

Participant Behavior and Environment:
A Comparative Analysis of the
Section 8 Certificate and Voucher Programs

by

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A Thesis Submitted to the
Graduate Faculty in Partial Fulfillment of the
Requirements for the Degrees of
MASTER OF COMMUNITY AND REGIONAL PLANNING
and
MASTER OF PUBLIC ADMINISTRATION

Departments: Community and Regional Planning
Political Science

Majors: Community and Regional Planning
Public Administration

Approved:

Signatures have been redacted for privacy

Iowa State University
Ames, Iowa
1990

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CHAPTER I. INTRODUCTION

Housing in America is complex and varied. Sternlieb and Hughes make the following observation about its importance in American society:

The importance of housing is not merely as a refuge from the elements; rather, it is an essential tool binding together the implicit social compact that gives coherence to an America of enormously varied humanity.¹

This thesis focuses on housing related to one group within society - the poor.

In the early years of the country's existence, poor people were often left to fend for themselves. The outcry during the Depression of the 1930s prompted the federal government to address housing issues and problems. This established a pattern of continuing federal involvement in housing into the present time.

Many housing programs have evolved since the 1930s. The first programs created had a supply orientation. Local housing authorities, with federal assistance, constructed, managed, and maintained public housing for low-income families. This was and is a predominant program in the public housing repertoire. However, it is currently being challenged. The challenger is the housing voucher.

Housing vouchers are a growing component of federal housing policy. Vouchers are an allowance form of assistance. Unlike traditional housing programs which limit program

participants to specific structures and locations, vouchers allow participants to choose their own housing from the existing housing stock within the community. They were first instituted as part of an experimental program funded by the Department of Housing and Urban Development (HUD). This program, known as the Experimental Housing Allowance Program (EHAP), operated in selected U.S. cities from 1973 to 1981. Results from this study led to the adoption of housing vouchers as part of HUD's Section 8 Program in 1983. Strong support for vouchers has continued into the Bush Administration. Moreover, recent revelations of corruption and abuse in rehabilitation and new construction programs could increase the use of vouchers as a housing policy tool.

Unlike "supply" programs which involve the government in costly new construction, vouchers are demand oriented. Low income families are given a monthly amount which is based upon income, household size, and cost of housing in their locality. Currently, the federal government uses a thirty percent standard for determining the amount of income each family should contribute toward their housing. With a voucher, the family can elect to pay more or less than thirty percent of their adjusted income. Adjusted income is equal to annual gross income minus any medical expenses, dependent allowance, and/or elderly allowance. If the family pays less than the thirty percent they get to keep the difference.

With the increasing popularity of vouchers, it becomes essential to gain an understanding of their effect on low-income families and to determine if the results are consistent with the underlying goals and policy from which they were created. Not only is it important to examine what vouchers do, it is also necessary to compare this with what similar programs are accomplishing.

The other major demand form of assistance is the certificate program. Certificates have been in use since 1974 and are the stalwart of HUD's Section 8 Program. They differ from vouchers in several ways. The main differences are that program participants must locate housing at or below the fair market rent which is established by HUD for each city based on the number of bedrooms in a unit. Furthermore, they are not allowed to pay more than thirty percent of their adjusted income on rent.

Purpose of the Study

With the current focus on cuts in federal spending, it becomes important to select which housing programs or elements within a program are achieving the greatest level of effectiveness and efficiency. Presently, there is a general sentiment within the Department of Housing and Urban Development and the General Accounting Office that the housing voucher and certificate programs should be combined in some

way. The question becomes what combination of the two is the best configuration.

The purpose of this study is to examine the behavior of participants in the Section 8 Certificate and Voucher Programs in order to gain insight into each program's impact. This will mainly be an attempt to address the issue of program effectiveness. Many previous studies have already focused on efficiency in relation to the two programs. However, a program can be efficient and not effective. When faced with the task of combining the programs, a study which concentrates on comparing the effectiveness of each program could assist in determining what elements should be kept and what should be eliminated.

The Research Design

The following research question will be used to guide the study:

What are the differences in behavior and environment for Section 8 participants with vouchers and those with certificates in the Des Moines Public Housing Authority's jurisdiction?

Terms within the question are defined as follows:

* Behavior is used to reflect the actual conduct of voucher and certificate participants. This specifically relates to how they use their vouchers and certificates in selecting a

rental unit.

* Environment refers to the type of unit program ^G6 participants select and the initial problems associated with the unit.

* The Des Moines Public Housing Authority's jurisdiction essentially equals the boundaries of Polk County. While most program participants live within the City of Des Moines, they have the choice of locating in other areas throughout Polk County.

Voucher advocates claim that vouchers offer participants more options in their housing selection process than certificates. The question then turns to whether in fact this is true, and, if so, are participants with vouchers utilizing these other options. Therefore, the hypothesis of this study is:

Participants in the voucher program have more housing options than those in the certificate program. To confirm this statement requires evidence. Thus, voucher participants must actually be exercising these options for the statement to be true.

The scope of this study is limited to the Des Moines area. However, it is hoped that the hypothesis used in this study will indicate relationships which might exist in these housing programs throughout the country. General conclusions cannot be made based upon the study's results. Instead, the

research should be utilized to generate hypotheses which could form the basis for a large scale study.

The study is designed to contain elements of both policy and discipline research. Examining the behavior of the Section 8 program participants will provide insight into the effects of the programs on the participants. These impacts can then be incorporated into an evaluation of the interventions themselves in relation to their effectiveness. The model in Figure 1 describes the elements and linkages pertaining to the research question and hypothesis.

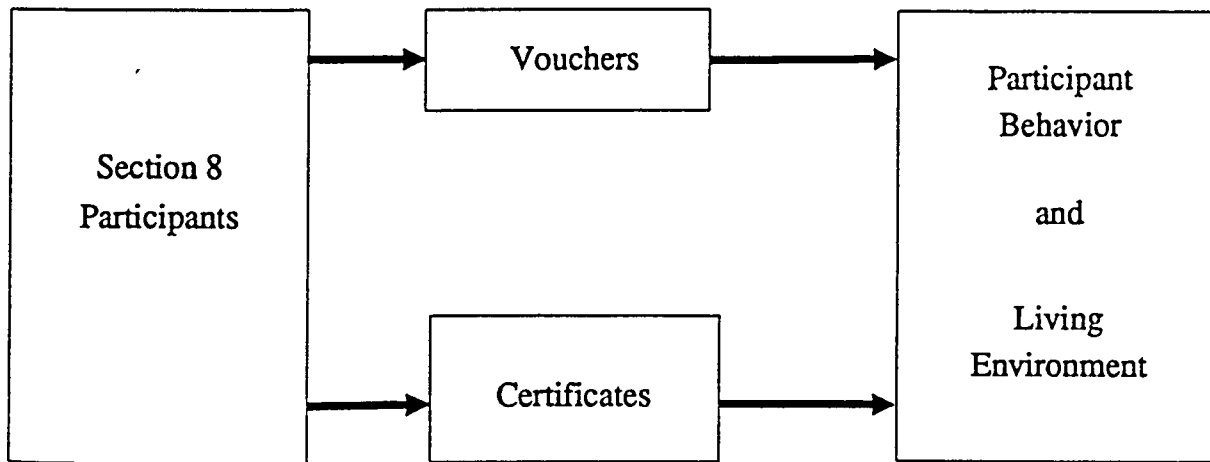


Figure 1. Research design model

Methodology

The success of housing programs varies greatly with geographic location. Because of this, any comparative study should collect data from programs which are operating in the same location, under the same conditions. For this reason, the study has been limited to the Des Moines area. The certificate and voucher programs in this location are administered solely by the Des Moines Public Housing Authority.

A random sample was drawn from the population of people who entered each program in 1988. Thirty percent of the participants in each program were selected for the sample. This resulted in a sample size of 77 households in the certificate program and 34 households in the voucher program. Thus, there were 111 households in the total combined sample.

Eligibility criteria are the same for both programs. The applicants must be either a family or a single person, subject to certain guidelines. The Des Moines Public Housing Authority defines those eligible for assistance as:

- * A family of two or more persons related by blood, marriage, or adoption provided that the head of the family is at least eighteen years of age, including foster children and members temporarily absent from the family group if they are living or will live regularly with a family.
- * A single person who is pregnant, handicapped, disabled, or sixty-two years of age or older.
- * Two or more elderly, disabled, or handicapped individuals living together, or one or more such individuals living with another person who is determined, under regulations, to be a person essential to their care and well-being.²

The federal government sets income limits in addition to the household composition requirements established by local housing authorities. There are two designations for eligible households. These are very low income and low income. Very low income is a household with an income at or below 50% of the area median income. The low income limit is set at 80% of median income in the area.

When the housing authority has vouchers and certificates available, they contact people to participate based on a waiting list. The waiting list is a record of those eligible to receive assistance. People are assigned a number based on the date and time they apply for housing subsidies. One waiting list is kept for the two programs. Therefore, any structured deviation in general participant characteristics is controlled at the outset.

People who are eligible for housing assistance do, however, have the option of declining one program to wait for a space in the other to become available. If they elect to do this, they do not lose their place on the waiting list. Under the present situation, the potential of someone exercising this option is minimal. Currently, those being placed on the waiting list can expect to receive housing assistance in one to two years.

Existing data were collected from each individual household file. This information included general

characteristics of each household, rental unit characteristics, and evaluations from inspection reports. Several statistical techniques were used to process this data. These included frequency distributions, crosstabulations, means, and variance. The analysis of the results is contained in Chapter Four.

Organization

The thesis is organized into four main sections. Chapter Two discusses housing in a historical context from the formation of the nation through the Depression. Housing for the poor is the primary emphasis. Chapter Three begins with the Housing Act of 1937 which marked the first involvement by the federal government in housing issues. From this point, the discussion continues with the evolution of public housing to the Section 8 Certificate and Voucher Programs which are the focus of the thesis.

Chapter Four is an analysis of the results from the study of participant behavior in the certificate and voucher programs. Data for the study were collected from the Des Moines Public Housing Authority's records of participants in their programs. Conclusions regarding the analysis follow in Chapter Five. The thesis concludes with recommendations about the results and suggestions for future research.

Endnotes

¹George Sternlieb and James Hughes, "Structuring the Future," in Patterns of Development, ed. George Sternlieb (New Brunswick, N.J.: Center for Urban Policy Research, 1986), p. 5.

²Des Moines Public Housing Authority, Administrative Plan, (February 14, 1989), p. 9.

CHAPTER II. HOUSING: A HISTORICAL PERSPECTIVE

An examination of the origins and evolution of housing policy in the United States is necessary in order to gain an understanding of the Department of Housing and Urban Development's Section 8 Certificate and Voucher Programs. These two programs have been shaped by political and economic aspects of previous housing policy. Housing policy in turn has been heavily influenced by events in the country's development. Therefore, it is important to view these programs within the broader context of housing in the United States. This chapter will focus on housing from the formation of the country through the Great Depression. Chapter Three will continue by discussing the advent of public housing and its evolution into the present Certificate and Voucher Programs.

Housing in the New Republic

Since the early settlement of America by the Puritans, housing has been used to express the values of society.¹ The early leaders of the republic were anxious to see the values of family, self-sufficiency, and order gain a firm foothold in the new nation. They believed in the Enlightenment concept that the environment had a strong effect on people. Consequently, housing was one way to establish these values in

the populace. However, the challenge was to create this "ideal" environment without sacrificing individual freedom. The goal had to be accomplished through guidance, not regulation.²

Led by Thomas Jefferson, these leaders devised the concept of the model home. This was to be a guide which families could use and adapt to their particular circumstances. Several prototypes were published and publicized during the late eighteenth and early nineteenth centuries. Their widespread use promoted homogeneity and the appearance of equality. The most emphasis was placed on the rural detached cottage. This form reflected the country's rural nature and the current belief that farming was the "basis for America's strength and progress."³

Industrialization and Urbanization

The advent of industrialization precipitated major changes in the rural nature of society and in housing. Factories were often established in undeveloped areas or small towns. Usually these areas lacked sufficient housing for factory workers. Therefore, it became necessary for the owners/industrialists to supply housing for their workers. They did this by constructing rows of identical small cottages. Housing was provided with the stipulation that each household must contribute an established minimum number of

workers in addition to paying rent. Most cottages had three to four rooms. This, combined with the minimum standards rule of the factories, led to extensive overcrowding. Households usually consisted of six to ten people, including extended relatives and boarders.⁴

In conjunction with industrialization, America was experiencing rapid urbanization. Waves of immigrants coming to America in search of a new and better life further accelerated the growth of cities. The previous concern with the effect of the home environment on workers was abandoned. It was replaced with a new philosophy which emphasized production and product quality.⁵

Industrialists abandoned construction of small detached dwellings for their workers in favor of the more economical alternative of one large structure which could house a number of families. This marked the advent of the tenement. The earlier problem of overcrowding associated with the worker cottages intensified in the tenements. Early tenements were three to four stories high with two families on each floor. As in the cottages, families would take in boarders and other relatives. In 1850, it was reported that "the average tenement on New York or Boston contained sixty-five people."⁶ Along with overcrowding, there were serious sanitation and health problems.

Tenement residents were frequently blamed for the

conditions in which they lived. However, early reformers returned to the idea that the environment, specifically the tenement house, was the main cause of the deplorable living conditions. Their response was to return to the model home concept with a twist. This time it was the creation of the model tenement.

Contests were held for designing this ideal. However, the efforts usually had mixed if any positive results. During the period from 1855 to 1905, only two hundred model tenements were constructed in New York City. This represents a mere fraction of the fifty thousand other tenements constructed in the city in this time span.⁷

Tenements increased in size and capacity with little improvement in conditions. In many cities, they became the most predominant form of housing. A Board of Health Census reported that in 1893 over one million people in New York City (seventy percent of the city's population) lived in multi-family housing; and four-fifths of these units were in tenements.⁸

Health conditions in the tenements, combined with recent medical discoveries linking certain environmental situations with specific diseases, were the impetus for societal concern. This concern stemmed from a fear of contaminated products and epidemics rather than any general altruism for the poor.⁹ However, it gave housing reformers their first real

opportunity to implement change.

These changes were in the form of restrictive legislation at the state level. Laws were enacted which established minimum standards for occupancy, light, and air. Ordinances were also passed specifying plumbing and electrical requirements for new construction.¹⁰ The new regulations, while well-intentioned, had little effect on existing structures because there was no enforcement mechanism. Moreover, the stricter standards discouraged future development due to the dramatic loss of return on investment for developers. This served to intensify the housing shortage problem for the poor.¹¹

Suburbanization

During the late nineteenth and early twentieth century, the upper and middle classes began to move away from the central cities. This marked the beginning of suburbanization. Construction of single-family houses reached its zenith in the 1920s. In 1925, there were 937,000 housing units constructed. This was more than twice the number built in 1921. However, after this peak, production dropped off significantly.¹²

Homeownership, in this era, was achieved in a haphazard manner. Keith reported that:

Single-family homes...were typically financed through an unsound patchwork of first, second, and even third mortgages, generally of short terms and without any built-in orderly system for repayment of principle.¹³

The combination of unstable financing practices and the housing recession in the latter half of the 1920s foreshadowed the major depression to come.

The Depression and the Hoover Administration

When the Depression hit, it was particularly devastating to the housing industry. Mitchell uncovered the following statistics which reveal the extent of the Depression's impact:

In 1934 Secretary of Labor Frances Perkins reported that 2 million of the 12 million unemployed were in the building trades, and Federal Emergency Relief Administration (FERA) Administrator Harry Hopkins estimated that one-third of the families on the relief rolls were identified with the building trades.¹⁴

The housing industry was not alone. Many homeowners found themselves unemployed. This, along with the tenuous nature of their home loans, frequently led to foreclosure. People not only lost their homes; they also found themselves struggling to survive.

As the crisis intensified, there was increasing pressure on the federal government to take action. The philosophy of the Hoover administration reflected a strong belief in the supremacy of private industry. Any government involvement should be in the form of federal loans to business. The private sector would ultimately be the catalyst which pulled the country out of its depression.¹⁵ Nonetheless, in 1931, President Hoover bowed to pressure and called the Conference on Homebuilding and Homeownership.

The conference produced reports which offered helpful guidelines for the future, but they did little to ease the current housing problems facing the nation. One finding was that private enterprise was not supplying low-cost housing for low-income families. This was coupled with a warning of the consequences if the private sector was unsuccessful in resolving the crisis. The foreword of the reports contained the following statement made by Secretary of the Interior:

To those who look upon government operations in the field of housing construction with abhorrence, the challenge is definitely offered.... If business, financial, and industrial groups fail to take the task in hand and apply the large sums of capital required and the utmost of planning genius and engineering skill to the problem, it seems likely that American cities will be forced to turn to European solutions of this problem, through subsidization by the State and municipal treasuries and probably through actual ownership and operation of housing projects by municipal authority.¹⁶

This prediction would come true much sooner than most people realized.

In July of 1932, President Hoover approved the Emergency Relief and Construction Act. This legislation expanded the activities of the Reconstruction Finance Corporation (RFC) which had been created earlier that year. Originally the RFC's purpose was to give loans to banks, insurance companies, and railroads. This purpose was consistent with President Hoover's views on the proper role of the federal government. If federal involvement became necessary, assistance should be directed to private business rather than individuals.

The Emergency Relief and Construction Act expanded the RFC's authority to include loans for low-income housing construction and slum renewal. The new provision had won the President's approval only after an initial veto followed by several amendments. Only one housing loan was made under this legislation. Eight million dollars was allocated for the construction of Knickerbocker Village in New York City. For critics, the new provision was too little too late.¹⁷

Another important piece of legislation was also passed in July of 1932. This was the result of recommendations made by Hoover's Housing Conference. The law created the Federal Home Loan Bank system in which regional banks were formed to advance credit to needy savings and loans based on the security of first mortgages. Because of the crisis conditions, the measure was largely ineffective at its inception. However, it later became a major element in financing private homes.¹⁸

Both pieces of legislation did little to ease the critical situation. In the presidential election of 1932, the people clearly indicated that what had been done was insufficient and more action was needed. Hoover was replaced by Franklin Roosevelt.

Roosevelt and the New Deal

Roosevelt's philosophy was drawn from that of two earlier

leaders - Thomas Jefferson and Alexander Hamilton. From Hamilton, he drew a belief in the need for federal involvement in improving conditions in society. For Hamilton, this meant federal support for big business. Roosevelt balanced this with Jefferson's views on the importance of using the power of government to further the common good. Jefferson believed that governmental involvement should not only help big business; it should also help the general public.¹⁹

Roosevelt believed that the proper role of business was as the "stimulant of the American economy."²⁰ However, he felt that business had let America down. What was "oppressing the people...[was] a highly centralized, irresponsible economic elite that had lost its sense of social responsibility and any regard for the common people of the land."²¹

Immediately after taking office he began to act on these convictions. These actions impacted housing in two areas - homeownership and provision for low-income housing. Each had different advocates and constituencies. Thus, each was treated as a separate issue which resulted in separate legislation. This division created a pattern that has continued into the present day.

Homeownership

Provisions to address the problems in the homeownership sector focused on changes in the home financing process. Early in 1933, there were an average of one thousand home foreclosures a day. The administration stepped in and initiated legislation which created the Home Owner's Loan Corporation (HOLC) on April 13, that same year.

The purpose of the HOLC was to purchase defaulted mortgages and then refinance them in order to prevent foreclosure. These new long term loans had a low interest rate. The HOLC loaned money until 1936.²² During that time, it refinanced one out of every five mortgages on owner-occupied homes. A quote from Arthur Schlesinger, Jr. summarizes the impact of the HOLC:

...by enabling thousands of Americans to save their homes, it strengthened their stake both in the existing order and in the New Deal. Probably no single measure consolidated so much middle-class support for the administration.²³

The HOLC was under the control of the Federal Home Loan Bank Board, a product of the Hoover administration. As mentioned earlier, this permitted assistance to savings and loans. However, banks and insurance companies were excluded. A constituency soon developed which favored a companion system. The construction industry was a strong supporter of this proposal. While the HOLC had provided needed assistance to homeowners, it was doing little to stimulate new construction.

On June 27, 1934, the National Housing Act was passed. The Act created the Federal Housing Administration (FHA) which provided mortgage insurance protection to lending institutions. The purpose of the law was twofold. First, it promoted and encouraged homeownership. Homeowners would receive four main benefits:

1. Longer-term credit.
2. Lower interest rates.
3. Elimination of secondary financing through larger single mortgages.
4. Increased control over the planning and building of the house.²⁴

Perhaps more importantly at the time, the National Housing Act was an attempt to deal with the unemployment problem by stimulating the construction industry. Lending institutions were cautious about the new system. Therefore, mortgage insurance was not used extensively until 1936.²⁵ Since then, it has grown to become a major component of federal involvement in housing.

Low-income housing

In June of 1933, the National Industrial Recovery Act was passed. Its main goal was to create jobs and stimulate the economy. Housing reformers worked long and hard for the inclusion of provisions for low-income housing within the legislation. Through their efforts, financing was authorized for the, "construction under public regulation or control of low-cost housing and slum clearance projects."²⁶ Under the

Housing Division within the Public Works Administration, \$123 million was made available for grants and loans to public agencies.

The Act encouraged the states to pass legislation which would establish local housing authorities to administer the program at the local level. However, because neither were in existence, the federal government began constructing low-cost housing itself. This created strained relations between the federal government and the local housing authorities that were struggling to establish themselves.

Once the federal government instituted its practice of building and operating projects, it was reluctant to relinquish control to the local housing authorities. Therefore, many of these authorities found themselves functioning only in an advisory capacity.²⁷ This situation was unacceptable to most authorities. However, when they complained the Public Works Administration publicly accused them of not cooperating.²⁸

In addition to the problems with local housing authorities, the Public Works Administration soon ran into another snag. It had been acquiring properties for its construction campaign by using the power of eminent domain. In 1935, a group of land owners challenged this in court. They claimed that the federal government was improperly using its power.

The Court agreed with the plaintiffs. The justices ruled that the PWA was allowed to confiscate land for public purposes. However, they then concluded by stating that construction of public housing was not a public purpose.²⁹ This landmark decision became known as the Louisville Case.

After the litigation, the PWA was limited to constructing its projects on vacant land or purchasing the land without condemnation. The Louisville decision involved only the federal government's powers. This forced the PWA to consider the possibility of greater inclusion of the local housing authorities.³⁰

During this time, the public was becoming increasingly dissatisfied with the PWA's housing program. The pace was slow and the results were inadequate to meet the great need. Near the end of 1937, only 27 projects had been completed with an additional 23 still under construction. This totalled a mere 21,800 units over the four years since the program's inception.³¹

The units that were built also created resentment. The PWA's main purpose was to provide jobs. Many of the projects employed architects and other craftsmen. This resulted in high quality design. Wright describes some of the characteristics of specific projects:

The Williamsburg Houses in New York City had elegant modern facades with horizontal bands of dark concrete and wide corner windows. Even the smallest projects featured copper roofs, elaborate brickwork, and canopies over every door...

sculptors carved friezes of muscular 1930s-style workers for doorways and entrance courts. Inside, thickly plastered walls, ceramic tile hallways, large windows, and the latest appliances were common.³²

Often the PWA projects were nicer than private housing. This led to complaints from those in the housing industry. They claimed that the buildings were so nice that it would discourage homeownership.³³

Moreover, questions began to be raised about whether those with the greatest need were actually benefiting from the program. The residents selected for PWA housing were the "deserving poor". These consisted of lower-middle-class families who had been hit hard by the Depression. PWA housing was considered temporary assistance to permit these families to regain their footing.³⁴

It was assumed that low-income groups would move into the housing previously occupied by these families. However, because of the severe housing shortage, this did not happen. The poor were given no opportunity to escape from the slums to better living conditions.³⁵

Tension between the PWA and local housing authorities and questions concerning the program's performance, led reformers to press for the establishment of a new and permanent program for low-rent public housing.³⁶ Several independent groups joined forces to push for new legislation. Included were the National Public Housing Conference (currently the National Housing Conference), the National Association of Housing

Officials (currently the National Association of Housing and Redevelopment Officials), and the Labor Housing Conference.

³⁷Each group came from a slightly different housing perspective. The National Public Housing Conference had been organized solely for the purpose of lobbying for long-term legislation for low-rent housing. Organization and technical assistance for new and developing local housing authorities was the primary objective of the National Association of Housing Officials. And finally, the Labor Housing Conference's focus was on creating interest for housing among local labor unions.³⁸

These groups obtained strong political support from Robert Wagner, a senator from New York. He introduced the first public housing bill in 1935. Lack of preparation and strong opposition combined to defeat the proposal in 1935 and again when it was resubmitted in 1936.³⁹

While there was strong support for the legislation, there was also considerable opposition. Opponents regarded public housing as a threat to the fundamental values of the nation. They charged that public housing was, "pure socialism and would Bankrupt the country in short order."⁴⁰ Developers and others in the real estate industry claimed that government constructed public housing would infringe on their business.⁴¹

At the National Public Housing Conference in December of 1935, Senator Wagner countered the opposition's arguments. He

presented a speech which contained the following remarks:

The object of public housing, in a nutshell, is not to invade the field of home building for the middle class or the well-to-do which has been the only profitable area for private enterprise in the past. Nor is it even to exclude private enterprise from major participation in a low-cost housing program. It is merely to supplement what private industry will do, by subsidies which will make up the difference between what the poor can afford to pay and what is necessary to assure decent living quarters.⁴²

Wagner pressed on and presented the bill a third time. By now, extensive efforts had been instituted to garner support. On January 20, 1937, President Roosevelt delivered a speech which tipped the balance in favor of the struggling bill. His now famous speech contained these words:

But here is the challenge to our democracy: in this nation I see tens of millions of its citizens - a substantial part of its whole population - who at this very moment are denied the greater part of what the very lowest standards of today call the necessities of life.... I see one-third of a nation ill-housed, ill-clad, ill-nourished....⁴³

On September 1, 1937, the bill was signed into law by President Roosevelt as the United States Housing Act of 1937. It created the United States Housing Authority. The Authority was a permanent federal agency which was responsible for making grants and loans to local housing authorities for low-rent subsidized housing.⁴⁴

The Act established public housing as a permanent element in national housing policy. It formed the foundation for the other public housing programs which followed, including the Section 8 Certificate and Voucher Programs. The next chapter discusses the 1937 Act and the evolution of public housing

policies and programs. It concludes with an analysis of the current Section 8 Certificate and Voucher Programs.

Endnotes

¹Gwendolyn Wright, Building the Dream: A Social History of Housing in America (New York: Pantheon Books, 1981), p. 4.

²Ibid., pp. 73-75.

³Ibid.

⁴Ibid., pp. 62-65.

⁵Ibid., p. 72.

⁶Ibid., p. 117.

⁷Ibid., pp. 118-123.

⁸Ibid., p. 123.

⁹Ibid., pp. 119-121.

¹⁰Jane Lang McGrew and Ana Fabregas, "The Housing Act of 1937: Legal Origins," Journal of Housing 44 (September/October 1987): 156-157.

¹¹Gwendolyn Wright, Building the Dream: A Social History of Housing in America (New York: Pantheon Books, 1981), p. 129.

¹²Nathaniel S. Keith, Politics and the Housing Crisis Since 1930 (New York: Universe Books, 1973), p. 17.

¹³Ibid., p. 18.

¹⁴J. Paul Mitchell, "The Historical Context for Housing Policy," in Federal Housing Policy and Programs: Past and Present, ed. J. Paul Mitchell (New Brunswick, N.J.: Center for Urban Policy Research, 1985), p. 7.

¹⁵Charles Abrams, The Future of Housing (New York: Harper and Brothers, 1946), p. 250.

¹⁶Nathaniel S. Keith, Politics and the Housing Crisis Since 1930 (New York: Universe Books, 1973), p. 20.

¹⁷Ibid., pp. 21-22.

¹⁸Ibid.

¹⁹Marvin J. Folkertsma, Jr., Ideology and Leadership (Englewood Cliffs, N.J.: Prentice Hall, 1988), pp. 66-70.

²⁰Ibid., p.64.

²¹Ibid., p. 68.

²²J. Paul Mitchell, "The Historical Context for Housing Policy," in Federal Housing Policy and Programs: Past and Present, ed. J. Paul Mitchell (New Brunswick, N.J.: Center for Urban Policy Research, 1985), p. 7.

²³Nathaniel S. Keith, Politics and the Housing Crisis Since 1930 (New York: Universe Books, 1973), p. 24.

²⁴Charles Abrams, The Future of Housing (New York: Harper and Brothers, 1946), p. 224.

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²⁸Charles Abrams, The Future of Housing (New York: Harper and Brothers, 1946), p. 257.

²⁹Jane Lang McGrew and Ana Fabregas, "The Housing Act of 1937: Legal Origins," Journal of Housing 44 (September/October 1987): 156-157.

³⁰Ibid.

³¹Charles Abrams, The Future of Housing (New York: Harper and Brothers, 1946), p. 256.

³²Gwendolyn Wright, Building the Dream: A Social History of Housing in America (New York: Pantheon Books, 1981), p. 227.

³³Ibid.

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³⁵Jane Lang McGrew and Ana Fabregas, "The Housing Act of 1937: Legal Origins," Journal of Housing 44 (September/October 1987): 156-157.

³⁶Nathaniel S. Keith, Politics and the Housing Crisis Since 1930 (New York: Universe Books, 1973), p.30.

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⁴⁰Marie C. McGuire, Tom Walker, and Terence Cooper, "50 Years of Housing Legislation," Journal of Housing 44 (September/October 1987): 159.

⁴¹Nathaniel S. Keith, Politics and the Housing Crisis Since 1930 (New York: Universe Books, 1973). pp.29-30.

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CHAPTER III. THE EVOLUTION OF PUBLIC HOUSING

This chapter explores the evolution of public housing beginning with the Housing Act of 1937. This Act marked the first permanent commitment by the federal government for the provision and support of public housing. It originated in an atmosphere of intense controversy and has remained a controversial issue into the present day.

The debate surrounding the public housing issue has had a major impact on the type of programs which have been created. Following a discussion of the Housing Act of 1937, the chapter will focus on other significant legislation and programs related to public housing. The review will conclude with an assessment of current housing policy and the Department of Housing and Urban Development's Section 8 Certificate and Voucher Programs.

The Housing Act of 1937

Unlike the PWA which was created as a temporary response to a crisis situation, the Housing Act of 1937 was a permanent commitment by the federal government to provide low-rent housing. The objectives of the United States Housing Act of 1937 are contained in its declaration of policy:

It is hereby declared to be the policy of the United States to promote the general welfare of the Nation by employing its funds and credit, as provided in this Act, to assist the several States and their political subdivisions to

alleviate present and recurring unemployment and to remedy the unsafe and insanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of low income, in rural or urban communities, that are injurious to the health, safety, and morals of the citizens of the Nation.¹

This statement reveals three primary goals - reducing unemployment, providing housing for low-income families, and improving housing conditions for low-income families. Since the Act's adoption, these have frequently proven to be competing rather than complementary goals.

The first objective, reducing unemployment, was probably the main reason that the bill passed. Unemployment in this instance referred specifically to the construction industry. Sternlieb comments on the importance of the inclusion of this phrase:

Certainly the agenda of housing per se - the alleviation of shelter scarcity - was far from hidden, but in and of itself, at least in the professional judgment of some of the most skilled politicians then in America, it was not adequate. It was necessary to build a broader constituency, and the magic words in the 1930s - ones which would be heard again and again - were "jobs" and "economic reinvigoration".²

The goal of improving housing conditions for low-income families was translated into provisions for slum clearance.

The 1937 Act required:

...the elimination by demolition, condemnation and effective closing, or the compulsory repair or improvement, of unsafe or insanitary dwellings situated in the locality or metropolitan area, substantially equal in number to the number of newly constructed dwellings provided by the project.³

This pleased both the construction industry and housing

advocates. For the construction industry, it meant that the housing stock would not increase. For housing advocates, it supported their belief that new construction combined with slum removal was the answer to the social problems of the day.⁴ The actual result was the perpetuation of the established segregation pattern. New construction by local public housing authorities provided better housing. However, these new structures were still located in the inner-city.⁵

The third goal involved the provision of housing for low-income families. Efforts toward this end proved much more successful than those of the earlier Public Works Administration. By 1941, 350 projects were either underway or completed. This is in strong contrast with the track record of the PWA which had only completed 27 projects during its first four years.⁶ However, construction combined with removal of substandard structures did little to ease the shortage of housing for low-income groups.

The United States Housing Authority (USHA) was created as the formal mechanism for accomplishing these objectives. In contrast to the PWA which advocated centralized authority, the new agency was based on decentralization. Responsibility for planning, construction, ownership, and administration was transferred to the local housing authorities.⁷

USHA's role was to provide guidelines and funding to the local authorities. Funding was supplied for 90 percent of the

costs of new construction, with the community providing the additional 10 percent. USHA also furnished an annual contribution to local authorities for the differential between tenant rent and operating costs.⁸

The programs following the 1937 Act were intended to serve the poor rather than the "temporarily impoverished". However, local housing authorities were permitted to select the tenants for their projects with little intervention from the federal government. The only federal admission regulation was that participation in public housing be limited to "those whose net income at the time of admission does not exceed five times the rental of the dwelling unit."⁹

However, local housing authorities were allowed to establish their own rental rates. Higher rents meant that a broader income range would be eligible for public housing units. The majority of tenants in the period from 1937 to 1949 consisted of working households.¹⁰

During this time, the average income of public housing tenants was 50 to 70 percent of the median family income of the nation's population. This resulted in rental income that paid for all operating expenses incurred by the housing authorities. Moreover, considerable cash reserves also accumulated which helped to pay capital costs of long term projects.¹¹

The Housing Act of 1937 gave public housing a firm

foothold in the inventory of federal government programs. While this was a major accomplishment, public housing advocates saw it as only a first step. They continued to press for additional legislation to supplement the foundation of the 1937 Act. Strong opposition from the real estate and construction industries delayed the adoption of new public housing legislation until 1949.

The Housing Act of 1949

The Housing Act of 1949 established national housing policy objectives. It declared a national housing goal of "...a decent home and suitable living environment for every American family."¹² Many of the provisions of the Act had a major impact on public housing.

During this period, the popularity of urban renewal was increasing. In response to this sentiment, the Act provided subsidies for large scale slum clearance. The land could then be redeveloped and used for either public or private housing.¹³ This deviated from the 1937 Act which required that each slum unit demolished be replaced with a new public housing unit.

The provision had a devastating effect on the poor, especially minorities. Wright comments on the results:

[Housing authorities] suddenly had long waiting lists of blacks...urban renewal was the major reason so many blacks now needed public housing. Between 1949 and 1968, 425,000 units of low-income housing, mostly the homes of poor

minorities, had been razed for redevelopment; and only 125,000 new units had been constructed, over half of which were luxury apartments.¹⁴

Displaced families were given priority for public housing units to compensate them for their loss. However, "priority" did not mean an immediate replacement unit. Even though these families were placed at the top of the waiting list, many were unable to obtain a unit for quite a while because of the shortage of available public housing units.

Another section of the 1949 Act created stricter admission regulations for the public housing program. To prevent competition between public housing units and its private sector counterparts, a "rent gap" was established. Rent charged for public housing had to be 20% below the cheapest private housing rent in the area.¹⁵

The earlier requirement that tenants pay a minimum of 20% of their income for rent remained. Combining the two rules resulted in lower income limits. Only the very poor were eligible for public housing units under these limitations. In addition, anyone who lived in public housing and later exceeded the income limit had to move out of their unit.¹⁶

This represented a major shift in federal housing policy. Rents were no longer related to the operating costs of the projects. Instead, they were linked exclusively to a percentage of income. The effect of this change was the outmigration of the old tenants whose incomes were too high.

Public housing increasingly became the province of the destitute.¹⁷

The national housing goal of a decent home for every American family contained specific reference to the poor. Public housing was to be the mechanism for achieving this goal among low-income groups. The legislation authorized construction of 810,000 public housing units over the six year period from 1949 to 1955.

This meant that by 1955 there would be one million units in the public housing stock. However, progress toward this goal turned out to be slow and discouraging. At the end of 1955, only 192,000 units had been completed. It took another seventeen years to reach the targeted number.¹⁸

The 1950s

The development of new public housing specified in the 1949 Act stalled with the advent of the Eisenhower administration in 1953. The philosophy of the new administration was to maintain rather than expand existing programs. Questions were even raised as to whether the public housing program should continue.

In the Housing Act of 1954, the previous relationship of slum clearance linked to new public housing development was openly reversed. Public housing construction was only allowed in communities in which an urban renewal project was taking

place. Moreover, building new public housing was limited to those urban renewal projects which displaced low-income families.¹⁹

Two other public housing related laws passed during the 1950s. The Housing Act of 1956 expanded the definition of a low-income family. Low-income elderly were now included and eligible for housing assistance. The term "elderly" encompassed those 62 and older.²⁰

The Housing Act of 1959 consisted of an addition to the Housing Act of 1937. A portion of the new statement contained the following:

It is the policy of the United States to vest in the local public housing agencies the maximum amount of responsibility in the administration of the low-rent housing program, including responsibility for the establishment of rents and eligibility requirements, with due consideration to accomplishing the objectives of this Act while effecting economies.²¹

This gave local housing authorities some of the control of admission to the program that they had lost in the 1949 Act.

Since the 1949 legislation, rents were no longer covering operating expenses. Furthermore, many of the reserves which had accumulated during the previous decade were severely depleted to cover the deficit in operating expenses. By giving the authorities greater discretion, the 1949 Act represented an attempt to retain a greater mix of incomes among those in public housing.

This effort, however, was unable to stem the exodus of

tenants at the upper end of the eligibility range. One of the main reasons for this was the growing numbers of options available to this group. Inexpensive alternatives were becoming available in the private sector.²² As a result, public housing's clientele became the poorest of the poor.

The 1960s

In contrast to the 1950s, the 1960s was an era of considerable activity in public housing. Housing gained greater prominence with the creation of the Department of Housing and Urban Development (HUD) as a cabinet level agency in 1965. Experimental housing programs proliferated during this time. Among these was Section 23, a precursor of the Section 8 Certificate and Voucher Programs.

The Section 23 Program was included in the Housing Act of 1965 as an attempt to appease growing public dissatisfaction with public housing. Under the new program, public housing funds could be used to rent existing housing units that were privately owned.²³ This was a major deviation from the traditional production (supply) oriented approach. Proponents of the program cited many benefits of the new approach. These included:

...use of lower-cost existing housing units, impetus to rehabilitation, strengthening of weak markets, flexibility in time and location, invisibility and lack of stigma, and public acceptance.²⁴

Local public housing authorities leased units from the

private housing stock at market rent. The authority then sublet them to its public housing tenants. The amount a tenant paid was determined the same way as in housing authority owned units. Rent was tied to a percentage of the tenant's income. The housing authority made up the difference between the market rent paid to the unit's owner and the tenant's contribution.²⁵

As disenchantment with traditional supply oriented public housing mounted, the idea of demand side subsidies became increasingly popular. Like the Section 23 Program, they would use existing housing in the private sector of the market. However, they also went a step further. An allowance would be provided to program participants. Unlike Section 23 in which the authority selected the units, this allowance would permit participants to locate and rent units of their choice subject to certain guidelines.

Soon after his reelection in 1973, President Nixon imposed a sixteen-month moratorium on subsidized housing. During this time a study was conducted to explore new solutions to the problems besetting public housing. The ensuing report entitled Housing in the Seventies criticized the cost and equity of the existing housing programs. This set the stage for serious consideration of alternatives. A strong contender among the alternatives presented was a housing allowance program.

Allowances

Housing allowances represented a major shift away from the conventional supply approach. The production oriented program had operated as the sole form of public housing assistance since its creation in the Housing Act of 1937. However, it would be misleading to leave the impression that the housing allowance concept was new.

The real estate industry strongly supported housing allowances from the onset of federal involvement in housing. However, there was strong opposition to the idea from politicians and the academic community. Charles Abrams, a leading housing scholar, reveals the prevalent concerns with allowances during the 1940s in his book The Future of Housing. His personal comments echo those of the majority in the early days of public housing.

Among the many objections to this plan, one is that it would make the tenant a permanent recipient of public charity. There is a vast spiritual difference between paying the required rent on a government-owned building and being on a permanent dole. In any case, this so-called rent certificate plan or slum dole would operate to perpetuate the slums, not remove them.... The plan would produce no new housing for slum dwellers and would extend the life of the old ones.²⁶

Combined with the objections against housing allowances, was the firm conviction about the contributions of public housing. This is echoed in a commission report during the Eisenhower administration:

We have always, to the greatest extent possible, avoided a "dole" as being degrading to the individual. Money

invested in public housing, on the other hand, adds permanent wealth to the community and to the Nation which can be liquidated and the investment recaptured when the need disappears.²⁷

The real estate interests countered these arguments by claiming that the private housing market could provide housing more efficiently and at a lower cost than public housing. Moreover, they claimed that this could be accomplished through the existing housing stock without any new construction.²⁸ While the efficiency argument might have been true, earlier experiences suggested that there were other important considerations.

The tenements had been very profitable and efficient housing. However, they had extracted an enormous human cost. The deplorable living conditions had created both individual and societal problems. In light of this, public housing advocates and most politicians believed that efficiency should not be the sole consideration.

Over time changes occurred which made the housing allowance concept more acceptable. The number of substandard housing units had dramatically decreased since the 1949 Act. In 1968, the President's Committee on Urban Housing (the Kaiser Committee) issued a report which reflected new views on the housing problems of the poor. The Kaiser report stated that had:

The primary problem is not some gross inefficiency in homebuilding or some exorbitant element in the production of housing. The root of the problem in housing America's

poor is the gap between the price that private enterprise must receive and the price the poor can afford. In short, the basic source of the problem is not poor housing or a faulty production system. It is poverty, itself.²⁹

The Experimental Housing Allowance Program

Congress' reaction to the housing allowance idea was cautious. In 1970, they authorized funding for the Experimental Housing Allowance Program (EHAP). The study began in 1973 and involved 30,000 households in twelve cities. Various forms of assistance payments were administered to several experiment groups. Basically these involved a fixed subsidy based on household size and income. The amount of assistance did not vary with the rent of the unit. A control group which received no assistance was also observed. Research was conducted over a ten-year period.³⁰

While many versions of the housing allowance were tested, the basic elements involved a fixed subsidy based on household size and income. The amount of assistance did not vary with the rent of the unit. Participants could choose a higher priced unit above the housing authorities standard. In this case they would pay a greater portion of their income for rent. They could also select a unit below the established standard, which would lower the percentage of their income that went toward rent payments.

The EHAP study concluded in 1981. Many of its findings were unexpected and subject to a variety of interpretations.

Results indicated that:

* The benefits of the program were distributed unequally among the eligible population. The inclusion of housing quality standards excluded the poorest households who were living in the worst housing conditions.

* Housing allowances did not increase integration of the poor into neighborhoods with better housing. Housing quality standards proved to be a major constraint on mobility.

* Low-income families elected to rent lower priced units and use the money they saved for other goods and services. The Reagan Administration later used the study's findings as the basis of their argument for a national voucher program.

The Section 8 Certificate Program

While EHAP was in progress, Congress passed the Housing and Community Development Act of 1974. This legislation replaced the Section 23 Program with the Section 8 Program. The new Section 8 Program was divided into three components - a new construction program, a substantial rehabilitation program, and an existing housing program (certificates).

The discussion in this section will center on the existing housing program, which, along with the voucher program, is the topic of this thesis. The program has been and is very popular with Congress and public housing authorities. In the first five years, the program assisted

400,000 households. The number has now climbed to over 900,000 units.

The Section 8 Existing Housing Program represented a midway point between the previous Section 23 program and a housing allowance program. Low-income families are granted a certificate designating the unit size (by number of bedrooms) that the household qualifies for. The family can then go out and select a unit which meets the housing authority's guidelines. This differs from Section 23 in which the housing authority selected the units for the participants.

The unit must meet two main guidelines before the participant can receive assistance. First, it must be at or below the Fair Market Rent (FMR). Fair Market Rent is a standard established annually by HUD. The amount approximates the median rent of people who have recently moved into private market rental housing within a geographical area. Table 1 lists the current FMR for Des Moines, Iowa in 1990. Program participants cannot rent a unit that is higher than the Fair Market Rent that they qualify for. Therefore, if a family had a certificate which qualified them for a three bedroom unit, they could not rent a unit over \$581.00. The FMR includes the contract rent charged by the landlord and utilities. In the situation above, if the contract rent was \$550 and utilities were \$40, the family would exceed the FMR

Table 1. Section 8 Certificate Program fair market rents for 1990 in Des Moines, Iowa
(Des Moines Public Housing Authority, 1990)

Unit Size of Certificate	Fair Market Rent
0 Bedroom	\$323.00
1 Bedroom	\$393.00
2 Bedrooms	\$463.00
3 Bedrooms	\$581.00
4 + Bedrooms	\$650.00

ceiling and could not receive Section 8 assistance for the unit.

Fair Market Rents are designed to fulfill two purposes. They ensure that program participants receive a decent unit and that the household is not over charged.³¹ In this respect they differ from a true housing allowance. Housing allowances permit participants to decide how much rent they wish to pay.

The second guideline is that the unit must meet Housing Quality Standards (HQS). These are also established by HUD. Before a household can move into a unit and receive assistance, an inspection must be conducted. An evaluation is done of the interior, exterior, heating and plumbing, and general health and safety.

Following the initial inspection, the unit receives a pass or fail designation. If it fails, the landlord is given the opportunity to make the improvements needed for acceptance into the program. Yearly inspections of the units in the program are required to insure that the units are being maintained at a level at or above the HQS.

The Section 8 Certificate Program provides a housing assistance payment to make up the difference between the rent paid by the tenant and the contract rent. This amount is paid directly to the landlord. The tenant's contribution is based on a percentage of their net income. Currently, this amount is set at 30%.

The amount does not vary with the contract rent of the unit. A program participant could rent a unit at any rate at or below FMR and they would still pay the same tenant rent. This would seem to create an incentive to locate a unit that rents as close to the FMR as possible. An assumption could be made that this incentive would increase the housing quality obtained by the program's participants.

The Section 8 Voucher Program

Vouchers came into vogue during the Reagan years. The Reagan Administration approach toward social programs included three key elements: the elimination of excessive spending practices, use of the private market, and benefits for the

"truly" needy. A voucher program was consistent with the Administration's goals.³²

Congress authorized a voucher demonstration project in the 1983 Housing Act. In the Housing and Community Development Act of 1987, vouchers became a permanent part of the Section 8 Existing Housing Program. Results from the EHAP study during the 1970s were instrumental in the creation of a permanent voucher program.

The voucher program is a housing allowance with one exception. Participants are allowed to choose any unit they wish. They are not limited by a rent ceiling like FMR in the certificate program. The only stipulation is that the unit must meet the federal housing quality standards. This differs from a true housing allowance which would have no restrictions on the participant's choice of unit.

Unlike the certificate program, the assistance payment has no relation to the actual unit rented. The local housing authority establishes the Voucher Payment Standard which is used to determine the participant's subsidy. The Payment Standard can be lower or equal to, but cannot exceed the Fair Market Rent. A family's Voucher Payment Standard is based on unit size (number of bedrooms) that the family qualifies for. Household size and composition determine the unit size of the voucher issued. Table 2 shows the 1990 Voucher Payment Standards used by the Des Moines Public Housing Authority.

Table 2. Section 8 Voucher Program payment standards for 1990
in Des Moines, Iowa
(Des Moines Public Housing Authority)

Unit Size of Voucher	Voucher Payment Standard
0 Bedroom	\$314.00
1 Bedroom	\$382.00
2 Bedrooms	\$450.00
3 Bedrooms	\$565.00
4 Bedrooms	\$632.00

Comparing Tables 1 and 2 reveal that the Voucher Payment Standard is less than the Fair Market Rent in Des Moines.

Each participant's subsidy is calculated using the applicable Voucher Payment Standard. The housing authority subtracts 30% of the household's net income from the Voucher Payment Standard to determine the housing voucher subsidy that the family will receive. The following example helps illustrate this process:

Applicable Voucher Payment Standard	\$450.00
Monthly Adjusted Income	<u>\$637.00</u>
30% of Monthly Adjusted Income	\$191.00
Housing Voucher Subsidy (\$450.00 - \$191.00)	\$259.00

The subsidy would stay the same no matter what size unit the

family selected.

This gives voucher participants more options than those with certificates. With a voucher, a family can choose a unit that rents for less than the payment standard. This would mean that their contribution would be reduced. They can also elect to rent a more expensive unit. In this case they would pay more than 30% of their monthly net income for rent. It is their choice. The only stipulation is that participants can never pay less than 10% of their income for housing.

One additional feature of vouchers is that they are portable. Families in the voucher program are able to move from one jurisdiction to another and retain their assistance. Thus, a participant living in Des Moines could decide to move to Kansas City and their voucher would move with them. Minimal information is available on this aspect of the program because of the short length of time it has been available. Problems are still being worked out. However, its purpose is to provide participants with more options.

The popularity of vouchers has continued into the Bush Administration. Conventional housing with its expensive construction and operating costs is currently in disfavor in the Executive Branch. The argument is largely drawn along political party lines. Democrats in Congress favor the traditional supply approach to public housing. They claim that the government must supply new housing to ease the

current shortage of adequate housing for the poor.

Republicans counter this by citing the failings and problems with conventional housing throughout its history.

Currently, HUD is examining ways to combine the Section 8 Certificate and Voucher Programs into a single comprehensive program. It therefore becomes very important to understand the participant's behavior related to the program and the housing they select. This is the topic of the following two chapters. Chapter Four contains an analysis of participant behavior associated with the certificate and voucher programs. Chapter Five uses the results of this analysis to draw conclusions and make recommendations for change.

Endnotes

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CHAPTER IV. ANALYSIS

Chapter Four offers an examination of research results related to the Department of Housing and Urban Development's Section 8 Certificate and Voucher Programs. As mentioned in Chapter 1, the study was limited to certificate and voucher participants in the Des Moines Public Housing Authority's jurisdiction. A random sample was taken from the population of low-income families that entered each program in 1988. The total sample size is 111 households. This represents 30% of those entering each program during that time period.

The chapter begins by focusing on general characteristics of the participants in each program. This is followed by a discussion of unit characteristics. The chapter concludes with a discussion of data related to both the participants and the units in each program.

General Characteristics

Figure 2 shows the percentage of male and female headed households in each program. The voucher program has a larger female to male ratio than the certificate program. However, female headed households are clearly the norm for both programs.

The average age of the head of the household varies somewhat by program. For the certificate program, the mean

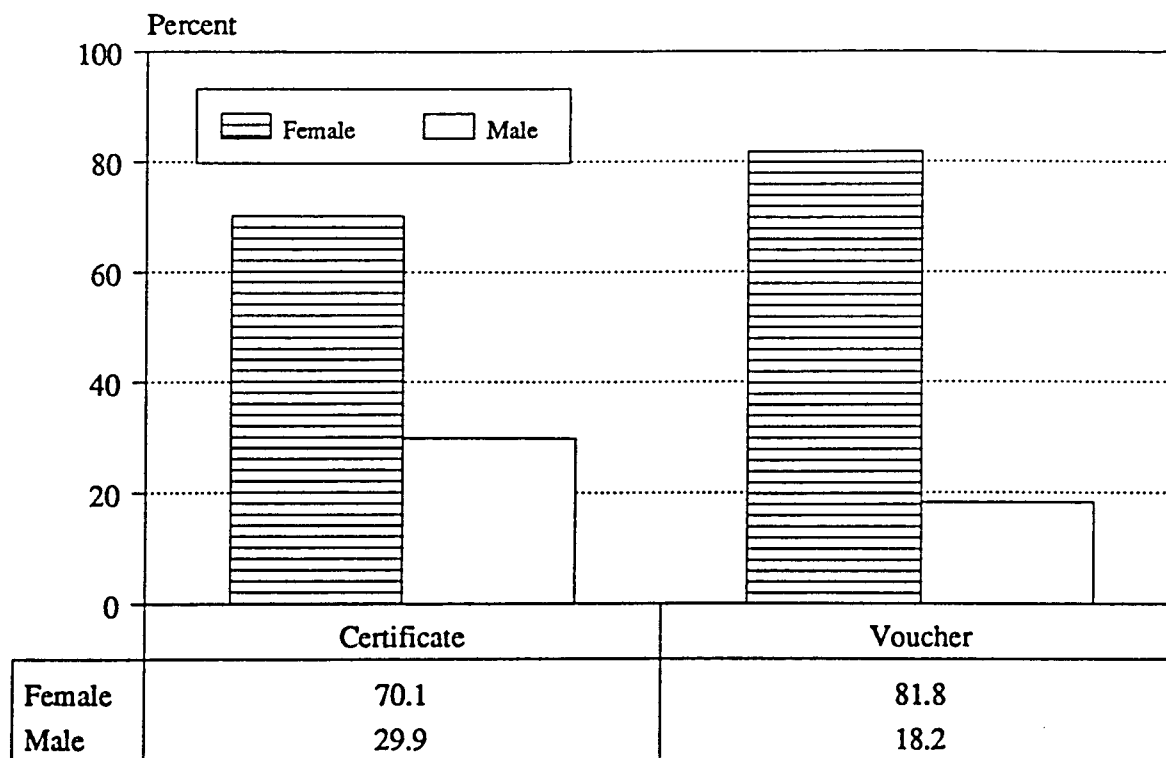


Figure 2. Sex of head of household in the Section 8 Certificate and Voucher Programs

age is 42, while the voucher program's mean age is 35. This indicates that the household heads in the certificate program are older as a group than their counterparts in the voucher program. Within the certificate program, 21% of the household heads were 62 or older. In contrast, only 4.5% of the household heads with vouchers were 62 and older. Participants with certificates ranged in age from 22 to 90 years old. The age range for those in the voucher program extended from 23 to 71 years old.

Figure 3 compares the household size of the two programs.

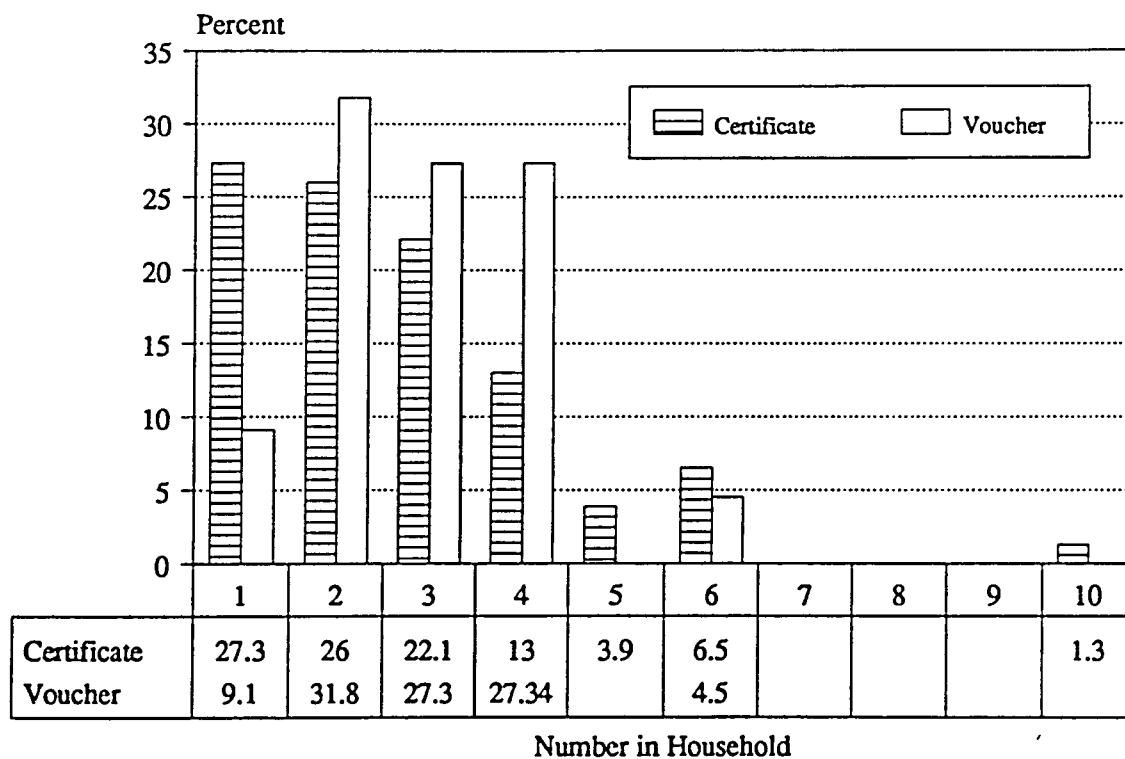


Figure 3. Household size of participants in the Section 8 Certificate and Voucher Programs

One person households comprise the largest percentage of those in the certificate program. Eligibility for the program as a one person household requires that one of the following criteria be met: the person is pregnant, the person is a male or female 62 or older, the person is handicapped or disabled. The household size shows a decreasing pattern as household size increases. Most of the certificate households consist of one to three people.

The household size pattern for those with vouchers varies somewhat from the certificate program. The greatest

difference is in the percentage of one person households. Only 9% of those with vouchers are one person households compared to 27% of certificate participants. Voucher households make up for this difference with a much larger percentage of four person households. Most households in the voucher program range from two to four people. This is slightly higher than the certificate program.

Figure 4 shows the percentages of number of children by household for each program. The largest percentage in both programs are households with two children. However, there is

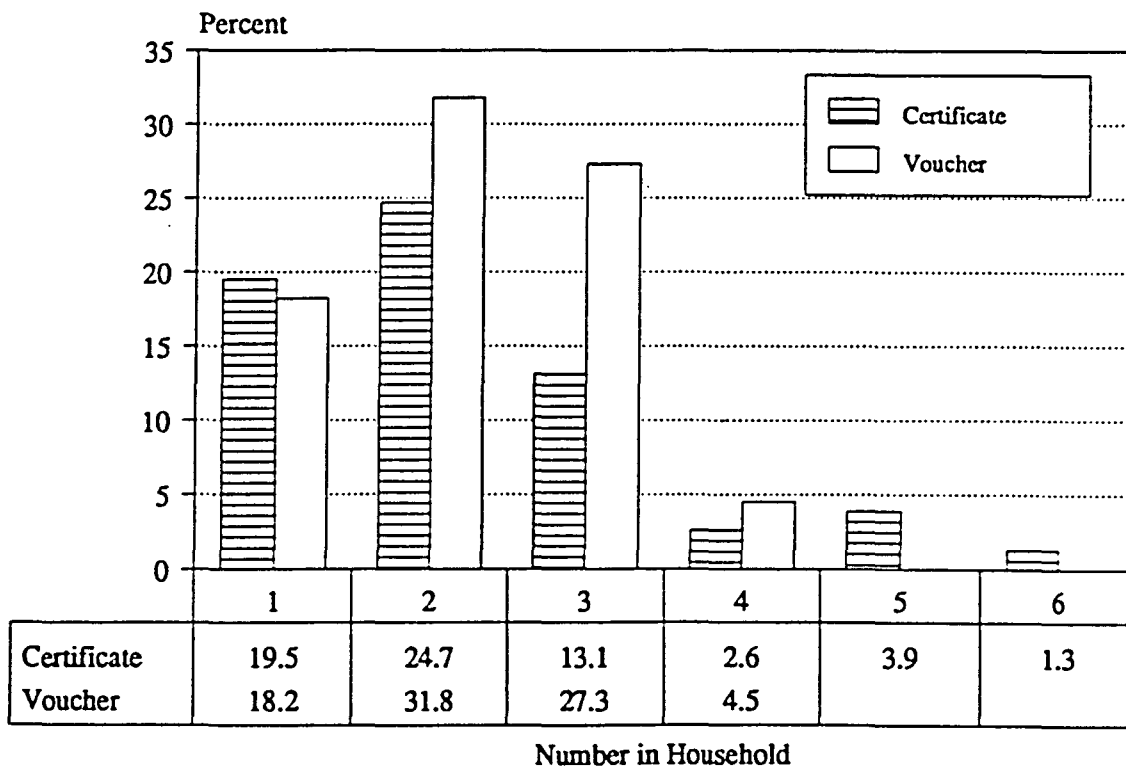


Figure 4. Number of children under eighteen years of age by household in the Section 8 Certificate and Voucher Programs

also a large percentage of households with three children in the voucher program.

The racial composition of the two programs is similar. Figure 5 depicts this relationship. The predominant race for both programs is Caucasian. Over 65% of the sample in each program is in this category. Blacks comprise roughly 30% of the population of participants in each program.

Figure 6 shows the average annual income of participants in both programs. The two groups' participants appear to have

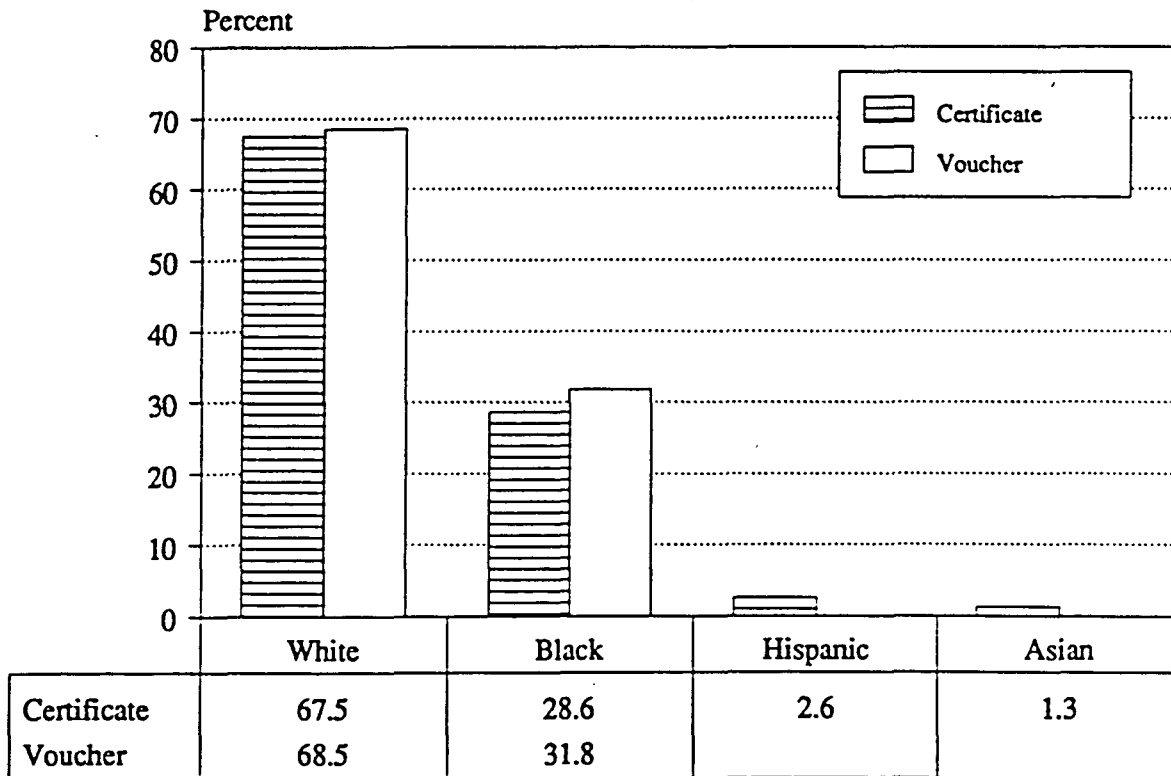


Figure 5. Racial composition of the Section 8 Certificate and Voucher Programs

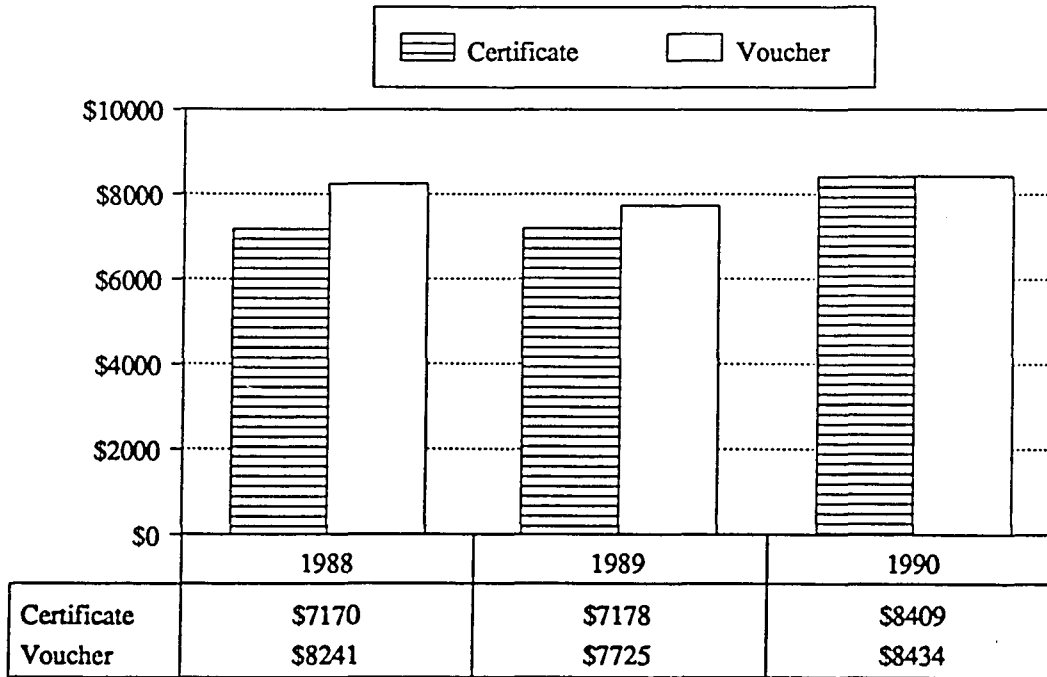


Figure 6. Average annual income of participants in the Section 8 Certificate and Voucher Programs

relatively similar annual incomes. To gain a broader perspective, it is useful to relate the groups to the overall population. The mean household size for the two groups ranged from 2.7 to 2.9. Currently, the federal government defines poverty as annual incomes at or below the following:

1 person family	\$5,980
2 person family	\$8,020
3 person family	\$10,060
4 person family	\$12,100

This would place the "average" household in both programs near or below the poverty line.

Figure 7 indicates the different sources of income for

certificate and voucher program participants. Several terms must be defined before an analysis can be made. The wages category includes people whose only source of income is from employment. Wages plus in Figure 7 encompasses those who are employed and are also receiving one or more of the following: benefits, child support, Aid to Dependent Children (ADC), Social Security Income (SSI), or Earned Income Tax Credit (EITC). ADC plus in Figure 7 refers to those receiving ADC and SSI, child support, or EITC or some combination of the three. Benefits include Social Security and pensions. ADC, SSI, and EITC are considered forms of welfare. Child support and benefits are not.

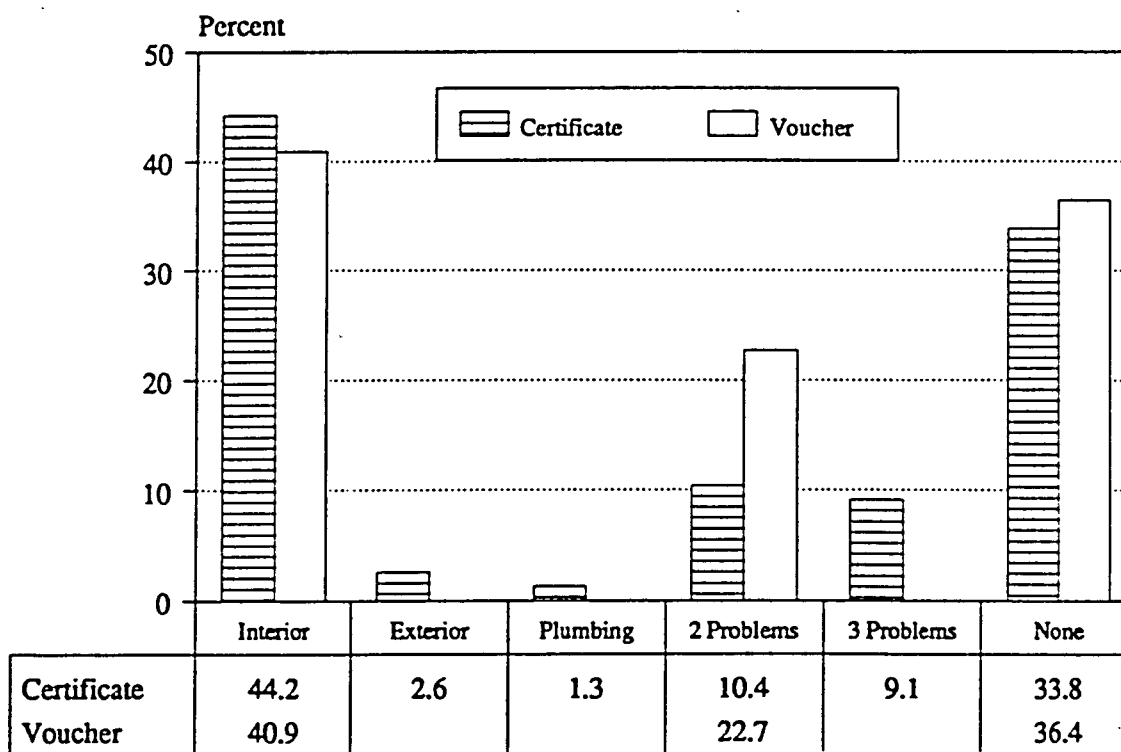


Figure 7. Source of income for participants in the Section 8 Certificate and Voucher Programs (1990)

Combining the "wages" categories reveals that 36% of the certificate participants are employed compared to 40% of those in the voucher program. There is a wider discrepancy when examining the "welfare" categories as a group. Almost 55% of voucher participants rely on welfare as their principal source of income. This contrasts with only 33% of those in the certificate program.

One factor that could be impacting some of these relationships is the large percentage of certificate participants who are receiving some type of benefit as their sole income source. This can probably be related to the large percentage of people with certificates who are 62 and older (21%).

Unit Characteristics

Information relating to the units rented in each program is tied to year and the other units each participant has lived in. Most of the discussion will center on the current unit of participants in the two programs. References to previous units will be made when relevant.

Figure 8 indicates the year that certificate and voucher participants moved into their current unit. A comparison of the two programs shows that an overwhelming percentage of both groups have lived in their present unit since 1988. However, breaking the 1988 percentages down reveals some interesting

information.

A large percentage (22%) of the present certificate units which have been occupied since 1988 are also the participant's original unit. This means that 22% of the households who entered the program in 1988 chose to remain in the unit they occupied prior to beginning their housing assistance. In contrast, all of the voucher participants in the sample chose to move from the unit they were living in before they received their housing voucher.

Those in the voucher program also show a slightly greater

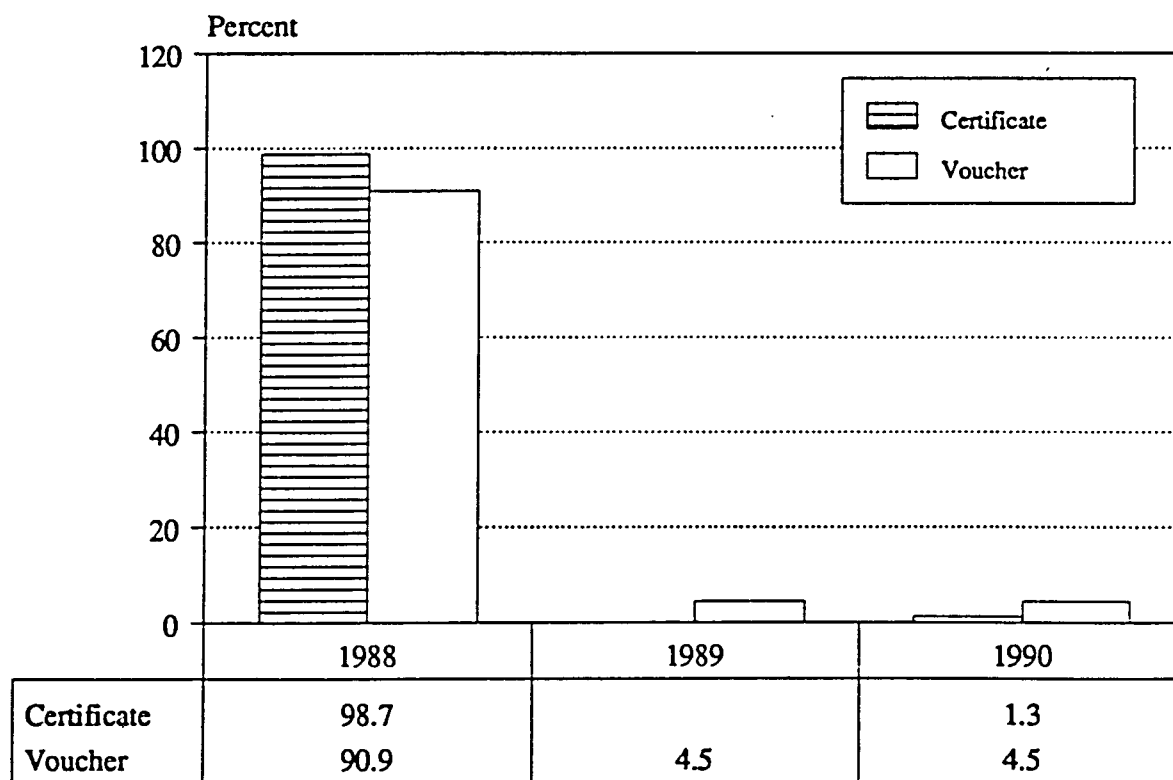


Figure 8. Year Certificate and Voucher participants moved into their current unit

tendency to move. According to Figure 8, 4.5% of voucher participants moved into their present unit in 1989. An identical percentage followed suit in 1990.

Figure 9 shows the type of units selected and rented by participants in each program. The difference between two of the categories should be noted before comparing the information. A duplex is a dwelling containing distinct living units for two separate households. This category in Figure 9 also includes structures containing four separate units. In Figure 9 the definition of a townhouse is a series

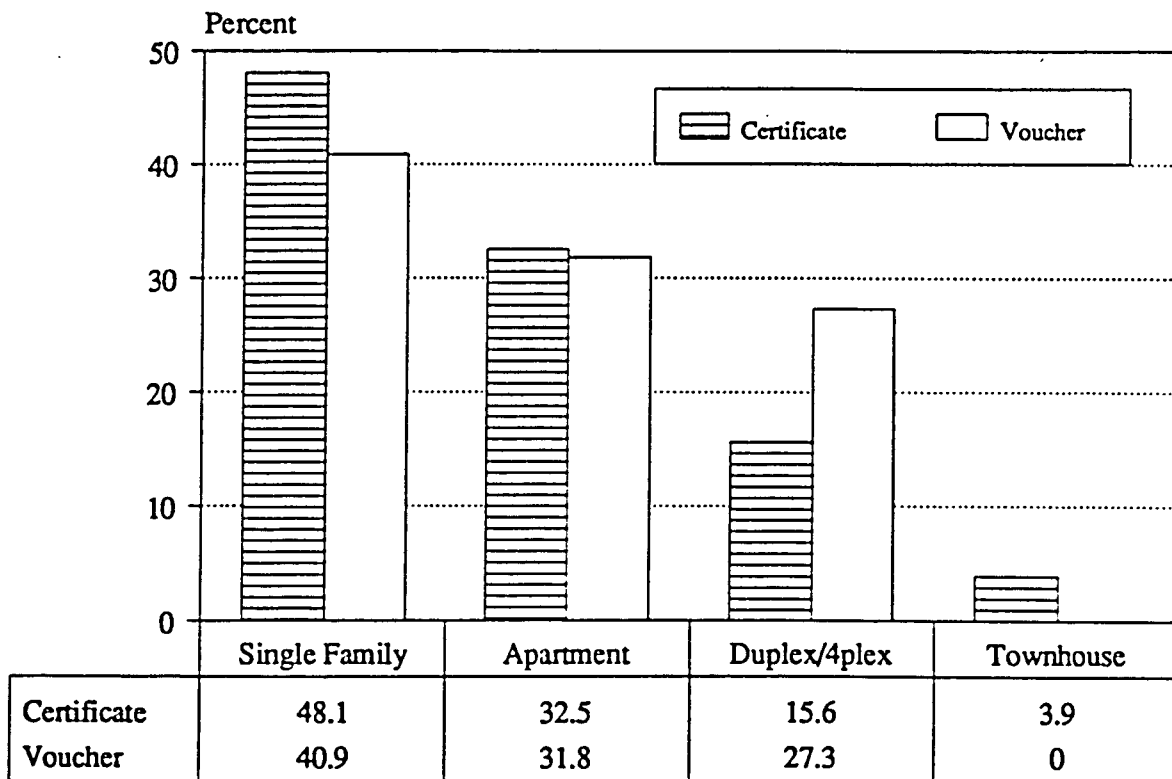


Figure 9. Type of units in the Section 8 Certificate and Voucher Programs (1990)

of five or more connected living units.

Presently, the single family detached home is the most prevalent form of housing for both programs. During their time with the program, some participants have also lived in another unit or units. All of these previous units for both programs have been apartments. A large percentage of the current units are still apartments in the certificate and voucher programs.

Figure 10 describes the initial problems in existence when the program participants selected their units. These problems were recorded by the Des Moines Public Housing Authority's inspectors during their initial inspection of the unit prior to occupancy. For consistency, the problem divisions used in the study reflect those in HUD's inspection report form. As the chart indicates, the type of unit problems cover a broad scope from none to multiple combinations.

Interior problems include the inside surfaces of the unit. Items such as holes in the walls and worn, soiled carpeting would be included in this category. Exterior problems relate to the condition of exterior surfaces. This encompasses problems with the roof, chimney, and gutters. Outside porches and stairs are also covered under exterior problems. Plumbing problems are those connected with leaks in pipes and kitchen and bathroom fixtures.

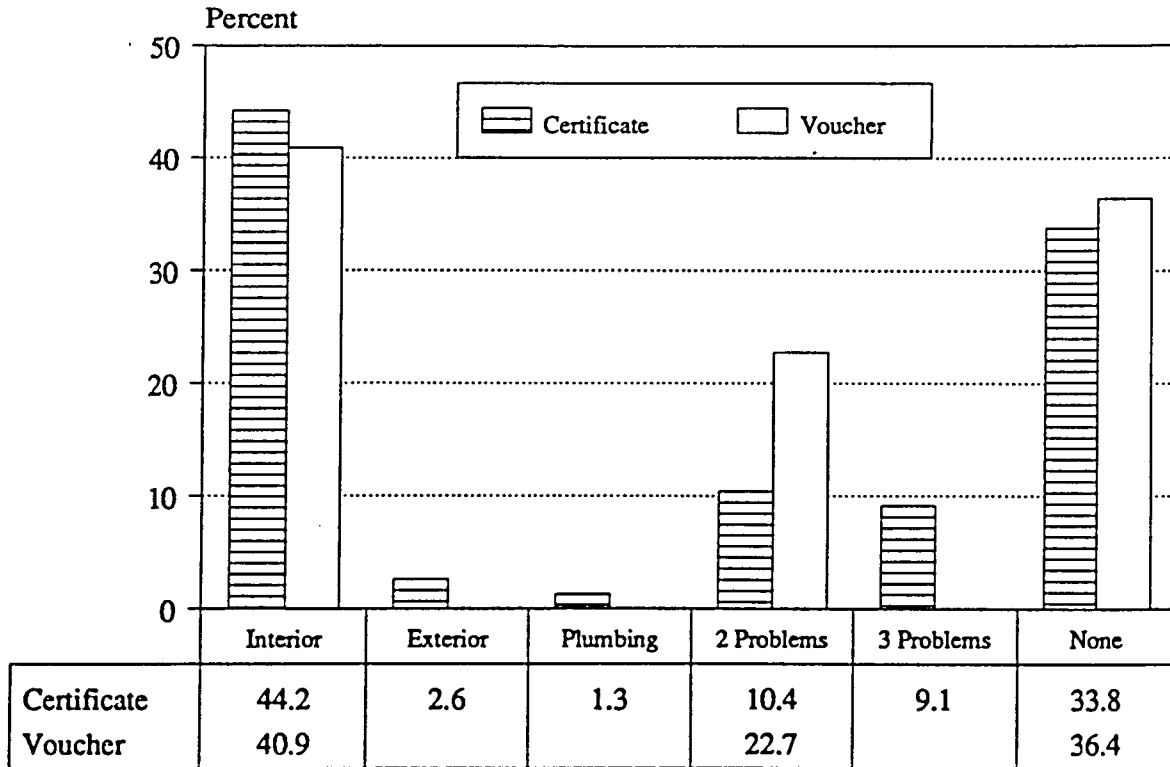


Figure 10. Initial problems with units in the Section 8 Certificate and Voucher Programs

Combinations of problems have been grouped into two categories - two problems and three problems. The two problem category includes two of the following problems: interior, exterior, electrical, and plumbing. The three problem category contains combinations of three of the following: interior, exterior, plumbing, health and safety. Problems within these groups are more severe and involved than the single problem categories.

Health and safety problems are particularly serious due to their hazardous nature. Some of the units with this and

other designations failed the initial inspection. In this situation a letter would be sent to the landlord indicating the necessary repairs needed in order for the unit to be rented through the Section 8 Program. The landlord would then have the option of making the repairs or renting the unit to someone outside of the program.

Interior problems are the most common problem type in both certificate and voucher programs. This indicates a willingness to accept the presence of minor problems. However, a large percentage of units in the two programs fall into the "none" category, which means that the unit met all the housing quality criteria established by the Section 8 Program. These criteria are the same for the certificate and voucher programs.

About 20% of the participants in each program were selecting units with multiple problems. Those with certificates in particular were choosing units with more serious problems (3 problems category). So a fair percentage of the certificate and voucher participants were willing to tolerate the presence of more problems.

Figure 11 displays the relationship between unit size and certificate/voucher size. Each household is issued a certificate or voucher which specifies a certain number of bedrooms per unit. In Figure 11, certificate/voucher size refers to the size of unit (measured by the number of

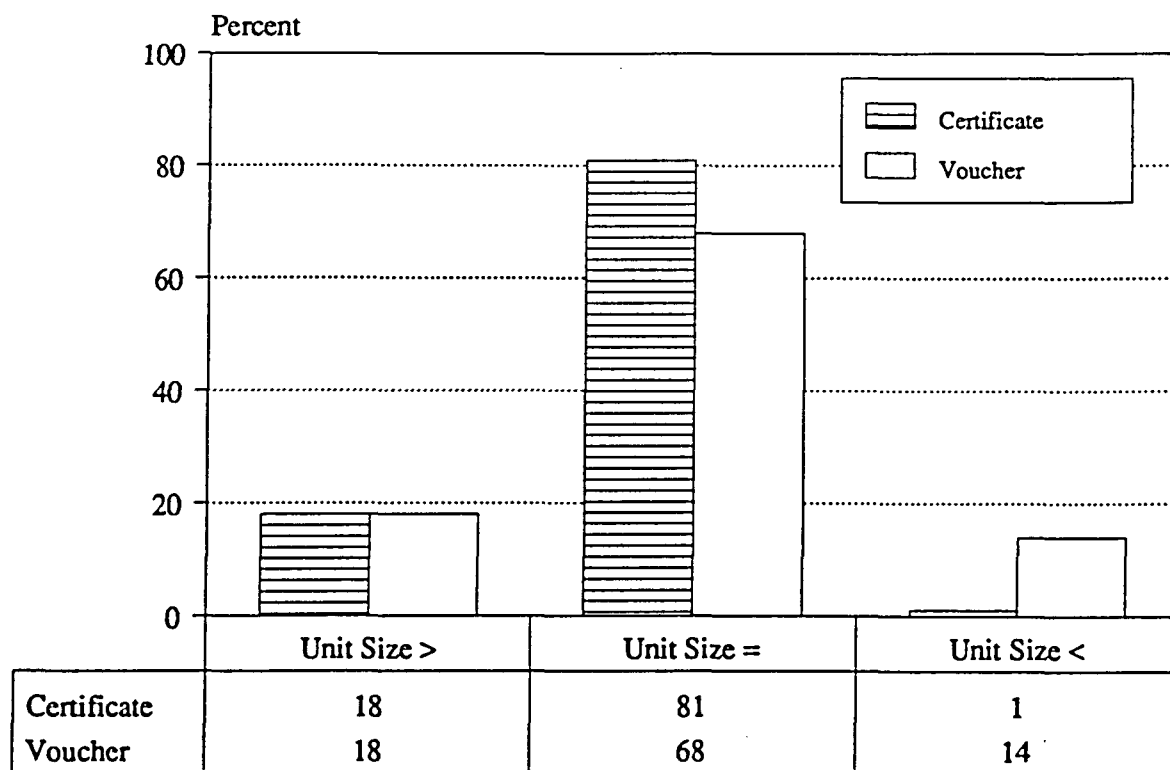


Figure 11. Relationship between unit size and Certificate or Voucher size (1990)

bedrooms) a family qualifies for. This is based upon the sex, age, and number of people in the household. Unit size is the number of bedrooms in the household's current rental unit.

Participants in the certificate program are mainly selecting units equal to the certificate size issued. However, 18% are choosing units with more bedrooms than their certificate specifies. This can only happen one way in the certificate program. A family can rent a unit with more bedrooms than their certificate indicates if the rent is less than the fair market rent for the unit size specified in the

certificate.

An example will help to illustrate this point. A family has been issued a certificate for a two bedroom unit. The fair market rent for two bedroom units is \$540. If they can find a three bedroom unit with rent below the two bedroom standard they will be permitted to rent it.

It should be noted that the rent for most three bedroom units will exceed the two bedroom fair market rent standard. This holds true with all situations in which unit size exceeds the size specified in the certificate. Therefore, the units which rent at or below the price of the lower standard will probably tend to be lower quality in relation to other units of the same size. Certificate participants who choose to do this may be indicating a preference for more space even if unit quality may decrease.

Only 1% of certificate participants are living in a unit which is less than their certificate allows. This is probably because there is no incentive to do so. Participants would want to maximize their space since they would receive no savings or benefits for selecting a smaller unit.

Figure 11 indicates that a large percentage of voucher participants also live in units which match the voucher size they were issued. Unlike the certificate participants, 14% of the voucher participants have elected to live in units which are smaller than their vouchers permit. Another 18% have

chosen larger units than their corresponding vouchers. This is because of the incentive built into the voucher program.

Each household's voucher subsidy is fixed based on their payment standard minus 30% of their monthly adjusted income. The amount the household must pay towards rent equals gross rent minus the housing voucher subsidy. Therefore, as rents decrease the amount paid for rent by the household will also decrease. This also works in reverse. A family can elect to rent a larger or more expensive unit if they are willing to pay a greater portion of the rent.

Rents

Figure 12 shows the contract rents for units in the certificate and voucher program over a three-year time period. Rents for voucher units are slightly more than their counterparts in the certificate program. From 1988 to 1990 rents in both programs have increased roughly 6%.

The average tenant rent for the certificate and voucher programs is depicted in Figure 13. Tenant rent is the portion of the contract rent paid by the certificate/voucher participant. Voucher participants are clearly paying more rent than certificate participants. However, there has been less fluctuation in tenant rent over time for those with vouchers. During the three-year period, the average tenant rent for the certificate program has increased by 28% compared

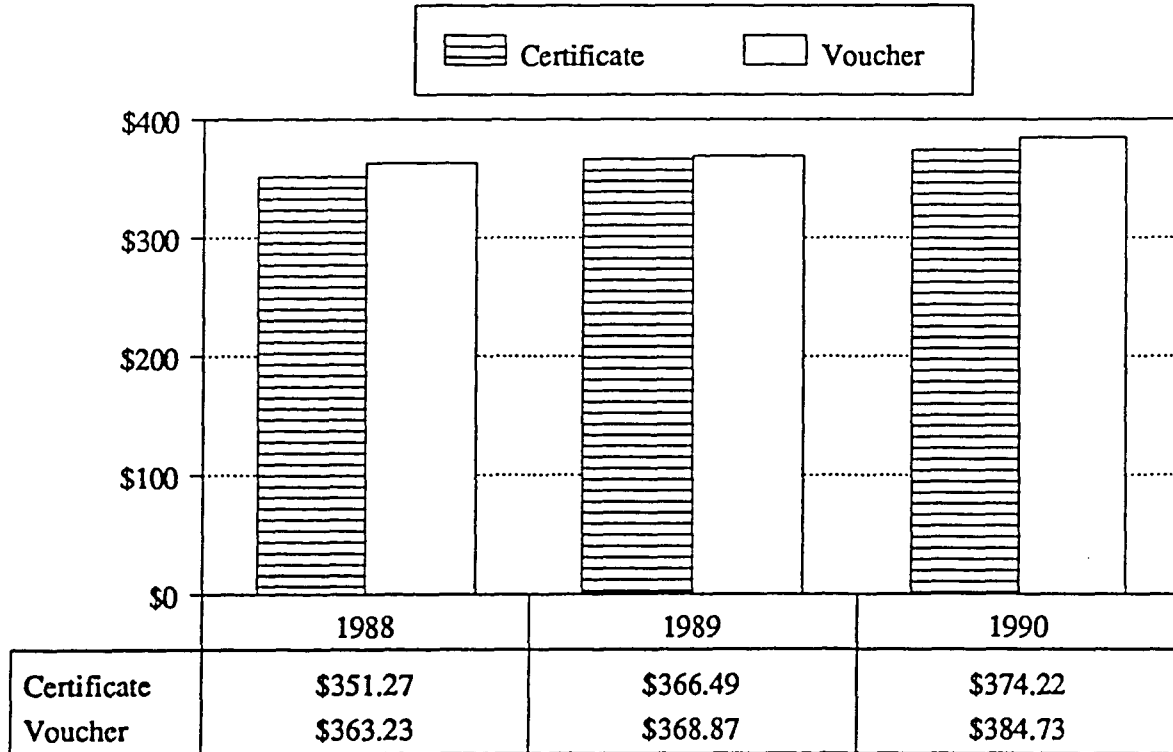


Figure 12. Average contract rent of units in the Section 8 Certificate and Voucher Programs

to a 5% increase in the voucher program.

An examination of the percent of participant income which is paid as rent shows that voucher participants pay a greater proportion of their income for rent. Those with vouchers tend to pay 21% of their income for shelter, while certificate participants pay 18%. These proportions have remained constant throughout the three-year period.

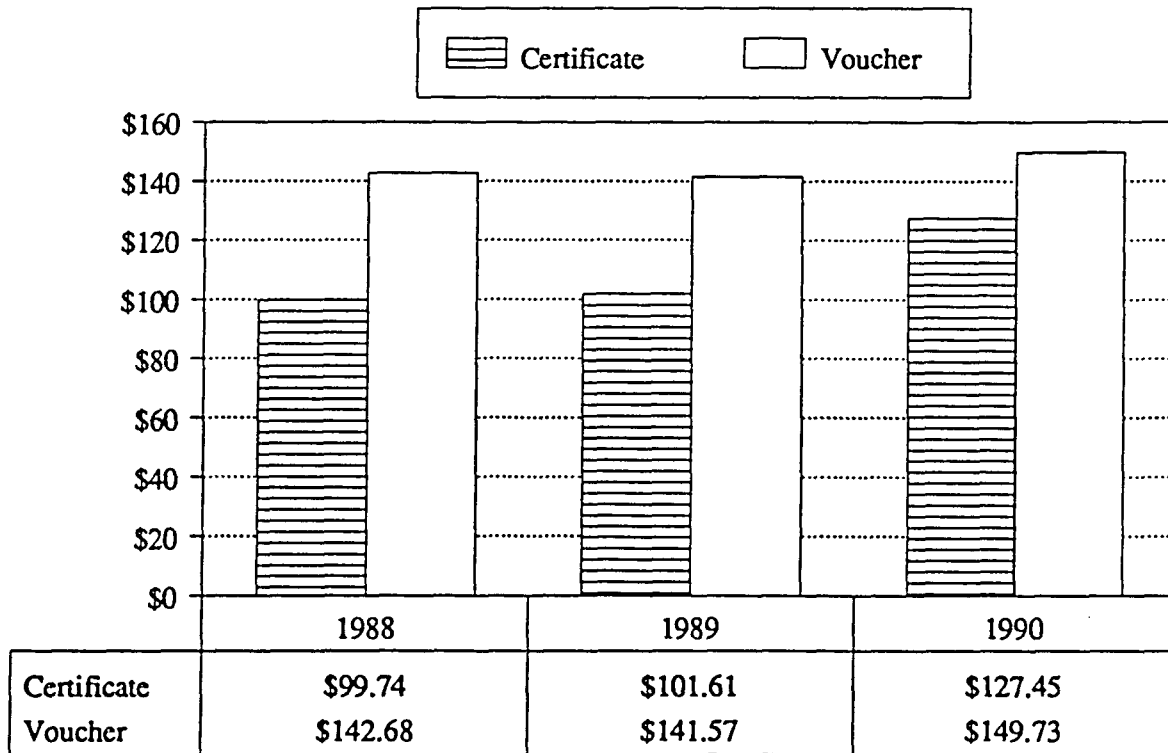


Figure 13. Average tenant rent for Section 8 Certificate and Voucher participants

This chapter has presented the results of a study of the Section 8 Certificate and Voucher Programs in Des Moines, Iowa. Chapter Five interprets this information and translates it into a broader perspective. Conclusions drawn are discussed in relation to implications for housing policy.

CHAPTER V. CONCLUSIONS AND RECOMMENDATIONS

The purpose of this study is to explore some of the relationships between the Section 8 Certificate and Voucher Programs and the corresponding behavior of program participants in relation to housing. The primary objective is to determine the validity of the hypothesis which has guided the research. The hypothesis states, "Participants in the voucher program have more housing options than those in the certificate program."

When reading about the structure and regulations of the voucher program, the hypothesis appears to be true. However, what exists on paper is not always real in practice. Therefore, this study seeks actual evidence that voucher participants are utilizing these options in order to prove the "active" reality of the hypothesis statement.

Before beginning the discussion and interpretation of the analysis, a word of caution must be offered. Data for the study came from one location, Des Moines, Iowa. The generalizability to other locales is questionable at best. Small sample size limits generalization also. Instead, the intent is to use the results as indications of potential relationships that could suggest areas for further research.

Participants in both programs entered the programs from

the same waiting list. Criteria for eligibility is the same for the two programs also. Participants do have the option of waiting for an opening in the program they prefer. However, as mentioned earlier, the one to two year length of the waiting list is a deterrent to this occurring. Therefore, we can assume that, to a large extent, people had no real choice on which program they were in.

To a certain extent, this acts as an additional control for the study because participants have not consciously selected one option over the other. So, their behavior is apt to reflect that of the general population of those seeking housing assistance, instead of a specific group who had voluntarily chosen the program.

The combination of factors above serves to control for any potential differences between the participants in the two programs. Consequently, the average household characteristics of the two groups should be similar. This was largely true with the exception of a greater percentage of elderly in the certificate program. Their presence is an anomaly that cannot be readily explained by any available information.

The age factor probably accounts for most of the differences in the two groups' personal characteristics. For instance, in the certificate program there was a large percentage of people receiving benefits as their major source of income. Benefits are mostly pensions and Social Security.

These sources are directly related to the age of the recipient.

The study collected data from a relatively short time span. Nonetheless, some very interesting relationships emerged. Voucher participants did seem to be more mobile than their certificate counterparts. However, any conclusive evidence would require a time series study over a much greater period of time. Since the program was first implemented nationwide in 1987, it will require several more years before substantive data are available to test this relationship.

One item of particular interest related to relocation involved those participants living in their original units. The large percentage (22%) of those with certificates who are still living in their original unit is significant when compared to the behavior of voucher participants. No voucher participants chose to remain in their original unit upon entering the program. This suggests several possibilities. First, that certificate participants were satisfied with their original units and voucher participants were not. However, the comparable nature of the backgrounds of between the two groups makes this explanation unlikely. The question then becomes, everything else being equal, did vouchers give participants opportunities that certificates didn't? Did the freedom from a rent ceiling restriction allow them to seek out housing more suited to their needs and desires? Further study

is needed in this area.

Information on unit problems showed that most households were selecting units with minimal to no problems in relation to the federal government's Housing Quality Standards. Moreover, census data provide evidence that the existence of substandard housing has decreased significantly since the 1930s. A current argument which emerged as a result of the EHAP study is that Housing Quality Standards should be eliminated. Jackson examined data from a portion of the EHAP study and found that:

...improvements in housing quality was more a function of the housing market that participants resided in than the stringency of inspection standards employed by agency personnel.¹

This is a very complex issue which involves the question, "Do we allow low-income people to fend for themselves and make their own choices or do we provide guidance and oversight?" Evidence from this study suggests that, by and large, most of the participants selected housing which met the federal government's Housing Quality Standards. However, they were briefed on this requirement before beginning their housing search. So, it is not known to what extent this requirement influenced their selection process.

Probably the most convincing evidence which supports the study's hypothesis is the relationship between unit size and the size of the certificate/voucher issued to the participants. Clearly, people with vouchers were taking

advantage of the various options available. It is interesting that a fairly equal percentage of voucher participants were selecting units that were larger and smaller than the voucher unit size. More study in this area is needed to determine the motivating factors behind these decisions.

Certificate participants also seemed to be exercising this option within the more limited scope of their program. Apparently they were willing to sacrifice quality, reflected in the limitation on rent, for quantity. This allowed them to reduce their rental payments and use the savings in other areas.

An early argument of voucher critics is that vouchers would elevate contract rents in the area. Subsequent studies determined that this was not true. The rent increases reflected increased operating costs rather than an attempt to profit from the program.²

In the certificate program, the local housing authority must approve yearly rent increases based on a set formula. Therefore, it makes an excellent basis for comparing contract rent increases with the voucher program. In Des Moines, monthly rents in the voucher program are slightly higher than those in the certificate program (\$385 for vouchers and \$374 for certificates). However, what is significant is the change in rent over time. Data indicated that rents in both programs have increased at roughly the same rate (6%). If the charges

of inflated rents for vouchers were true, the percentage change over time should be much greater than that in the certificate program. Landlords in the certificate program would be limited in the amount of increase by the housing authority's regulations.

The preceding discussion has revealed several points which support the study's hypothesis and provide additional information about participant behavior. These are:

- * Participants with vouchers use the options available to select unit sizes that correspond to their needs, rather than a government imposed standard.

- * Participants in the certificate program attempt to do this also, within the confines of the program's regulations. This indicates the possibility of a general desire for this option within the low-income population.

- * Participants with vouchers displayed a greater tendency to move from their pre-program units than did those with certificates. This could indicate more housing unit choices are available without a rental ceiling.

- * A comparison of contract rents between the two programs revealed that contract rent for vouchers is slightly higher than that of certificates. However, they have both increased at the same percentage rate during the three year period studied. Therefore, the evidence contradicts any claims that vouchers inflate rental rates within a community.

* The majority of households in both programs selected housing units which met the federal government's Housing Quality Standards. This raises the issue of whether the standards are a safeguard or restriction on low-income families' housing selection process.

The behavior of program participants should be an important consideration in policy decisions. This study indicates that people receiving federal housing assistance use options when they are available. In society today, there are a variety of types of families and household groups. The nuclear family is no longer the norm. Households today are diverse and have a variety of different needs and desires. More choices allow a greater number of households to achieve their personal objectives. This study, while limited in scope, seems to suggest that participants want and will use options when they are available.

Endnotes

¹Bryan Oliver Jackson, "The Linkage between Implementation Processes and Policy Outcomes: An Analysis of HUD's Administrative Agency Experiment." (Ph.D. dissertation, University of Michigan, 1982), pp. 161-162.

²C. Lance Barnett, "Expected and Actual Effects of Housing Allowances on Housing Prices," AREUEA Journal, 7 (Fall 1979): 296.

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ACKNOWLEDGEMENTS

There are many people to whom I owe a debt of gratitude for their assistance with this thesis. The three members of my committee have all given valuable suggestions for how to improve this work. In addition, they have each provided me with experiences and examples which have and will continue to have a major impact on my life.

Dr. Riad Mahayni has emphasized the importance of clear, logical thinking and writing. I shall continue to try to emulate his excellent example. Dr. Mary Pickett's class projects have given me an awareness and understanding of problems faced by different groups within our society. I am also indebted to Dr. Steven Koven for making me aware of the Presidential Management Intern Program, an opportunity which has dramatically changed the course of my life.

My internship with the Des Moines Public Housing Authority was the impetus for this thesis. I would like to thank all of the Section 8 Staff for their continuous patience and assistance with this project. In particular, I am grateful to Jackie Lloyd, Supervisor of Section 8 Programs. Her example has convinced me that administrators can be open to new ideas and changes which will improve their organizations, even when working within the confines of a bureaucracy.

Finally, I want to thank and acknowledge my family for their help with this project. My brother, Bill, provided invaluable assistance with statistics and computers. I also want to thank him for his willingness to be "on call" for what were often long and late hours. My husband Rob provided constructive criticism and believed in my abilities even when I was in doubt. In conclusion, I want to thank my parents, Bill and Rosellyn Rudolph. From my early childhood, they instilled in me a love of learning and the belief that learning should be a lifetime experience. Thank you all.