

Comment on Bruce J. Katz and Margery Austin Turner's "Who Should Run the Housing Voucher Program? A Reform Proposal": Why Public Housing Authorities Remain the Best Solution for Running the Housing Voucher Program

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Abstract

Katz and Turner propose that the Section 8 program be administered regionally at the metropolitan level by a single organization awarded the contract through a competitive bidding process. We disagree. Local public housing authorities have been successful in providing family housing choice and moving families from the worst neighborhoods through the Section 8 program. The factors that inhibit mixed-income communities and family mobility, resulting in concentration of poverty, are beyond the control of these authorities and will be affected little by a change in administration. Moreover, the additional cost of these changes would decrease the number of families served and at the same time increase bureaucracy.

We welcome the discussion the proposal has caused. Misperceptions exist about the program, even among those close to it. True, effective program reform can be engendered only by an honest dialogue among housing advocates, administrators, and consumers, both tenants and owners.

Keywords: Low-income housing; Mobility; Neighborhood

Introduction

Thirty-one years ago, the experimental housing allowance program was launched and became the forerunner of today's Section 8 housing choice voucher program. During that 31-year history, the program has primarily, and successfully, been managed by local public housing authorities (PHAs). Katz and Turner advocate a change in the administration of the program because they believe that it has not fully realized its potential to deconcentrate poverty and facilitate the movement of assisted families to low-poverty neighborhoods. More important, they assert that the concentration of Section 8 families in distressed neighborhoods results from administration of the program by local PHAs.

The primary evidence cited for their conclusion is a study of six metropolitan areas where the share of affordable units in low poverty neighborhoods exceeds the share of certificate recipients (Turner 1998). Katz and Turner conclude, on the basis of these data, that voucher holders are significantly underrepresented in low-poverty neighborhoods relative to the availability of affordable housing primarily because fragmented local PHA administration of the Section 8 program restricts mobility. Katz and Turner acknowledge that the numerous hurdles to mobility, such as discriminatory rental practices, landlords' willingness to accept Section 8 tenants, and the supply and location of affordable housing, are mostly beyond a PHA's direct control, but they continue to assert that changes in administration can significantly improve program outcomes.

Section 8's record as a tool for deconcentration of poverty

In most of the nation's metropolitan regions, the Section 8 program has an excellent record of moving families out of the very worst neighborhoods. Section 8 recipients are unlikely to live in census tracts that have high rates of unemployment and high concentrations of low-income or minority households (Newman and Schnare 1997). As Katz and Turner note, families receiving project-based housing assistance and living in public or privately managed units are far more likely to live in such neighborhoods, and so are poor renters in the private market (Newman and Schnare 1997; Pendall 2000; Popkin et al. 2000). According to a variety of social and economic indicators, 4.5 percent of all poor renters in 1989 lived in severely distressed census tracts. Only half that number of all Section 8 renters, 2.3 percent, lived in such tracts. Additionally, 22.6 percent of all poor renters lived in mildly distressed tracts, as opposed to 17 percent of Section 8 renters (Pendall 2000).

Even when the total population of renters, wealthy or not, is considered, Section 8 has a successful record in moving families out of the worst neighborhoods. In 1989, before the widespread portability allowed by the current program, 85.3 percent of all Section 8 households lived in census tracts with less than a 30 percent poverty rate, compared with 87.5 percent of all renters (Newman and Schnare 1997). These facts are especially impressive given that they occurred during a time when the number of poor families living in high-poverty neighborhoods nearly doubled (Duncan and Ludwig 2000; Katz, Kling, and Liebman 2000).

Moreover, a relatively small number of PHAs and a minority of metropolitan regions account for much of the concentration that does occur in the Section 8 program. Rolf Pendall (2000) found that in 90 metropolitan regions containing mildly distressed tracts, less than 5 percent of all Section 8 households live in such tracts. Also, in 28 of the 145

regions containing severely distressed tracts, less than 1 percent of all assisted households live in such tracts. These statistics indicate that the Section 8 program is significantly more successful than Katz and Turner allege.

This is not to say that the program has been a perfect mobility vehicle. As Katz and Turner and others have shown, the program has not been as successful at moving families into middle- and upper-class neighborhoods or into those that are most integrated (Newman and Schnare 1997; Pendall 2000). Suburban recipients of Section 8 fare better than urban recipients, whites fare better than Hispanics and African Americans, and the elderly fare better than nonelderly people and those with disabilities (Turner 1998).

Limits to mobility and deconcentration of poverty under the Section 8 program

Katz and Turner continue to believe that the primary cause for the difference in outcomes is local PHA administration. There are, however, more compelling explanations for the concentration of Section 8 participants in a minority of metropolitan areas.

The first reason is the location and availability of rental housing and, more precisely, affordable rental housing. If rental housing, particularly affordable housing, is concentrated, then Section 8 renters will be concentrated as well, regardless of who administers the program. As Rolf Pendall (2000) states, "Rental housing supply matters enormously; an increase of one standard deviation over the mean percentage of rentals in distressed tracts correlates with an increase of 0.7 standard deviations in the percentage of assisted households in distressed tracts" (898).

The second reason is the adequacy of fair market rents (FMRs), which Katz and Turner acknowledge are essential for the program's success. The amount of subsidy provided to Section 8 families is based on the FMRs set by the U.S. Department of Housing and Urban Development (HUD). A HUD report to Congress on Section 8 mobility (Goering, Stebins, and Siewert 1995) underscores the importance of FMR adequacy, stating,

The most fundamental limitation on mobility opportunities for rental assistance recipients is the availability of modestly priced housing. Areas with a shortage of units renting at or below the local Fair Market Rent will be effectively closed to most assisted households. (32)

FMRs were designed to reflect the rent and utilities charged in a particular housing market for a modest, nonluxury unit (adjusted by unit

size) and were originally set by statute at 50 percent of the median rent. In 1983, FMRs were reduced to 45 percent of the median rent and were reduced again in 1995 to 40 percent. These decreases were not in response to a demonstrated abundance of standard low-cost rentals at these lower percentiles, but were designed instead to reduce program costs. These lower FMRs reduced the universe of available units in many market areas, particularly in the suburbs. In Baltimore, for example, it was estimated that only 15 percent of the rental units in the suburbs had rents below the FMR, while 30 percent of the rentals in Baltimore City met the requirement (Pendall 2000).

The number of available units is further reduced by the fact that not all of the units renting at or below FMR will meet HUD's Housing Quality Standards (health and safety requirements) or rent reasonableness tests. (PHAs may approve a rent only if it is comparable to similar units in the immediate area.) In January 2001, HUD officially recognized the fact that FMRs set at the 40th percentile had contributed to the concentration of Section 8 families in 39 rental markets; the department increased FMRs in those markets to the 50th percentile. HUD has also provided a mechanism for PHAs in other metropolitan areas to request FMRs at the 50th percentile for purposes of deconcentration, thus again underscoring the importance of adequate FMRs to mobility. Inadequate FMRs in many markets have undoubtedly contributed to the concentration of Section 8 families, a fact that is of concern not only to Katz and Turner, but also to program administrators and local communities.

Fortunately, PHAs now have the authority to set their payment standards at 110 percent of the FMR and can seek HUD approval to set them at 120 percent or higher to meet market conditions and increase housing choice. In 1997, when Turner (1998) conducted her research on those six metropolitan areas, PHAs that chose to use these higher payment standards did so knowing they would serve fewer families, because the amount of budget authority available for housing assistance payments was fixed. In April 1999, that budget system was changed and now takes into account the increased costs that result from using higher payment standards. This new system will allow PHAs to make greater use of higher payment standards and thus expand housing choices without a resulting decrease in the number of families served.

Third, program requirements related to family income also reduce the number of neighborhoods available to Section 8 recipients. The program requires income targeting, whereby 75 percent of all new voucher contracts must be reserved for extremely low income families (those with incomes of less than 30 percent of the median). In 1998, a statutory change began limiting the family's rent contribution on any newly executed Section 8 contract (regardless of whether the family was new to the program or just moving to a different Section 8 unit) to 40 percent of the family's adjusted income. There are no exceptions. Consequently,

extremely low income families must find units renting within the PHA's payment standards *and* units where their rent contribution does not exceed the 40 percent limit. If the family's portion is \$1 over the limit and the owner chooses not to lower the rent, the family cannot rent the unit. These combined requirements, especially coupled with FMR limits and the scarcity of affordable housing, may have the long-term effect of severely concentrating Section 8 families in less desirable tracts.

Fourth, the recent, large-scale practice of relocating families from troubled, demolished public housing developments by using Section 8 vouchers ("vouchering out") is also likely to contribute to a rise in the concentration of extremely low income Section 8 families in urban metropolitan areas with high concentrations of poverty. These vouchered-out families tend to be among the poorest of public housing residents; they often have little experience living in the private rental market and have more personal problems (criminal records, substance abuse, etc.) than the general renter population. Not only are they likely to have difficulty finding a landlord willing to rent to them, but they are also at risk of concentrating in neighborhoods where the landlords willing to rent to them do so because they share similar demographic and social characteristics with other renters already residing there.

Fifth, discriminatory rental practices have a significant negative impact on family housing choice. As HUD's program statistics (2000) show, Section 8 families are

1. Predominantly minority (40 percent non-Hispanic black, 15 percent nonblack Hispanic)
2. Headed by single heads of household and have children (56 percent)
3. Extremely low income (families with children have a median annual income of \$9,654)
4. Dependent on some form of government assistance as their primary source of income (64 percent)

Discriminatory renter selection practices based on race and ethnicity, the presence of children, and the source of income have resulted in the passage of fair housing laws designed to specifically address these biased practices. Given the socioeconomic characteristics of Section 8 renters, it is not surprising that they would encounter discrimination in their search for housing. Such discrimination effectively shuts them out of many neighborhoods. Pendall (2000) clearly demonstrates the significant effect of race on concentrations of Section 8 households. He notes that for every 10 percent disparity in race between Section 8 households and other residents in the metropolitan area, there is a corresponding concentration increase for Section 8 households of 1.8

percentage points in mildly distressed tracts and 0.02 points in severely distressed tracts. He concludes, “In particular, the racial and ethnic composition of assisted tenants remains a significant predictor of their disproportionate concentration” (Pendall 2000, 901).

Finally, there is the issue of landlords’ willingness to participate in the program. In the surveys HUD conducted of private property owners and managers (HUD and U.S. Bureau of the Census 1996), it was clear that owners want the management differences between Section 8 units and unassisted units and the economic consequences to be minimal. They also want good tenants. When those differences become significant, when Section 8 voucher holders have poor rental and credit histories, when housing markets are tight and property owners feel they can get higher rents from non-Section 8 tenants, they will simply choose not to participate in the program.

Recent regulatory changes have responded to many of the program differences that landlords objected to in the past. Among the changes designed to make the program operate more like the private market are the elimination of the

1. “Take one Section 8 family, take all” policy
2. 90-day termination notice requirements
3. Security deposit limitations
4. Family’s ability to remain in the program after damaging a unit, leaving with rent owing or committing other serious lease violations
5. Landlord’s responsibility to maintain utility service even when tenant is responsible for the bill

Unfortunately, convincing landlords to participate in the program again when they have had negative experiences under its prior, less favorable rules will take time, continued outreach, and education. Also, other issues that continue to discourage participation, such as paperwork, concerns about tenant damages, frequent inspections, and so on, remain (Jones 2000). These are not issues that will be solved by switching to agencies other than PHAs to administer the program.

Arguments against the proposed reform

Matching the geography of metropolitan economies

Katz and Turner believe that vouchers should be administered regionally because of economic and residential decentralization. While their

discussion of the economic challenges facing the inner-city poor is largely on point, they assume that regional Section 8 administration will magically alleviate these problems. The transportation woes faced by the inner-city poor in cities such as Los Angeles and Atlanta, for example, result from transit solutions that give primacy to cars and freeways. The hurdles faced by inner-city poor who lack vehicles will not be solved by mobility or regional administration. In fact, as illustrated by a recent article in the *Washington Post* about the Section 8 Moving to Opportunity (MTO) demonstration program, they may even be exacerbated as the inner-city poor move to suburbs where transportation options are often nonexistent.

Some families have found themselves stranded in suburbia, far from city bus lines and unable to afford a car...As it turned out, Columbia [MD] was a place of trade-offs. For the first six months, until she found an old Ford for \$250, she and her seven children walked everywhere. When they needed groceries, they gathered handcarts and a baby stroller and walked an hour and 15 minutes each way to the nearest store. (Goldstein 2000)

Additionally, Katz and Turner are incorrect in their assertion that “the administrative geography of public housing and vouchers has remained strikingly local” (244). By focusing solely on three metropolitan areas where there are a large number of PHAs—Chicago (15), Detroit (31), and Philadelphia (19)—they conclude that the mobility of Section 8 recipients is impeded by the fragmentation of metropolitan areas into multiple PHA jurisdictions. A review of the metropolitan statistical areas (MSAs) across the country, however, shows that the median number of PHAs operating in an MSA is 3. In fact, the 206 PHAs that operate 2,000 or more public housing and Section 8 units and also administer 47 percent of the Section 8 units in the country are generally the *single* PHA in the MSA (Jones 2000). According to the Council of Large Public Housing Authorities (CLPHA), almost half of the 1.5 million voucher units are administered by 100 agencies (2001). Most of these are state housing finance agencies, state community development agencies, and county agencies. Less than 30 are city-based agencies (CLPHA 2001). Unless Katz and Turner envision megametropolitan regions, current PHA administration does generally correspond to established metropolitan regions.

Additionally, creating megametropolitan regions that are larger than existing MSAs/PMSAs (primary MSAs) would not erase what Katz and Turner view as the fragmentation of the Section 8 program. HUD sets income eligibility limits and FMRs by MSA/PMSA. Either the different income limits would have to be rolled into one or families would find themselves eligible in some parts of the region and not in others. Likewise, FMRs would vary across the megametropolitan area as they do now.

How portability really works

Portability is the mechanism by which Section 8 recipients can move from one PHA's jurisdiction to another. Katz and Turner believe PHAs are not administering portability properly and are thus weakening its efficacy as a deconcentration tool. They state that "observation of Section 8 orientation briefings suggests that not all housing authorities fully explain portability to their clients or encourage them to consider moving to another jurisdiction" (247). However, at best, this statement is a rash generalization. They observed a single metropolitan area. To infer from this one example that this is a widespread problem is quite a leap.

HUD clearly requires PHAs to explain portability to all Section 8 recipients. All households eligible to receive assistance must attend a briefing where program elements and requirements are explained to them. Attendees also receive a packet to take home that reinforces the information. HUD requires all PHAs to

1. Explain how portability works
2. Explain that Section 8 recipients may lease a unit inside or outside the PHA's jurisdiction
3. Explain to all families living in high-poverty census tracts in the PHA's jurisdiction the advantages of moving to an area that does not have a high concentration of poor families (24 CFR, chapter VIII, section 982.301)

Therefore, Section 8 recipients should have a good understanding of their portability rights and the mechanisms by which they can use them.

While administrative hurdles to portability exist, they are not as severe as Katz and Turner allege. A family may have to undergo additional drug and criminal screening when moving to another PHA's jurisdiction (a process that could be streamlined by a national database). Unless the family is new to the Section 8 program, the receiving PHA does not have to reexamine the family's income. If the receiving PHA does choose to reexamine income, it may not delay issuing a voucher to the family or otherwise delay approval of a unit unless an income reexamination is required to determine eligibility. This situation would occur only when a family is not a current Section 8 recipient (24 CFR, chapter VIII, section 982.355).

Further, available data support the contention that Section 8 families exercise their portability rights freely. Nationally, in the past fiscal year, 305,000 households were either newly admitted to the Section 8 program or moved while in the program. Of these, 51,000 families (17 per-

cent) exercised their ability to move from the jurisdiction they were living in (1999 HUD Multifamily Tenant Characteristics System Database).

The geography of voucher administration

Another important question is whether the homogeneous rental market implied by Katz and Turner exists in metropolitan areas. They propose to “match the geography of voucher administration to the geography of ...the rental housing marketplace” (242). In reality, most MSAs/PMSAs have multiple rental submarkets that are reflected in the voucher program by differences in payment standards. For example, in Alameda County, CA, one of two counties in the Oakland, CA, PMSA, there are 14 cities and five PHAs (four city and one county) that administer approximately 19,000 Section 8 units. Within the county, the largest urban city, Oakland, has its payment standard set at 104 percent of the FMR, 6 cities have payment standards set at 110 percent of the FMR, 1 at 112 percent, and 6 at 120 percent. These varying payment standards reflect the differing submarkets in a single county and are not atypical. Whether one or several PHAs operate in the metropolitan region will not change rental market variability.

Katz and Turner also argue for a single, metropolitan-wide agency based on their contention that “landlords can be confused and deterred by the multiplicity of local programs and may hesitate to participate at all because of uncertainties about who is administering the program and how reliably it operates” (247). Setting aside the fact that once again they extrapolate their conclusions based on observations of a single metropolitan area, the reality is that most owners in the Section 8 program are small investors who would be better and more nimbly served by a local rather than a regional agency. An analysis of the 1996 *Property Owners and Managers Survey* shows that 62 percent of property owners who participate in the Section 8 program in metropolitan areas have two buildings or less (HUD and U.S. Bureau of the Census 1996). These units constitute approximately 42 percent of the voucher unit inventory in the metropolitan region. From these data, one can conclude that most Section 8 owners are small local landlords who likely reside in the community where they own the units. These owners may well prefer working with an agency that understands the local rental market and is also locally accountable for its decisions, rather than a regional entity removed from the community. Multiple PHAs that monitor rental markets at a micro level, know owners and properties, and have the kind of in-depth rental market knowledge that Katz and Turner acknowledge is important for program administration can actually make it easier for a family to be informed of and assess mobility choices in subrental markets.

Mobility and neighborhood effects

Katz and Turner make the assertion that “research strongly suggests that moving to a low-poverty neighborhood can yield significant long-term benefits for poor families” (245). They cite results from the Gautreaux program in Chicago and HUD’s ongoing MTO demonstration program as proof. However, a review of some of the research indicates that the results are not so clear.

First, the design of the Gautreaux program limits the applicability of any findings. Participants were self-selected and were offered a shortcut to receive Section 8 assistance; the research that was conducted focused on only a limited set of families (Brennan 2000). Still, HUD was intrigued by what the Gautreaux program suggested and designed the MTO demonstration program to test whether public housing recipients would experience improvements in employment and self-sufficiency if given Section 8 vouchers. They also wanted to test whether the outcomes would be even better for families that received counseling along with a voucher. While the MTO demonstration program is composed of volunteers and thus its results cannot be generalized to the larger population, it was designed to allow researchers to isolate and compare the effects of receiving housing counseling with a Section 8 voucher versus receiving a regular Section 8 voucher with no counseling versus remaining in public housing (Brennan 2000; Del Conte and Kling 2001).

Thus far, the MTO study has shown that there are no significant differences in employment rates, earnings, or welfare use between any of the groups in the study. Only in New York were there significant differences in employment between families that received a voucher (regardless of whether they received counseling) and those that remained in public housing. However, in terms of the behavior of male children and any physical and mental health problems suffered by family members, MTO participants who received counseling and those who received only a voucher both fared better than participants who remained in public housing (Del Conte and Kling 2001; Hanratty, McLanahan, and Pettit 1998; Katz, Kling, and Liebman 2000). The differences between those who received counseling and those who received only a voucher are minimal or nonexistent. The MTO data also suggest similar results for families that received a voucher, regardless of whether they received counseling (Duncan and Ludwig 2000).

Costs of mobility programs

Not only do Katz and Turner significantly overstate the case for mobility and neighborhood effects, but they also ignore the costs of such programs. While families receiving counseling in these programs were more

likely than those who received Section 8 vouchers only to find housing in low-poverty and suburban neighborhoods, they were also more likely to remain in high-poverty neighborhoods. A greater number of families receiving Section 8 assistance only were actually able to move out of the worst neighborhoods (Hanratty, McLanahan, and Pettit 1998; Katz, Kling, and Liebman 2000).

This difference in the quantity of success is important to consider because of the nation's vast housing needs. A record number of households, 4.9 million, have worst-case housing needs (meaning they either live in substandard housing or spend more than 50 percent of their income on housing) (HUD 2001), and according to Ihlanfeldt (1994), only one-third of all families getting Aid to Families with Dependent Children receive housing assistance. The Section 8 program has been more successful in moving a greater number of families from the worst neighborhoods than the programs favored by Katz and Turner. Further, because nonprofit counseling programs are extremely expensive, the Section 8 program is able to help these families far more cheaply than the program models favored by Katz and Turner.

According to data from the MTO demonstration program, the average cost to counsel each family was \$1,455. However, because almost half of the families counseled were not able to find a unit, the average cost for each family that actually leased a unit was \$3,077 (Goering et al. 1999). These costs are solely for counseling services. By contrast, PHAs do not receive separate funding for counseling. Instead, their entire range of Section 8 administrative duties is funded by monthly administrative fees received from HUD. These fees are received only for the families that are actually assisted in a dwelling unit and only for as long as each family remains in the program. Costs for any owner outreach and mobility counseling conducted by PHAs are also funded from these fees, and PHAs are not reimbursed for efforts on behalf of families that fail to find a unit.

Administrative fees vary by metropolitan region and are based on a formula that uses a percentage of either the 1993 or 1994 FMR. The fees range from a low of \$32.24 per unit under contract in the Cumberland, MD–WV, MSA to a high of \$69.60 per unit in both the Bergen-Passaic, NJ, PMSA and the Middlesex-Somerset-Hunterdon, NJ, PMSA. For ease of illustration, we will use the average of the two fees identified above, \$50.92 (which is actually higher than what most PHAs receive) to give a sense of the significant difference in the number of families that can be assisted under the Section 8 program versus the number that would be assisted under a counseling program given the same funding.

For comparison, we will assume that a PHA uses one month's administrative fee to fund all initial costs associated with a family, including

landlord outreach, counseling, income screening and verification, unit inspection, and so on. Comparing the average administrative fee derived above with the average cost in the MTO demonstration program for each family able to find a unit, we find that an average PHA is able to house more than 60 families (\$3,077/\$50.92) for the same amount of funding the MTO demonstration program uses to successfully counsel just one family.

While such counseling is undoubtedly needed in some urban areas, implementing such a scheme nationally without a massive infusion of funding to HUD would mean draconian reductions in the number of Section 8 units. Therefore, the likely result of implementing Katz and Turner's counseling models in our current funding climate would be to greatly decrease the number of families receiving Section 8 assistance. Furthermore, as shown above, PHAs are more successful than acknowledged in promoting mobility.

Furthering government reinvention

Katz and Turner believe that the Section 8 program would benefit from the type of privatization and competition that has gone on in many areas of government throughout the country. While it is true that there have been laudable successes in a number of jurisdictions in activities such as road repairs, garbage services, and so on, there have also been failures, particularly in areas that involve delivery of social services. Contracted prison services, managed health care, and privatization of education are some areas that come to mind.

It is also of concern that to support their reinvention argument, they make a number of unsupported statements (some attributable to "Section 8 administrators," whose number and location are not specified) that PHAs operate the Section 8 program as a stepchild to their public housing programs, have demonstrated no initiative in program management, and have minimal staff training. In fact, 40 percent of the PHAs that manage Section 8 programs have no public housing. Of the remaining 60 percent, almost half have Section 8 programs the same size as their public housing programs. In addition, as more public housing is demolished and replaced with mixed-income housing and as more public housing tenants are vouchered out, the Section 8 program will become the largest housing program for most PHAs. They clearly recognize that the Section 8 program is a major tool for serving the extremely low income families that are their customers and have worked hard with HUD and Congress to make the program more effective.

The proposed alternatives to fragmented PHA administration

Regional versus local administration

Katz and Turner cite several examples of state administration of the Section 8 program that they believe demonstrate the benefits of such a regional system. One of their examples is the state of Connecticut, which uses a single subcontractor for the entire state.

A closer look at the Connecticut experience, however, indicates a much less successful system than most local PHAs administer. An article appearing in late November 2000 in the *Hartford Courant* describes a Section 8 program in disarray when the state decided to terminate the contract with the consortium of community action agencies that were administering it. Legal Services advocate, Amy Eppler-Epstein, was quoted as saying “As far as I can tell, all hell is about to break loose” as she described her frustration with the lack of services being provided once community action agencies were informed that another contractor had been selected (D’Arcy 2000). Basic services such as unit inspections and rent adjustments apparently just stopped. The article states, “The change is leaving the 7,500 families who rely on public assistance for housing in a precarious spot” (D’Arcy 2000).

The new contractor, a private housing consultant and a consortium of 13 PHAs, took over the contract in January. In at least some regions of the state, the PHAs that assumed program responsibilities reported finding very low utilization rates (ratio of units under contract to units funded), backlogged reexaminations of income that extended over significant periods of time, and other program administration deficiencies. While this single experience does not mean that regional administration is not possible, it does point out that problems can occur when multiple entities responsible to local jurisdictions for the delivery of such services are lacking.

Finally, it is interesting and seemingly contradictory that Katz and Turner note that citizens are impatient with rule-bound institutions at the same time they are proposing regional or statewide program administration of the Section 8 program. By the very nature of their size, state or regional organizations are likely to be more bureaucratic and less nimble and entrepreneurial than Katz and Turner would like.

Nonprofit social service agencies

Katz and Turner also promote nonprofit agencies as possible Section 8 program administrators because of their work in the MTO demonstra-

tion program. In particular, they are very positive about nonprofit success in helping families move to low-poverty areas, conducting landlord outreach, providing housing search assistance, helping overcome barriers to portability, and so on.

They have not, however, mentioned any of the nonprofit failures in the MTO and Regional Opportunity Counseling programs. The most egregious example is the Baltimore experience recently described in a HUD Office of the Inspector General (OIG) audit (HUD OIG 2001). In that case, the Baltimore City PHA's nonprofit mobility counselor, Baltimore Neighborhoods, Inc. (BNI), fell far short of its mobility goals. While both the PHA's and BNI's records were severely lacking, the OIG audit states that BNI completed counseling for only about 10 percent of the 1,300 referrals made by the PHA and helped no more than 51 families move from minority to nonminority neighborhoods. Nonetheless, BNI billed the PHA \$540,000 for these services over a 24-month period before the contract was terminated. It is interesting to note that BNI's president was quoted in an article in the *Baltimore Sun* as saying that the program goals were not met partially because of "a tight suburban market that made it difficult to recruit landlords," an experience not dissimilar to that experienced by PHAs (Seigel 2001).

Clearly, the Baltimore experience involves not only a troubled nonprofit, but also a troubled PHA Section 8 program. Nonetheless, it serves to demonstrate that nonprofits are not always better than PHAs at administering Section 8 functions.

Competitive bidding of the Section 8 program

Katz and Turner's proposal to competitively bid the Section 8 program is based on their belief that it could "promote more innovation" (249) through reinvention and competition. Katz and Turner acknowledge that there is little empirical research to determine whether such a shift would result in more positive outcomes. Consequently, the question remains whether a shift to a competitive process would ultimately benefit Section 8 families and the taxpayers who fund the program.

Katz and Turner envision a competitive process managed by HUD that would be open to a variety of eligible institutions selected for their ability to manage the basics of the program and the expanded expectations in terms of housing mobility, community outreach, and community support. Their performance would be measured using a standard such as HUD's current Section 8 Management Assessment Program (SEMAP).

One cannot consider such a proposal without first thinking about HUD's ability to manage such a competitive process. Given the continual cuts in HUD funding, inadequate staffing, and its frequent "reinvention" in

recent years, it is truly unlikely that HUD could manage such an undertaking with existing resources. HUD would be very dependent on a region's assessment of the proposals, which could lead to political mischief as various groups compete for multimillion dollar fees.

A competitive process would also make the administration of the program very bottom line oriented, as cost would presumably be a major factor in the selection. If a bidder underestimated the cost to run the program, services would have to be cut, or perhaps the bidder would simply walk away from the contract.

Further, for the process to remain truly competitive, contracts would necessarily be for short terms and bid regularly. In Chicago, which Katz and Turner cite as a successful example of for-profit administration, CHAC, Inc., has administered the Chicago PHA's program since December 1995. Almost six years later, there has been no discussion of bidding the contract again. While there is general consensus that CHAC has made significant improvements in the program, one wonders if Katz and Turner consider their situation a "near monopoly." The Connecticut experience demonstrates the kind of upheaval that can occur when program administrators are changed. Consequently, a competitive process could result in a less stable program that could sacrifice the needs of its most costly, and presumably most vulnerable, clients to profitability.

There is also a serious question as to whether enough qualified entities exist to compete for management of the program. Since Katz and Turner are primarily interested in metropolitan area administration, what other entities perform means-tested eligibility, perform property inspections, and prepare monthly payments on the scale conducted by PHAs in these regions? Welfare agencies? Building and code enforcement agencies? Also, any agency competing to manage the Section 8 program would need the information technology systems and software to perform these functions and submit all the reports HUD requires.

Assumption of the required duties would also likely require a significant front-end financial investment. Who would absorb these start-up costs? Would HUD be required to pay preliminary fees for these costs to brand-new agencies, costs that were long ago paid to PHAs? Why would any entity, or group of entities, absorb such costs unless they were assured of a long-term contract or a price that would make sure they could recoup their initial investment?

At the risk of appearing self-serving, the impact of such a change must also be considered because of the considerable investment by taxpayers in PHA operations and the possible effects on other PHA-assisted housing programs. Programs share resources such as staff, office space, and equipment. If PHAs no longer administer the Section 8 program, how do they and, ultimately, HUD handle the immediate financial effects?

Do they dispose of office space, which may now be half empty, or hold on to it waiting for the next Section 8 program administration competition? If they keep it, how do they pay for it in the interim? How do they terminate long-term property leases and software and hardware agreements entered into with the reasonable assumption of operating income from the Section 8 program? It will ultimately be the taxpayers who will pay for the unanticipated costs resulting from a shift in program administration.

Finally, and perhaps most important, what does the proposal mean for program governance? Katz and Turner never discuss who would oversee these new regional entities. People often argue that all politics is local, and nowhere is that more evident than in discussions of housing. Would local communities and their citizens continue to support the Section 8 program if some regional board oversaw it and their input and concerns were diluted? Katz and Turner seem to believe that a local community that has established strong self-sufficiency preferences or strict family screening standards, for example, is not entitled to do so if these criteria interfere with mobility. They look to their regional administration proposal to eliminate this kind of local discretion and set one standard that will be good for everyone. This approach, however, runs counter to the current strong support for local governance and local solutions.

Communities might well wonder what it is about the Section 8 program that requires metropolitan administration when other housing programs like HOME, Community Development Block Grants, and public housing are locally managed. Rather than ultimately improving mobility opportunities, this approach may well erode support for the program and result in fewer housing opportunities for Section 8 families.

Reforms that would encourage mobility

Katz and Turner are right to be concerned about the Section 8 families concentrated in distressed census tracts. As we have noted, however, they constitute the minority of Section 8 families. Katz and Turner are also right that more effort should be made to provide families with true housing choice, including mobility to low-poverty areas. We also agree that their core concern—mobility—requires increasing the supply of rental housing outside of distressed areas, enforcing fair housing laws, and educating property owners and communities about the impact of discriminatory rental practices and adequate FMRs.

In addition, we would make the following recommendations to improve mobility outcomes:

1. Share information regionally or create databases with information on rental submarkets, rental market trends, and landlord information that could be used by several PHAs.
2. Improve HUD enforcement and monitoring of program performance indicators.
3. Increase efforts to expand property owners' knowledge of the Section 8 program through national and local campaigns and encourage participation through program changes that address their concerns.
4. Address Section 8 barriers that restrict housing choice, such as the limit of 40 percent of income to rent, lack of funds for security deposits and credit reports, and so on.
5. Focus HUD monitoring and technical assistance on the PHAs in the MSAs/PMSAs where there are high percentages of Section 8 families residing in severely distressed tracts.
6. Fund regional housing information and counseling centers that could co-locate in one-stop centers funded by Workforce Investment Boards.
7. Encourage HUD research into the effects of lowered FMR percentiles (50th to 45th to 40th), income targeting, and vouchersing out of public housing on Section 8 family locations over time.
8. Continue and encourage HUD research on and tracking of locational patterns of Section 8 families and access to data by PHAs and local communities.
9. Ensure that PHAs make full use of discretionary authority for setting payment standards.
10. Provide financial incentives or bonus unit allocations for the establishment of regional waiting lists and effective deconcentration efforts with measurable results.

While this is not an exhaustive list, we believe it describes better alternatives than the proposed, competitively selected, regional program administration. It does not make sense to throw away 30 years of PHA Section 8 management that has substantially achieved program goals in favor of experimentation. Rather, it would be wise to address the problems and external barriers to mobility (rental unit availability, FMR adequacy, discriminatory rental practices) for which there is clear evidence of a negative effect on the choices available to Section 8 families.

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