Management and Budget have led to sharply restricted staffing levels and have meant that the program operated with inadequate computer resources (Ints. N-3, N-13, N-16). Secondly, there appears to be a high degree of fragmentation within the administrative structure—a tendency that has shifted course over the years, from centralization to more fragmentation

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[94] For the last several years, Section 8 tenant-based certificates and vouchers have not been used in PLP buildings (Int. N-17).

[95] Source: Letter from HPD Commissioner Deborah Wright to Eric Roth, Chair, SRO Provider's Group, 1/30/96; Mitchell Lama from interview N-18.

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and recently to efforts to re-consolidate some tasks (Ints. N-18, N-23). Various tasks are carried out in disparate parts of the agency, since coordination with program activities such as construction and rent "restructuring" is more important than keeping all Section 8 administration in one place. Also, joining administrative tasks with the staff responsible for broader aspects of the rehab programs tends to facilitate successful implementation. The SRO program staff, for example, have a vested interest in making sure their tenants receive the subsidies in a timely and effective way (Int. N-13, N-18, N-20, N-23). As a consequence, Section 8 administrative procedures are often largely determined by the needs of each program they are serving, leading to practices for intake and rent-reasonableness determination that have at times varied program by program. In recent years HPD has attempted to address this problem by centralizing more program responsibilities for intake and eligibility, but the program is still much more fragmented administratively than in agencies like NYCHA or the Housing Authority of Portland (Int. N-18, N-20, N-23). Nonetheless, there have been serious problems over the years with inadequate administrative capacity, leading to criticism from advocacy groups and a somewhat disdainful attitude from HPD's Section 8 counterparts at NYCHA (Ints. N-3, N-40).

Making Section 8 Policy

Decision-making on Section 8 policy issues is often driven by HPD administrators at the level of Assistant Commissioner and above, who keep up with changing HUD requirements and work to align program policy such that it meets with HUD approval while still supporting HPD's efforts to carry out their neighborhood

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redevelopment programs. Typically, a policy change originates at this level and is discussed with staff not just at Section 8, but also in the construction or rehab program where the vouchers will be used, after which it is approved by the agency commissioner. The commissioner is regularly involved in meetings where Section 8 is discussed with outside organizations that participate in HPD's construction and rehabilitation programs and often takes an active role in Section 8 policy-making (Int. N-18). Since top administrative staff at HPD are mayoral appointees, there is a strong link between the objectives of each administration and the implementation strategies for Section 8, though in general this simply means the agency attempts to issue as many subsidies as possible while targeting them carefully to the disposition and rehab efforts where they will have the most impact. Day to day Section 8 administrators have some influence over decisions but much less, it seems, than their counter parts at NYCHA or in Portland. This is compounded by the fact that there is no one individual who is the "director" of the program and who supervises all the staff involved in its implementation, as is the case at HAP, DHCR, and NYCHA (Int. N-13, N-17).

Opinions about HPD's unusual approach to the program varies at HUD and other housing agencies. Some housing officials at HUD and NYCHA complain that HPD does not follow the same rules as other agencies that administer Section 8, arguing that the program is designed to give tenants choice in where they live and that all housing agencies should be required to adhere to the rules equally. NYCHA is said to view HPD as having less capacity to administer complex housing subsidy programs (W-3, N-39, N-40). On the other hand, one HUD administrator says that they made an extra effort to

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accommodate HPD because they were the only agency that was being creative about producing new affordable housing:

> "[When] you're not building new housing and you have a crisis and basically the political current is never going to shift enough to resolve the crisis, if someone's out there trying to do something innovative that actually yields new housing, you should support it within the boundaries of legality. HPD was definitely close to the line a lot of times and yet unless we felt there was no alternative but to crack down, we actually wanted to be helpful because we thought they were trying to legitimately grapple with something (Int. N-40)."

In addition, HPD's willingness to engage in special programs at HUD's request has helped the agencies remain on working terms: In 1995 HPD created a special initiative to help move homeless people out of subway tunnels in response to publicity generated by a visit of HUD Secretary Andrew Cuomo to the occupied tunnels. HPD administrators see their program as better equipped to deal with "special needs" populations than their counterparts at NYCHA and DHCR, pointing to their leadership in administering vouchers for assisting the homeless, people with AIDS, and families in assisted living environments (Int. N-13). The agency currently administers over 400 units of special "Shelter Plus Care" vouchers, which link subsidies to housing and community-based care providers for individuals with assisted living needs (Int. N-16).

Vouchers in a Supporting Role

HPD's use of vouchers in its rehabilitation and construction programs puts Section 8 at the nexus of a number of policy objectives. An internal HPD document from the late 1990s suggests that the two primary goals are:

> "First, to prevent displacement of existing tenants faced with rehab related rent increases in our mod rehab jobs (e.g., DAMP, PLP). Second, to enable the

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> homeless to afford units in the new gut rehab projects we are developing (e.g., LISC/Enterprise, SIP, SRO)."[96]

Obviously, the vouchers are beneficial to low-income households facing increasing rent burdens, and so the most direct benefit—helping reduce rent burdens and preventing the displacement that high rents occasion—is achieved. It is noteworthy, however, that HPD prioritizes granting assistance to tenants who face displacement as a result of government action, similar to the priority that has long been granted to households displaced by government construction projects. There is logic in this approach, since a tenant displaced as a result of a rent increase brought on by a PLP rehabilitation development is in the same position as a counterpart facing displacement when a building is demolished to make way for a civic center: both are losing their homes due to government action on behalf of a broader social goal. Another beneficial aspect from the tenants' perspective is a requirement that landlords who accept HPD subsidies for rehabilitation also agree to accept tenants on Section 8, and in the case of programs targeted for the homeless, that they house a certain number of families who were formerly homeless. These requirements add to the pool of units available to Section 8 enrollees and supplement the direct efforts of the agency to link applicants to apartments available through the rehab programs. As a consequence, if a unit becomes vacant in most HPD-subsidized buildings, landlords are prohibited for a period of time from denying applicants on the basis of their status as recipients of Section 8 (Int. N-13). Another important result is that the agency's "success rate" for housing searchers is very high, since recipients only receive assistance when they are in line for a unit that has already been allocated to them.

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[96] Source: HPD document "Meeting HPD's Urgent Need for Section 8." No date.

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The flip side of the effort to protect tenants from high rent burdens and displacement is the City's objective in rehabilitating dilapidated or abandoned dwelling units. Many of the rehabilitation efforts undertaken within the Ten Year Plan would have required a higher public investment per unit or resulted in significant displacement of poor tenants absent Section 8 (Int. N-17). The director of the city's nonprofit Community Preservation Corporation, a major HPD partner in housing rehabilitation, recently explained:

> "Although Section 8...has been allotted to only 15 percent of the 15,000 households benefited by our improved apartments, it was the critical 15 percent. We perform all our work while leaving present tenants in place. Had that 15 percent been forced to move, we would be unable to close any of our ventures. The political heat would simply be too intense. We would never obtain the needed permits and concessions, and our mortgage backing would have evaporated" (Winnick, 1995, p. 115).

Indeed, the FMRs for Section 8 are set for the entire metropolitan area and are substantially higher than the average rents in some of New York's poorest neighborhoods (Ints. N-32; Schwartz and Vidal, 1999, pp. 243ff.). Even within HPD, FMRs are often quite a bit higher than the rents charged for units, allowing voucher recipients a significant windfall under the old shopper's incentive system. Until quite recently, HPD took advantage of this in some programs by charging higher rents for apartments covered by Section 8, increasing the flow of revenue to the owners. This practice has been phased out in favor of applying the same standard of rent-reasonableness to all units in a project (Int. N-13, N-17, N-20). In addition, HPD did not administer the rent-reasonableness provisions carefully until recently; rents were generally set at the FMR level, regardless of what the market rate on the unit might be. In response to concerns from HUD, the

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agency has begun to conduct more detailed studies before determining the reasonable rent for subsidized units (Int. N-23).

Not only do the vouchers provide a steady source of income for the tenant; they also allow landlords (many of whom are nonprofit community development corporations) to charge higher rents than they would to unsubsidized tenants (Schwartz and Vidal, 1999, pp. 243ff.). The reduction in the supply of new incremental Section 8 has hurt nonprofit landlords who are struggling to maintain a minimum percentage of low-income residents in their buildings. As tenants with vouchers move on, the nonprofits are struggling to find low-income tenants who can pay the same rent as the subsidized tenant who moved out, leading to a sort of "bracket creep" for the residents' incomes (Citizens Housing and Planning Council, 1997, p. 8). So the vouchers enabled the rehabilitation of tens of thousands of units, resulting in an overall improvement in the quality of the city's housing stock, in the preservation of units that would have been demolished, and in the revitalization of neighborhoods—most notably in the South Bronx—that would otherwise have remained pock-marked with vacant and run-down buildings (Int. N-32)

An important corollary to the agency's focus on bricks-and-mortar improvements is that they do not pursue two important HUD goals with much enthusiasm: tenant mobility and tenant choice. Enrollees who receive a voucher are technically permitted to use the subsidy in any private dwelling unit, but in fact they are encouraged to remain "in place." One administrator explained:

> "Although people can choose to move elsewhere and don't have to stay in those particular communities, we find that the overwhelming majority of people looking for housing, accept the housing that we offer them and therefore the issue of housing search, for example, is not a big issue in HPD. It's a bigger issue to get these people on the program quickly and to make sure to encourage them to stay in the housing that was prepared for them" (Int. N-13).

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Tenants who move with their vouchers not only place a greater administrative burden on HPD (which has to inspect new apartments and issue new agreements with each new landlord), but they also leave the owner of the original building in a difficult situation, since many of the HPD subsidy programs require a specific number of low-income tenants to be served and it is often difficult to find qualified low-income tenants who can afford the Fair Market Rent that the subsidized tenants were paying (Citizens Housing and Planning Council, 1997, p. 15)

In another trade-off between encouraging mobility and subsidizing more units, HPD opted to set the voucher payment standard at the lowest permissible level (80 percent of the FMR), which had the effect of adding to the agency's Section 8 reserves but also made it more difficult for voucher recipients to move, since they would have to pay the difference between the payment standard and the actual rent on a new unit out of pocket (Int N-13). Of course, since the great majority of voucher recipients were living in units subsidized by a city program and the rents in these units were generally well below the payment standard, the negative effects were only felt by the small minority of voucher holders who opted to move to more expensive quarters. With the advent of the 40 percent rent burden limit imposed by the 1998 legislation, HPD has decided to bring the payment standard up to 100 percent of the FMR to make it easier for tenants who opt to move; the higher standard means the tenants will pay less out of pocket and have a better chance of staying within the 40 percent rent burden ceiling, a ceiling which one administrator at the agency felt was too restrictive to allow tenants much choice in the open market (Int. N-13).

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Finally, HPD's linking of Section 8 to other programs facilitates a much greater degree of collaboration with outside agencies than is found at NYCHA or DHCR. All of HPD's disposition programs involve some degree of contact with purchasers, technical assistance providers and financial intermediaries such as LISC or the New York City Housing Partnership. From the involvement of advocates and public officials in setting up the DAMP programs to the efforts to coordinate administrative duties with nonprofits running SRO buildings, HPD seems to have a high degree of contact with various stakeholders (Int. N-18). Advocates report that the degree of cooperation has varied over the years, with a general atmosphere of cooperation (despite chronic shortfalls in staffing and computer resources) punctuated by occasional periods of tension. Currently, despite the mixed reviews advocates give Giuliani's emphasis on privatization of the *in rem* stock, most observers agree HPD has a positive working relationship with a broad range of nonprofit housing groups (Ints. N-13, N-21, N-32).

The 1995 rescission by Congress of HUD's entire allocation of new incremental Section 8 certificates and vouchers was viewed with dismay by Section 8 administrators in many local agencies, but the cuts had a far greater impact at HPD than in other agencies. HPD and the outside organizations who build, own, and manage their development projects were in a particularly difficult circumstance since HPD had made "up front assurances" to developers that rent subsidies would be available once projects were completed.[97] City housing officials quickly began developing methods to compensate—such as selling buildings with large operating reserves that could be used in the short term to stave off rent increases for the poorest tenants—but these efforts have

[97] Source: Letter from HPD Section 8 Director Barry Geller to Jill Williams, July 7, 1994; and HPD document "Meeting HPD's Urgent Need for Section 8." No date.

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led to reductions in the amount of housing developed by HPD and have made targeting of assistance to very poor households more difficult (Schwartz and Vidal, 1999, p. 246). The agency has also created a subsidy program using HOME funds which is being used to supplement the pool of Section 8 subsidies, especially in some the programs that serve the homeless, such as SIP (Int. N-18).

As the episode when HUD recaptured $150 million worth of HPD's reserves suggests, HPD has followed a policy of renting as many units as possible for the lowest cost, a practice that fits well with the agency's efforts to link units to its rehabilitation efforts. Consequently, little has been provided in the way of direct social services to Section 8 enrollees, though extensive services are provided by nonprofit partners in the various construction programs, and many of these are partly financed by HPD and other parts of the municipal government. In addition, particular programs that serve special needs populations who might have trouble negotiating the intake process offer extra assistance to make sure applicants are getting the support necessary to move them into permanent housing; the SRO Supportive Housing Loan Program is one example of this (Ints. N-16, N-18). HPD has a fairly small Family Self-Sufficiency Program, just 700 units (though much larger, proportionally, than FSS at NYCHA). Agency officials report that efforts to recruit families into FSS were confounded by the existence of similar programs for moving people off welfare at the city Human Resources Administration. Tenants were reluctant to join programs in two different agencies, one for welfare and one for housing, and since they were legally required to participate in the welfare to work initiatives, few opted into FSS (Int. N-13).

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Finally, HPD has not placed a great emphasis on rooting out fraud. For the first twenty years of the program's operation, HPD had no separate unit for fraud investigation. And while a fraud unit was recently established, it is still fairly minimal, consisting of a portion of one staff member's time. There is no coordination with the New York City Police Department, and most investigations are initiated as a result of tips received from tenants reporting on other tenants, sometimes triggered by personal enmity. The unit investigates about fifty complaints each year and, if the tenant can not provide documentation showing they are groundless, either requires the tenant to repay the overpaid subsidy to HPD, terminates them for fraud, or refers them to the City Inspector General for further investigation if the level of fraud is very substantial. This last option occurs in very few instances, approximately a dozen each year, and fewer than twenty tenants are terminated each year based on HPD's independent determinations. HPD maintains none of the kind of computer matching resources used by the Housing Authority of Portland or NYCHA, relying instead on the Inspector General's office for in-depth investigations (Int. N-16). In addition to investigation of complaints, HPD administrators will call in voucher tenants who claim to be paying high percentages of their income in rent—as much as 70 or 80 percent, even with the subsidy—and will ask them to explain how they support themselves on their income, or if they receive income which is not documented by HPD (Int. N-13).

Who is Served?

Whom does HPD target with its Section 8 assistance? Originally, the program benefited income-eligible tenants in PLP buildings, generally tenants who had been living

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in sub-standard conditions at low rents but were faced with eviction as a result of rent increases triggered by the rehabilitation work. As certificates and vouchers were applied to more programs, the beneficiaries varied by the targets of each program. Tenants in the *in rem* stock were living in the most dilapidated subtenure in the city's housing stock, with mean rates of maintenance deficiencies three times the rate of unregulated rental stock and double the rate of rent-controlled units.[98] Low-income *in rem* units are almost entirely occupied by black or Hispanic families: whites occupy just six percent of the apartments, lower even than the rate in public housing (Van Ryzin and Kamber, 1999, Table 2 and Figure 2). The median income for families in the *in rem* stock in 1996 was just $8,400, lower than the average for public housing and just a third of the average for all rental units in the city (Schill and Scafidi, 1999, p. 27).

A large proportion of the people served through the SRO rehab programs are formerly homeless; many require services for mental or physical disabilities or problems with chemical abuse (Int. N-3, N-18). Finally, many of the HPD initiatives specify that a target percentage (usually 30 percent) of units be provided for homeless families. The proportion of vouchers being issued to homeless families by HPD increased rapidly during the Dinkins Administration, and homeless families current receive the bulk of new vouchers issued by HPD. In fact, the goal of supporting formerly homeless people living in HPD-subsidized units has recently begun to take precedence over the objective of funding all in-place tenants in order to facilitate the rehab work. Wait list preferences have been re-ordered to subsidize formerly homeless tenants[99] before any "in-place" non-homeless applicants receive assistance. HPD uses an unusual formula for ordering

[98] Sample includes units occupied by low-income families only.

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applicants within the preference categories: those who have born a rent burden over 30 percent for the longest period of time are taken first, regardless of how high the rent burden is or other special needs they may have (Int. N-13, N-18).

HPD's procedures for assigning vouchers to applicants raise important equity questions, since, as one administrator put it, "You can't get on our waiting list just by knocking at the door" (Int. N-13). HPD does not open their wait list to the general public and adheres to the "first come, first served" method of application processing only by waiting to place names on the list until construction on their unit is nearly complete (Int. N-23). Consequently, a poor tenant who happens to live in a building subsidized by HPD will receive a voucher while a similarly needy tenant in a non-subsidized building will not. Nonetheless, HPD's focus on homeless and special needs renters, as well as the high rates of poverty and large proportion of non-white households among its *in rem* constituents, suggests that the agency is targeting some of the people who are most in need and is using the vouchers in a thoughtful way by linking them with the city's ambitious redevelopment efforts.

Equity issues aside, HPD's effort to link subsidies and available units led to extremely complicated waiting list procedures at times. HUD won't pay a subsidy to units while they are still in City ownership or if they are renovated with other direct federal subsidies like the Housing Tax Credit, so for the *in rem* programs HPD was forced to juggle rent increases, applicants, and available units so that the Section 8 payments would begin shortly after buildings were sold to private owners. In the early years of the program tenants might be processed in the waiting list with the expectation

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[99] The homeless applicants are themselves ordered by the length of time they have suffered a high rent burden (Int. N-13).

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that their building was near completion and then languish for years while construction or other delays prevented disposition of the building. HPD partially corrected this problem in the mid-1990s by keeping applicants off the waiting list until their buildings were at least 60 percent completed, but there are still significant complications that come from administering a system that is technically based on a first-come-first-served basis (within the preference rankings) and one that triggers a subsidy timed to begin either when rents are restructured in a program like PLP or when the building is sold to private or non-profit owners (Int. N-17). Other problems have arisen as units in the Tenant Interim Lease program (where the City sells the building to the tenants as a co-op) failed inspections after the rehabilitation work was completed, leading in some cases to situations where eligible tenants never received the subsidy even after the buildings were sold to the tenants (Int. N-23).

NEW YORK STATE DIVISION OF HOUSING AND COMMUNITY RENEWAL

Overview

The New York State Division of Housing and Community Renewal came into being in 1926 to administer a pioneering limited-dividend construction program then supported by the State. Thirteen years later DHCR was responsible for carrying out the nation's first state-financed public housing program. The agency carries out three related functions to assist people in need of housing. Through programs like Mitchell-Lama, public housing, the Low-Income Housing Tax Credit, and the Housing Trust Fund, DHCR performs a community development role, assisting in the construction of affordable housing subsidized by state and federal dollars. For projects that are already

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built, DHCR's Office of Housing Operations provides ongoing oversight, auditing, and monitoring services. This office is also responsible for administration of the agency's Section 8 tenant-based program. Finally, DHCR is the primary agency responsible for administering the state's rent control and rent stabilization laws, enforcing compliance, carrying out market research, and distributing information about the state's rent laws.[100]

New York State's public housing program is quite substantial. With over 66,000 units administered through 42 local housing authorities, it is one of the larger public housing programs in the nation. In the early years DHCR public housing was distinguished by its availability to single elderly (who could not get into federally financed public housing at the time) and by its commitment to non-discrimination. Supported by a modest state subsidy of $42 million a year, many state public housing projects have been "federalized" to allow them to fund the difference between operating costs and revenues available from poor tenants and state subsidies. Still others have been upgraded using $122 million in modernization grants under a program begun in 1980.[101]

The modern history of DHCR began with the 1950 assumption by the state of administration of New York's rent control laws. The laws have passed through a number of important transitions, with the result that today New York has two different forms of rent controls operating at the same time: "Rent control" refers to the original law passed in the war years that provides for fairly strict price controls on apartments. This system only applies to a small percentage of apartments built before 1947 and where the tenant has occupied the unit since prior to 1971. "Rent Stabilization" is the system enacted in 1969, a more flexible set of controls where price increases are set annually based on

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[100] Source: DHCR Web site: http://www.dhcr.state.ny.us/general/about.htm#descr. May 23, 2000.
[101] Source: DHCR Web site: http://www.dhcr.state.ny.us/general/about.htm#descr. May 23, 2000.

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increasing costs of operating rental housing. The laws contain complex procedures for determining tenancy rights, allowable rent increases, and lease provisions, and DHCR plays a very visible role as the administrator and arbiter of these regulations, ruling on such questions as whether a landlord has overcharged a tenant, and whether a tenant can be evicted for refusing to sign a new lease. New York State and City must periodically renew the rent control and rent stabilization laws, generally every three years, and this has often been occasion for vigorous efforts by tenants and landlords to lobby local and state legislators in support of or opposition to the extension bills.

In 1955 DHCR took on its most important housing development role with the creation of the Mitchell-Lama middle-income housing development program, administered by the agency together with the state Housing Finance Agency (HFA), which eventually built 105,000 units of subsidized housing in 269 developments around the state.[102] Mitchell-Lama was successful in inducing private builders to construct housing affordable to middle-income families in exchange for low-interest loans from HFA, but the program suffered a financial crisis in the late 1970s as many projects had to be rescued from bankruptcy via loan restructuring that cost the city and state hundreds of millions of dollars in lost loan revenues (Roistacher and Tobier, 1984, p. 477).

More recently, DHCR has operated the $25 million a year Housing Trust Fund program, which since 1985 has subsidized construction by nonprofits and limited dividend private developers for households earning 80 to 90 percent of area median income. Starting in 1986 the federal Low-Income Housing Tax Credit program has provided nearly ten times the resources of the housing trust fund—$227 million a year,

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[102] Source: DHCR Web site: http://www.dhcr.state.ny.us/general/about.htm#descr. May 23, 2000.

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based on the federal per capita allocation formula.[103] Since there are generally more applications for Tax Credits than resources, DHCR plays the delicate role of evaluating competing applications from around the state and determining which best meet housing policy priorities. Due to its sophisticated pool of nonprofit developers and the support of finance intermediaries Local Initiatives Support Corporation and the Enterprise Foundation, New York has a high rate of nonprofit developers winning Tax Credit allocations and targets them rather tightly to low-income developments. One area where DHCR policies have been questioned recently—at least in New York City—is the division of Tax Credits between New York City and the rest of the state. Prior to the election of Republican Governor George Pataki nearly all Tax Credit projects were located in New York, but the change in the state executive led to a noticeable shift for a few years in the mid-1990s, with higher percentages of Tax Credits being allocated to "upstate" counties (Int. N-38). In addition to Housing Trust Fund, Low Income Housing Tax Credit, Public Housing, Mitchell-Lama, and Section 8 certificates and vouchers, DHCR administers more than $61 million a year in federal development resources through the HOME Investment Partnerships, Emergency Shelter Grants, and Housing Opportunities for People with AIDS programs (New York State Department of Housing and Community Renewal, 2000, pp. 4-7, 42-44).

SECTION 8 AT DHCR

History and Policy Practices

The New York State Division of Housing and Community Renewal operates a much smaller Section program than its counterparts at NYCHA and HPD, covering just

[103] Source: DHCR Web site: http://www.dhcr.state.ny.us/general/about.htm#descr. May 23, 2000.

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3,600 units, though there are 6,000 applicants on the waiting list (Ints. N-24, N-15). With just twenty staff, the program has operated quietly since the late 1980s; some program staff at other HPD and NYCHA are surprised to hear that DHCR has a program at all (Ints. N-15, N-18). DHCR's Section 8 program is centrally administered at the state level, with over 23,000 units across the state, but with the exception of New York City day-to-day operations are outsourced to 52 county-level organizations, mostly county planning agencies and non-profits (Int. N-24). The New York City program is the only one directly administered by DHCR, which means statewide officials take a somewhat more direct interest in its practices, though administrators at the state and local level indicate that local officials have quite wide latitude in setting policies and making decisions (Ints. N-12, N-15, N-24).

The program has an interesting history. The first allocation of 500 vouchers came in 1987, when HUD approached DHCR and informed them that it had a substantial pool of unused vouchers (as opposed to certificates, which were apparently being utilized at higher rates by localities that preferred them) (Int. N-12). Initially proposed as a one-time effort, DHCR agreed to help distribute the vouchers, partly with an eye to supporting the rents of poor tenants in the troubled Mitchell-Lama stock. The agency notified Mitchell-Lama owners of the available vouchers and encouraged them to help them subsidize any tenants who were in difficulties paying rent on time. To supplement these efforts and facilitate rapid rent-up, they also sent interns out to a busy shopping strip on Fordham Road in the Bronx to distribute Section 8 applications. The agency soon exhausted its initial allocation (despite reported reluctance among applicants to

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accept vouchers instead of certificates), but soon decided to continue participating, with the influx of a million dollars in discretionary funding a likely impetus (Int. N-15).

For the first ten years the program grew at modest rates. A large proportion of the early beneficiaries were Mitchell-Lama residents, and they served as an important source of new applicants through "word of mouth," as the agency opened the waiting list periodically when new or "recycled" subsidies were available. Little or no outside advertising was used during the early years; flyers were posted at the agency and this was generally sufficient to generate enough qualified applicants to absorb the available subsidies (Int. N-15). One housing attorney interviewed was under the impression that the DHCR waiting list was not open to the general public, instead being reserved for applicants from the Mitchell-Lama developments (Int. N-41).

Then in 1995 the character of the program changed abruptly. Plans to open the waiting list were reported by an agency staff member—without telling anyone at DHCR—to a Hebrew language newspaper widely read in the well organized Hasidic communities in Brooklyn. One administrator who was present at the time describes it:

> "That morning when I got to work...there were at least 4,000 Hasidim outside the door, pressing to get in. The building superintendent was going to shut down the building. The police came. So that was the end of us ever being private...it was a horrible thing (Int. N-15)."

The agency managed to collect applications from all the qualified people who crowded into their office on that day and made an effort to open the list to additional people through a lottery before closing the process with about 6,000 names on the wait list.

The "discovery" of DHCR's Section 8 program had important consequences for the make-up of tenants served by the subsidies. For a number of years after the initiation of the program, DHCR applied no local preferences to the waiting list, relying on a first-

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come, first-served approach. The agency did not distribute lists of landlords with available units, but did provide enrollees with a list of 50 companies that operate Mitchell-Lama housing. When HUD preferences were applied in 1995, they opted to apply them with the top priority category as rent burden, i.e., families paying more than 50 percent of their income for rent. The second tier of preference included homeless, domestic violence victims, and residents of substandard housing. Homeless were not targeted as a high priority since NYCHA was granting this group priority. According to agency administrators, a high proportion of recipients prior to 1995 were residents of Mitchell-Lama buildings suffering high rent burdens, followed by people living in substandard conditions. The effect of opening the wait list to a wider range of applicants was to weaken the link between Mitchell-Lama buildings and Section 8, as well as give a high proportion of new vouchers to Hasidic Jews, who currently have approximately one-fifth of the subsidies but predominate on the wait list (Int. N-15).

As Table 3.1 indicates, 1997 statistics for the entire statewide Section 8 program at DHCR suggest that the program serves a fairly "typical" population: Household size, income, welfare participation, percentages of minorities and poor households in surrounding tracts, and the percent of elderly recipients are all quite close to national figures. On matters of race and cost, however, DHCR is unusual, serving a lower proportion of black and Hispanic families than average and spending much more per household than the other agencies in New York City or Portland. The agency's cost of $619 per household and their tenant contribution of $281 are each 30 percent high than the national average. On the other hand, the agency appears to keep up with its reporting

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to HUD better than most, reporting on virtually all of their units, with the average unit reporting data that are just five months old.

Local supervisors indicate that they are granted a fair amount of control over administrative decision-making for the program, a state of affairs that may stem from the high staff turnover at the state level, while the local program has been administered by the same person since its inception (Ints. N-7, N-15). Statewide officials defer to the course of action proposed by local administrators wherever possible, but require certain standards be met for utilization, screening, and housing quality standards. They have also encouraged local agencies to increase efforts for Family Self-Sufficiency, shaped how agencies prioritize applicants who live alone, and have taken something of a dim view of local residency preferences that some programs employ. Local administrators report a high volume of "constituent service" contacts from outside agencies and advocates seeking beneficial treatment for applicants, but say they rarely accommodate requests, since most would involve violating their wait list procedures. In New York City the only area where state priorities seem to have had a strong impact is on the tendency of the program to benefit Mitchell-Lama developments: the decision to distribute lists of Mitchell-Lama companies to applicants is a state-wide policy (Ints. N-15, N-12).

The agency does operate a Family Self-Sufficiency program with 284 participants and currently employs one staff counselor and two clerical workers to provide participants with counseling, planning of self-sufficiency goals, referrals to appropriate sources of training and assistance, and monitoring of progress. From the time the program began in 1990 through 1997, 41 participants had successfully "graduated,"

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reaching their self-sufficiency goals (Int. N-19).[104] State officials report that FSS has grown over the years to enjoy the support of local administrators across the state who originally saw it as just another unfunded mandate from HUD. One administrator described it as the result of changing attitudes:

> "I think people have really started to look at Section 8 and say, 'Well, it's more than just processing certifications and re-certifications and HAP contracts and HQS inspections. It's really about building linkages and partnerships and networks with other service providers to see if there's some kind of common theme that we should be building.' Instead of taking this fragmented approach to people's needs, it's a little bit more of a recognition that we're all just parts of the whole" (Int. N-12).

In the New York City program, coordination of FSS efforts is the only area where DHCR has regular contact with HPD and NYCHA. At one time there was a coordinating committee with NYCHA to facilitate the program, and relations with FSS staff at HPD have continued to the present. Local officials are less enthusiastic about another HUD policy objective, promoting mobility to low-poverty neighborhoods:

> "It's going to be their choice and their choice may be something that the theorists in Washington don't understand. It is mind boggling...It sounds really, really nice but...it's not respectful of people's culture. To say, 'You want to live in Westchester. That's really where you want to live.' ...Maybe they have no interest, no matter what that culture is, in moving to what we perceive as a desirable neighborhood. Whose perception is that?" (Int. N-15).

Nonetheless, agency staff say they are careful to make sure enrollees are informed of their right to move anywhere they want with their vouchers (Int. N-15).

Despite the recent growth of the program, agency supervisors say they go out of their way to provide personalized assistance to tenants wherever possible. Section 8 line staff are called "caseworkers," and indeed carry out a very wide range of functions

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[104] This does not necessarily mean they left Section 8. A participant can graduate but still be low-income and qualify for ongoing Section 8 assistance. The purpose of the program is to encourage training and employment, not require all graduates to give up their Section 8 assistance.

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compared to their counterparts at NYCHA or even HPD. Four caseworkers are responsible for intake and eligibility screening, briefings, income reviews, providing advice and assistance to landlords and tenants, and even, until the mid-1990s, conducted the apartment inspections as well. The creation of a five-person inspection unit and the closing of the waiting list have resulted in less work for the caseworkers, but they still carry caseloads of over 800 units. Caseworkers occasionally get involved in direct discussions with tenants or landlords over issues like damage caused to the unit, and are responsible for investigating fraud allegations. There is no separate fraud unit and, while records are regularly checked against Social Security databases to verify incomes, fraud detection is mostly limited to a focus on tenants who claim to be paying extremely high rent burdens. As a result of the small size of the program, officials report that top local administrators are often able to pay attention to particular cases and make sure tenants receive the assistance they require (Int. N-15).

At the state level, DHCR grants 90 percent of the administrative fees earned by Section 8 to the local administrative agency in all but one of its local programs—the exception being the New York City location, where the agency has long operated under a hiring freeze imposed by budget cuts at the state level and staffing has been restricted. Of course, local programs not operated by the State directly may also divert administrative fees from Section 8; one State administrator noted that most programs across the state have a caseload similar to that of the New York City program (Int. N-24). Nonetheless, DHCR still benefits from a significant—though currently impossible to calculate—influx of cash from New York's Section 8 program, while the program itself operates on a tight budget (Int. N-15). And these staffing limitations have affected the

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success of the program's administration. A recent pilot review of indicators for the Section 8 Management Assessment Program—officially scheduled for implementation by HUD in 2000—indicated that the local program is deficient in several respects, a situation that state administrators attribute to inadequate staffing (Int. N-12).

Similar to HPD, DHCR has kept the payment standard for vouchers lower than the Fair Market Rent, setting it at 80 percent of the FMR until recently raising it to 90 percent in response to HUD regulations. Since the DHCR program in New York City has been disproportionately made up of vouchers rather than certificates, this rule is particularly important (Int. N-12). With the program's high rental costs, this likely means more money out-of-pocket for many voucher tenants, but it also translates into additional units that can be rented. For landlords and Mitchell-Lama companies the lower payment standard is likely a drawback, since some voucher searchers won't be able to afford more expensive units, but for those on the waiting list for vouchers it is presumably a benefit since it adds to the pool of available subsidies. Agency administrators do not believe the low payment standard is an impediment for housing searchers, but they do not keep statistics on the success rates of enrollees looking for housing,[105] so it is impossible to determine just how difficult the housing search is for their clients (Int. N-15).

CONCLUSION

A Mixed Record

The record of Section 8 in New York City is an incomplete one, where evidence of substantial accomplishments is balanced by significant questions about equity and effectiveness and conclusions on all counts are undermined by a persistent lack of

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systematic data. Certainly the program has succeeded in providing assistance to a significant minority of eligible households—over 90,000 at last count—and that this has been brought about without sparking opposition from communities where the subsidies were provided. In a city where neighborhood opposition to subsidized housing has long hindered efforts to provide public housing and units for the homeless and where Section 8 was initially greeted with significant skepticism by advocates for low-income housing, these achievements are noteworthy and impressive. In addition, the cost per unit is higher than the national average but lower than might be expected given New York's higher rental prices.

A number of elements of the New York program are particularly impressive. The improvement in housing search success rates at NYCHA in recent years suggests that the authority may have finally overcome its problems on this count.[106] The city's ambitious program to rebuild troubled neighborhoods was aided by the use of Section 8 subsidies to support tenants facing rent increases or moving into newly available units. Much of what was accomplished in the Ten Year Plan would have been impossible or sharply constrained absent the supply-side support provided by the rental subsidies. Section 8 has been a key element in efforts to house the homeless: Innovations like EARP and the SRO programs at HPD have been quite effective means of housing a population that otherwise would have languished in City shelters. On a smaller scale, DHCR's Family Self-Sufficiency program and the MTO demonstration at NYCHA offer

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[105] Supervisors estimate the success rate at 90 to 95 percent (Int. N-15).

[106] This assumes that the high rates reported by NYCHA officials are accurate. It should be noted that success rates are up across the nation, partly as a consequence of changed HUD regulations that for many years discouraged landlords from renting to Section 8 tenants.

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some cause for optimism that the agencies can leverage vouchers into social benefits for the clients that go beyond their need for housing.

On the other hand, there are a number of areas where the program seems not to have lived up to its potential. The chronically low success rate for housing searchers at NYCHA—which endured for more than a decade and resulted in tens of thousands of enrollees being forced to turn back their certificates or vouchers—is certainly a low point for the program. And while success rates have improved dramatically in recent years it is unclear that NYCHA devoted all the available resources to help tenants in the search process. Unlike Portland, where lists of available units are at least posted in the housing authority lobby, authority officials created an advisory committee to make the program more appealing to landlords and they hired a private firm to conduct market analysis that enabled them to get HUD to boost the FMR as rents increased, in New York no such initiatives were undertaken. A promising program by a nonprofit agency to link applicants to available units was allowed to expire and Section 8 administrative resources were diverted to support NYCHA's public housing program instead.

With three agencies administering the program with little coordination or oversight the program is unnecessarily complex, with three waiting lists and three sets of administrative procedures. In addition, coordination of effort in market surveys, outreach, fraud investigation and quality inspections appears to be minimal. And while HPD's independent operation of the program can be explained by the agency's need to coordinate wait lists with its rehabilitation timelines, the continued separate existence of a program at DHCR appears to be an artifact of a temporary difficulty in distributing

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vouchers, one that has resulted in significant duplication of administrative effort for a relatively small number of vouchers.

Finally, there appear to be serious deficiencies in the program's equitable distribution of benefits to the eligible population in the city. Certainly DHCR's experience with Hasidic applicants shows the wisdom of HUD's emphasis on giving full consideration to equal opportunity concerns when creating application procedures. The result is that the Hasidim are currently over-represented in the DHCR Section 8 population and their proportion will only increase with the passage of time. While administrators at NYCHA say their wait list procedures have been open and fair and conflicting data offer different pictures of the racial breakdown of program beneficiaries, the HUD data that indicate a low proportion of Latino participants and the geographical concentration of vouchers in Hasidic enclaves suggests the program may not have achieved equitable outcomes.

The degree to which program outcomes are shaped at the local level is striking. Federal officials envision a program that recruits applicants in proportion to their prevalence in the eligible population, prioritizes them according to their need, gives appropriate assistance in the housing search as the enrollees search broadly in the housing market for adequate units, methodically evaluates apartments for housing quality and rent reasonableness, and carries our income certification and fraud controls in a professional and carefully documented manner. In practice, on every count significant variation occurs at the local level. Some variations are deliberate and far-sighted efforts to adjust to local conditions, but others can only be explained as errors in program implementation

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or purposeful diversions of Section 8 resources to benefit the agencies that operate the program or their preferred constituents.

Section 8 and Local Politics

An examination of Section 8 decision making and its consequences is of little value if we lack an understanding of the dynamics that favor some outcomes over others. Just how "political" is the process by which important decisions are determined? What is the role of rigorous policy or administrative analysis? Do localities pursue ends that differ with HUD's objectives from a genuine need to adjust to unique local conditions, from a blunt political calculation of the which groups should receive favored distributions from the public till, or from a combination of these or other forces?

In the first chapter we explored some of the possible ways that politics can affect decision making. One hypothesis suggests that well developed housing advocacy coalitions will skew policy outcomes to benefit the organizations and their clients that make up the coalition. Another focuses more directly on the members of a "governing coalition," the political components that allow politicians to gain office and govern once they are there. This hypothesis predicts that in highly competitive political environments, the interests of key members of the governing coalition will guide decision making. Finally, we consider the effect of administrative structure. Political scientists have sparked a resurgence of interest in the ways that different institutional forms lead to different public policy outcomes. Here we consider whether the framework of a public housing authority as contrasted with "line" agencies under direct supervision of the

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mayor and governor has an effect on how decisions are considered and what results are achieved.

Table 4.3: Three Hypotheses on Section 8 and Local Politics

I. ***Organized Clients Benefit***	Cities with well developed housing advocacy networks will be likely to deviate from the federal priorities, but not in ways that benefit the at-large recipient. Program benefits will be skewed toward clients organized through the nonprofit housing sector, rather than random applicants on the waiting list.
II. ***Governing Coalitions Benefit***	Where implementation options potentially favor the needs of one or more members of a governing coalition, these options will be chosen over other possibilities. Regimes in highly competitive political environments will be most likely to deviate from federal priorities. Regimes which prioritize the interests of suburban homeowners will be less likely to promote mobility to low-poverty areas.
III. ***Institutions Matter***	Institutional venues will play a significant role in determining program outcomes. Public authorities will be more distant from the demands of political entrepreneurs and will be more like to follow norms of professionalism in implementing federal guidelines. These agencies will be the most likely to adhere to federal priorities. The degree to which they are responsive to the needs of recipients will be determined by the organization's internal history and culture.

Note: This table is reproduced from Chapter Four.

New York offers a good opportunity to consider the first hypothesis, that organized clients will benefit, since the city houses an extraordinary wealth of housing advocacy organizations with a number of city-wide coalitions that focus their efforts on access points at City Hall. Were this hypothesis to be correct, we could expect to see advocates making demands on local government that lead to Section 8 policies and outcomes that benefit the members of the coalition or the clients they serve.

Indeed, in many ways this is what we find in New York City. The most obvious example is the creation of the Ten Year Plan at HPD and the use of 14,000 units of Section 8 subsidy to support its implementation. There is little doubt that the latter half of the 1980s witnessed a concerted effort by a fairly cohesive group of progressive housing nonprofits to pressure the municipal government to do more for the homeless and ill-housed. During the same period, Mayor Koch, threatened by political opposition

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from the left, initiated the largest municipally financed housing reconstruction program in American history. The use of HPD's Section 8 allowance to support this effort was indispensable and not only helped the city rid itself of the costly burden in *in rem* housing but also directly benefited CDCs and their clients. The CDCs were able to participate in many of the rehabilitation programs funded by the Ten Year Plan and benefited financially from the income produced by Section 8—many CDCs became owners of the buildings upon their disposition from City ownership. It is particularly noteworthy in this context that HPD seems to have ignored its responsibilities to assure "rent reasonableness," i.e., that apartments rented to Section 8 tenants are not charged more than those rented to comparable unsubsidized households in the same market. Other examples include NYCHA's adoption of preferences for the homeless at the height of efforts by advocates to get the city to provide more resources to house the homeless, and a number of court cases initiated by legal services organizations to protect Section 8 tenants from evictions.

There are a few caveats that should be considered, however, before confirming this hypothesis. To begin with, the HPD Section 8 program was initiated in the mid-1970s and applied in its early years to the Participation Loan Program buildings, which primarily benefited private, for-profit landlords. Support for the Ten Year Plan can be seen simply as an after-affect of an initial effort to benefit a much different constituency. Yet this is too static a view: During the 1970s nonprofit housing advocacy groups—many of which had begun as informal voluntary organizations of concerned citizens—morphed into professional operations, many with federal contracts and a growing role as CDC housing owners, managers, and developers. At virtually the same time, Section 8

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came to be used increasingly to support exactly the programs these groups promoted, the Community Management Program in particular. The explosion in spending after 1986 simply meant that there were more resources flowing into the very communities where the CDCs were based and that these resources were directly accessible to the groups who were pressuring City Hall to do more about housing.

A more serious objection can be raised in pointing out that the housing advocacy groups actually sued to block the Ten Year Plan and opposed it on the grounds that it did too little for the homeless and very poor. Today, advocates disagree about whether the initiative was a victory or simply a fortuitous decision by a beleaguered mayor facing a difficult reelection campaign. Certainly the experience in New York has little in common with the Portland experience, when advocacy organizations and their champions on the City Commission picketed City Hall to drum up support for the Housing Investment Fund and then, the victory won, participated actively in shaping how the money would be spent. Nonetheless, this cause-and-effect debate has little bearing on Section 8: at no time during their opposition to the Ten Year Plan did advocates raise objections to the use of Section 8 to subsidize poor renters affected by the City programs. Indeed, the role of Section 8 in the plan was perfectly in agreement with the corrections urged by advocates. The vouchers were used to prevent displacement of tenants as rehabilitation budgets drove up rents and to extend the reach of the programs to serve more homeless applicants—both major priorities of the citywide advocacy coalition that sponsored the lawsuit against the Ten Year Plan. So in fact it seems that Section 8 served to turn down the "political heat" that the rehabilitation programs might have generated.

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In addition, many respondents indicate that Section 8 was simply never a major issue on the radar screens of advocacy groups, and that the implementation of HPD's rehabilitation and construction programs garnered much more attention. Efforts by Pratt Institute to focus attention on success rates, by Legal Aid to protect tenants from eviction, by domestic violence and homeless advocates to get more resources for their clients, and by SRO providers to improve processing of applications can be seen as relatively isolated events in the 25-year history of the program. Advocates for Latino civil rights said Section 8 was simply never viewed as a program where they could help their constituents as much as through public housing and project-based efforts. New York's well organized AIDS advocates never proposed a preference for the terminally ill, as was carried out in Portland. Many other advocates expressed ignorance about how Section 8 operates. Yet even though Section 8 received comparatively little attention over the years and advocacy efforts were spotty, there is still a strong case to be made that *some* advocates did focus on Section 8 with visible results and managed to shape policy. The nonparticipation or lack of impact of the rest should not be interpreted to mean Section 8 is immune to advocacy pressure.

Finally, there is a case to be made that Section 8 was linked to HPD construction programs simply because it made good policy sense. With city officials ready to spend billions revitalizing ghetto neighborhoods, linking vouchers to rehabilitated units allowed for a much greater return on the city's investment. Absent Section 8, fewer units would have been rehabilitated, displacement of poor residents would have been likely, and virtually no apartments could have been made available to homeless applicants, who would have remained in expensive and inadequate city shelters.

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Yet there remains substantial support for the argument that solutions were tailored to respond to the agenda of the city's well organized advocacy groups. There is no one best way to use vouchers to alleviate New York's housing crunch. Certainly a strong argument can be made—as has been done in Portland—that it is better to spread housing resources more broadly. (This argument is strengthened by the mixed results reported in the studies of the Ten Year Plan). In fact, if Section 8 tenants were discouraged or prevented from living in City-rehabilitated units, the cumulative total of households served would be higher. Such an approach appears not to have been contemplated by City officials, who instead adopted the analysis of advocates who argued that multiple overlapping subsidies were the best way to revitalize troubled communities.[107] Other policy options which were not embraced by housing advocates also failed to gain traction: Little was done to ease the city's burdensome regulations on new construction to stimulate additional housing production, for instance. And the effectiveness of advocacy coalitions on shaping Section 8 was not limited to housing groups. Politically influential organizations working for victims of domestic violence managed to convince NYCHA to give their constituents preference over other applicants, leading to thousands of vouchers for this population.

In addition to the instances where activism shaped the program, it is telling that in many important areas where critical program outcomes were determined, no pressure whatsoever was reported by agency officials. Nearly all of these decisions strongly affected Section 8 outcomes in areas that were unrelated to the central concerns of

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[107] Other, contrary arguments were made as the advocacy community became more divided in the 1990s. Some argued for more housing for the middle class, for instance, and the City responded to these demands as well. These debates, however, had little meaning for Section 8, which mostly served the needs of the more "liberal" wing of the advocacy community.

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advocates and their constituents. In short, no one represents the at-large Section 8 applicant or participant. This is not to say their interests are ignored by local policymakers. Quite the contrary, there are many examples in all three agencies where the best interests of participants seems to have been the impetus for a course of action. Nevertheless, it is noteworthy that in a city with such a rich network of interest groups and associations, there is no organization representing the more than 200,000 families on the Section 8 waiting lists or of the 93,000 families that receive benefits. In sum, there is ample evidence to support the first hypothesis, that organized advocacy coalitions can shape Section 8 outcomes to benefit their constituents.

Support for the second hypothesis that governing coalitions benefit would be provided if we found program shifts that corresponded to the changing mayoral administrations. Certainly the period under study was one of immense political turbulence in New York, as Mayor Dinkins' election heralded a brief ascendance of power for African Americans and liberals, while Mayor Giuliani restored power to white ethnics in the outer boroughs and their more conservative allies. Notably, Hispanics were not a favored constituency for Mayor Dinkins and voted in large numbers for Giuliani in 1993. Support for this hypothesis would be provided if we found Section 8 policymaking shifting from support for blacks and liberals in the Dinkins years to support for working class white ethnics and possibly Hispanics during the Giuliani administrations.

There is some evidence that the Dinkins years resulted in some benefit for his governing coalition: The extensive use of Section 8 for units owned and managed by CDCs is one example (though this began earlier in the Koch years, Dinkins' decision to eliminate POMP would have led to increased concentration of Section 8 in nonprofit- and

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tenant-owned buildings over time, had he won re-election). A better example is the rapid expansion of the EARP program, which was strongly favored by the mayor's progressive supporters. It is also worth noting that the shelter population is dominated by African Americans, who outnumber Latinos two to one among homeless families in the system (Culhane, et. al., 1999, p. 222).

But the Giuliani years do not provide much evidence for changes to benefit members of the new governing coalition. One might expect a reduction of support for the homeless through EARP, or an increase in utilization of vouchers by whites and Hispanics. In fact, EARP has not diminished in size over the years. Nor have waiting list preferences changed at HPD or NYCHA in significant ways since 1993, except that HPD revamped their system to give even more preference to the homeless. According to NYCHA's internal data, the proportion of Hispanics has been on the increase, which would provide support for this hypothesis if the numbers weren't contradicted by HUD reporting of NYCHA tenant characteristics that indicate a stable and low proportion of Hispanics in Section 8.

The strongest evidence in support of the hypothesis is offered by the possibility that Hasidic Jews received disproportionate benefits. The Hasidic community was an important element in the electoral coalition that supported David Dinkins in 1989 and Rudy Giuliani in 1993. Unfortunately, it is difficult to tell just how Hasidic participation in Section 8 has varied over time, and since this constituency has supported the victorious mayoral candidate for two decades, there is no instance in which their influence waned and they might have been cut out of the spoils of participation.

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Additional evidence against this hypothesis is found in NYCHA's active participation in the MTO demonstration. This program stirred vehement opposition from middle class whites in Baltimore and might reasonably have been feared to do so in New York as well, so NYCHA's support for the program is noteworthy. Authority officials appear to have thought MTO was an unpromising initiative, but their desire to participate in this high-priority HUD initiative seems to have outweighed any concerns that this might spark a backlash from whites in Giuliani's core constituent neighborhoods.

So it appears that shifts in the composition of the city's governing coalition—even in a highly competitive and unstable political environment—have little or no effect on how Section 8 is run. This is not to say that no such distributive benefits were received by the victorious groups. Many of Giuliani's housing policy shifts are perceived to benefit private property owners and higher income residents. But any political horse-trading that may have occurred seems to have largely by-passed the Section 8 program. Possibly the Giuliani administration opted to leave the program alone because it was serving important constituencies that, while outside the governing coalition, might be spurred into more active opposition by changes to key resource streams. And with Section 8 largely funded by the federal government, the program is a cheap way to provide distributional benefits to potentially troublesome groups. Possibly Giuliani policymakers were not swayed by political considerations at all, choosing instead to guide Section 8 policy on the merits of the program's stated objectives. Or perhaps members of the new governing coalition simply never thought to focus demands on Section 8, having bigger fish to fry. In any case, if shifts in electoral or governing

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coalitions affected the program at all, it appears to have happened more during the Dinkins years than those of the current administration.

The third hypothesis addresses the possibility that the organizational format within which Section 8 is implemented has an effect on the program. Section 8 is administered via a wide range of administration structures, from traditional public housing authorities to city or state housing agencies. What effect does variation in these structures have on what courses of action are selected by local administrators? If administrative format matters, we hypothesize that housing authorities will be more isolated from the political process, more professionalized, making decisions based more directly on analysis of stated program objectives than on consideration of political constituencies.

Section 8 in New York City offers some evidence of this. As might be expected in a city "line" agency, HPD clearly operates their program as an integral effort together with other city housing programs; where the requirements of the agency demand it, Section 8 rules are bent to conform. Some HPD staff work hard to keep their program in line with HUD regulations, but they are not always successful. A HUD administrator spoke about one such individual: "[He] is the best guy they have. It's too bad they don't listen to [him]...[he] is buried somewhere in the cellar. He tries to keep them out of trouble." As for norms of professionalism, Section 8 at HPD has not always performed at a high level due to a lack of staffing, computer and physical space resources (HPD does not allow the Section 8 unit to retain all administrative fees earned by HUD), the unit's splintered and changing administrative structure, and the special pressures created by yoking the subsidies to construction efforts.

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NYCHA is considered more effective than HPD at administering Section 8, and they have developed a reputation as competent administrators of the basic elements of the program: taking applications, processing the waiting list, conducting inspections, sending payments, etc. Their fraud detection program is much more extensive than HPD's and began earlier. The "reach" of NYCHA's program, however, is much less ambitious than HPD's. They offer little in the way of services for tenants, created only the most cursory Family Self-Sufficiency program (while HPD took the HUD directive seriously), and have none of the added burden of integrating their program with shifting rehabilitation timelines. NYCHA's program suffered from extremely low success rates for many years, marring the agency's track record. The authority also delayed computerization for years after it might have improved their management of Section 8, and has a reputation among some nonprofit managers as bureaucratic and unresponsive. It is difficult to say the agency is notably more "professional" than HPD, though it is fair to say that its administration of Section 8 hews much more closely to the federal conception of the program as a tenant-based subsidy. It is also worth mentioning that the Director of Leased Housing at NYCHA has enjoyed far more discretion and control over the program than his counterparts at HPD, where key decisions are more often made by those overseeing the Section 8 department. This individual has also engaged in open conflict with housing advocates, while officials at HPD are perceived as more responsive to suggestions from nonprofit housing groups.

This does not mean, however, that NYCHA is impermeable to political influence. The adoption of preferences for the homeless and victims of domestic violence reflects the authority's willingness to respond to the priorities of key political stakeholders. And

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the siphoning off of administrative revenues to support the more visible public housing program at NYCHA detracts from a picture of independent administrators carrying out policy in relative isolation from political forces. Outside observers seem to agree that, in the whole, NYCHA is highly responsive to political pressures.

Finally, DHCR seems to have operated their program with a fair degree of attention to agency priorities. Their chronic under-staffing and diversion of resources to other DHCR programs is one example of this. The program's practice of advertising the waiting list among Mitchell-Lama companies and offering Mitchell-Lama addresses to housing searchers is another example, one that seems to have led to the agency's serious deficiencies in distributional equity, as efforts to keep a low profile resulted in domination by one applicant sub-group. Statewide administrators point to Family Self-Sufficiency as an important priority (not to serve any political purpose, they say, but because they have long believed it was an important potential benefit for Section 8 participants), and this seems to have encouraged the local program to devote substantial resources to it.

Organizational culture may play a role as well. NYCHA is the nation's oldest housing authority and has a long, proud reputation as one of the best-run large housing authorities in the country. The authority has been beset by relatively few scandals and has a reputation for accomplishing program objectives with dispatch. In contrast to crisis cases like the Chicago Public Housing Authority, where Section 8 vouchers went unused because the authority could not manage the basic tasks of processing applicants, NYCHA has performed well over the years and has never triggered the kind of intense scrutiny from HUD that other agencies have required. NYCHA's straightforward emphasis on

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volume and basic competence mirrors the authority's style of implementing public housing. HPD, on the other hand, is an agency that was born out of crisis and has lurched from one set of daunting challenges to another, whether trying to set up management for tens of thousands of troubled *in rem* units, working to stave off further abandonment, addressing a mounting homeless problem, or trying to build new housing without displacing current tenants. Section 8 at the agency seems to follow a similar pattern, with administrators struggling with shifting procedures and changing programs at the agency; as the construction programs that Section 8 serves have been altered by successive mayoral administrations, Section 8 staff have been forced to adapt, leaving the program with a cobbled-together look.

At DHCR, a tendency to a laissez-faire approach with local agencies may have carried through to the informal practices that prevailed in managing the application process. Interviewees indicate that the statewide program suffered from high turnover and lax oversight of county programs until recently. Indeed, local administrators in New York report that their program operated quietly and on a small scale for nearly a decade, with little attention or intervention from outside the Section 8 department. It is also worth mentioning that, of the three agencies, DHCR is the only one that operates according to a rough casework model (the other two divide staff up by function—though special needs cases at both HPD and NYCHA do receive extra support). And, consistent with what staff in Portland reported, administrators at DHCR believe this structure leads to a more tenant-friendly approach where participants get more respectful, personal treatment. While confirmation of this claim is difficult to obtain, it raises the possibility that agencies organized by function lose some of their ability to adjust to the varying

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needs of their clients and that trade-offs between efficiency and effectiveness may be occurring as agencies move to functional models of organization.

To summarize the effect of institutional settings, all three administrative agencies in New York seem to be highly integrated with their political environments, but there exists some variation that can be attributed to organizational form or culture. HPD and DHCR seem to exhibit less independence than NYCHA, but NYCHA is by no means immune from influence. NYCHA, however, is not as independent as some other housing authorities: While the bulk of its funding comes from the federal government and the authority is technically independent from the city government, the mayor appoints all three of its commissioners (unlike Portland where HAP board appointments are split between three political jurisdictions), and the commissioners are paid a full-time salary, meaning there is day-to-day input from mayoral appointees, something that many other authorities lack.

And so the New York experience with Section 8 provides fairly strong support for our first and third hypotheses (that advocacy coalitions and administrative structure play important roles in shaping policy) and suggests that, while shifts in local governing coalitions play a part in shaping the program, they are not consistent forces that dominate decisions or outcomes. In the next chapter we will compare these results from New York City to our findings in Portland, and discuss how closely local policy making in general has hewed to federal priorities over the years.

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CHAPTER SEVEN

CONCLUSION

INTRODUCTION

In any federal program where local implementation plays a major part, there can be tension between conflicting objectives. Local administrators, it is hoped, can shape the program to meet unique conditions in their cities, while federal officials must make sure key elements of the program are carried out faithfully. Not just policy concerns but also questions of competent administration, financial controls and efficient implementation must be negotiated between local and federal administrators. The record of Section 8 in New York and Portland suggests that localities have a strong hand to play in these matters. HUD oversight has focused primarily on basic financial measures and fair housing concerns, and even in these areas has been hindered by inadequate staffing and limited available information.

Section 8 might seem a straightforward affair, with little room for creativity by localities. Applicants are recruited and certified, given vouchers and, once they have located apartments in the private market, their units are inspected for adequacy. Yet the history of the program shows a wide range of variation in local practices that have strong effects on who is served, what kind of experience tenants and landlords have with the program, where they live, what rent level is paid, the costs to the participant and the government, and the level of fraud oversight that is provided. Many of these variations are thoughtful innovations designed to use Section 8 to best advantage in a unique environment of market conditions and government programs. Others may reflect the superior political organization of certain advocates or interest groups, but do not

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necessarily represent bad policy. Still other local practices are less defensible and raise important questions about whether Section 8 is equitably distributed and whether maximum benefit is being realized in terms of social outcomes from the subsidies.

In the discussion below, we will first examine the ways and the degree to which the local agencies differ from federal intentions in administering the program, using federal priorities for Section 8 at various stages in the program's development as benchmarks. Next, we will re-visit our hypotheses to consider the political dynamics that affect these local decisions, considering whether local advocacy groups, political coalition members or institutional forms affect the outcomes of decisions. Then we will examine what we have learned in the context of some of the political science research themes mentioned in Chapter One.

FEDERAL INTENT AND SECTION 8 IN PRACTICE

Interviews with Section 8 administrators and HUD officials in New York and Portland revealed a wide range of areas where local officials have important discretion in how the program is carried out. The Housing Authority of Portland (HAP), for instance, seems to have advertised widely when applications were being taken for the program, but the New York State Division of Housing and Community Renewal (DHCR) for many years did not—with critical consequences for the population served. The New York City Housing Authority (NYCHA) chose to virtually ignore tenant services—even in the federally mandated Family Self-Sufficiency program—while the other agencies carried out more extensive efforts. To place these areas of local discretion into categories, we might identify the key areas as follows:

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- Equity: Waiting list preferences, program advertisement, maintenance of separate lists for project-based use.
- Use of Market Forces: How rent reasonableness and fair market rents are determined, use of vouchers in project-based housing, application of housing quality standards, stringency of inspections, restrictions applied to rent burden.
- Tenant Services: Assistance in the housing search, mobility counseling, social service support or referrals, self-sufficiency programs.
- Administrative Structure and Practices: Lease-up rates, mechanisms for organized input from stakeholders, fraud detection practices, communications procedures, inter-program relations between Section 8 and public housing or other agency efforts.

Some of these areas of variation correspond to federal priorities for the program—implementing Family Self-Sufficiency, for instance. Others are simply examples of innovative or creative use of the vouchers.

As discussed in Chapter Two, Section 8 has undergone a series of changes over the years, with different objectives emphasized at different times by federal officials. In the 1970s and early 1980s the primary concerns were over feasibility, effectiveness, and equity. Then under the voucher alternative proposed by the Reagan Administration the goal of providing maximum choice to recipients was combined with that of narrowing the targeted populations. Finally, the Clinton years have seen an effort to promote racial and economic integration, encourage inter-jurisdictional cooperation, and link assistance to other programs such as self-sufficiency initiatives. These stages of development of Section 8 program objectives are benchmarks against which we can analyze the program in New York City.

On the feasibility question, the results in New York and Portland are mixed. The program has succeeded in leasing up over 90,000 units in New York and 5,400 units in Portland of subsidized housing, no mean feat, and has managed to do so without sparking any of the public outcry that coincided with similar developments in the public housing

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program. Nor have there been any scandalous reports of profiteering like those that marred the production efforts of the early 1970s. In addition, even some of the less popular HUD requirements like portability and tenant transfer rights seem to be implemented with a fair degree of consistency. For instance, housing quality inspections at HPD were conducted carefully enough that a number of recently rehabilitated units failed in one program and created financial problems for the tenants and buildings.

On the other hand, the lack of systematic data regarding utilization rates, success rates, populations served, housing quality inspection results and fraud investigations is alarming in a program that costs over $500 million a year. None of the three agencies in New York produce any annual summary document, internally or externally, reporting these statistics. NYCHA and Portland use a monthly internal tracking system, but HAP's uses shifting categories and measures that make longitudinal analysis difficult or impossible. Agency information provided through interviews and requests for data was somewhat contradictory: HPD data on utilization rates showed a higher rate than that calculated from HUD financial documents; DHCR supervisors insisted their utilization rate was at or above 100 percent while others in the agency said they had performed poorly on this count; NYCHA administrators assured that their housing search success rates were over 90 percent at the same time the MTO experiment found just a 49 percent success rate. NYCHA and HAP internal documents vary widely from published HUD statistics regarding the race and age of applicants served by the program. In such a loose regulatory environment it is difficult to make conclusive determinations about whether the program works properly.

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What is clear from the data that exist is that it appears that concerns regarding the difficulties in renting with vouchers in tight housing markets were well founded. NYCHA's chronically low success rates for housing searchers through the 1980s, plus the agency's high percentage of in-place recipients would suggest that finding an adequate unit within the FMR limits in New York is a challenge for many families. Portland's success rate, which has fluctuated between 78 and 90 percent, is less alarming but still represents a significant hardship for many applicants. While in Portland dips in the success rate are treated as serious problems that require aggressive agency action, in New York many observers find this to be no great cause for concern. Administrators seem to focus on the degree to which low success rates increase the difficulty of their work, as variation in success rates decreases the forecast accuracy of utilization, making it difficult to know how many people to pull off the waiting lists at any given time. And they point to the program's enormous overall size as evidence that it does indeed function better than its detractors would suggest. Even a report from the Citizens Housing and Planning Council offers that the restrictions imposed by the city's market conditions are not "a significant flaw in the program" (1997, p. 12). And yet one has to wonder at the toll taken on the families who did not rent over the years, the tens of thousands who waited until their names came up, searched, and eventually had to turn back their unused vouchers. It would also be important to know what the turn-back rate was for enrollees of different races, if blacks and Hispanics are finding it more difficult to use the vouchers then the problem of disappointment is compounded by equity concerns.

On the efficiency front, Table 3.1 indicates that the average NYCHA apartment costs $785 a month, 14 percent ($97) more than the U.S. average. Portland has a Section

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8 rent level 9.3 percent higher than the rest of the nation. Both of these figures are well within what might be expected given the higher rents in each city: a Harvard University study in 1995 found that the average contract rent in metro New York was 35 percent higher than the national average, while the level in Portland was 11.7 percent higher (Joint Center for Housing Studies, 1996, Table A-7). DHCR, on the other hand, has much higher average rents than NYCHA, at $900, 31 percent higher than the national average—a surprising figure since DHCR's reporting is for the program statewide. And HPD manages to come in 19 percent below the national average, suggesting an impressive degree of economy in its program. NYCHA administrators say they enforce rent reasonableness standards strictly, which may account for the low rents charged to their clients. HPD probably achieves much of its savings by renting to SRO tenants in studio apartments, a factor suggested by their smaller average family size reported in Table 4.1, though the agency also rents to families who live in subsidized projects, which likely drives down rents as well. The high costs in the DHCR program are likely related to the locations chosen by participants; DHCR tenants live in tracts with much lower rates of poverty and minority residents than the other two agencies, and the agency appears to pay more per resident for this outcome. Given the small relative size of DHCR's program and the dilution of its data through the statewide reporting, it is fair to say that New York City and Portland both have low-cost programs.

The last great concern from the program's early years was equity: Was the program serving different groups fairly and was assistance being tied appropriately to the level of need of participants? All of the programs serve very low income households, especially HPD, and NYCHA serves almost double the national percentage of elderly

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households. None seem to provide more housing than is needed by the families being served (i.e., more than one bedroom per person).

But racial categories present a potentially disturbing picture, which is clouded by the contradictory data available from HUD and the local agencies. Portland reports in its Moving to Work plan that 29.5 percent of its Section 8 recipients are Hispanic, a number that is six times the rate of Hispanics in the general population and also six times higher than the figure reported for HAP in the HUD Picture of Subsidized Households database. NYCHA has a similar data conflict: HUD sources offer a rate of 22 percent for Hispanic participants in 1997 but NYCHA documents report a rate of over 41 percent just two years earlier (reflecting a sharp increase in the proportion of Hispanics served between 1986 and 1991). If we assume that the internal documents are correct, than Hispanics are receiving ample benefit from Section 8—in Portland, they are perhaps over-represented in the Section 8 population. But this assumption raises an additional question: How did the proportion of Hispanics in NYCHA's Section 8 population nearly double in just five years' time during the late 1980s while the incidence of poor Hispanics remained comparatively constant?

On the other hand, if we assume that the HUD figures are correct (and there is some justification to prefer the HUD figures, which are reported in official forms subject to audit and compiled on a nationwide basis with little incentive for mis-representation), then Hispanics are faring very poorly in New York City and not much better in Portland. If we remember that blacks make up 26.5 percent of New York City's population and Hispanics represent 25 percent, and that Hispanics as a group have lower incomes than blacks and higher rates of welfare participation, we would expect to see Hispanics as the

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largest group of Section 8 recipients (especially as federal welfare reform is forcing large numbers of Hispanics off public assistance). This is not the case. Instead, HUD data indicate that NYCHA serves nearly twice as many blacks as Hispanics, with whites and Asians making up 35 percent of the population of voucher recipients, despite having incomes that are much higher than those of the other groups. Similarly in Portland, 29 percent of the vouchers go to blacks but just five percent to Hispanics, while in the city population, their percentages are 8.3 and 4.4, respectively. HPD serves fewer elderly clients than NYCHA, but a much higher percentage of Hispanics and about the same percentage of blacks, while DHCR, as would be expected from its statewide numbers, serves lower rates of all these groups. Without more complete and reliable information about the cross-tabulated racial categories served, it is difficult to draw firm conclusions from these data, but there is certainly evidence that Hispanics may be seriously under-served by the program. This conclusion is supported by the experience in New York with Hasidic Jews and the map of Section 8 vouchers in Brooklyn that shows much heavier concentrations of vouchers in Jewish neighborhoods than in Latino areas.

It is interesting that many interviewees in New York believed that Section 8 might be used to benefit Hasidic Jews more than Latinos, while critics of HAP in Portland expressed concern that tenants as a whole were under-served when their needs conflicted with those of landlords. These are equity problems of a different character. The New York case is a classic example where "horizontal" equity may be undermined, where one subset of eligible people succeeds over another. In Portland the question is about competing needs and resources between two groups with different roles: clients and producers. When the authority is deciding whether to cancel the voucher of tenants who

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destroy apartments the conflict is fairly direct. But in other cases the competition is more a matter of resources; when HAP spends time making forms more user-friendly for landlords, they do not necessarily spend the same time with tenants.

More in-depth research is needed to determine whether program resources are being distributed fairly. A better accounting of the demographic groups served by the program over time would tell us more about whether Section 8 serves some elements of the eligible population better than others. Just as important, however, would be more information on how disparities may have arisen. Some interviewees say imbalances occur because some groups are simply better organized than others; they know better when to apply and how to provide the required documentation to prove their need for assistance. Other respondents said the agencies make a practice of advertising openings in the waiting list quietly to key constituencies while avoiding wider notification of potential applicants. Still others allege outright fraud in which applicants are given assistance ahead of others who would normally have been selected if waiting list procedures were followed correctly. With HUD's capacity to perform program audits sharply restricted, there is little likelihood that the kind of in-depth analysis needed to resolve these questions will occur.

The concerns during the Reagan years focused on choice and market forces, as well as tighter targeting of subsidies. On the latter count, the New York agencies have administered the program to provide the greatest benefit to a select group of extremely needy applicants, while in Portland HAP has fulfilled the minimum federal targeting requirements without extending them or adding major categories. In New York, homeless applicants and domestic violence victims seem to receive the most preference,

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along with residents of *in rem* buildings (which are among the most deteriorated units in the city). Portland's minimal targeting offers priority to the terminally ill and a small number of homeless applicants, but nearly all applicants who are approved from the HAP waiting list qualify without meeting a preference. With the average family served earning between 18 and 27 percent of area median, it is fair to say the programs benefit the very poor, though more complete data would be necessary to draw firmer conclusions.[108]

There is an instructive contrast between Portland, where most recipients are at-large applicants who do not qualify under special preferences, and New York, where virtually all enrollees receive preference due to homelessness or another category of need. New York's approach seems sensible in light of the city's high ongoing rates of shelter enrollment for the homeless and domestic violence victims. Yet there are some noteworthy disadvantages as well: Preference categories privilege applicants who can document problems over those who cannot. They create an incentive for people who need housing to enter homeless shelters as a path to acquiring subsidies (a problem that reached a crisis during the early Dinkins administration). They greatly increase the complexity of the program and the potential for steering its benefits to favored political constituencies. Moreover, as a recent study by Stegman, Quercia and McCarthy discovered, the severe housing problems of the working poor (earning up to 120 percent of area median income) are widespread and growing, suggesting that very tight targeting of resources may under-serve "families who work and play by the rules" (2000, p. 3). Some preferences walk a fine line between helping the neediest and concentrating

[108] A useful statistic here would be the percent of families served who earn more than a certain threshold, say 40 or 50 percent of area median.

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resources in one ethnic group—many observers find a recent preference overcrowded public housing residents to be aimed at Hasidic Jews who have very large families, while the homeless preference in New York likely benefits blacks over other demographic groups. And the broad categories used in the preferences are sometimes of questionable value in identifying relative need. Is a young domestic violence victim with a low-paying job more needy than an elderly individual with a debilitating illness? A family living in the shelters more deserving than a family living in an illegal basement unit with no fire exits? Even the terminal illness preference in Portland came in for criticism from administrators, who pointed out that many of the recipients live long past their predicted survival periods.

On the other hand, supporters of preferences will surely counter that people living in a homeless shelter, as a group, surely have a higher level of need than the rest of the eligible population, and that there is a compelling public interest in moving them out of expensive, inadequate and temporary housing into permanent quarters. Perhaps the lesson learned is that preference ordering on the waiting lists should be embraced with great caution, but used when there is an overwhelming argument in their favor, though locating that threshold is a challenging task.

The vision of Reagan-era HUD administrators that the program would come to mimic the broad consumer choice of a healthy market system has only been partly realized. For this ideal to be achieved, subsidy levels would have to be set high enough for enrollees to purchase adequate housing, agencies would let enrollees search broadly for housing with few restrictions, and the housing provided would be owned and operated within the private sector. These criteria have been met in piecemeal fashion over the

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years, though HUD regulations ensuring that tenants can transfer their units within and between jurisdictions appear to have taken hold despite complaints from administrators of the ongoing burden of dealing with tenant mobility.

Portland's ongoing problem with landlords openly refusing to take Section 8 is one example of how market choice is restricted for participants in the program. Portland has taken aggressive steps to address this problem, but it is unclear from the available data whether these have substantially ameliorated the barriers for enrollees in the market. NYCHA's low success rate during the 1980s suggests that "consumers" in the program had insufficient buying power to overcome landlord reluctance to enter into a subsidized housing contract. Agency administrators indicate that efforts to overcome this problem of "market failure" were limited to conducting outreach and orientation sessions for landlords. As the higher success rates of recent years are largely related to the prior identification of units available through the EARP program (a process which temporarily obviates the need to search for a unit on the open market), the NYCHA program seems to have moved from a system where much of the market was closed off to a system where, for a large percentage of the enrollees, the housing is pre-selected. The source of these problems did not necessarily lie with localities, however: For years, HUD imposed onerous regulations that increased the reluctance of landlords to participate in the program.[109] These were largely corrected in the 1998 legislation passed by Congress, but another key limitation—the diminished value of the Fair Market Rent threshold (which had been dropped from 50 to 40 percent of area median over the years as a cost-saving measure)—was left alone.

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[109] The much-criticized "take one, take all" rule, where Section 8 landlords were not allowed to refuse Section 8 on subsequent vacancies if they rented to one Section 8 tenant, is just one example.

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HPD's practice of linking voucher holders to units subsidized through city programs shows how the voucher program can diverge from market principles on a number of levels. While tenants were technically permitted to use their vouchers outside of buildings subsidized by the City, as a general practice they opted to use the designated units, eschewing the opportunity to choose a unit on the open market. For voucher holders, HPD's practice of setting the voucher payment standard lower than the FMR served as a further deterrent, since it would require participants to pay more out of pocket if they rented a unit at a cost above the payment standard. Finally, it must be noted that a high proportion of the units served by HPD's Section 8 program are in buildings owned and operated by nonprofits or which are subject to government regulations as a condition of their receipt of subsidy. The operating conditions in these buildings are subject to the "double bottom-line" observed by nonprofit building managers who operate their buildings with financial and social considerations as dual guidelines.

At DHCR, the practice of advertising their program more aggressively among Mitchell-Lama housing managers for many years led to a tendency for enrollees to use their vouchers in these subsidized properties. While many of these buildings are desirable residences, the outcome of DHCR's administrative practices was a reduction in the number of enrollees searching broadly in the market for housing. Portland also used some vouchers (about four percent of their total) in a project-based format, but the authority restricted the initiative to a small class of buildings where the approach was most appropriate and secured approval from HUD before diverting the vouchers.

In highly regulated and subsidized housing markets, these "deviations" from market practice are unsurprising and their consequences difficult to assess. Housing

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searchers at the low end of the market generally have very limited opportunities for finding decent units that are not either subsidized through one of the myriad local and state programs or made more affordable through rent control or rent stabilization. Thus, the ideal of enrollees freely searching for housing in a fluid market driven by the rules of supply and demand does not describe conditions in New York's market, even for unsubsidized renters at higher income levels. In addition, where the market has done a poor job of serving the shelter needs of poor households a strict reliance on market forces to shape outcomes in Section 8 may not be the best approach. In such cases, innovations like EARP and HPD's project-based approach may provide the best solutions to a complex problem. Perhaps the differences between market conditions in New York and Portland are a factor in how closely the latter city hews to the use of market mechanisms: In Portland, where the housing market more closely resembles the classic economic model, there is more potential to take advantage of them by sending out enrollees in unrestricted searches. None of the interviewees for this study, however, mentioned such considerations.

There is still some value to offering tenants maximum choice in where they live and the kind of units they live in, as well as providing housing where prices and services respond to market forces rather than government regulation. Section 8 in New York City has been implemented in ways that de-emphasize these priorities as local agencies instead sought to use the vouchers (or in the case of NYCHA, the unused administrative fees[110]) to support project-based subsidized housing initiatives. While these efforts are in many ways laudable, they surely alter the character of the tenant-based program in ways not

[110] Of course, as the Section on NYCHA indicates, the authority would have used the vouchers more directly to support public housing if it had not been prevented by a lawsuit from doing so.

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foreseen by federal legislators. In addition, since the vouchers are used in buildings that are often subsidized through local funds that originated in federal grants such as CDBG, the practice leads to a layering of subsidy, meaning some tenants benefit simultaneously from construction subsidies, Section 8 rent subsidies, and EARP payments to landlords, among other income supports, while the great majority of eligible households receive no subsidy at all. In Portland, this problem has received substantial attention from local nonprofits, many of whom do not accept Section 8 to avoid overlapping benefits. In New York the issue has not been raised at all.

Finally, the federal objectives of the Clinton years, racial and economic integration, encouragement of inter-agency cooperation, and linkage of vouchers to special services and programs such as welfare-to-work efforts have seen mixed application in New York and Portland. On the integration question, it is difficult to draw firm conclusions regarding the dispersion of Section 8 participants, but the data in Table 3.1 suggest that Portland's tenants live in tracts with moderate concentrations of minorities and poor families, DHCR's tenants live in areas that roughly reflect the national averages in terms of poverty and minority populations, while NYCHA tenants live in areas with slightly higher poverty rates but much higher rates of minorities. And HPD, where the average tenant lives in a tract where 37 percent of the families are below the poverty line and 83 percent are minority, does a poor job of dispersing participants to areas of low poverty and minority concentration. On the other hand, the same table shows that 87 percent of HPD's clients are minorities, while they live in tracts with slightly lower rates of minorities, so the program does not seem to aggravate the problem of concentration. In addition, as described in Chapter Three, there are areas of

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moderately concentrated minority and poor families in Portland, and the agency does little to steer Section 8 families away from these tracts.

NYCHA's participation in the MTO experiment shows that sustained efforts to use Section 8 to deconcentrate the poor can be effective, though substantial resources were applied in this instance and unusual inter-agency collaborations were established. However, it is unclear how deep the demand for MTO runs among public housing tenants in New York and Portland, and how elastic the supply of available units in low poverty areas might be; target neighborhoods for MTO were limited to a few areas of the Northeast Bronx. Nonetheless, given the initiative's promising beginning and the encouraging data collected from the Gautreaux program in Chicago, it is striking that none of the four agencies have made other attempts to encourage Section 8 residents to move to low-poverty areas.[111] In addition, it is noteworthy that local administrators found the deconcentration initiative to be unrealistic, the brainchild of "theorists in Washington," and an effort not worth pursuing with much fervor.

The second Clinton objective, promoting inter-agency and regional cooperation, has been the focus of little effort in New York but shows some promise in Portland. HUD has made these goals a high priority in recent years, so it is striking that, while in Portland one agency operates the program over several jurisdictions, in New York City Section 8 is still administered by three different agencies with overlapping jurisdictions, using three different sets of administrative procedures. Efforts to promote collaboration across the agencies have largely been limited in New York to HPD's use of NYCHA's utility allowance calculations, a sporadic working group on Family Self Sufficiency,

[111] NYCHA has recently begun to provide maps of low-poverty areas to tenants but has not greatly emphasized the objective of deconcentration over the years.

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HPD's ill-fated "loan" of vouchers to NYCHA, and occasional *ad hoc* contacts between administrators. Procedures for applications, waiting lists, briefings, landlord outreach, housing inspections, fraud investigation and other tasks are carried out independently by each agency. Landlords who have Section 8 tenants from more than one program must cope with different sets of rules for each tenant, though administrators insist there have been no complaints in this regard. No effort at engaging in regional cooperation with other agencies in the New York metropolitan area has been undertaken. Both HAP and HPD, however, engage in extensive cooperation with other agencies; HAP as part of its self-sufficiency efforts, Moving to Work planning, and collaborative decision-making style, while HPD works with myriad nonprofits and city agencies out of necessity in the course of carrying out housing revitalization programs.

Finally, efforts to link Section 8 to other programs have met with mixed success, despite strong support from HUD during the Clinton years. Both NYCHA and HPD have administered special vouchers for tenants in buildings where expiring subsidy restrictions placed residents at risk of eviction, though separate statistics for these populations which might show how many tenants stayed in-place or were able to move successfully are unavailable. Assistance to the homeless has been a very high priority at HUD during the Cuomo years, and this priority is strongly reflected in local Section 8 practices, more in New York than in Portland, which has a much smaller homeless population. Portland provides priority for homeless advocates in less than four percent of its Section 8 units. But in New York, between the preferences granted to homeless applicants at HPD and NYCHA, the additional incentives presented through the EARP program and the construction initiatives underway at HPD, the two agencies manage to house thousands

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of homeless advocates each year, a more impressive success rate than any other program to house the homeless in New York City. Certainly this linkage between Section 8 and homeless assistance has been extraordinarily fruitful in achieving an important HUD objective. HPD's extensive collaboration with nonprofits and other parties through its construction programs provides opportunities for linking Section 8 with complementary efforts, but none of these efforts represent the kind of rational planning and coordination of services that HUD envisions at the regional level.

Family Self-Sufficiency also has a mixed record, implemented with some enthusiasm at HAP, DHCR and HPD, but virtually ignored at NYCHA. DHCR has the highest percentage of its families enrolled in the Self-Sufficiency effort, with 7.9 percent of families participating, followed by HAP, which has 6.7 percent enrolled, and HPD, with 5 percent. DHCR devotes three members out of a small program staff to FSS and, while their program has graduated fewer households, it is still nearly as successful as the initiative in Portland that has been nominated for an award from HUD. But with less than half of one percent of NYCHA participants enrolled in FSS, the nation's largest housing authority has virtually no program at all. Viewing New York City as a whole, Family Self-Sufficiency covers just 1.3 percent of the 91,000 households participating in Section 8. Furthermore, while DHCR administrators speak in glowing terms of the program's potential and HPD supervisors relate their experiences in researching options for FSS with outside organizations, NYCHA officials report that the program was perceived in the authority as an unfunded mandate from HUD, something that had to be implemented in order to apply for more vouchers but not an initiative with much internal support.

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Summarizing our findings regarding the relationship between federal objectives and local practices, we find that federal priorities have been implemented with varying degrees of enthusiasm and mixed results. As Table 7.1 indicates, none of the eight areas of federal intent are strongly implemented in all four agencies, yet no objective is entirely ignored either. We might conclude that different priorities have been adopted by different local agencies, but that none seems to have achieved overwhelming support.

While the basic concerns of feasibility from the program's early years—questions such as whether authorities could get vouchers to qualified applicants and whether they could rent substantial numbers on the open market—were answered affirmatively, significant numbers of qualified enrollees fail to find units through the program and must return their vouchers. On the equity question, there is some evidence that Hispanics may be underserved by the program in both cities, but further research is needed to ascertain whether internal agency records that present more favorable information are correct. While HUD during the Reagan years emphasized the provision of maximum choice to applicants, only in Portland has this been a high priority, as the agency has taken aggressive steps to recruit more landlords into the program, and has done so using methods that conform to vision that the program should operate as much as possible through market mechanisms. In New York, however, all three agencies sought to use the program in ways that linked enrollees to units subsidized through construction subsidies, with HPD carrying this out most successfully of the three. None of the four agencies experimented with providing lists of available private apartments to tenants or provided substantial services to help enrollees in the housing search, though there is some evidence that such interventions can increase the success rate of housing searchers. Interestingly,

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while Portland's program satisfies Reagan-era concerns about tenant choice and the market, they have not embraced the other priority of that time—narrowing the group of eligible applicants—as warmly as the New York agencies have done. Finally, while the Clinton administration goal of promoting family self-sufficiency has taken root in three out of the four programs, there is some question regarding whether families actually become self-sufficient as a result, and the virtual non-participation of NYCHA is a serious shortcoming. Other recent goals—promoting regional cooperation and encouraging integration—have made even less headway. Regional coordination is an objective only in Portland, and none of the agencies have done much to use the vouchers in service of integration.

TABLE 7.1: SUMMARY OF FEDERAL OBJECTIVES AND LOCAL CHARACTERISTICS

	HAP	NYCHA	HPD	DHCR
Feasibility	+?	+?	+?	+?
Efficiency	+	+	+	-
Equity	-?	-?	+	-
Targeting	-	+	+	+
Choice	+	+	-	+/-
Integration	-	+/-	-	-
Reg. Coordination	+	-	-	-
Service Linkage	+	-	+	+

Note: A plus sign indicates the evidence from the agency mostly indicates support for the objective, while a negative sign means it suggests the objective is not supported. At +/- means the agency provides conflicting evidence. A question mark indicates that insufficient data exist to draw conclusions.

Of course, not all federal objectives in Table 7.1 are of equal importance. Some, like the Reagan-era concern for offering more choice to participants, are somewhat dated. Others, such as the concern for regional cooperation between housing agencies, are of a lower priority than objectives related to feasibility and equity. From the HUD perspective, it is likely more alarming that agencies disproportionately help one ethnic

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group more than others than that they fail to cooperate with other housing agencies in their region. HPD's restrictions on tenant choice are likely less disturbing (and more justifiable) than their periodic failures to process vouchers in a timely manner. In this context, the most notable results are the widespread skepticism about using Section 8 to deconcentrate the poor and the contrasting support (except at NYCHA) for Family Self-Sufficiency, as well as the possibility that Latinos are being underserved.

Before considering the political dynamics that may have led to these results, it is worthwhile to examine the unique conditions that prevailed in each city and the extent to which each locality's interpretation of the voucher program responds to these conditions. The most obvious area of contrast has to be in how abandoned properties were revitalized. Each city experienced a period of abandonment and disinvestment in real property, yet in Portland market forces generated the bulk of the resources and momentum for rehabilitation while this was not the case in New York. The latter city had much deeper problems, as entire neighborhoods experienced waves of arson, abandonment, and violent crime, making gentrification by market forces less likely. In addition, New York's regulated land use environment was also a barrier, as rent regulations and eviction protections discouraged unsubsidized private investors, as did the city's complex and sluggish system for approval of construction work. Of course, the simple fact of continued City ownership of a large portion of the abandoned stock made private solutions less likely as well. New York's housing stock is older, more overcrowded, and twice as likely to evidence physical deficiencies than in Portland (Table 3.3). A further distinction worth mentioning is New York's prevalence of partially occupied multi-story buildings, meaning that displacement of existing tenants in

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renovated structures was a serious potential problem. In Portland's one- and two-family houses the prior occupants were generally absent, obviating concern for displacement in many cases.

In such a context it seems natural that Portland would direct its Section 8 resources to tenants who wished to rent broadly in the market. The Housing Investment Fund was attracting sufficient applicants without needing to link Section 8 to the projects, and few tenants faced eviction as a result of rent increases following renovations. In New York, where displacement was indeed a problem, where the City owned a vast stock of units that even a $4.2 billion construction effort did not entirely succeed in divesting, and where neighborhood revitalization was, at least in the short term, dependent on public investment, the case for linking vouchers to construction was much stronger. Section 8 protected tenants at risk of eviction, increased the number of units that could be renovated by adding to the revenue flow of completed projects, and enticed private owners and nonprofits as well to participate in revitalization projects they might otherwise have found untenable.

Another key area of contrast lies in the percentage of eligible households who are actually served in each city. As discussed in Chapter Three, Portland has a much higher percentage of vouchers available for the city population living in poverty than New York does (26 percent as compared to 17 percent in New York), yet New York has comparatively more resources available in public housing and other subsidized or regulated programs than Portland, probably enough to offset the differential in Section 8 resources. At the same time, New York has significantly higher rates of poverty than does Portland, and the Section 8 allocations for both cities fall far short of what is needed

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to serve the eligible population. Given New York's higher rates of poverty and large populations in both homeless and domestic violence shelters, there is some logic in the city's narrow targeting of resources to the homeless and victims of domestic violence. At the same time, New York's average rent burden for poor families is much higher than Portland's—81 percent in the 1995 American Housing Survey—and offers some justification for a broad program of assistance to impoverished renters.

Finally, there is something of a contrast between Portland's practices that tend toward a more expensive cost per unit and those that prevail in New York (particularly at NYCHA, but also at HPD and DHCR, as is evidenced by their low payment standard thresholds) where provision of the maximum number of vouchers took precedence. Again, if we assume that there was a higher level of unmet need in New York, then this city's focus on increasing the total pool of assisted families seems sensible. There are a number of trade-offs between what might loosely be termed "quality and quantity" in the program: quantity is boosted through looser HQS practices, relaxed rent-reasonableness reviews, limited fraud investigation, lower payment standards, fewer exception rents, less encouragement of mobility to low-poverty areas, and an administrative focus on efficient processing of applications and subsidies rather than provision of services or enhancements. In general, the New York programs seem to prioritize maximum total lease-ups, while in Portland more attention is given to services (Family Self-Sufficiency and services for landlords in particular) and improving success rates through higher FMRs and payment standards.[112] These practices may well reflect the higher levels of households in New York who are unsubsidized and in conditions of extreme need.

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[112] The contrasting approach is not perfectly consistent: there is some evidence that Portland's HQS inspections have been overly permissive, and rent reasonableness controls were cited by HUD as

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LOCAL POLITICS AND SECTION 8 DECISION MAKING

Not all of the differences between the New York and Portland Section 8 programs can be attributed to the unique characteristics of the housing markets and eligible populations in each city. Politics indeed plays a role in how Section 8 is administered, who benefits, and what objectives receive the highest priority. And while most political influence seems to be exercised for purposes that are consistent with the goals of the program, there are some areas—particularly regarding the distribution of benefits to ethnic and racial groups—where those goals are undermined. To revisit our hypotheses from Chapter One: What effect do organized clients, governing coalitions, and institutional structure have on how decisions are made and outcomes at the local level?

Organized clients clearly have more influence over the program in New York than in Portland. Evidence of their influence in New York includes the homeless and domestic violence preferences, the extensive use of vouchers in buildings run by nonprofit community development organizations, and the loose rent reasonableness oversight at HPD (which allows building owners, nonprofit and for-profit, to charge more for Section 8 units). In Portland, on the other hand, tenant advocates failed to secure regulations forcing landlords to accept Section 8, have been forced to participate as observers on the Landlord Advisory Committee when no comparable tenant body existed, and have generally failed to convince HAP to institute waiting list preference for

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inadequate until recently. Nonetheless, the New York programs implement HQS and rent reasonableness with mixed degrees of enthusiasm as well, again underscoring their focus on quantity.

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subgroups of the eligible population.[113] In addition, some nonprofit housing groups in Portland do not accept Section 8, voluntarily foregoing potential income for their properties under the belief that demand-side benefits should not be overlapped with supply-side efforts if the maximum number of families is to be served. In New York, the opposite has occurred, as vouchers have been linked to subsidized units by HPD for many years, with the general support of the CDCs. In addition, tenant advocates from legal organizations have played a substantial role in New York with lawsuits by Legal Aid affecting eviction policy at NYCHA.[114]

The contrasting experience in the two cities is very important for political scientists, since it encourages re-thinking of our hypothesis, supported by writers such as Goetz (1993) and Smith (1989) that cities with well-developed advocacy networks will skew policies toward their clients. Both New York and Portland have highly developed and cohesive liberal housing organizations (Portland's nonprofits have been perhaps even more focused and active on citywide advocacy issues than those in New York during the last decade), yet Section 8 in the smaller city is run rather independently of the influence of advocacy organizations, while in New York significant decisions favor their interests and those of their clients.

A few explanations present themselves, all of which likely have some value: It is likely that the variables considered in our other two hypotheses play a role, that is, that advocacy coalitions have more strength when governing coalitions are unstable and administering agencies are more dependent on the support of elected officials, both

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[113] Exceptions can be found, such as the limited number of vouchers provided to the homeless and the terminal illness preference, but these are very limited in comparison to New York, where the bulk of new vouchers go to the homeless and domestic violence victims.

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conditions that are met in New York more than in Portland. Second, the financial strain under which nonprofits operate may vary from city to city. In New York, where CDCs serve high proportions of formerly homeless people and target families at the bottom of the income scale while paying high costs for building materials, water charges, and other expenses, the financial strain on nonprofit housing organizations is greater than in Portland, where client incomes are higher and building management costs lower. It may well be the case that advocacy coalitions fight for distributional benefits more aggressively when the survival of their member groups is not well assured. Finally, political culture may play a role. New York housing advocates have long been at the forefront of support for project-based subsidies over tenant-based alternatives, while in Portland this conflict seems not to have taken root. Thus, a tenant-based subsidy that operates in the private housing market is more acceptable in Portland, where in New York both agency administrators and outside advocates sought to yoke the vouchers to project-based efforts, reluctant to imagine that the voucher program should be separate from and complementary to construction efforts.

Finally, Section 8 recipients are more anonymous than their counterparts in public housing and there is no clear way to organize them politically to articulate their interests. Unsuccessful enrollees turn back their vouchers and melt anonymously back into the mass of unaided families, while tenants in project-based programs can be organized to demand better services or stronger protections against eviction. In addition, it is much easier to link services to project-based tenants, often on-site or close by at CDC offices, while voucher recipients must travel to participate in the kinds of training and services

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[114] Lawsuits affected policy in Portland too, as a lead paint suit led to substantial changes at HAP, but this was brought by the parents of the afflicted child, not an advocacy legal center.

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provided by local nonprofits. Factors such as these discourage activism by nonprofit advocates aimed at Section 8, making it all the more surprising that the program received some attention from advocates in Portland and that it largely conformed to the priorities of the advocates in New York as well. More data are needed to explain this issue, though we can speculate that in Portland tenant advocates had fewer competing issues (such as rent control) to focus on and so could spend more time on Section 8, while the New York experience suggests that the model of political influence is a rather loose one, with decision makers moving to meet the needs of advocates using a variety of programs and options, of which Section was just one element.

On the second hypothesis, regarding the effects of governing coalitions, there seems to be only modest support for the proposition that shifts in the membership of governing coalitions lead to significant change in Section 8 policy. The influence of Mayor Clark in the 1980s coincided with the creation of a pool of vouchers for the homeless, but this occurred at the same time that citywide advocates were pushing for more attention to homelessness and federal programs were encouraging this as well. When Gretchen Kafoury won office in Portland, Section 8 administration at HAP appears to have been largely unaffected. Had Kafoury and her supporters managed to pass a city law requiring that landlords accept Section 8, things would have been different, but they did not and instead landlords (whose influence was otherwise waning during this period) managed to gain increased influence.

The election of Mayor Dinkins in New York in 1989 may have had some effect on Section 8 policies, as this period saw increased targeting to the homeless and domestic violence victims, as well as continuation of the costly Ten Year Plan housing effort in the

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face of a fiscal downturn for the city. While Giuliani's election in 1993 led to a reduction in new construction efforts as the Ten Year Plan ended, there have been no sharp changes in Section 8 policy at any of the three agencies. Despite Giuliani's strong base in outer-borough ethnic neighborhoods, no opposition from these neighborhoods or their champions emerged to the MTO program, which was well supported by NYCHA during the mayor's second term. One possible area where coalition changes affected Section 8 is the distribution of benefits to Latinos and Hasidic Jews. With Giuliani's election bringing Latinos into a stronger role in city government, NYCHA numbers conflict with HUD statistics as to whether Latinos actually got any vouchers as a result. Even the NYCHA statistics, which show a sharp increase in Latino participants, indicate the benefits started flowing during the Dinkins administration, when Latinos were perhaps a courted constituency but had limited direct influence at City Hall.

It is difficult to assess the relationship between Section 8 administrative agencies and the Hasidic community. Hasidic Jews have supported the winning side in the last three mayoral administrations, making it hard to see whether the flow of benefits has changed for political reasons. And while they indubitably receive a large portion of Section 8 benefits, it is difficult to assess whether this is due to their legitimate presence in large numbers on the wait lists or, as a number of interviewees suggested, to agency practices which skew benefits as a result of political deal-making. There is certainly no shortage of allegations on this count and, taking into consideration NYCHA's record with Hasidic Jews and Latinos in public housing, there remains substantial reason to believe that Hasidic influence led to some degree of increased benfit.

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In summary, changes in political governing coalitions appear to have limited effects on Section 8. Portland offers very limited evidence that members of governing coalitions have a stronger hand to play than other groups looking for influence. In New York, Dinkins' victory over Koch may have had some effects, but Giuliani's triumph in 1993, which heralded quantum changes in the practices of many social welfare programs, seems to have had little or no effect on Section 8. This limited effect can be explained partly by the independent nature of Portland's program, which resisted political influence, and partly by the general low profile of the voucher program. In New York many interviewees said Section 8 was simply not on the "radar screen" for political interest groups, who saw it as a federal program with little potential for distributive or other benefits. With the exception of Hasidic Jews in Brooklyn, it may be that organized interests in the Giuliani administration were simply focused on other priorities. Certainly, with Section 8 as a linchpin in successful programs to address homelessness, neighborhood revitalization and domestic violence, there was less support within the administration for serious change. It is possible that tight resources at HPD and the overarching priority of divesting the city of *in rem* buildings made attempts to change the program's production focus unpalatable.

Our final hypothesis, that institutional structure and setting will play a role in policymaking, is given quite a bit of support from this research. Of the four agencies studied, HAP is the most independent of the political system, the agency that operates most like a traditional authority with limited involvement from elected officials. HPD, as a mayoral agency in a "strong mayor" system, is most directly under control by elected officials, with NYCHA and DHCR somewhat less so. In many ways, HAP functions as

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its independent status might lead one to expect. Key decisions on how Section 8 operates are made by Executive Director Denny West, who was recruited by his predecessor and appears to operate with little interference from his volunteer board or city officials. Agency administrators pride themselves on their professionalism and speak highly of West's influence in making Section 8 more effective and efficient. With staff organized by function and little role for public employee unions in decision-making, there is little internal or external challenge to courses of action chosen by HAP administrators. And despite West's strong emphasis on running the authority as if it were a business—an orientation that might raise more objections among progressive housing advocates were West not so skillful in working with a wide range of stakeholders—little opposition has emerged to his style of leadership or to the authority's powerful commitment to satisfying landlords in the program.

HPD, in contrast, has subordinated the traditional goals of Section 8 to the requirements of various city programs to rehabilitate New York's housing stock. Section 8 is highly integrated with these programs, to the point where program staff are physically divided between different departments, depending on which programs will use the vouchers. Waiting list and other administrative practices vary depending on which construction program the subsidies will be linked to, and these practices change over time as the project-based efforts are transformed. It appears that at HPD Section 8 has simply never achieved the kind of independent identity that exists at HAP, and key policy decisions are often made by mayoral appointees outside the Section 8 program, with Section 8 administrators having less leeway than their counterparts at HAP or NYCHA.

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One might expect NYCHA and DHCR to exhibit some of the same tendencies as HPD, but in less extreme fashion, and indeed this is the case. DHCR staff report that until recently they operated in near isolation from the political process, with few demands from outside organizations and limited interference from state housing officials. State DHCR administrators agree that the local office is given discretion over most aspects of the program, with the exception of budget matters (the state continues to take a sizeable portion of the local office's administrative fees) and some guidelines imposed by DHCR on all the local Section 8 programs it oversees. The image projected by local officials is of a fair degree of independence, though they do make some concessions to the State interest in supporting Mitchell-Lama stock.[115] At NYCHA, strong support for homeless and domestic violence victims in the program, mayoral intervention to resolve the voucher "loan" dispute with HPD, and possible benefits to subgroups of the eligible population indicate some permeability of the Leased Housing department. On the other hand, the Director of Leased Housing was a 43-year veteran of the authority who played an important role on the national policy stage for Section 8, was a firm critic of the voucher model, and staunchly resisted changes to the program that were not in line with his vision of the program. Certainly, NYCHA is less responsive than HPD to shifts in the City's housing policies and mayoral objectives, though it is also fair to say that the authority, with a full time paid board appointed by the mayor, is more susceptible to pressure from advocates and political constituencies than its counterpart in Portland, and that this occasionally affects Section 8 policy in important ways.

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[115] Some observers doubt that DHCR came to serve a disproportionate number of Hasidic Jews by accident, as they claim. If true, this would indicate an important moment when political deal-making critically altered the nature of their program.

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There also may be some role played by organizational culture at each agency, though a more in-depth study of this variable would be needed before drawing conclusions that are more than tentative. Section 8 at HPD certainly reflects the rapid changes and complex structure that permeates the agency and has characterized its operations over the years. HPD's culture is innovative, tumultuous and highly influenced by political development in the city. Section 8 at HPD has been a very creative affair, as administrators have never hesitated to shift program practices to meet changing needs within the agency. Even the failures of the program mirror the agency's mixed track record for programmatic competence: tackling monumental problems with inadequate resources, HPD has fallen short of minimal standards of performance in the upkeep of much of the *in rem* stock and has endured criticism from other city officials and the press for poor administration of various programs and agency responsibilities. The occasional administrative breakdowns in the Section 8 program can be seen as reflecting broader tendencies within the agency and its organizational culture. Similarly, NYCHA has established a track record as a highly professional authority that has succeeded by remaining focused on the core elements of its mission and by serving a broad mix of clients, both characteristics that describe the Leased Housing Department.

Table 7.2: Summary of Hypotheses and Results by Agency

	HAP	NYCHA	HPD	DHCR
Advocacy Clients Matter	-	+	+	-
Coalition Members Matter	-	+/-	+/-	-
Org. Structure Matters	+	+	+	+

Note: A plus sign indicates the evidence from the agency mostly supports the hypothesis, while a negative sign means it suggests the hypothesis is not confirmed. At +/- means the agency provides conflicting evidence.

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The Housing Authority of Portland provides additional evidence of the role of organizational culture. In recent decades HAP has established a reputation as a professional operation where administrators have sought to balance the social and material needs of the clients against the authority's fiscal limitations, and where they have worked collaboratively with stakeholders in government and the private sector. Under the most recent director HAP has become more entrepreneurial and embraced some of the practices of companies operating in the private market. Section 8 reflects these tendencies, committing strongly to the Family Self-Sufficiency program while limiting enrollment to keep costs down, allowing the Section 8 department to operate its own budget, and addressing the housing search failure problem by working to attract more landlords voluntarily into the program. In sum, it seems that not only organizational structure but also cultural factors such as the operating philosophy of top agency administrators, norms of professionalism, and agency history with social services affect program practices.

Reviewing these outcomes together with our analysis of support for federal objectives allows us to see some interesting interactions between the variables. To begin with, it seems that there is a strong link between administrative independence and the potential for achieving federal objectives. Portland offers a good chance to test the effects of all three political variables and seems to show that changes in governing coalitions and the existence of strong coalitions of housing advocacy groups have only modest effects on the voucher program when it is administered by a housing authority with a fair degree of structural independence. Just as importantly, Portland offers the strongest example of support for federal objectives: Not only does the agency support

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five out of the eight goals examined, but there are good explanations for the divergence on the remaining items. The under-representation of Hispanics may be related to this group's comparatively recent arrival in the area, the decision not to target resources as tightly conforms well to the recent de-emphasis of this objective at the federal level, and the lack of attention to integration partly reflects the city's low levels of racial and economic isolation. Agency structure, then, not only affects how decisions are made, but may also make it more likely that local priorities conform to federal ones.

Secondly, this study offers some evidence regarding the relative importance of our three political variables. What happens, for instance, when governing coalition members demand one thing and advocacy groups another? Or when the priorities of either of these groups conflict with those of the administering agency? Unsurprisingly, institutional form seems to have the largest influence; with HAP's independent structure and history allowing it to resist demands from political and advocacy groups.

Assessing the relative strength of governing coalitions partners and advocacy coalitions is somewhat more difficult. The demands of these two groups overlapped in Portland and in New York during the Dinkins administration. The 1993 election of Rudolph Giuliani, however, provides some useful data, since advocates continued to believe that Section 8 should be used for the homeless and domestic violence victims, as well as to support construction in the Ten Year Plan, while Giuliani's political base might have desired more support for the working poor and might also have viewed the MTO experiment with great suspicion. Since Giuliani mostly stayed the course in Section 8 the evidence suggests that advocates have more influence over the program than governing coalition members. The apparent influence of Hasidic Jews is an important exception to

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this tendency, however, and indicates that determined members of electoral or governing coalitions can indeed wield influence. On balance, though, it seems the advocates mostly carried the day in New York.

And so the image of policy making on vouchers is that advocacy coalitions have quite a bit of influence over policy when agency structure provides strong links to local government, such as occurred at HPD, while governing coalitions members have less impact. Advocates in New York have a high degree of expertise in housing and their years of involvement with the complex rules of Section 8 allow them to focus their demands on ways to use the program for objectives they see as crucial. At the same time, when Section 8 is implemented within a framework that is directly accountable to the mayor there seems to be more opportunity for advocates to gain traction, perhaps because agency officials fear the electoral consequences of denying them influence. Governing coalition members may have comparatively little experience with the program and allow it to slip beneath their "radar," unaware of any potential benefits that may be achieved from attentiveness to Section 8 decision-making. This is not necessarily cause for criticism, since many of the objectives of advocates in New York appear to be salutary and based on thoughtful analysis of the potential benefits of using vouchers in a tight housing market where homelessness, overflowing domestic violence shelters, and poor quality City-owned housing are serious problems. On the other hand, to the extent that none of these stakeholders are particularly focused on the federal agenda for Section 8 or, with some exceptions, on the needs of the at-large applicant, these political dynamics can translate into missed opportunities to accomplish the greatest benefit with the program's resources. The challenge for federal officials is to find the proper balance between

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promoting federal goals and allowing for local tailoring. Too much oversight can result in decisions that clash with local conditions, while too little can mean that worthy goals are overlooked and program resources mis-directed.

POLITICAL SCIENCE RESEARCH AND VOUCHER PRACTICE

Chapter One presented a number of important themes in political science research that are relevant to the current research project: the rise of third-party government, the contrast between market and government methods of delivering services, the role of institutional form, and the effect of interest groups on the policy process. Some interesting results have emerged regarding all of these themes, suggesting some new interpretations and possible areas for further research.

Diverse authors have examined diverse issues relevant to the rise of third-party government: Pressman and Wildavsky (1984) focus primarily on effectiveness, on whether federal policies can be implemented with any chance of success in local environments riddled with unpredictable "veto points." Goggin, et. al. (1990) consider the same topic within a broader perspective of various theories of policy implementation. Heclo (1979) is concerned with information, complexity, and the rise of "issue networks" that exert influence on policy making at the federal level. Salamon (1989) discusses how third-party government has led to the development of a broad range of tools for implementing government policy, many of which approximate the conditions demanded by advocates of privatization (Salamon sees third-party government as a *de facto* enactment of some of the market-driven and entrepreneurial initiatives that privatization advocates treat as something to be obtained in the future). Since political influence and

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market initiatives will be discussed below, we can begin by looking at some of the more general questions raised by Pressman and Wildavsky and Goggin, et. al.

Pressman and Wildavsky's study provides a pessimistic view of the possibility of coherent policy implementation at the local level. Blaming conflicting federal priorities and labyrinthine local policy environments, Pressman and Wildavsky argue that intergovernmental programs are prone to delays, diversions, and outright failure. Goggin, et. al., writing more recently, take a similarly dim view: "It is the unusual case in which intergovernmental policy implementation is something other than slow and uneven" (1990, p. 105).

And yet the current study has not found that policy implementation at the local level misses the mark to the degree predicted by these writers. Some federal objectives were carried out with more enthusiasm than others. Indeed, deconcentration of poverty and regional coordination of services were ignored by three out of four agencies. Yet most objectives found some support and in no case did Section 8 resemble the disastrous example of the Economic Development Administration presented in Pressman and Wildavsky. As for Goggin's assertion that the implementation should be expected to be "slow and uneven," the early history of Section 8 shows that agencies were so eager to lease up units (and start receiving administrative fees from the federal government) that they devoted their own resources to the program and pursued administrative policies that would lead to more rapid implementation. Change at HAP seems to proceed with dispatch (it was HUD that took over a year to approve the authority's final Moving to Work application). Even HPD, with its chronic problems and conflicts with federal

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officials, seems to adjust the program to changing local needs with a reasonable degree of flexibility and speed.

Rather than evidence that third-party government cannot work, this study has provided evidence that, given the right local conditions, institutional formats, and federal incentives, challenging goals can indeed be achieved. HAP's radical restructuring of the program to maximize market mechanisms, NYCHA's success in the MTO program at renting units in low-poverty areas, and HPD's achievement in placing very low-income, mostly minority, households in housing at low cost to the government are all examples of impressive accomplishments through third-party arrangements. In addition, we have learned that many federal goals can be legitimately re-interpreted at the local level to conform to unique conditions, so many "deviations" from federal intent are in fact enhancements of the program rather than failures of implementation. Portland's decision not to target vouchers tightly can be seen this way. So can HPD's decision to link vouchers to City-funded construction programs.

Finally, this study has led us to the somewhat surprising conclusion that the federal government seems to under-regulate the voucher program. HUD is indeed short of staff and local agencies show ample willingness to resist federal supervision. Yet these factors alone do not account for the alarming lack of consistent information that is available for assessing program outcomes and performance. HUD is well on its way to correcting the problem by implementing the uniform SEMAP standards discussed earlier, but the failure to do this for the first 26 years of the program's operation suggests that a key problem with implementation through third-party mechanisms is the lack of commitment at the federal level to establishing clear performance standards and requiring

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local accountability to report on these measures. This theme is not really addressed in the implementation literature, likely because, at root, it is a problem of program design, not implementation. In any case, this study has found localities willing and able to implement federal objectives (assuming appropriate leeway is allowed for unique local conditions and that proper incentives exist for model performance), yet it seems that federal actors have been reluctant or unable to establish mechanisms to take advantage of the local capacity and expertise that exists.

The second theme from political science literature regards the relative effectiveness of government and market mechanisms for achieving public objectives. Authors who focus on this theme range from those who want less government (Friedman 1982; Savas 1987; Husock, 1997), to those who believe that market mechanisms can help government be more effective (Salamon, 1989; Osborne and Gaebler, 1993), to those who believe that government agencies can and do carry out policies effectively (Rainey, 1991). The major area of relevance to the present study is the notion (presented most directly in Savas, 1987, pp. 78ff.) that vouchers allow the consumer of government assistance to function in a manner similar to a private consumer, enhancing choice, efficiency, and program outcomes.

One of the central lessons of this study is the finding that voucher programs in practice resemble market behavior much less than their proponents might have expected. HUD restrictions on Fair Market Rent levels eliminate much of the potential market from consideration, forcing enrollees to look for housing that rents for below 40 percent of area median prices. Landlords who openly refuse to accept Section 8 further reduce the available pool of units; many other landlords discriminate less overtly but still deny

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tenants due to their participation in the program, their race, or other factors. Tight local housing markets led to high failure rates for housing searchers in New York, and one-fifth of enrollees in Portland currently fail to lease a unit within the program. As for market pricing, lax rent reasonableness enforcement at HAP and HPD allowed many landlords simply to set their rents at the Fair Market Rent levels, eliminating the kind of subtle pricing adjustments that mature market conditions employ. So, for many enrollees, the opportunity to practice market behavior is undermined by insufficient purchasing power in the face of significant transactional obstacles. In effect, many are constrained to rent in the poorest neighborhoods, offering participants "free choice" within a very unappealing subset of the market.

At the same time, agency restrictions on choice and market behavior are quite substantial. None of the agencies studied provided significant assistance in the housing search, meaning that applicants who lacked the means to conduct a successful housing search were left largely to fend for themselves. More importantly, HPD effectively restricted the housing search to buildings rehabilitated by the City and encouraged Section 8 participants to live in buildings run by nonprofits and limited-equity cooperatives. NYCHA restricted the search for EARP clients to apartments pre-approved for occupancy by the authority. DHCR encouraged use of the subsidies in Mitchell-Lama developments. These are very significant examples of instances where the voucher program bears little resemblance to market behavior. None of the examples is surprising in light of the degree to which the unsubsidized housing market itself deviates from free market principles (especially in New York City). Yet our findings are certainly cause to question the degree to which vouchers represent a policy alternative that takes advantage

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of market mechanisms in delivering public goods. In practice, vouchers have more characteristics of a private exchange than public housing does, but the degree to which they provide broad consumer choice, efficient pricing and access to better neighborhoods and housing is questionable. In fact, as the MTO experience seems to indicate, most public housing tenants who were offered vouchers preferred to remain in public housing (a choice which is not available to voucher recipients). Finally, recent research that indicates little or no desegregating effect of Section 8 on poor households (cf. Peterson and Williams, 1995; Pollack, 1997) underscores the limited effect of choice on housing searches.

On the third theme from the political science literature, the role of institutions, this study provides some insight and support for previous conclusions. The work of "new institutional" theorists like Skocpol (1995) and March and Olsen (1989) is complex and contains many themes relevant to the research presented here. Perhaps the most important contribution of this literature for the present study is its assertion that we must examine institutions themselves, their histories, practices, structures and capacities, if we are to understand how policies are created and carried out. Indeed, this turns out to be a very fruitful approach when studying vouchers.

The dominant force shaping Section 8 in Portland is HAP itself, with public officials and interest groups playing more of an advisory and partnership role. The agency operates with a fair degree of autonomy, with the outcome that entrepreneurial practices have been embraced aggressively, that federal objectives are achieved to a higher degree, and that a high level of professionalism holds sway. HPD has very little autonomy, limited administrative capacity and resources, and operates Section 8 in a

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highly permeable policymaking environment, vulnerable to interference from other parts of the agency and from advocates and interest groups who see Section 8 in a role subordinate to other "project-based" efforts. Section 8 policy at HPD reflects these conditions. The lesson we learn from these data is the importance of institutional arrangements to program practices at the local level. From a political science perspective, there is support for the general ideas of the institutionalist scholars, but further research is needed before drawing conclusions about their more detailed analytic frameworks. March and Olsen (1989), for instance, are interested how information is processed within organizations, how rational choice models of decision making contrast with "temporal sorting" or "garbage can" theories of decision making. Analysis of these theories requires in-depth study of the processes of making specific decisions. Skocpol (1995), on the other hand, is more interested in the relationships between institutions and their policy environments. in the characteristics that allow interest groups to shape institutional choices and the conditions that enable institutions to implement policy successfully. This is closer to the topic of our current study, but deserves more comprehensive treatment in further research.

From a policy perspective, HUD may want to consider the effect of institutions on the programs they administer. The Department already uses a "risk management" model to decide which local authorities require closer supervision, but this model does not currently include an institutional dimension. This may be a worthwhile innovation. Institutions that are autonomous and show evidence of "neutral competence" might have a lower risk factor (for deviating from federal objectives) than those that are part of city or state line agencies. Institutions that operate Section 8 along with project-based

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programs that are under severe strain might be expected to channel resources between the supply- and demand-side programs. By focusing analysis on a set of issues that are most likely to emerge within a given institutional framework,[116] such an approach can allow HUD to make most efficient use of its limited oversight capacity.

Finally, Chapter One offers a brief description of theories of political influence, which have some relevance to our findings regarding the role of governing regimes and interest groups. Drawing our cue from the work of Stone (1989) and Mollenkopf (1992), we might expect governing coalitions to play a strong role in voucher policy, yet this turned out not to be the case. Scant evidence was found to indicate that participants in governing coalitions played a strong role. Stone and Mollenkopf focus on how coalition members come together to win elections and then establish norms of cooperation through which the basic functions of city administration can be carried out in an orderly fashion while regime participants share in the distributional benefits that are available. It may be that Section 8 is too marginal a program to reflect on these concerns with broad structures of governance. With Section 8 as a federal program that operates according to a reasonably functional set of incentives (for tenants, landlords and PHAs), few resources would be required from a governing coalition to enable the program to continue operating successfully, which may explain why little or no effort was made to adjust Section 8 when governing coalitions changed.

While regime builders must cobble together cooperative relationships between financiers, builders, business leaders, public employees and key constituencies, it may be that they can safely ignore the workings of comparatively quiet federal subsidy programs without running a great risk of destabilizing their regime. In addition, with Section 8

[116] A standard practice for lenders conducting risk analysis, incidentally.

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occupying a low rank among the priorities of many potential governing coalition members, it is not surprising that little evidence exists that these actors affected Section 8 practice. In the rare instance that an important constituency does care about Section 8 and when institutional arrangements allow for political pressure to be exerted effectively, significant changes can result. This may have been the case with the Hasidic community in New York City, though more data are needed to reach firm conclusions. In any event, it is noteworthy that a large program that can be greatly influenced by local government seems to be mostly ignored during regime transitions, suggesting a possibility that some categories of government activity may be comparatively insulated from regime politics.

Finally, we found only limited support for political science theories that assign a major role to interest groups in shaping local policy. Work by Sabatier (1993), Fainstein and Fainstein (1974), and Goetz (1993) suggests that organized interests can play an important role in shaping policy, yet the research presented here indicates a diffuse and contingent effect. To begin with, the Portland experience shows that interest groups, however well organized, can be rejected by autonomous agencies with little negative consequence for those agencies. This does not directly contradict the theories presented by Sabatier, Fainstein and Fainstein, and Goetz, since none of them predicts a strong role for advocacy coalitions in the specific type of environment we are investigating here. At the same time, it does beg the question of why some advocacy coalitions exert influence successfully, yet this was not the case in Portland. As mentioned above, this is likely related to the decentralized and anonymous character of the voucher recipients, together with the absence of obvious distributional benefits available to interest groups through advocacy.

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Second, even though Section 8 administration in New York closely tracks the priorities articulated by organized advocacy coalitions, there has been limited direct pressure regarding the voucher program. Where there has been pressure (as in domestic violence at NYCHA and the campaign to get HPD to increase efficiency), the agencies were responsive. But many changes were made as part of a commitment (especially at HPD) to bring the program into alignment with overall strategies that conformed to the priorities of most advocates (along with other active stakeholders). Rather than agency staff playing a reactive role in negotiating compliance with advocate demands, program administrators functions more as "policy entrepreneurs," seeking creative ways to cobble together programs and subsidies in a way that met the needs of advocates, tenants, landlords and the agency itself. Despite HUD's resistance to this approach, local constituents seem to have been satisfied. This evidence seems to support a model of interest group influence that is somewhat diffuse, where program changes in one area can occur as a result of demands made elsewhere, and where creative administrators generate solutions that meet the needs of a range of stakeholders even in instances where the "problems" never reached the public agenda.

INTENT AND OVERSIGHT: WHAT ROLE FOR HUD?

For the most part the view of Section 8 presented here is a positive one. Nearly 100,000 units of subsidized housing are provided across four agencies, with little of the criticism or acrimony that has characterized similarly sized project-based programs. Contrary to what might be expected from readings in management theory, the Section 8 administrators in each agency enjoyed long tenures and were judged by most observers to

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operate with a high degree of professionalism and effectiveness. Federal objectives achieved substantial, though varying, degrees of implementation, and where local agencies deviated from those objectives there were often good policy reasons to do so.

And yet there were also areas where federal priorities were not embraced locally, resulting in missed opportunities and significant shortcomings for the programs. The general lack of interest in using Section 8 to accomplish deconcentration of poverty is noteworthy in all four agencies studied. Perhaps more seriously, localities appear to have failed to adjust outreach and administrative practices to assure that the population served approximated the eligible population in each city. It is surprising that, with success rates for housing searchers well below 100 percent, none of the agencies provided much assistance to tenants in the housing search process and, from the narrow view of the objectives of the voucher program, it is unfortunate that three of the agencies siphoned off substantial administrative resources to support other initiatives. The dearth of systematic data about each of the programs is alarming—even where summary data were maintained, important variables are missing, annual summaries unavailable, and categories uncertain. Where providing maximum choice to participants conflicted with other agency goals, this objective was undermined. A general lack of cooperation between agencies in New York led to substantial duplication of effort and less effective administration. And even though three of the agencies embarked on substantial FSS programs, NYCHA's failure to participate is a substantial shortcoming.

Local and HUD officials agree that some of these problems stem from sluggish and contradictory management of the program at the federal level. Congress has reduced FMRs to 40 percent of area median while at the same time HUD is encouraging localities

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to disperse the poor into mixed-income neighborhoods. Merging the certificate and voucher programs took over a decade; meanwhile federal Section 8 regulations evolved slowly in piecemeal fashion, leaving localities wondering if changes were official and permanent, reluctant to invest heavily in new policy directions which might not be priorities into the future. Recapture of reserve funds and changes in Section 8 financial accounting has led to fewer units in some places and increased pressure on localities not to over-lease, leading them to be more conservative in terms of utilization. Finally, HUD took over 25 years to institute a consistent set of standards for measuring program performance, a process that is still incomplete as of this writing. Meanwhile, localities muddled along with sketchy reporting and only occasional performance audits, secure that defiance of HUD oversight was not likely to have serious consequences.

These problems may be less serious than the difficulties that afflicted public housing and many of the project-based initiatives, but they still encourage exploration of how the program can be improved. Should HUD step up enforcement and oversight efforts? Or will this simply lead to stifling of local initiative? Local officials and their congressional champions have long complained of HUD over-regulation, yet our research indicated that HUD may be under-regulating Section 8. HUD officials admitted that they simply lack the resources and sometimes the political support to hold localities accountable to program guidelines, and local officials generally noted that local HUD staff were helpful but too busy to be closely involved with the program (national HUD staff, on the other hand, were viewed less favorably).

There is an obvious need to implement a uniform set of measurement standards to assess the performance of localities on key program variables, a gap which may be well

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filled when SEMAP comes on line in 2000. Local officials repeatedly mentioned SEMAP as a stimulus for changing their administrative practices, which suggests that they will respond to clear standards for performance. And while they complain that some criteria have been defined in ways that unnecessarily complicate their jobs,[117] it seems likely that an ongoing focus on performance standards will help localities stay accountable to minimum HUD objectives.

In addition, HUD should consider renewed attention to the matter of equity in distribution of Section 8 benefits. Fair housing issues are already the focus of some of HUD's most probing inquiries, but simply insisting on wide advertising of application opportunities or provision of reasonable accommodation for the disabled or mentally ill may not be enough. Given the discrepancies between local statistics and HUD compilations of data from the 50058 forms and the possibility that Latinos are not participating in the program in numbers that approximate their level of need in the general population, HUD should further investigate the demographic characteristics of recipients in each jurisdiction and suggest corrective action where there are imbalances in demographics between the eligible and the served populations.

Fraud investigation is another element of the effort to make sure the subsidies go to the appropriate families. The current system for investigating fraud ranges from agencies that do almost nothing to detect fraud to those that amass a potentially invasive array of information about participants. In addition, there is substantial duplication of effort, as many databases are state or national in scope and each agency runs data matches separately. There is substantial justification for a state or federal system to

[117] One local administrator pointed out that their agency inspects units each year on a zip code basis, but that the new HUD regulations require tying inspections to income recertification, forcing them to abandon

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detect and investigate fraud, which could be operated in a consistent manner, using regular data checks but also ensuring the privacy of participants through appropriate controls. There also seems to be room for additional federal help in building the administrative infrastructure of the Section 8. For example, agency practices for conducting briefings vary widely and would likely benefit from a HUD-produced video that covers the basic information in the program (NYCHA recently produced a video of their own). In addition, economies of scale make it much easier for HUD to create a computerized listing service where landlords could post available units for Section 8 and tenants could search on computers provided by housing authorities or from any terminal with Web access.

There is some evidence that agencies fail to implement housing quality inspections and rent reasonableness criteria properly. While these are significant shortcomings of the program, they are also areas where tenant choice and local laws supplement federal intervention. Given that local housing codes provide some measure of protection for tenants and that the mobility offered by the voucher allows them to move from units of poor quality or excessive cost, additional oversight in these areas may not be cost-effective while higher priorities go unattended. As more accurate local rental data become available through the new American Community Survey conducted by the U.S. Census it may be prudent to replace metro-wide FMRs with payment standards pegged to the median rent in each Census tract, a less subjective measure that offers better control over rent levels and removes the responsibility for market surveying from the local authorities.

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their geographic method for a less efficient one (Int. N-?

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While the more recent HUD objectives of promoting regional cooperation, reducing economic and racial segregation and linking vouchers to social services and self-sufficiency programs are important, they are generally secondary to the central mission of the voucher program, which is to provide subsidized housing to families in need. A number of administrators mentioned that they would be more likely to pursue these types of "secondary" objectives if they were given incentives to do so. As it seems unlikely that HUD will sanction localities for carrying out these priorities with modest enthusiasm, it would be perhaps more effective to establish a series of incentives for good performance on these measures. Incentives could be directed to the tenant and the housing authority, offering a cash bonus to tenants (or landlords) when tenants move to a low-poverty area, or providing additional vouchers or administrative funds for agencies that succeed in moving families into self-sufficiency or that establish cooperative relationships with surrounding jurisdictions. This type of reward system is a significant departure from current funding practices at the federal level, but as SEMAP performance is said to be linked to future resource allocations, it may be that performance-based benefits are a strategy with a promising future.

At the same time, strengthening HUD oversight is not without its risks, principal among which is the possibility of stifling local initiatives that thoughtfully mold the program to unique conditions. Portland's decision to allow subsidized families to choose to pay high percentages of their income in rent as a result of research and discussion with local tenant advocates is one example. Others are found in HAP's Landlord Advisory Committee, NYCHA's EARP program, and HPD's Ten Year Plan, showing how localities can combine resources and commitment to solving problems in the voucher

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program, at times increasing the "reach" of the subsidy, using it not just to subsidize rents but also to help the homeless and revitalize communities.

The recent provision (in the 1998 housing legislation from Congress) that allows jurisdictions to use up to 20 percent of vouchers in a project-based format is a constructive step along these lines. It allows jurisdictions some latitude for creativity and direction of vouchers to the areas of greatest need, but also limits the degree to which the subsidies are tied to units. This may be a reasonable compromise solution to the problem identified by Portland CDCs of overlapping demand and supply subsidies in the same units. On the one hand, there are good reasons to support local efforts at construction and neighborhood revitalization. On the other, concentrating project-based subsidies and vouchers in the same units can lead to very high per-unit costs, a doubling-up of subsidy for a lucky few families while the great majority of eligible people go unaided.

A more restrictive approach would prohibit use of vouchers in buildings subsidized through rehabilitation or construction funds, while adjusting income targets upward for the project-based programs. The advantage of this would be to reach far more households with subsidies, using the vouchers to help disperse the poorest families geographically while targeting CDC and public construction efforts at somewhat higher income families. Construction programs would then avoid the pitfall of concentrating the poorest families in deteriorated neighborhoods and could work in higher volumes (per-unit costs fall as income targets rise in construction programs). Voucher enrollees, taken from the lowest income stratum, would be even harder to house than they are today, but housing search services, incentive payments (similar to EARP), and higher FMR calculations could help offset this. This approach, which essentially uses supply and

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demand-side programs to complement one another, is probably the best current way to organize these subsidies, but it has the drawback of making individual programs less palatable politically. Construction efforts are often judged by the percentage of homeless and very low income families served, criteria which would be difficult to convince local governments and CDCs to de-emphasize. And vouchers become more expensive on a per-unit basis as they serve the poorest families, a serious drawback from the point of view of budget-minded members of Congress.

DIRECTIONS FOR FURTHER RESEARCH

Many research projects raise as many questions as they answer, and this one is no exception. A number of important issues are highlighted for future research, both in the voucher program and in exploring some of the questions raised about political science research. To begin with, many of the questions examined in this study can be investigated fruitfully at the national level as well, and the advent of the SEMAP scoring system in 2000 should facilitate this process. It would be invaluable to use the performance measures available through SEMAP and compare them to a national sample of PHAs. Supplementary data could be assembled through surveys of local administrators regarding institutional format, interest group presence, and practices not covered in SEMAP.

In addition, more research on equity issues is in order. Are Hispanics under-served in other cities, and are they really under-served in Portland and New York, or are our findings simply the result of poor data? How does their participation in Section 8 compare to that of other similar government programs? What is the effect of using

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waiting list preferences on the participation of minority groups? Is the geographic component identified in the maps of Section 8 in Brooklyn a symptom of a larger pattern in which vouchers are concentrated in neighborhoods populated by dominant political constituencies? These topics can be illuminated through a range of research methods, and the present study suggests some degree of urgency in their exploration.

Finally, perhaps the most interesting finding has been the degree to which vouchers do not achieve the market ideal hoped for by their proponents. More research could help determine to what degree this is a widespread circumstance, and could establish uniform criteria for what constitutes a market mechanism. Important variables to consider include: how many units were considered by housing searchers, the locations of these units, and the degree to which prices on the units conform to local market variations. It would be very helpful to compare these results to analysis of project-based alternatives (such as the Low-Income Housing Tax Credit) to see if low-income participants in the voucher program are really benefiting from the market mechanisms that the program is supposed to embody. Finally, survey data could be compiled to examine the attitudes of participants in these programs and consider the degree to which choice and market mechanisms are important to recipients of subsidies.

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APPENDIX: MAPS OF SECTION 8 IN BROOKLYN, NY

Section 8 in Brooklyn, New York

Each dot represents one voucher.
Data from HUD, 1997

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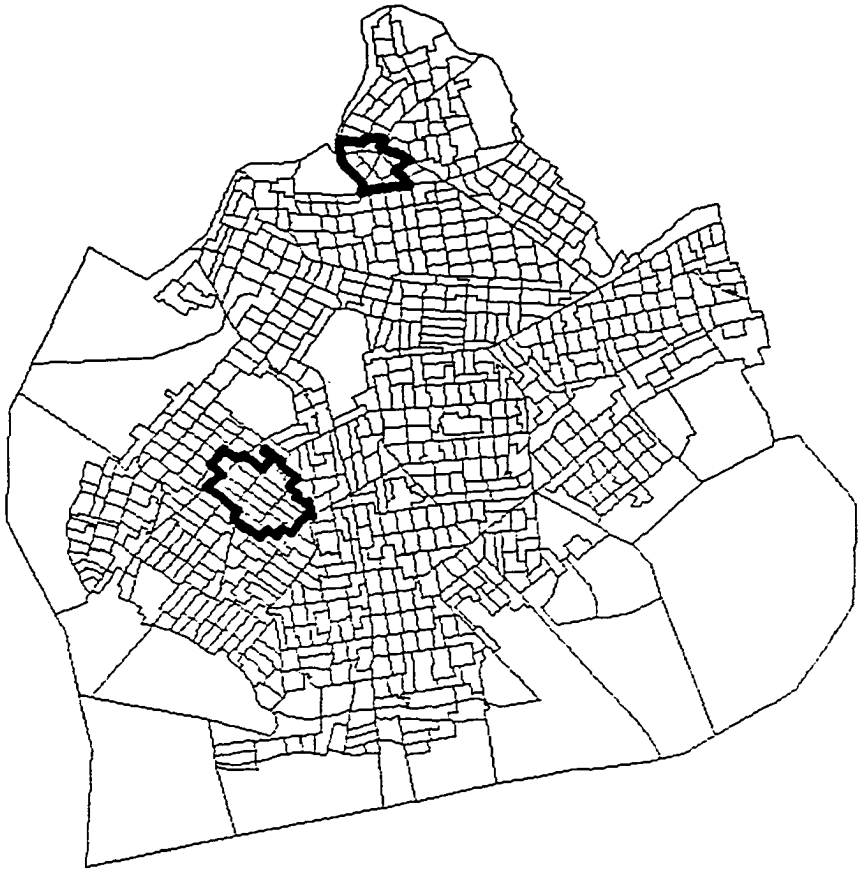
Yiddish Speakers in Brooklyn



Demarcated areas represent Census tracts with more than 20 percent Yiddish speakers in 1990. Data from the U.S. Department of the Census.

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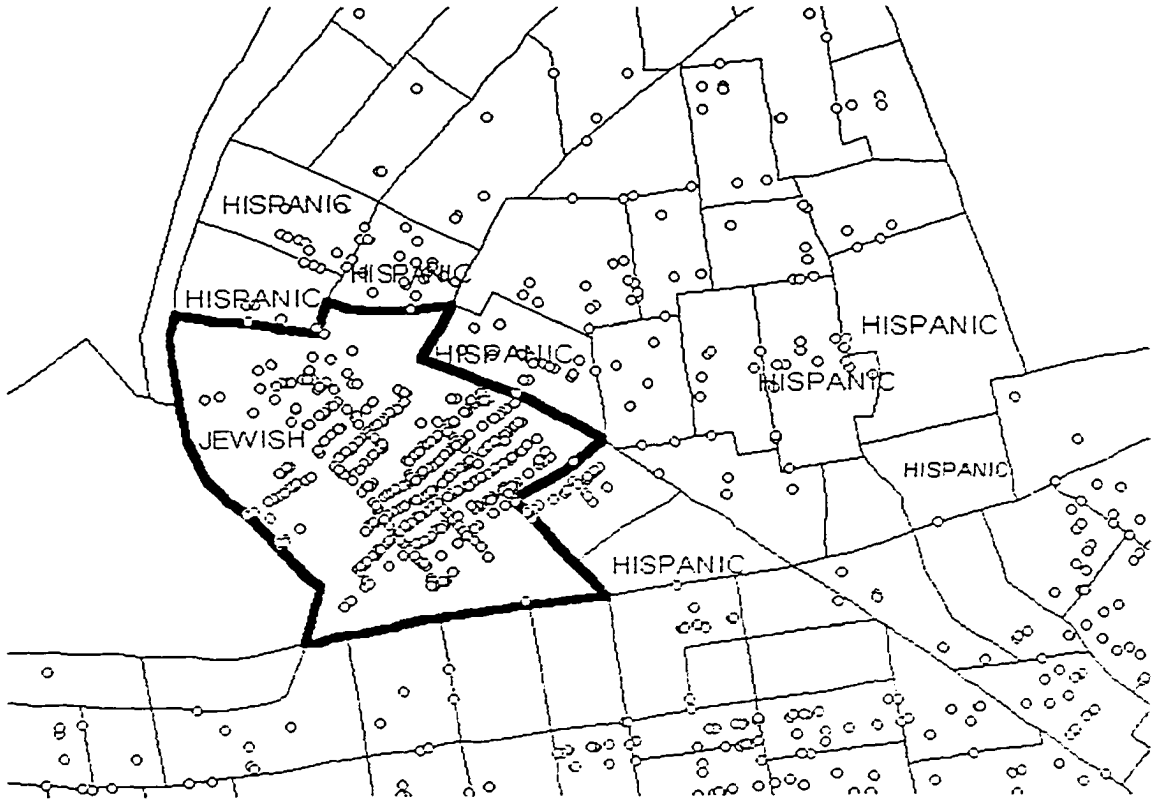
Vouchers in Williamsburg



Data from HUD, 1997, and U.S. Census, 1990. Heavy outlined area represents Census tracts with more than 20 percent Yiddish Speakers. Tracts marked "Hispanic" are more than 33 percent Hispanic. Small circles are individual voucher locations

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