

HOUSING ALLOWANCES, AN ALTERNATIVE TO
TRADITIONAL LOW INCOME HOUSING

by

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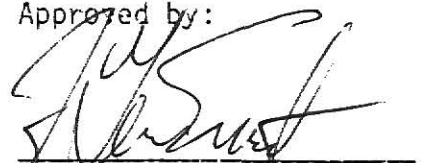
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Table of Contents

	Page
LIST OF TABLES AND FIGURE	iii
INTRODUCTION	1
OVERVIEW OF PUBLIC HOUSING	3
Public Housing Legislation	3
Public Housing Programs	5
Programs Prior to 1973	5
Programs in Operation Since 1973	7
Minority Experiences	9
Public Housing in Europe	10
HOUSING ALLOWANCES--EXPERIMENTAL HOUSING	
ALLOWANCE PROGRAM	15
The Demand (Consumer) Experiment	17
Factors Influencing Participation	20
Use of Housing Allowances	21
Mobility	22
The Supply (Market) Experiment	22
Participation	23
Rent Effects	23
Housing Improvements	23
The Administrative Agency (Management	
Experiment	24
Participant Dropout	25

	Page
FEDERAL GOVERNMENT PUBLIC HOUSING POLICY	26
SUMMARY OF PUBLIC HOUSING IN MANHATTAN, KANSAS	32
Characteristics of the Population, Manhattan, Kansas	32
Public Housing in Manhattan	32
Eligibility	34
Income	34
Rent Schedule	35
Administration of Manhattan Public Housing Authority	36
HOUSING ALLOWANCES VERSUS LOW RENT PUBLIC HOUSING, MANHATTAN, KANSAS	37
Assumptions	37
Concluding Thoughts on Housing Allowances in Manhattan	40
APPENDICES	
1. EHAP Housing Quality Program Standards	42
2. Census Measures of "Substandardness"	45
3. Demographic Characteristics of Enrolled Households	46
4. Distributions of Households in the Consumer Experiment	47
5. Enrollment Status	48
FOOTNOTES	49
BIBLIOGRAPHY	52

List of Tables and Figure

Table	Page
1. Features of European Allowance Programs	14
2. Number of Families Receiving Housing Assistance in Manhattan	33
3. Maximum Incomes--Low Rent Public Housing, Manhattan	34
 Figure	
1. Direct Cash Assistance Program Experimental Housing Allowance Sites	18

Introduction

Housing as a governmental responsibility has been a controversial and emotional issue since the beginning of this century. Included in the controversy are questions of constitutionality and fears of private enterprise that their livelihood is being threatened. In the 1930s, powerful groups lobbied against public housing. The National Association of Real Estate Boards concluded that,

"Very serious repercussions to national life will follow if government continues its policy of direct action in becoming landlord. . . . The ultimate result will be that we will find government supporting the citizen instead of the citizen supporting the government."¹

Former President Nixon was another opponent of government assisted housing. Throughout his political career, he was dedicated to the reduction of federal housing programs. As a congressman, President Nixon lead the campaign against public housing programs, considering them "socialistic and un-American."²

In January of 1973, the Nixon administration declared a moratorium on funding for subsidized housing programs. The administration authorized a six month study, completed in September of 1973, which reflected a negative view of public housing. "Government-subsidized housing has acquired a poor reputation in many communities, especially in suburban areas, where it is often perceived as a negative social influence that lowers educational and property values and transplants the social problems of the inner cities to the suburbs."³

The 1974 Housing and Community Development Act introduced the Section 8 rental assistance program. This one program was the only available option for funding for builders and housing sponsors. Section 8 included *new construction* of units as well as substantial rehabilitation.

Another new program authorized by the 1974 Act was the Experimental Housing Allowance Program (EHAP), which may have a significant impact on assisted housing.

It is the purpose of this report to explore the EHAP in depth, in terms of the concept, methodology, and the expected and unexpected results of the experiment, throughout the period of its testing and analysis. Secondly, an analysis of the current federal government's position concerning the future of public housing with regard to housing allowances will be discussed. The final section of this report will explore the possibility of a housing allowance in a city similar to Manhattan, Kansas. This section will be a comparison of a housing allowance program and traditional low rent public housing.

Overview of Public Housing

Public Housing Legislation

The Public Health Movement instigated the first legislative actions to attempt to provide higher levels of housing standards for the poor. The results of the tenement legislation were in some cases detrimental, such as the installation of Dumbbell tenements as the approved building type. At best, the tenement codes were difficult to enforce.¹

In 1918, the United States Government made its first tentative step towards assisted housing by providing housing for the warworkers. However, this was near the end of the war and the project was abandoned soon after the armistice was signed.

In the 1930s, as a result of the Depression, there was a great need for low-rent housing. The Housing Act of 1937 was the beginning of government assisted low income housing programs. First, it provided employment opportunities to the construction industry. Second, slum clearance was included as a prerequisite to new construction. For every new unit constructed, one slum unit was to be destroyed.

Slum Clearance remained the theme of public housing through the 1949 Housing Act and Urban Renewal in the 1950s. However, the 1949 Act became known and remembered for one particularly optimistic statement:

"The general welfare and security of the nation and the health and living standards of its people require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other

inadequate housing through the clearance of slums and blighted areas, and the realization as soon as feasible the goal of a decent home and a suitable living environment for every American family, this contribution to the development and redevelopment and the advancement of the growth, wealth, and security of the nation."²

The goal of a decent home and a suitable living environment for every American family has been the goal of every federal Housing Act since 1949.

In the late 1950s, additional emphasis was placed on special areas including housing assistance for elderly and disabled persons. The Federal Housing Administration was redesigned in 1959 to provide federal loans to nonprofit corporations for rental housing for the elderly.

The Housing Act of 1968, was the first act to assign a time limit to the goal of a "decent home for all." This act provided for 26 million housing units to be constructed in the next ten years.³

The optimism of the Johnson administration was not shared by the following administration. In 1973, the Nixon administration produced the study, "Housing in the Seventies," which denounced previous housing programs as failures. As a result, the 1974 Housing Act created Section 8 rental assistance.

Each successive act of legislation has had the goal of providing decent and safe low income housing. Each group has tried to find solutions which are beneficial to the low-income sector while remaining feasible for the government. The government is faced with a continuous job of maintaining this balance.

Public Housing Programs

Providing public housing for groups of varying needs has required several options for public housing. The following discussion presents some of these options. The first section below discusses programs which were in operation prior to the 1973 housing moratorium:

Section 236, Rent Supplements, and Low Rent Public Housing. Major findings for each program are condensed from the study "Housing in the Seventies." The second section outlines programs which are currently in operation: Conventional Low Rent Public Housing and the Section 8 Existing Rental.

Programs Prior to 1973

Section 236: Section 236 was authorized by the 1968 Housing Act. It has three main functions: to stimulate new construction; to subsidize rent for low and moderate income families; and to insure multi-family mortgages. Section 236 projects were privately owned and financed. The government, however, had control of rent regulation and had the ability to determine tenant eligibility. In exchange, the federal government paid the difference in monthly payments between amortization of the mortgage at the FHA ceiling interest rate plus FHA insurance premium and an amortization rate of 1 percent.

Major Findings--Section 236

1. The Section 236 program mainly served the moderate income households. Only 1 percent of all households who received subsidies earned less than \$8,000 yearly.

2. The market rents for Section 236 units were usually higher than identical units offered in the private market.
3. The construction cost of Section 236 units were usually 20 percent higher than construction costs of similar units that were privately owned and operated.⁴

The Rent Supplement Program: This program was used in conjunction with the other housing programs such as Section 236 and Section 221 (d) (3) Market Rate Program.

To illustrate Rent Supplements, the Section 221 (d) (3) Market Rate Program must be defined. This program provides inducements for new construction such as a high loan-to-value ratio, 40 year mortgage, and special tax advantages. The Rent Supplements are the subsidies that the government pays monthly to the landlord for the low-income tenant.

Eligibility is initially determined by income. Hardship criteria must then be met, such as having an elderly or handicapped family head or spouse, a family member who is a veteran or currently in the armed services, or having been displaced by urban renewal, to be admitted to this program.

Major Findings--Rent Supplements

1. Most families receiving Rent Supplements were low income families. However, many low income families were not receiving assistance. Only 1 percent of all families earning less than \$4,000 per year received Rent Supplements.
2. The economic rent for these subsidized units are higher than those in the private market.

3. Forecasts predicted that 30 percent of Section 221 (d) (3) Market Rate Rent Supplement projects would fail within the first ten years.⁵

Programs in Operation Since 1973

Low Rent Public Housing: This program is the oldest, beginning in 1937 with the initial federal government housing programs. Local housing authorities and the federal government develop and then operate low income housing projects. The local housing authority has the management responsibilities, while the federal government contributes to the amortization of the capital costs as well as contributions of operational subsidies.

Also, in this program is Section 23 Leased Housing. The local housing authority leased privately owned units and then sublet them to low income tenants. These units were either existing or were newly constructed units with lease commitments.

"Turnkey" public housing was established in 1967. This involved housing developments that were privately developed and then bought by the federal government, to be managed by the local housing authority. In the years 1970, 1971, and 1972, more than half of the new public housing complexes were "Turnkey" developments.

Major Findings--Low Rent Public Housing

1. A greater number of moderate income families received assistance than those with low incomes.

2. Cost in 1971, to produce a dollars worth of housing services:

Section 23----\$1.03

Turnkey-----\$1.23

Conventional--\$1.46⁶

With the Housing Act of 1974, some public housing programs were discontinued. However, with a few changes others are still in operation.

Conventional Low Rent Housing: Low Rent public housing is still operational. HUD provides loans and grants directly to the local housing authority. They in turn use these funds for the acquisition, construction, or leasing of housing. Low Rent housing projects are financed through the sale of tax-exempt bonds.

Families interested in participating in low-rent public housing must be within the income limits set by the local housing authority. The limits are based upon the area median income. Twenty percent of the families who participate in Low Rent programs must be in a range of very low income, making less per year than 50 percent of the area median income.

Families are not to pay more than 25 percent of their adjusted income for rent. Unless otherwise arranged, families will not pay less than 15 percent of their adjusted income.

Section 8 Existing Rental Program: This program allows families to receive housing assistance without living in conventional public housing units. Participants locate suitable housing as well as negotiate leases. The local housing authority must insure that the housing units meet program standards. The rent subsidy is given to

the landlord. If the tenant chooses to move, the family will continue to receive housing assistance if their next housing unit meets the program standards.

To be eligible for Section 8 subsidies, families must make no more per year than 80 percent of the area median income. Families are not to pay more than 25 percent nor less than 15 percent of their yearly adjusted incomes for rent.

Minority Experiences

Minorities have had to deal with the difficulties of discrimination as well as the problems associated with poverty. Blacks have had to live in areas that the Whites would no longer consider living in. There has been a sorting process occurring in the cities. Those who are financially able, usually Whites, move to the suburbs. This leaves the poor, mostly Blacks, living in the central city.

Even those minority families who could afford to move often were not allowed to freely choose the location. Discrimination is firmly embedded in much of our housing system, in both private sector and the public sector. The National Association of Real Estate Boards was largely responsible for furthering segregation. A real estate agent "Should never be instrumental in introducing into a neighborhood . . . members of any race or nationality whose presence will clearly be detrimental to property values."⁷

Blacks and other minorities have faced restraints of society as well as economic pressures. The Urban Renewal program was particularly felt by Blacks because of the large concentration of Blacks in the areas targeted for Urban Renewal.

Minorities were faced with discrimination of public housing. In the 1950s, they experienced "separate but equal" public housing. Because of discrimination, public housing projects were separated by race, income, and geographic location.⁸

Changes in the 1960s with the Civil Rights Movement, eventually resulted in integration in public housing. Public housing is now available with non-discriminatory policies.

Public Housing in Europe

Public housing is used extensively in Europe. Because public housing is available not only to the low income households, there are not the negative stigmas attached as in the United States.

There are two apparent reasons for the need of public housing. World War II created severe housing shortages in several countries such as France, West Germany and Great Britain. France lost 450,000 homes and had an additional 450,000 severely damaged. The Netherlands had 90,000 units destroyed, 55,000 units seriously damaged, and 515,000 homes sustaining some damage. West Germany had a shortage of six million homes in 1950.

The second reason for housing assistance was the result of rent control. Rent control programs were a popular method during and after the war to keep a check on inflating rents. However, the problems created for Sweden and Denmark have been far more costly than the benefits. Rent control often resulted in disrepair because the landlords received little profit on their property, providing no investment incentive.

A popular housing program in Europe is housing allowances. Housing allowances allow mobility as well as the choice of unit location. Europeans usually receive direct cash payments. Allocation of payments in this manner insures "privacy, discretion," and "dignity" for the recipients.⁹

Unit Subsidies: Housing allowances traditionally suggest people subsidies rather than unit subsidies. However, this is not always the case. Sweden and Denmark both have allowance programs which are actively trying to convince housing allowance recipients to live in publicly financed housing. Both countries, because of rent control, have large differences between rents in older buildings and the newly constructed buildings. Families in both countries are willing to remain on waiting lists for years to obtain apartments in the older buildings.

Sweden's housing industry is very heavily subsidized. Ninety percent of all housing construction is financed by a combination of public and private sources. The government retains control of land ownership, location, and investment in transportation and community facilities.

The housing allowance program in Sweden is available to renters as well as homeowners. Using the income tax forms as a guide, the government automatically notifies eligible families, plus furnishes information concerning program applications. Only families with children are eligible for allowances sponsored by the national government. Local housing authorities have programs for the elderly. Sweden provides allowance increase incentives to families to have children and to obtain larger housing units.

In Denmark, the national government tried to decrease the differences between the rent control buildings and newly constructed buildings. They implemented an eight year plan allowing yearly increases up to a ceiling rent in the older buildings. Their housing allowance program was designed to compensate for the increased rents that the decontrolling of rents would produce.

Although 25 percent of all families renting homes in Denmark and 40 percent of all families with children in Sweden are receiving allowances, yet neither country considers that housing allowances have produced the results desired. They are still hoping to reduce the imbalance between rents and occupancy rates in the new and old buildings.

People Subsidies: Great Britain has tried to institute housing allowances which are people subsidies. Traditionally, Great Britain's public housing programs have been inefficiently managed and unfair. Their earlier programs were unit subsidies which were often rented by moderate income families.

With the "Fair Rent" program of 1965, Great Britain hoped landlords as well as tenants would benefit. This program involved discontinuation of rent control and the beginning negotiation to determine fair rents. Great Britain designed subsidies available to tenants of public housing as well as privately owned units, who were effected by decontrolled rents. Based upon the tenant's income, recipients of public housing receive rent rebates or a rent reduction. Direct cash allowances are given to needy tenants in private housing. These allowances and rebates, however, are not meant to replace new construction.

Administration: The European public housing programs, like the United States, are usually managed by local housing authorities with varying degrees of responsibility. In Sweden, the local housing authority is responsible for financing and managing the housing allowance program for the elderly. In Great Britain, the local housing authority determines who participates as well as the amount of the subsidy. The housing officials in Great Britain were responsible for much of the housing difficulties that were experienced by minority families from the Commonwealth countries.

Financial responsibility is usually shared by the national government and the local government. In Denmark, the national government supplies 50 percent with the local government providing the remaining 50 percent. In France and the Netherlands, the national government pays for the entire program.

The following table provides further information concerning European housing allowance programs.

Table 1

Features of European Housing Allowance Program

	France	Germany	Denmark	Sweden	England
1. Beneficiaries Family Status	must be receiving family allowances	all households	all	1 or more	all households
2. Eligible					
a) Physical Standards	must satisfy specific standards	suitable as a place of abode	must satisfy specific standards	none	none
b) Tenure Requirements	none	none	rental	none	rental
3. Amount of Subsidy					
a) Tenant Contribution	amount varies with income	20% rent to income ratio	varies with income	rent not a factor	40% rent min.
b) Maximum Subsidy	60-85% of difference be- tween rent and tenant share % depends on the number of children	difference be- tween rent and rent income ratio	lesser 3/4 of difference between rent and statutory rent or an amount equal % of rent	dependent on the quality on init. and income	6.5-8 pounds/week depending on the city
4. Source of Funding	national	50% federal 50% state	50% national 50% local	100% national families 100% local elderly	local-public unit national- private unit
5. Number of Recipients	6% of all households	5% of all households	10% of all households (25% of renters)	15% of all households (40% of those with children)	10
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Housing Allowances--Experimental Housing
Allowance Program in the U.S.

The pursuit of fairly distributed public housing has resulted in different types of programs. Most housing programs were unit-subsidized rather than person-subsidized. In order to receive housing assistance a family or individual was to live in units that were designated as public housing.

To allow for more freedom for program participants, the direct cash payment system or rent certificates were devised. Rent certificates have been debated with each new housing act as an alternative to new construction. In 1953, the President's Advisory Committee on Government Housing Policies and Programs felt that allowances would be degrading to recipients, would not add to the housing supply, deter participation by private enterprise, and that the administration of such a program would be unmanageable.¹

Policy shifts moving toward rent supplement programs began in the 1960s. These still dealt with newly constructed or rehabilitated structures. The units were privately owned. The payments were given directly to the owners of specific housing developments. Participants were limited to selected housing developments. Under the Section 23 leased housing program of 1965, local housing authorities leased privately owned dwellings which were subleased to low income households. This program promoted the integration of income levels throughout the neighborhood.² However, the recipients were not given the assurance that their subsidy would continue if they wished to move.

The President's Committee on Urban Housing (The Kaiser Committee) during 1967 and 1968, recommended that housing allowances would be a direct cash payment to the recipient.³

Some specific questions on housing allowances that the committee wished to be answered were:

1. How would the money be spent?
2. What is the form of each cash assistance payment?
3. Would integration occur or would reinforcement of segregation occur?
4. Administration feasibility, can such a program operate effectively and efficiently?
5. How does the program compare with other housing alternatives?

Section 504 of the Housing and Urban Development Act of 1970, ammended by Section 804 of the 1974 Act gave provision and funding for the Experimental Housing Allowance Program (EHAP).

The Experimental Housing Allowance Program was created to test the feasibility of housing allowances as an alternative to other traditional public housing programs. A housing allowance is defined as a direct cash payment to families or individuals unable to afford decent living quarters.

The EHAP is comprised of three different experiments. These are the Demand (Consumer) Experiment, the Supply (Market) Experiment, and the Administrative Agency (Management) Experiment. All of the experiments were given designated factors to test, however they do have some overlapping for comparison purposes.

Twelve test sites were selected in a variety of regions of the country. There is great diversity among the sites in population, ranging from Pittsburgh, Pennsylvania, with 1.6 million to a test area of 100,000 in North Dakota. The EHAP was to be tested under as many different conditions as possible. Figure 1, which is a map of the United States, shows the locations of the test sites.

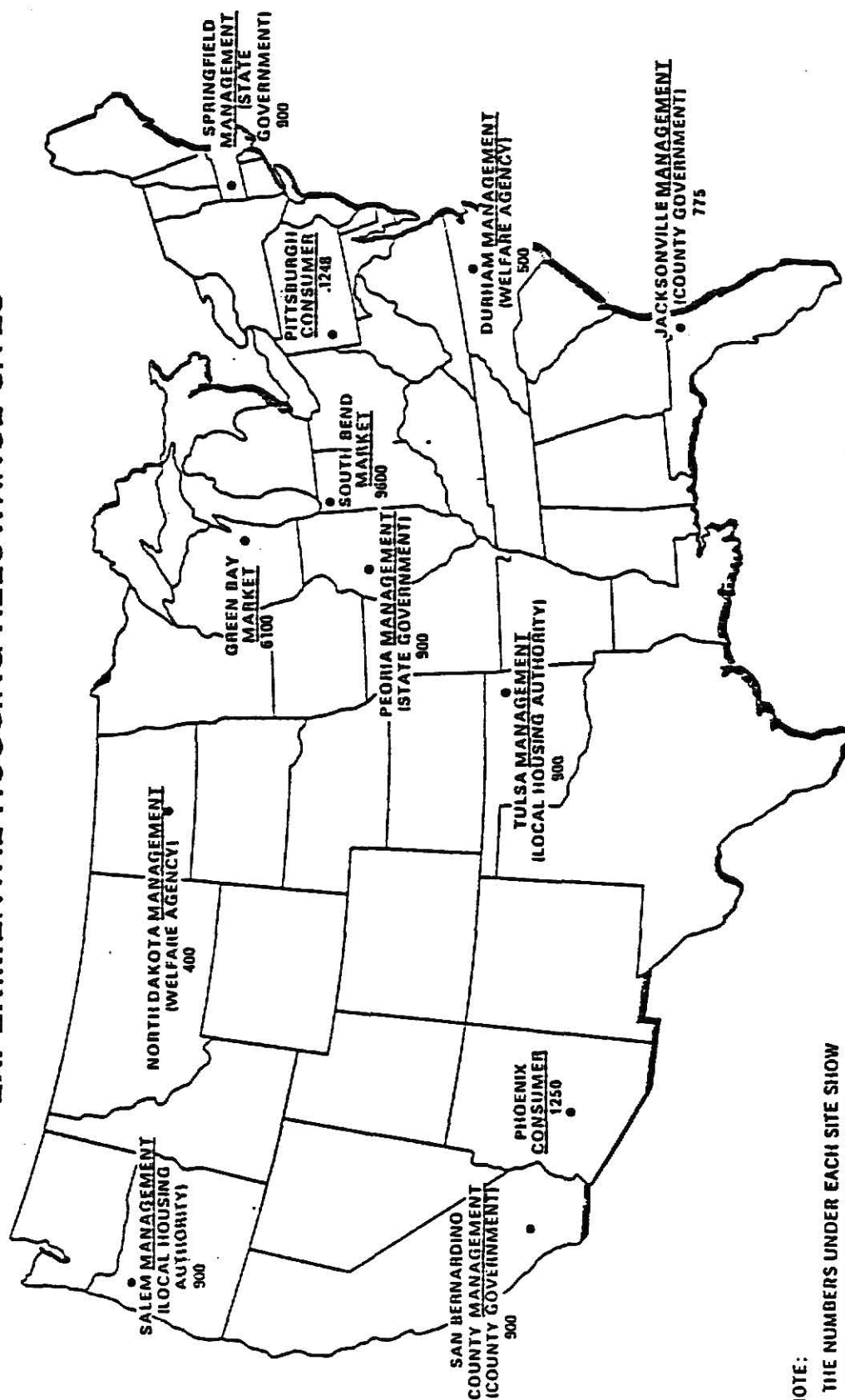
The purpose of the EHAP was to determine answers to the following questions.

1. Who will participate in housing allowance programs?
2. Does a housing allowance program cause participants to change the location of their housing?
3. How do the participating households use their allowance payments? (The EHAP tested allowances with constraints and unconstrained allowances.)
4. Does the quality of housing improve for participating households?
5. Are there significant market responses to a housing allowances program? For example, what happens to price?⁵

The Demand (Consumer) Experiment

The Demand Experiment, called the Consumer Experiment, was designed to determine the use of the monetary allowances. One thousand two hundred and fifty families in the cities of Pittsburgh, Pennsylvania and Phoenix, Arizona were involved in the Consumer Experiment. These cities both have populations of over 500,000 persons.

DIRECT CASH ASSISTANCE PROGRAM⁴ **EXPERIMENTAL HOUSING ALLOWANCE SITES**



NOTE:

**THE NUMBERS UNDER EACH SITE SHOW
 PLANNED NUMBER OF RECIPIENT FAMILIES**

Specific areas of interest in the Consumer Experiment were:

1. Participation rates of eligible households;
2. Changes in the amount of income spent on housing;
3. Housing quality of new residence;
4. Location of selected housing;
5. Housing alternative;
6. Housing allowance costs incurred by government.⁶

The households in the experiment were a representative sample contrasting the central city to suburban residents. Eligible households were determined using the 1970 census as a guide. A list of families with an annual income of less than \$12,500 was compiled. From this list, a group to be interviewed were randomly selected.

Eligibility in all the experiments was determined by several factors. They include family income, size, and cost of adequate housing in the experimental locations.

In 1975, more than half the recipients in the Consumer Experiment were minorities. In Pittsburgh, Black families were the predominant minority, while in Phoenix, the Hispanics were the largest minority group. Only about 19 percent of the participating households were headed by individuals over 65 years of age. The most likely explanation of the low participation rate of senior citizens would be that a large percentage of this group are homeowners. Therefore, they are ineligible in the Consumer Experiment which was only available to renters.

Female-headed households accounted for a large percentage of the participating households. Forty four percent were female-headed families with 56 percent male-headed.

Factors Influencing Participation

Many factors were responsible for participation in the Consumer Experiment. Eligible persons were contacted by the managing agencies in this experiment. Thirty percent of those contacted weren't interested in the experiment. Many reasons were given for non-participation:

- too much bother
- too many requirements
- too much paperwork (40 percent gave this response).

Another 30 percent gave these answers:

- won't accept charity
- don't need help
- want to be self-supporting.⁷

Some reluctant participants gave more than one response. This second group seems to reflect the view of the 1953 President's Advisory Committee, who felt that housing allowances were degrading to the participants.

Other households didn't participate because they were unable to find housing that met the quality standards established by the EHAP. No time limit was set to find suitable housing in the Consumer Experiment although this was a reason for nonparticipation in the other experiments.

Participation dropout was caused by several factors. Family income that rose above the maximum limits caused termination for some households. Others decided that they no longer needed assistance. Moves outside the program area also caused termination.

Use of Housing Allowances

Use of the housing allowances was one of the policy questions. Although the allowances do increase expenditures for housing, less out-of-the-pocket expenses were used for housing. About 20 percent of the allowance is actually used for increased housing. Households that move were spending up to 40 percent of allowance payment.

The U.S. Department of Housing and Urban Development (HUD) published A Summary Report of Current Findings from the Experimental Housing Allowance Program in April 1978. In this publication was included a section contrasting assumption with facts determined by the EHAP. One such assumption is that a reformed and expanded welfare system could replace present housing programs by giving low income households the resources to acquire decent housing. The EHAP has shown that there is almost 90 percent participation in a program which provides unconstrained assistance. Results also show that only about 10 percent of this money will actually be used for increased housing. In a program using constraints, only 50 percent of those households that are eligible will participate. These participants will use 30 to 40 percent of the assistance for housing.⁸

Mobility

Another assumption was that most of the participants would move in order to improve their housing. Actually, most participants or above half live in the housing that met EHAP standards. Also, assistance does not seem to motivate participants to move more often than they would move without assistance.

The Supply (Market) Experiment

This experiment was created to study the effects that a housing program like the EHAP would have on the housing market. Questions to be answered are:

1. How is the price of housing effected?
2. Is there a change in the quality and services in respect to housing?

This experiment was also interested in the behavior of the landlords with EHAP tenants.

Six to nine thousand families in two metropolitan areas of less than 250,000 were selected for the Supply Experiment. Brown County, Wisconsin and St. Joseph County, Indiana were chosen as test sites.

One of the most important differences in the Supply Experiment was that homeowners in addition to renters were eligible for participation.

Eligible households were notified through television, radio, newspaper, direct mail, advertising, brochures, public announcements, and speeches to community groups. Survey of these eligible households showed that a very large percentage of those who could participate, had heard of the EHAP and had had the opportunity to apply.

Participation

Brown County has an extremely small minority population so only five percent of the participants were minority families. The opposite was true in St. Joseph County. About 44 percent of participants were homeowners.

In September of 1977, there were 3,148 households in the Supply Experiment in Brown County. This is seven percent of the total population of that county. In St. Joseph County, 4,913 households or eight percent of the population participated in the Supply Experiment.

Rent Effects

The Supply Experiment has shown that there is very little or no effect at all on the inflation of rents in the experimental area.

An explanation starts first with the fact that although 20 percent of our total population is eligible for housing assistance, less than 10 percent actually become recipients. The EHAP results show that half of its recipients already live in standard or above standard housing. So actually only about five percent are really changing their housing which has not had any ill effects on rents.

Housing Improvements

Modest improvements have been a direct result of the Supply Experiment. This improvement has been for renters as well as owners. In September 1977:

- 2,406 units had been repaired in Brown County, Wisconsin

- 4,000 units were repaired in St. Joseph County, Indiana.

In addition to these units, 900 in Brown County and another 1,200 in St. Joseph County were repaired after annual reinspection. Most of these repairs were minor problems that were easily solved, often with the owner and the tenant working together.

The Administrative Agency (Management) Experiment

The Management Experiment was created to test various methods of administrative techniques. Eight different sites were chosen with eight different agencies managing their programs. The agencies included local housing authorities, metropolitan area county government agencies, state community development agencies, and welfare agencies. They were given free hand to determine what procedures are the most efficient. Their specific goal was to determine the optimum design for an administrative agency.

Eligible households were made aware of the Management Experiment through media advertisements, referral from public agencies, and by word of mouth. The agencies themselves set up their own eligibility specifications. Those who did participate in this experiment were those selected from interviews after meeting eligibility requirements.

Each agency made predictions concerning several characteristics of the eligible population in their area. In regard to the incomes of the recipients, the agencies were surprised to see that the incomes were lower than expected.

<u>Predicted</u>	<u>Actual</u>
29% -- income less than \$2,000	26%
71% -- income less than \$5,000	79%
9% -- income less than \$7,000	8% ⁸

Some predictions such as household size were closer. The prediction of minority participation was 23 percent compared with an actual 34 percent participation. The difference in the figures for non-minorities were slightly lower.

The largest difference in profiles dealt with the sex of the family head. The agencies predicted that 60 percent of the recipient households would be male-headed, in reality 37 percent were male-headed households.⁹

Participant Dropout

In October of 1974, approximately 30 percent of the households who dropped out of the management experiment did so by moving out of the test area. If a program such as the EHAP became a national program, this would cease to be a cause for termination.

No other single reason can account a significant percentage of dropouts.

The Management Experiment was different from the other experiments because this experiment set a time limit to find standard housing. A prospective recipient has a period of up to 60-90 before losing eligibility. This time limit could easily effect those participating in the EHAP.

Federal Government Public Housing Policy

The current administration has suggested many policy changes in federal programs. President Reagan is proposing decreased federal government involvement in the area of public housing.

In July of 1981, the President's Commission on Housing was formed to present ideas, along the lines of the administration's policies. The Commission is composed of 25 members, who make up four committees. The committees are housing and economy, private sector financing of housing and governmental regulation, housing costs, and federal housing programs and alternatives.

The Commission determined the following items to be areas of importance which would influence their eventual recommendations.

1. Greater reliance on the private sector and free market
2. Fiscal restraint
3. Decreased federalism
4. A focus on people rather than structures, and
5. A commitment to provide adequate housing for the poor.¹

The Reagan team wants HUD out of the business of building housing for the low and moderate income families . . ."² It has been very expensive for the federal government, indeed to be in the "business of building housing." Since 1974, the Section 8 housing program has stockpiled \$100,000 billion in debts. There is a total of \$250 billion in unpaid costs from public housing, the debt starting 40 years ago. According to HUD Secretary, Samuel Pierce, "By the end of 1983, the subsidized housing debt will climb to over a quarter of a trillion

dollars."³

Michael A. Stegman, in his article, "Housing Vouchers: Recommendations of the President's Commission of Housing," December 1981, responding to the problem of overextended housing programs for the poor, suggests that instead of cutting low income housing programs, that the federal government stop subsidizing middle and upper income homeowners. If the government received the money that homeowners are allowed to deduct with their income taxes, for the years 1982 through 1986, the government would receive in those five years more than twice the sum outstanding for public housing. Although this course of action would be rather hard on the homeowners, it should be those with the higher incomes who receive less housing subsidies. A decreased deduction in income taxes for homeowners would certainly contribute funds to the debts of public housing.⁴

The President's Commission has explained that the most serious problem facing us is affordability not housing adequacy. There are of course, areas with high concentrations of inadequate housing stock. These areas are generally in the rural South and older, larger cities such as New York City. The Commission's position accommodates the argument for less federal government expenditures, for newly constructed housing developments. Because the Commission views the housing problem to be of a financial nature, they are recommending direct cash payments or a voucher system to be an adequate solution to help provide decent housing for low income families.

Housing vouchers are a "System in which the subsidy is not tied to a particular unit, but is either paid directly to the program

participant or to the landlord of a housing unit, selected by a program participant."⁵

The Commission supports housing vouchers for several reasons. First, because the vouchers would permit large numbers of households to be served. Second, they would be less costly for the federal government. And third because housing vouchers are not reliant on long term subsidies.

The terms for eligibility are specifically geared to the very low income families. In order to be eligible, participants must earn less than 50 percent of the area median income. There has been much criticism for setting such a low income range. Currently families are eligible for low income housing if their incomes do not exceed 80 percent of the median area income. Democrats in Congress want to retain the 80 percent median area income limit and refer to Reagan's program as an "anti-housing program."⁶

The Commission contends that all families who are within the proposed income levels, shall be eligible for housing assistance. If however, income were the only criteria for eligibility, approximately ten million families would be eligible for housing vouchers. Currently there are only 2.7 million families receiving assistance from federal housing programs. As previously discussed, the administration wishes to decrease the amount spent on housing subsidies, therefore, it is unlikely that the government is interested in providing assistance to three times as many families as are currently served. To keep the number as small as possible, additional criteria must be met to obtain assistance. After meeting income limits, families, must be experiencing

one of the following problems:

1. Currently living in inadequate housing
2. Are paying greater than 50 percent of income for rent
3. Are suffering involuntary displacement.

When a family qualifies for housing vouchers, the vouchers will make up the difference between 30 percent of the family's income and a rent determined by the local housing authority in accordance to HUD guidelines.

Another recommendation that has met with criticism deals with minimum housing standards. The Commission agrees that health and safety are very important. "Beyond that, the precise standards must be a balance between the competing goals of housing quality and program cost."⁷ The Commission is in favor of minimum standards but the bottom line is cost. If it costs more to maintain enforcement of standards, they suggest eliminating them.

The Commission is recommending that national standards be replaced by local standards. This recommendation could hurt recipients in areas of less affluence or where the housing stock is inadequate by not providing incentive to owners to improve the structure. Local standards would not insure the equal housing benefits that are assumed with national standards.

According to the Commission, all future housing programs should be controlled by the state and local housing authorities. Local authorities will assist recipients in a manner similar to the Section 8 Existing Rental program. Program participants will locate housing and negotiate the lease. The housing authority is responsible to insure housing

standards are maintained. The participants will have contracts for three to five years. The Commission has left the rest of the program design until a later date.

The funding of the housing voucher program is not completely solved. The Commission suggests perhaps the program can be funded by Community Development Block Grants. However, the government has cut back on CDBGs and Urban Development Agency Grants, are also in trouble, so it is rather unlikely to state and local governments to use what little funding they have on housing assistance.

The housing voucher program can only be a partial solution because in areas with inadequate housing stock, vouchers will not succeed. Unfortunately, the President's Commission is suggesting housing vouchers as the total answer. There are some areas where new construction is what must be provided. For example, a study was conducted in New York City from January 1979 to May 1981. The purpose of this study was to test a housing voucher program in an area with an inadequate housing supply.

Results of the study showed that if a family was required to move because their present housing didn't meet program standards or simply wished to move, many were forced to drop out of the program. Over half of those who wished to participate dropped out because of problems associated with moving. Some families didn't want to move but their present housing was unsuitable. Others were unable to locate suitable housing.

Families in New York City Required to Move:

- 56% of all non-elderly families
- 71% of all families with children
- 63% of all non-elderly couples
- 40% of all elderly couples and individuals

However the New York City vacancy rate is so small, 2.1 percent in 1981, that finding suitable housing is difficult.

Percentage of Program Dropouts -- New York City:

- 50% of all two parent families with children
- 51% of all non-elderly couples
- 15% of all elderly couples
- 30% of all elderly singles⁸

Rehabilitation of units found to be inadequate is possible. However, the program is low budget so only minimal repairs are possible. Previously, in the EHAP repairs were the responsibility of the owners.

The New York City study illustrates the inefficiency of a housing program in an area with inadequate housing or housing shortages. Large percentages of families were unable to receive housing assistance because they cannot find suitable housing. Low rent public housing is needed in an area such as this.

However, the Commission is not recommending additional low rent public housing units. They propose the discontinuation of construction of low rent public housing. Housing vouchers are being offered as the alternative.

Summary of Public Housing in
Manhattan, Kansas

Characteristics of the Population, Manhattan, Kansas

Manhattan, Kansas is located in the Northeastern portion of the state, in the Flint Hills.

Manhattan is considered to be a good sized city by Kansas population standards. In 1980, there were 32,644 permanent residents which was an increase of about 5,000 residents since 1970. Since Kansas State University is located in Manhattan, there are many transient residents as well. Fort Riley, located nearby, is another factor in the mobility of some residents. Manhattan is not heavily involved in industry, the University being the largest employer in the area, other than agriculture.

Very little information has been released from the 1980 census. In 1980, the median household income was \$10,085. Of these households, 21.9% had incomes below that of 50% of the area median.

Public Housing in Manhattan

Today, according to Housing Manager, Alice Lopez, of the Manhattan Public Housing Authority, 265 families are receiving housing assistance through low rent public housing and the Section 8 Existing Rental program. Low Rent public housing serves 135 "elderly families" with another 80 "families." An additional 60 families are participating in the Section 8 Existing Rental Program.

The following table provided by the Manhattan Public Housing Authority illustrates the makeup of the residents of Manhattan's housing assistance program. The numbers represent 1982 figures.

Table 2

Number of Families Receiving Public Housing Assistance in Manhattan¹

	White	Black	American Indian	Spanish American	Oriental	Other	T
Low Rent Public Housing							
Flint Hills Place	21	22	1	2	3	2	51
Apartment Tower (Elderly)	86	1		1			88
Baehr Place	12	6		1			19
Carlson Plaza	45	1		1			47
Totals	164	30	1	5	3	2	205
Section 8 Existing	38	20		1	1		60
Grand Total	202	50	1	6	4	2	265

At the present time a total of 265 families are receiving public housing assistance in the form of Section 8 or Low Rent subsidies. Of Manhattan's 32,644 residents, .8 percent are receiving housing assistance. There are another 50 to 60 families on waiting lists.

Eligibility

In order to be eligible for public housing, the client must be a citizen of the United States. If this were not the case, many Kansas State University foreign students would surely be eligible as well as other students. The households must fit into one of three categories: "family," single persons, or "elderly family."

1. "Family" -- Two or more persons sharing a residence related by blood, marriage, or adoption.
2. Single person -- At least 62 years of age, or handicapped, or disabled, or displaced by governmental action.
3. "Elderly Family" -- Two or more elderly, handicapped or disabled persons, or one or more such individuals living together.²

Income

A family's eligibility is also based upon their total income. The following table gives the income ranges.

Table 3

Maximum Incomes -- Low Rent Public Housing ³	
Number of Persons	Maximum Income Limit for Admission-- Low Rent
one	\$ 9,750
two	\$11,100
three	\$12,500
four	\$13,900
five	\$14,750
six	\$15,650
seven	\$16,500
eight or more	\$17,400

"If the net family assets are in excess of \$5,000 income shall include the actual amount of income, if any, derived from all the family assets on 10% of the value of all such assets, whichever is greater."⁴ Therefore, the amount of assets and income must not exceed the income levels presented in the table.

The income limits for Section 8 Existing Rental are somewhat higher, ranging from \$10,800 with one person to \$19,300 with over eight persons.

Rent Schedule

The rents paid by clients for low rent public housing are determined by the Housing Authority. Families with children receive deductions of \$300 per child to be subtracted from their annual income. Twenty five percent of the adjusted income is usually the amount required for rent.

Utility allowances are determined by the size of the apartment.

Example: Low Rent Public Housing in Manhattan

Female-headed family, 2 children, 2 bedroom apartment

less	-400	5 percent bonus -- available low rent public housing
less	-600	\$300 deduction per child (2 times \$300 = \$600)
	<u>\$7,000</u>	Adjusted Income

From the adjusted income of \$7,000 a monthly gross rent of \$146 is determined.

\$146	Gross rent for a 2 bedroom apartment
- 28	Utility allowance
<u>\$118</u>	Net rent for low rent public housing

Administration of Manhattan Public Housing Authority

The total expenditures for Low Rent public housing in Manhattan for 1982 is \$253,340. The expected income is \$204,560. This leaves a difference of \$49,304. The Housing Authority expects to receive \$39,000 in contributions from HUD. However, there is over \$10,000 that is left to be covered by reserve funds by the Manhattan Housing Authority.

According to Mrs. Lopez, \$102.28 monthly is budgeted for each unit. Actual costs are \$122.00 monthly per unit. This difference is either made up by reserve funds or simply not spent. If the latter is the case, such needs as maintenance will be deferred. Mrs. Lopez was not particularly encouraging about the reserve fund's capability of covering the overload.

The administrative budget is \$38,230. Of this money \$25,000 pays the salaries of three full-time employees. Another four full-time and one part-time employee are paid through the maintenance budget.

As Housing Manager for the Manhattan Housing Authority, Alice Lopez is in a position to obtain information concerning the future of public housing. With the increasingly difficult funding problems becoming more apparent, she feels that public housing will change in form or cease to be. She also said that she wouldn't be surprised if more Housing Authorities sold their housing properties to private owners to relieve the Local Housing Authority of the financial responsibilities. This may lessen the burdens of the Housing Authorities, but it will limit public housing opportunities for the poor.

Housing Allowances versus Low Rent Public Housing

Manhattan, Kansas

All the evidence points to housing vouchers or allowances as the housing assistance programs for the future. Therefore, how would they measure against Low Rent Public Housing? For the purpose of trying to find an answer to this question, a hypothetical program will be tested.

Assumptions

1. Because of Kansas State University and Fort Riley, Manhattan has a high turnover rate for housing. Therefore, there should be adequate number of rental units to support a housing allowance program.
2. Since the rental housing is privately owned, the local Housing Authority will not have the responsibility for maintenance costs of the rental housing.
3. Because the housing subsidy is a direct cash payment to the client, it is not public knowledge that the family is receiving public housing assistance. Therefore, they will not suffer from negative attitudes toward public housing recipients.
4. Housing Allowances are similar to the Section 8 Existing Rental program, therefore, Section 8 will not be compared and will continue to exist. There are 205 families currently in the Low Rent public housing program. For the purpose of

this study, 205 families will be used to compare the programs.

5. Low Rent public housing has an average monthly subsidy of \$122.00. The Section 8 Existing Rental program pays an average of \$120.00 per month. In order that recipients of housing allowances receive equal benefits, the average monthly payment will be \$120.00
6. The payment of each client will be based upon the size of the family and their total income. Participating families will pay no more than 25 percent of its total income minus a utility allowance for their housing. Participants will pay no less than 15 percent of their total income unless specially arranged such as those in the very low income group. These percentages are HUD requirements.

Utility Allowances:⁴

	<u>0-BR</u>	<u>2-BR</u>	<u>3-BR</u>	<u>4-BR</u>
Electricity	17.00	19.50	21.50	24.00
Gas	7.00	8.50	9.50	11.00
Total	24.00	28.00	31.00	35.00

7. These utility allowances are provided in Low Rent public housing and are included in the monthly subsidy. Therefore, they are included as an equal benefit and will be available to housing allowance recipients.

The Section 8 Existing Rental housing program has 60 clients with a budget in 1982 of \$93,000. The average housing subsidy is \$120.00 per month. This total is deceptively low because the administrative

costs overlap with the administrative budget for the Low Rent public housing program.

For the purpose of the hypothetical housing allowance program, 205 clients will be receiving allowances. Two hundred and five clients is the number of families currently receiving Low Rent public housing assistance. Because Low Rent public housing has an average subsidy of \$122.00 per month and the Section 8 Existing Rental program payments average \$120.00, the average housing allowance will be \$120.00.

	205	Families
X	\$120.00	Average Monthly Allowance
	\$24,600.00 x 12 Months = \$295,200 per year total housing allowances	

The same staff that is presently administering the Housing Authority would manage the housing allowance program, therefore the sum for administrative expenditures will be the same as that presently included in the 1982 Low Rent public housing budget, \$38,230. Therefore, the total expenditure in 1982 for a housing allowance program would be \$333,430.

At first glance, the amount seems considerably larger than the 1982 budget of \$253,340 for Low Rent public housing. However, there is one overwhelming difference. For each unit of Low Rent public housing, there is an initial cost of between \$40,000 per unit; the initial cost would be \$8,200,000. If invested at 10% APR, this would yield \$820,000 per year interest leaving the principal untouched. Adding this opportunity cost to the \$253,340 gives an annual cost of \$1,073,340. All monies paid into a housing allowance program except for administrative

costs are for housing subsidies. The Housing Authority that starts with housing allowances is not beginning its program by establishing large debts. Another responsibility and cost that is eliminated by housing allowances is maintenance. Low Rent public housing maintenance costs for 1982 are \$101,640. Housing allowances don't have this expense because the rental units are privately owned. Therefore, housing allowances are more economically feasible as well as a more easily managed method of public housing.

Concluding Thoughts on Housing Allowances in Manhattan

The initial costs of a housing allowance program makes this type of program popular because there are no multi-million dollar expenditures for new construction or for expansion of the program. However, there must be available housing stock to insure the success of such a program. In Manhattan housing allowance recipients would be competing for housing with the students as well as the soldiers from Fort Riley, who are also interested in locating inexpensive, decent housing. The University also causes an inflation of rents for those units with close proximity to the University.

Housing allowances also reduce the responsibility of the Housing Authority who is no longer responsible for the maintenance, yet this causes job terminations for presently employed maintenance workers.

Another positive aspect for Manhattan housing allowance recipients is the flexibility to choose the housing location. They are no longer restricted to specific developments or the bad reputation associated with tenants of public housing projects.

Housing allowances would be an acceptable program in a town like Manhattan, but they may not be the solution for all situations. Housing allowances provide several freedoms that are not possible through Low Rent public housing programs, yet, in some circumstances, housing allowances are inappropriate, i.e., areas where there is inadequate housing stock. Therefore, it is an over simplification of a very complex problem to assign a one part solution to housing the poor which is a multifaceted problem.

Appendix 1

EHAP Housing Quality Program Standards

The following "Program Standards" were developed for analytical use across the Experiments. The standards outlined below were used to qualify dwelling units as meeting program standards in the Consumer Experiment. The eight agencies in the Management Experiment were allowed to define their own minimum housing standards to qualify units. However, independent evaluations using the program standards were performed on a sample of dwelling units at each site in the Management Experiment. This allows comparisons to be made of housing units between experimental sites. The Market Experiment used similar, but different, standards to qualify dwelling units to meet the minimum requirements set for the project. The program standards are as follows:

1. Complete Plumbing: Private toilet facilities, a shower or tub with hot and cold running water, and a washbasin with hot and cold running water will be present and in working condition.
2. Complete Kitchen Facilities: A cooking stove or range, refrigerator, and kitchen sink with hot and cold running water will be present and in working condition.
3. Living Room, Bathroom, Kitchen Presence: A living room, bathroom, and kitchen will be present. (This represents the dwelling unit "core," which corresponds to an efficiency unit.)
4. Light Fixtures: A ceiling or wall-type fixture will be present and working in the bathroom and kitchen.

5. Electrical: At least one electrical outlet will be present and operable in the living room and kitchen. A working wall switch, pull-chain-light switch or additional electrical outlet will be present in the living room.
6. Heating Equipment: Units with no heating equipment; with un-vented room heaters which burn gas, oil, or kerosene; or which are heated mainly with portable electric room heaters will be unacceptable.
7. Adequate Exits: There will be at least two exits from the dwelling unit leading to safe and open space at ground level. Exceptions will be allowed on a case-by-case basis when it appears that fire safety is met despite lack of a second exit.
8. Room Structure: Ceiling structure or wall structure for all rooms must not be in conditions requiring replacement (such as severe bulging or leaning).
9. Room Surface: Ceiling surface or wall surface for all rooms not be in conditions requiring replacement (such as loose surface material, containing large holes, or severely damaged).
10. Ceiling Height: For living room, bathroom, and kitchen, the ceiling must be 7 feet (or higher) in at least one-half of the room area.
11. Floor Structure: Floor structure for all rooms must not be in condition requiring replacement (such as severe buckling or noticeable movement under walking stress).

12. Floor Surface: Floor surface for all rooms must not be in condition requiring replacement (such as large holes or missing parts).
13. Roof Structure: The roof structure must be firm.
14. Exterior Walls: The exterior wall structure or exterior wall surface must not need replacement. (For structure this would include such conditions as severe leaning, buckling or sagging and surface conditions such as excessive cracks or holes).
15. Light-Ventilation: The unit will have a 10 percent ratio of window area/floor area and at least one openable window in the living room, bathroom and kitchenette or the equivalent in the case of properly vented kitchens and/or bathrooms.

Appendix 2

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Census Measures of "Substandardness"

The EHAP program standards are more stringent than traditional Census measures of "Substandardness."

A housing unit is considered to be substandard if:

(a) The unit lacks one of the following:

- Direct access from outside or through a common hall;
- Complete kitchen facilities for this household only;
- Hot and cold piped water;
- Flush toilet for this household only;
- Bathtub or shower for this household only.

(b) The unit lacks adequate heating equipment, defined as follows:

- For areas of less than 3,000 degree-days,* any type of heating equipment is acceptable, i.e., only a unit having no heat at all is rated as inadequate;
- For areas of 3,000 to 5,500 degree-days, a unit having no heat or a unit heated by fireplace, or portable room heaters or any kind as rated as inadequate;
- For areas of more than 5,500 degree-days, same definition as 3,000 to 5,500, and in addition, if unit has no central heating and is heated by anything other than gas or electricity, the unit is rated inadequate.

*A degree day is equal to the product of the number of days the temperature is below 65 degrees and the difference between 65 and the actual degree reading.

Appendix 3

Initial Impressions & Findings, EHAP, April 1975.

DEMOGRAPHIC CHARACTERISTICS OF ENROLLED HOUSEHOLDS¹

Household Characteristics	Consumer ² Experiment (percent)	Pitts- burgh	Phoenix	Management ² Experiment (percent)	Salem	Spring- field	Peoria	San Bernar- dino	North Dakota	Jackson- ville ⁴	Durham	Tulsa
Race of Household Head												
Minority (Black, Spanish American, Oriental, Native American)	29	24	33	34	6	36	29	45	3	72	61	19
Non-Minority	71	76	67	66	94	64	71	55	97	28	39	81
Age of Household Head												
Elderly (age 65 or over)	19	22	16	16	19	10	17	17	20	8	19	24
Non-Elderly	81	78	84	84	81	90	83	83	80	92	81	76
Sex of Household Head												
Female ³	44	52	36	63	56	72	66	61	50	84	57	60
Male	56	48	64	37	44	28	34	39	50	16	43	40
Household Size												
1	15	16	13	21	30	17	17	22	19	5	34	28
2	27	27	27	22	20	22	33	21	21	19	23	18
3	23	23	23	19	19	16	23	37	20	22	19	21
4	15	15	16	13	12	15	11	13	10	17	10	12
5+	21	19	21	25	19	27	33	26	20	37	14	21
Annual Gross Household Income												
0-\$1,999	11	10	12	26	29	10	23	11	13	59	36	27
\$2,000-\$3,999	15	19	12	24	27	23	19	33	29	14	16	26
\$4,000-\$5,999	27	32	22	29	25	43	23	27	28	19	23	27
\$6,000-\$7,999	20	19	21	14	8	15	14	14	22	5	18	11
\$8,000-\$9,999	18	15	22	6	7	7	9	5	5	3	2	5
\$10,000+	8	5	11	2	4	2	4	-	-	-	-	2
Don't Know	0	0	0	0	0	0	8	0	1	0	5	0

¹ The data for the Consumer Experiment were obtained from the Baseline Survey which was fielded between April 1973 and December 1973. The data for the Management Experiment were obtained from the First Participant Survey which was conducted between April 1973 and April 1974 and from the Agency Operating Forms (Race of Household Head only).

² The figures for the Consumer Experiment are based on 3601 initially enrolled households, including 1078 control households that receive no allowance. The figures for the Management Experiment are based on 1199 households which represent a sample of the 8100 total initial enrollees in the Management Experiment. Missing observations cause the actual sample size to fluctuate slightly from one tabulation to the next.

³ These figures are based on the Census definition of head of households. In keeping with that definition, all married couples with both spouses present are assumed male-headed.

⁴ Based on first enrollment period.

Appendix 4

Distribution of Households
In the Consumer Experiment
By Major Sources of Income
and Minority Status

Minority Status	Sources of Income				Total (N)
	Earned ¹	Welfare ² Transfers	Other ³ Transfers	Other ⁴ Income	

Pittsburgh (N 1697)

Non-Minority	41%	28%	29%	2%	100% (1305)
Minority	33	51	16	1	100% (392)
Total	39	33	26	2	100% (1697)

Phoenix (N 1780)

Non-Minority	70%	5%	22%	3%	100% (1187)
Minority	63	20%	15	2	100% (593)
Total	68	10	20	2	100% (1780)

¹Includes wages, salaries and net business income.

²Includes welfare grants and Food Stamp subsidies.

³Includes Social Security, Supplemental Security Income, Unemployment Compensation, Workmen's Compensation and pension income.

⁴Includes education education grants, alimony received, asset income, other regular income, and in-kind income from work-in-lieu of rent.

Appendix 5

ENROLLMENT STATUS

Experiment Site	Applications ¹ Taken	Applicants ² Enrolled	Highest No. of ³ Recipients	No. of Recipients as of Mar. 75	Average Net ⁴ Income of Recipients	Payments Average Per Month
Consumer						
Pittsburgh	2,879	1,240	1,240	1,134	\$4,556	\$50.65
Phoenix	2,609	1,275	1,275	1,006	\$5,281	\$66.72
Management						
Salem	2,529	1,100	947	633	\$2,564	\$81.85
Jacksonville I	1,806	1,035	338	209	\$1,823	\$93.52
Jacksonville II ⁵	3,598	992	332	323	\$3,276	\$67.68
Peoria	2,241	1,445	934	570	\$3,920	\$83.13
Springfield	2,479	1,209	852	669	\$3,185	\$87.57
San Bernardino	2,050	1,004	822	649	\$2,859	\$82.71
Tulsa	2,292	1,068	913	600	\$2,891	\$72.65
North Dakota	665	499	429	310	\$3,183	\$71.44
Durham	1,337	732	517	429	\$2,564	\$74.81
Market						
Green Bay ⁵	4,840	2,501	1,654	1,614	\$3,381	\$61.02
South Bend ⁵	285	103	40	46	** * ⁶	** * ⁶
TOTALS	29,610	14,219	10,311	8,352		

¹ Total number of people who applied to the program.

² Applicants who pass income eligibility criteria. In the Management and Consumer Experiments not all income-eligible applicants were selected for enrollment.

³ Participants who have received at least one housing allowance payment.

⁴ Net income is equal to gross income minus deductions for dependents, medical expenses, etc.

⁵ Enrollment is still in progress at these sites. Most sites enrolled recipients during the second half of 1972 and early 1974. In the Market Experiment enrollment will be open throughout the program period.

⁶ Enrollment was reopened in Jacksonville in September 1974 and will end in July 1975.

These figures not computed because of small sample size.

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HOUSING ALLOWANCES, AN ALTERNATIVE TO
TRADITIONAL LOW INCOME HOUSING

by

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HOUSING ALLOWANCES, AN ALTERNATIVE TO TRADITIONAL LOW INCOME HOUSING

Public housing or low income housing has been a controversial issue since its conception. Powerful business groups as well as political figures have opposed subsidized low income housing. Subsidized housing has survived, however the constant dilemma of providing adequate numbers of housing units has remained.

This report is an indepth study of direct cash payments or housing allowances. Traditional low income housing has meant new construction or unit subsidized housing, while housing allowances are people subsidized.

Housing allowances are not a new idea. In 1953, the President's Advisory Committee on Government Housing Policies and Programs opposed such a program because they considered them degrading to the recipients.

Policy shifts in the 1960s moved housing programs closer to housing allowances with programs such as Section 23 leased housing, which gave some choice options to the recipients.

The Experimental Housing Allowance Program (EHAP) was established and funded by Section 504 of the Housing and Urban Development Act of 1970 with ammendments in 1974. The EHAP was comprised of three experiments; the Demand (Consumer) Experiment, the Supply (Market) Experiment, and the Administrative Agency (Management) Experiment, which operated in twelve test sites. The EHAP was designed to test housing allowances under diversified conditions.

The EHAP was considered a success and housing allowances have proven to be a reasonable alternative to traditional public housing.

In July of 1981, the President's Commission on Housing was formed to study different facets of housing. The Reagan administration wants HUD, "out of the business of building housing for the low and moderate income families." Therefore, the Commission is seriously studying low income housing alternatives. Low income housing in the past has been very expensive and there are approximately \$250 billion in unpaid costs from public housing, the debt having started 40 years ago.

The President's Commission has suggested housing allowances as the low income housing program that they wish to support. The Commission reported that the problem of affordability is the most serious factor, not that of housing adequacy.

The Commission supports housing allowances for several reasons. First, because the allowances would permit large numbers of households to be served. Second, they would be less costly for the federal government. And third, because housing allowances are not reliant on long term subsidies.

Manhattan, Kansas, a town of 32,644 residents was used to compare traditional low rent public housing to a housing allowance program for the purposes of this report. Presently 205 families are receiving an average monthly subsidy of \$120 for low rent housing assistance. It was found that housing allowances may be an acceptable program in a town such as Manhattan, Kansas, yet they are not the solution for all situations. Housing allowances provide several freedoms that are not possible through low rent public housing programs, however, it is an oversimplification of a very complex problem to assign a one part solution to housing the poor which is a multifaceted problem.