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**WHO SHOULD RUN THE HOUSING VOUCHER PROGRAM?**  
**A REFORM PROPOSAL**

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## **Abstract**

Section 8, the federal government's primary program for addressing the housing needs of low-income renters, is administered by thousands of local public housing agencies, most of which serve individual cities, towns, and counties. This balkanized system of administration seriously undermines the potential of the housing voucher program. This essay argues that HUD should replace the current system, competing out responsibility for operating the voucher program in urban areas to one well-qualified organization that will administer the program throughout the region as a whole. In addition to describing how such a competitive program could work, we suggest a series of more incremental reforms for moving the Section 8 program in the direction of metropolitan administration.

# Who Should Run the Housing Voucher Program? A Reform Proposal

## I. Introduction

Since the 1970s, rental vouchers (and certificates) have been a mainstay of federal housing policy. Today, the Section 8 housing voucher program supplements rent payments for about 1.5 million families and individuals. Recipients choose a house or apartment available in the private market and contribute about 30 percent of their incomes toward rent, while Section 8 pays the difference – up to a locally defined “payment standard.” When families first receive a voucher, they are responsible for finding a house or apartment that meets the program’s housing quality standards with a landlord who is willing to participate in the program.<sup>1</sup> Once they find a qualifying unit, they can begin receiving housing assistance.

Two-and-a-half decades of experience have shown that providing rental assistance directly to tenants is an extremely effective and efficient mechanism for addressing the housing needs of low-income families. The majority of households who are given a voucher are successful in finding a house or apartment for which they can receive assistance. And recipients generally live in better quality housing and pay more affordable rent burdens than similar, unassisted households. The voucher experience is particularly important as a record number of households – 5.4 million – now have “worst case housing needs” and either pay more than 50 percent of their income for rent or live in substandard housing.

The significance of vouchers, however, goes beyond their role in promoting housing affordability. In theory, vouchers give low-income families the ability to move to neighborhoods of their choice. Greater housing mobility can benefit families by improving their access to educational, employment and other opportunities; it can benefit businesses by enabling workers to live closer to their places of employment. And there is growing evidence to indicate that an entire region is also better off when fewer people live in neighborhoods of concentrated poverty.

In most parts of the country, the Section 8 program is administered by local Public Housing Agencies (PHAs). These agencies were originally established to build and manage public housing developments, and this remains the primary function of most PHAs. Although they are governed by a complex set of national rules and procedures, local PHAs have considerable discretion over how Section 8 operates within their jurisdictions. For example, each PHA accepts applications for Section 8, maintains its own waiting list, establishes local selection preferences, recruits landlords to participate

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<sup>1</sup> Some recipients are able to remain in their original housing unit, convincing the landlord to accept subsidy payments from the Section 8 program.

in the program, and conducts housing inspections. Most PHAs serve individual cities or counties, so that in urban areas, there are typically several PHAs operating in a single housing market.<sup>2</sup>

This essay contends that the current balkanized system of administration by local public housing authorities undermines the larger potential of the voucher program. By fragmenting the metropolitan rental market, the current system of governance has made it difficult for low-income families, particularly minority families living in central cities, to know about and act upon the full range of housing possibilities. By devolving responsibility to local public housing bureaucracies, the current system has stifled innovation and prevented capable public and private sector entities from administering the program.

We recommend that HUD should compete out the administration of vouchers in metropolitan areas, selecting one well-qualified organization to administer the program throughout the region as a whole. This would shift the governance of the housing voucher program from the parochial to metropolitan level and open up the administration of vouchers to a wider variety of public, for profit and nonprofit entities.

HUD should move as quickly as possible to a new, competitive system of voucher administration that operates at the metropolitan level. In this essay, we outline how a broader competitive system would work. But in addition, we suggest a series of more incremental steps that – over the next few years -- could substantially increase the number of public and private sector entities that administer vouchers at the metropolitan level.

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<sup>2</sup> In fact, over 2,500 PHAs nationwide administer local Section 8 programs, with 1,700 of them managing fewer than 250 vouchers.

## II. Three Arguments for Reform

Metropolitan administration of the voucher program by competitively selected public, for-profit, or nonprofit entities would achieve three important objectives. First, it matches the geography of voucher administration to the geography of the metropolitan economy and the rental marketplace. Second, it maximizes the ability of voucher recipients to exercise choice about how best to meet their own housing needs. And finally, it introduces competition into a system characterized by bureaucratic inertia, providing strong incentives for innovation and entrepreneurial behavior.

***Matching the Geography of Metropolitan Economies.*** The appropriate administrative geography for housing vouchers has changed dramatically over recent decades due to the rampant decentralization of economic and residential life in the United States. From 1980 to 1997, 23 of America's 25 largest cities gained population at a slower rate than their metropolitan areas, or actually lost population while the metropolitan area gained people. Even sunbelt cities like Phoenix, Dallas and Houston are growing more slowly than their suburbs. Cities have lost disproportionate numbers of middle- and upper- income households that form the backbone of economically strong communities. From 1989 to 1996, 7.4 million upper- and middle-income households left cities for suburbs while only 3.5 million moved from suburb to city (Kasarda 1995).

The suburbs also dominate employment growth. A study of 92 metropolitan areas found only 17 places where city job growth outpaced suburban job growth during the middle of the 1990s (Hill and Brennan 1999). The bulk of the cities did gain jobs, but at a slower pace than their suburban neighbors. From 1994 to 1997, for example, the central business districts in Ohio's seven major cities experienced a net increase of only 636 jobs. Their suburbs, by contrast, gained 186,410 new jobs (Hill and Brennan 1998).

In the wake of decentralizing economies, central cities harbor a disproportionate share of low-income families in metropolitan areas. While poverty has declined in central cities, urban poverty rates are still twice as high as suburban poverty rates: 18.8 percent versus 9.0 percent in 1997. Cities are not just home to too many poor families; they are also home to neighborhoods where poverty is concentrated. From 1970 to 1990, the number of people living in neighborhoods of high poverty -- where the poverty rate is 40 percent or more -- nearly doubled from 4.1 million to 8 million (Jargowsky 1997). As Paul Jargowsky and others have shown, concentrated poverty is principally an urban (and racial) phenomenon.

The spatial concentration of the poor, particularly the minority poor, isolates them and their children from the employment and educational opportunities enjoyed by most Americans. A growing body of research evidence indicates that the concentration of poverty creates serious problems -- for neighborhoods, for the surrounding jurisdiction, and for individual families and children. First, high-poverty neighborhoods exhibit

exceptionally high rates of social distress, including unemployment, welfare reciprocity, dropping out of school, crime, and teen parenthood (Kasarda 1993, Mincy and Winer 1993). Often, high-poverty neighborhoods are unable to support the businesses and civic institutions that are essential for a healthy community; local shops, services, and social organizations shut down or move elsewhere. In addition, the concentration of poverty generates high costs for local government – for welfare, hospitals, public health services, and police, potentially diverting resources from other public services or raising tax burdens on local businesses and non-poor residents (Pack 1994, Downs 1997). And finally, living in a high-poverty neighborhood may have destructive consequences for families and children. High poverty rates, the absence of affluent or well-educated neighbors, high unemployment, high rates of welfare reciprocity, and the absence of two-parent families have all been found to affect important outcomes for children and families. Although neighborhood effects are generally much smaller than the effects of family influences (such as parents' income, socio-economic status, or educational attainment), there is growing evidence that neighborhood environment matters over the long-term (Ellen and Turner 1998).

Welfare reform is where the challenges of decentralizing opportunities and concentrating poverty come together. Many of the jobs that welfare recipients need cannot be found in their neighborhoods, or even in their own cities. Not surprisingly, cities have a rising share of welfare caseloads in their states even as welfare rolls drop. Philadelphia is now home to 12 percent of all Pennsylvanians, but 47 percent of Pennsylvanians on welfare. Baltimore has 56 percent of the state's caseload, and only 13 percent of the state's residents (Katz and Allen).

The growth patterns described above have other economic and environmental consequences as well. The spatial divide between jobs and workers exacerbates the patterns of traffic congestion that have become the hallmark of metropolitan America. The reliability and productivity of the workforce is diminished as workers are forced to tolerate longer commutes. In sprawling regions, such as Atlanta and Los Angeles, the combination of employment decentralization, poverty concentration and low-density settlement, have diminished the utility of public transit. In these places it has become virtually impossible for low-income workers, many of whom do not own cars, to literally get from home to work in a reasonable time using rail and bus systems.

The reality of metropolitan economies has sparked a growing interest in metropolitan governance. Federal transportation law, for example, was overhauled in 1991 and 1998 to give metropolitan planning organizations a greater say in transportation planning and decision making. The federal Clean Air Act likewise devolves responsibility to regional boards, recognizing that the geographic "air-shed" for environmental action does not respect municipal and county borders. Congress recently appropriated funds in the workforce arena to support regional consortia that conduct worker training and placement across jurisdictions.

For the most part, housing has been absent from the metropolitan conversation. As Mark Alan Hughes has shown, the administrative geography of public housing and vouchers has remained strikingly local. In the Detroit metropolitan area, for example, there are 31 separate public housing authorities; in Philadelphia 19, in Chicago 15 (Hughes 1997). In an era of population and employment decentralization, the metropolitan area – not individual political jurisdictions -- represents the appropriate geographic space to be thinking about and acting upon access to affordable housing. Enabling low-income families to live closer to the employment centers in the new economy (and to more economically diverse schools) will not only benefit those families and their children. Such balance between jobs and housing will help ameliorate the negative consequences that are associated with current metropolitan growth patterns.

***Expanding Housing Choice.*** One of the most important strengths of housing vouchers is their potential to empower recipients to escape from high-poverty and distressed neighborhoods and to choose locations that better meet their needs. Traditional project-based housing assistance programs are far more likely to create or intensify pockets of poverty, by clustering large numbers of poor families in the same location. In particular, the public housing program is responsible for producing very large developments, occupied exclusively by poor families and often located in neighborhoods that were already experiencing high rates of poverty and distress (Schill and Wachter 1994).

As discussed above, the concentration of poor families in poor neighborhoods has serious consequences for families and children as well as for their communities and the metropolitan region as a whole. Recent research strongly suggests that moving to a lower poverty neighborhood can yield significant long-term benefits for poor families. Findings from the Gautreaux demonstration, implemented in Chicago between 1976 and 1998, indicate that the opportunity to use housing vouchers to move away from a distressed, high-poverty neighborhood can provide a route to economic independence for poor families. Children of families who moved to suburban neighborhoods were much more likely to complete high schools, take college-track courses, attend college, and enter the workforce than children from similar families who moved to neighborhoods within the central city (Rosenbaum et al 1991, Rosenbaum 1995). And mothers in the demonstration who moved to neighborhoods with a high proportion of more educated residents were less likely to remain on welfare (Rosenbaum 2000). Emerging evidence from the Moving to Opportunity demonstration, which is further testing the effects of assisted housing mobility, also suggests that moving to a low-poverty neighborhood can yield profound and long-term improvements in the life chances of both parents and children (Goering and Feins, forthcoming).

Voucher recipients are dramatically less likely than public housing residents to be concentrated in high-poverty neighborhoods. Nationally, only 14.8 percent of Section 8

recipients live in high-poverty neighborhoods (neighborhoods that are more than 30 percent poor), compared to 53.6 percent of public housing residents (Newman and Schnare 1997). And new data on origin and destination locations for recipients in the Washington metropolitan area indicate that Section 8 enables families to move to neighborhoods with lower poverty rates (Cunningham, Sylvester, and Turner 2000).

Although housing vouchers clearly outperform project-based housing subsidy programs at helping poor families escape high-poverty neighborhoods, the Section 8 program falls short of achieving its full potential. In particular, the Section 8 program does not provide equal access to low-poverty and low-minority neighborhoods for all poor households. Tenant-based assistance produces better locational outcomes for suburban recipients than for central city residents, for white recipients than for African Americans and Hispanics, and for the elderly than for non-elderly families and disabled people. For example, in five of six metropolitan areas examined in a recent study of Section 8 locations, the share of black and Hispanic voucher holders living in high-poverty neighborhoods far exceeds the share of whites. Moreover, in four of the six metropolitan areas studied, the share of affordable rental units in low-poverty neighborhoods exceeded the share of certificate recipients. In other words, voucher holders appear to be significantly under-represented in low-poverty neighborhoods relative to the availability of potentially affordable rental housing. Tenant-based assistance still consistently outperforms public housing, even in central cities, even among African Americans and Hispanics, and even among families and disabled recipients. But it clearly has the potential to offer better locational outcomes for these groups (Turner and Wilson 1998).

The fragmentation of local program administration undermines the potential of the Section 8 program as a mechanism for deconcentrating urban poverty. Although vouchers theoretically allow recipients to use their assistance anywhere in the U.S., the current system of program administration creates numerous hurdles for families who currently live in high-poverty central city jurisdictions. In addition, fragmented local administration undermines outreach to landlords and creates unnecessary uncertainty among area housing providers about how well the program works.

When a family receives its voucher from one housing authority but wants to move to the jurisdiction of a different housing authority, the “portability” process is administratively burdensome, despite recent efforts by HUD to simplify it (Feins et al 1997). Technically, the “sending” PHA has a choice; it can either transfer the family to the new PHA (which “absorbs” the transfer by issuing one of its own vouchers) or it can pay the “receiving” PHA for performing administrative functions such as income certifications, housing inspections, and lease renewals. Many urban PHAs have agreements with neighboring jurisdictions that they will automatically “absorb” vouchers from one other rather than administering complex “billing” arrangements. But absorbing

a recipient from to another jurisdiction means using up a unit of housing assistance that could have served a family on the local waiting list.

Because the total number of vouchers funded by Congress has barely increased in recent years, some PHAs are reluctant to continue absorbing recipients from other jurisdictions, especially if the portability process is largely one-way. Moreover, portability is administratively burdensome; the receiving PHA may use a different application form, apply more rigorous screening criteria, calculate subsidy levels differently, or require the family to attend another orientation briefing. Thus, many housing authorities do not fully explain portability to their clients, and certainly do not encourage families to consider moving to another jurisdiction. Finally, if the receiving jurisdiction does not welcome mobility from neighboring jurisdictions, these administrative hurdles create the potential for significant delays. In fact, there is anecdotal evidence that some affluent suburban jurisdictions routinely delay the portability process so as to use up families' search time, discouraging them from even attempting to move (Tegeler, Hanley, and Liben 1995).

The fact that Section 8 is often administered by many different PHAs operating within the same regional housing market also interferes with outreach to area landlords. A central city PHA may not have the capacity to identify major housing providers in low-poverty suburban areas, and may have difficulty convincing them to accept central city Section 8 recipients. PHAs sometimes find themselves in competition for area landlords; rather than working together to recruit the largest possible pool of participating landlords, they battle to claim landlords who will commit to serving "their" families. Moreover, landlords are often confused and deterred by the multiplicity of local programs, and may hesitate to participate in the program at all because of uncertainties about who is administering it and how reliably it operates.

***Furthering Government Reinvention.*** In the past two decades, the United States has begun to experiment with new ways of delivering government services and programs, particularly at the local level. Citizens frustrated with large, centralized bureaucracies are demanding institutions that are responsive to customer needs and act with the high level of timeliness and efficiency associated with a "just-in-time" economy. Elected officials seeking to cut costs and reinvest scarce resources are privatizing some government functions while subjecting others to competition. Constituencies impatient with rule-bound institutions are pressing for more nimble and entrepreneurial entities that are able to adapt to changing market realities and rising consumer expectations.

A new ethic of performance and accountability is infusing governance at all levels. The new ethic found its most cogent expression in *Reinventing Government*, a 1991 book by David Osborne and Ted Gaebler. Competing out appropriate government functions has been a strategy favored by local reformers. New Haven, Connecticut, for example, has contracted out a wide range of government operations, including

management of the local airport, the delivery of school lunches and the maintenance of public school facilities (Quehl 2000).

The near monopoly of local public housing agencies over voucher administration appears particularly ripe for reinvention and competition. In theory, the successful administration of voucher programs requires the performance of a wide array of tasks and responsibilities. Quality landlords and owners need to be recruited on a continuous basis. Rental properties need to be maintained in a decent condition. Potential recipients need to be screened, informed about their choices in the private marketplace and counseled on the rules and expectations of the program. Community institutions such as churches need to be engaged to ensure that the voucher program is responsive to the needs of families and fosters neighborhood stability. Ideally, the administering agency should play an educative role, informing decision makers in the corporate, political and civic sector of the extent of housing needs in the community and the progress towards meeting those needs.

Many public housing agencies (particularly in large urban jurisdictions) fall far short of the ideal voucher administrator. Large agencies have operated the voucher program as a step-child to the conventional public housing inventory, often using the program's administrative fee to cross subsidize public housing operations. Few agencies have taken the initiative necessary for the program to achieve its full potential. Agencies generally operate in a vacuum, rarely forging close ties with community organizations and nonprofit agencies that play key roles in social services and community development. In many agencies, training of housing authority staff is minimal, information systems are deficient and administration of the Section 8 program is not perceived as a vehicle for professional advancement.

Efforts to create more competition in the administration of vouchers will promote more programmatic innovation. Public housing agencies will be provided clear incentives to manage their programs in a more effective and entrepreneurial manner. Administration of the program will receive more local and metropolitan scrutiny from potential competitors, in the public, for profit and nonprofit sectors. In the end, the consumers of the program will be the prime beneficiaries of opening up the program.

### III. Alternatives to Fragmented PHA Administration

Although the arguments against the current system of balkanized local administration of the voucher program are strong, there is no obvious replacement. Instead, several different types of organizations could potentially administer vouchers effectively. This section discusses the potential strengths and limitations of several alternatives to local PHA administration, drawing upon existing examples from across the country.

**State Administration.** Many states administer the Section 8 program, but in most cases they serve rural areas where no local public housing agency operates. A few state programs serve urban as well as rural areas, overlapping with the jurisdiction of local PHAs. State administration offers a number of potential advantages in urban areas:<sup>3</sup>

- Several state programs maintain **consolidated waiting lists**, either for the state as a whole or for major geographic sub-regions, significantly simplifying the application process for eligible families. For example, Connecticut maintains a statewide waiting list; families can phone for an application and mail it in.
- Recipients of some state-administered programs can **move anywhere** in the metropolitan area (or beyond), without confronting portability barriers. For example, in Connecticut, Michigan, and New Jersey, applicants can apply to a single agency and live anywhere in the state.
- Potentially, state programs can **allocate assistance resources** between sub-areas to better match the distribution of needy households and adjust for the effects of portability streams. Connecticut, Michigan, and Oklahoma, for example, have flexible, statewide allocation systems.
- If states were the sole administrators of housing vouchers in an urban region, **landlord outreach and ongoing relations** could be dramatically improved. However, all the state programs currently operating in urban areas overlap with local PHA operations so that many landlords relate to both state and local programs.

Because some Section 8 functions (such as eligibility determination and housing inspections) require face-to-face contact or in-depth knowledge of the local housing market, states are currently experimenting with a variety of administrative models. In Connecticut a single subcontractor administers the program for the whole state, but Massachusetts subcontracts program operations to nine regional organizations, while

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<sup>3</sup> Information presented in this section is drawn from Feins et al 1997.

New Jersey maintains a system of branch offices in most counties, and Oklahoma relies on state staff working out of their homes. Some of the mechanisms that are designed to bring the program closer to recipients and their communities may undermine other advantages of statewide administration, by fragmenting the program geographically. For example, Virginia's statewide program is administered through 81 subcontractors. Each subcontractor maintains its own waiting list and portability is required whenever recipients move from one subcontractor's jurisdiction to another.

Thus, experience indicates that state administration of a state-wide or metro-wide Section 8 program has the potential to significantly improve the program from the perspective of both recipients and landlords. This potential could only be fully realized if the state program replaced (or absorbed) local Section 8 programs, and if the statewide program allowed families to use their vouchers anywhere in the state (or at least anywhere in their metropolitan area). But state administration also carries some risks. Without some system of local offices, a statewide program cannot effectively assess recipient eligibility, inspect housing units, implement rent reasonableness standards, or interact with landlords. And some statewide programs have been criticized as overly bureaucratic or insensitive to local variations in housing market conditions.

***Regional Housing Authorities.*** Almost no urban regions in the U.S. are served by a single, regional housing agency.<sup>4</sup> Portland, Oregon and Jacksonville, Florida offer unusual examples of metropolitan areas where the jurisdiction of the central city PHA has expanded to encompass all or most of the metropolitan region and where other PHAs are not operating.

- Intergovernmental agreements extended the jurisdiction of the Housing Authority of Portland to encompass Multnomah County including the City of Gresham. None of the other local governments in this region administer Section 8, so recipients can apply to a single agency (operating out of downtown Portland) and live anywhere in the metropolitan area. Landlords work with only one agency, and play an active role in outreach and problem-solving through a Landlord Advisory Committee.
- The City of Jacksonville has annexed most of the jurisdictions that make up its metropolitan area, so that the Jacksonville Housing Authority automatically serves most of the region. Moreover, the housing authority has always considered the service area of its Section 8 program to encompass the other three counties that make up the MSA, and no intergovernmental agreements have ever been necessary for it to operate a regionwide program. Like Portland, Jacksonville administers Section 8 from a single central office; families apply to one agency and can live anywhere in the metropolitan area.

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<sup>4</sup> Information in this section is drawn from Feins et al 1997.

In several other metropolitan areas around the country, PHAs possess the authority and capacity to administer housing vouchers region-wide. But in these regions, there are other local PHAs operating as well, creating an overlapping patchwork of program operations. For example,

- The housing authorities of Hartford, Connecticut and Rochester, NY both administer Section 8 assistance anywhere in their metropolitan areas, although other local housing authorities also operate in some parts of the region. Families who apply for assistance from Hartford or Rochester programs can move anywhere in the metro area, but landlords are likely to work with suburban programs as well as with the city's metro-wide program.
- The Metropolitan Boston Housing Partnership is one of nine regional subcontractors administering the statewide Section 8 program. It serves the entire Boston metropolitan area, and families who apply to its central office can move anywhere in the region. However, many local agencies (including the Boston Housing Authority) also operate Section 8 programs in the region.

These examples demonstrate that metro-wide administration of the Section 8 program is feasible, and that it solves many of the pitfalls of fragmented local administration. However, when the jurisdictions of metropolitan agencies overlap with those of local agencies, many of the advantages of region-wide administration are undermined. Families may still feel that they have to apply to multiple waiting lists in order to maximize their chances of obtaining a voucher, and landlords may find the multiplicity of agencies confusing and discouraging, reducing their willingness to accept Section 8 tenants.

***Non-Profit Social Service Agencies.*** Experience from the Moving to Opportunity demonstration illustrates the potential effectiveness of non-profit agencies in administering some aspects of the Section 8 program.<sup>5</sup> Moving to Opportunity (MTO) was designed to help residents of public and assisted housing projects in high-poverty neighborhoods move to low-poverty neighborhoods anywhere in their metropolitan regions. Four central city PHAs administer the program in partnership with non-profit organizations whose role is to help participating families find housing in low-poverty neighborhoods region-wide.<sup>6</sup> Thus, the administration of the Section 8 assistance remains a function of the local housing authority, while the non-profit partners take responsibility for conducting landlord outreach and recruitment, providing housing search

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<sup>5</sup> Information in this section is drawn from HUD 1996 and HUD 1999.

<sup>6</sup> In Chicago, the MTO program was initially implemented by the Chicago Housing Authority in partnership with the Leadership Council for Metropolitan Open Communities. Early in the implementation period, however, the Department of Housing and Urban Development stepped in to take over the operations of the Chicago Housing Authority, and responsibility for Section 8 was contracted out to a private, for-profit entity. This Section 8 contractor (CHAC, Inc.) also assumed responsibility for MTO, performing both the housing assistance and mobility counseling roles.

assistance, helping families overcome administrative barriers to portability and mobility, and resolving any post-move problems with the landlord or receiving community.

The non-profit organizations that participated in Moving to Opportunity differed from site to site, but their activities were regional in scope and integrated non-housing supportive services and self-sufficiency strategies with the housing assistance offered by MTO. For example:

- In Baltimore, MTO was administered in partnership with the Community Assistance Network (CAN), a non-profit community action agency with over 30 years of experience providing child care, housing counseling, weatherization services, and self-sufficiency counseling to low-income people in Baltimore County, the major suburban jurisdiction surrounding the city of Baltimore. Since the inception of MTO, CAN has expanded its capacity and its geographic scope, and now provides landlord outreach and housing search assistance to city and suburban Section 8 recipients as part of several ongoing mobility programs operating in the region.
- The Boston Housing Authority administered MTO in partnership with the Metropolitan Boston Housing Partnership (MBHP), which (as discussed earlier) is one of nine regional organizations that operate the state's Section 8 program. Thus MBHP already had experience administering Section 8 regionally, but it also provided a wide-array of self-sufficiency services to its clients.

All of the MTO non-profits reached out aggressively to housing providers throughout their metropolitan regions, worked with families to address personal barriers to housing search and mobility, and adopted a flexible, non-bureaucratic approach to helping families make successful moves. For example, these organizations demonstrated the effectiveness of creating resource rooms with books of information about potential, low-poverty neighborhoods; providing van tours of distant neighborhoods; using program "graduates" as counselors and mentors to families just starting their housing search; requiring participants to attend classes and training sessions in a wide range of essential life-skills; and vouching for program participants to skeptical landlords who had never accepted Section 8 tenants before. Although MTO is unique in its design and in the resources it made available, the demonstration experience strongly suggest that non-profit organizations in other metropolitan areas may have the capacity to implement housing vouchers regionally.

However, qualified non-profits do not currently exist in all or even most urban areas around the country. In fact, experience from HUD's Regional Opportunity Counseling Initiative suggests that developing such a capacity would take considerable time in many metro areas. The Regional Opportunity Counseling Initiative provides extra resources to PHAs in a metropolitan region in order to support regionwide housing search assistance and promote more effective cooperation across jurisdictions. Many of

the funded sites have had difficulty identifying a qualified non-profit to perform regional outreach and counseling functions, and some of the non-profit organizations have taken a long time to become familiar with housing opportunities regionwide.

***For-Profit Providers.*** In some metropolitan areas, for-profit firms may constitute an effective mechanism for administering the Section 8 program regionally. To date, the Section 8 program has had little experience with for-profits, but some states sub-contract administrative functions to for-profit as well as non-profit entities (Feins et al 1997), and some local housing agencies contract out for some or all administrative functions. The most extensive experience with a for-profit firm has occurred in Chicago, where responsibility for administering the Section 8 program was competitively awarded to a for-profit firm beginning in 1996. The contract between the city's housing authority and CHAC, Inc. includes significant financial incentives for achieving particular performance targets.

#### IV. Toward the Metropolitan Administration of Vouchers

Experience confirms that metropolitan-wide administration of the Section 8 program is feasible, and that it can solve many of the pitfalls created by the current system of localized administration. However, there is no one right answer to the question of what type of organization is best qualified to administer housing vouchers for regionally. Therefore, the shift in governance of the housing voucher program should be carried out through a competitive process that is open to a wide array of entities. Such a HUD-run competition should have the following basic elements.

**Eligible Institutions.** The competition for voucher administration should be open to a variety of public, nonprofit and for-profit institutions. Public entities could include state governments, metropolitan planning organizations, council of governments and other regional governmental entities as well as existing public housing agencies. Nonprofit entities might include regional fair housing organizations or regional social service agencies.

Applicants could either compete alone or as part of a consortium of institutions. Applicants could, for example, divide responsibilities among several partners. The principal applicant might be responsible for program design, the maintenance of metropolitan-wide waiting lists and all fiscal and reporting functions. Another entity might be responsible for the performance of inspections and the determination of rent reasonableness; a third entity might bear primary responsibility for counseling voucher recipients.

**Criteria for Competition.** HUD would select applicants on the basis of several criteria. First, HUD would rank applicants on their ability to carry out the basic tasks of the voucher program. Such tasks include, of course, certifying recipient incomes, screening potential tenants, making rent calculations, ensuring the quality of Section 8 units and establishing and maintaining necessary information and reporting systems.

Second, HUD would rank applicants on their ability to carry out the expanded expectations of the voucher program. To what extent does the applicant have the demonstrated ability to administer a counseling program? What experience does the applicant have in interacting with the landlord community or establishing partnerships with public or private sector entities? How broad is the support for the applicant in the metropolitan governmental, employment, real estate and affordable housing communities? Does the applicant have a formal way to engage these critical constituencies in program design and implementation?

**Performance Measures.** Two types of federal performance standards should govern the metropolitan administration of the voucher program. First, HUD should establish standards (as in the new Section 8 Management Assessment Program —

SEMAP) that measure whether the metropolitan administrator is meeting basic program requirements. Standards should measure, for example, how well the administering entity is overseeing the determination of income eligibility, the enforcement of housing quality standards and the determination that rents are “reasonable”.

Second, HUD should establish standards that measure progress towards meeting federal program objectives, particularly goals of promoting housing choice and self-sufficiency. These standards could measure the extent to which families with children are able to move to areas of low poverty, become homeowners or experience year to year increases in earned income. Other standards could measure the extent to which the metropolitan program is able to avoid the concentration of assisted families in particular projects, neighborhoods or communities.

To promote a new ethic of performance, HUD should design a series of incentives to reward administering entities that exceed program goals. HUD could, for example, provide bonuses for increasing the number of vouchers used in census tracts with less than (say) 20 percent poverty and for helping assisted families make the transition from welfare. HUD could annually publish data ranking metropolitan administrators on their success in meeting program objectives. The key is to find ways of distinguishing high performers from the rest of the pack, reinforcing the formal standards of what constitutes superior performance.

***Program Requirements.*** The voucher program would continue to be governed by national requirements on housing quality standards, subsidy calculation, and household and apartment eligibility. It is expected that metropolitan administration would bring a consistency to implementation of these national requirements and eliminate the current parochialism in program admissions and reciprocity requirements. This would make application and portability transparent to participating households.

***Exempted Jurisdictions.*** The competitive system described above would apply only to administration of the voucher program in metropolitan areas. Rural voucher programs would be exempt from the competitive requirements.

***A Reality Check and an Interim Plan.*** We believe that HUD should move as quickly as possible to the metropolitan administration of vouchers. Yet we are realistic about the short-term political prospects of such reform. The current political base for shifting the entire voucher program to metropolitan administration is narrow. The institutions that might “lose” from such competition – local public housing agencies – will surely be very vocal in their opposition to any threat to their control over this housing resource. At the same time, the consumers who will benefit from this action – low-income recipients of vouchers – are not very well organized or represented at the national level. In addition, the entities that now administer vouchers at a metropolitan level are small in number and influence.

Given these inherent limitations and obstacles, we suggest an incremental approach to instilling metropolitan governance in the administration of housing vouchers. We specifically recommend four initiatives that can be undertaken over the next one to three years either through administrative action or legislative approval.

First, Congress and HUD should greatly expand the level of funding for the regional opportunity counseling (ROC) program. ROC is, in essence, a training ground for future participants in a metropolitan system of voucher administration. Additional funding would expand the number of metropolitan areas that are experimenting with regional approaches to the voucher program. Additional funding would also expand the pool of public and private sector organizations that are performing tasks (e.g., counseling) critical to the larger success of the voucher program.

Second, HUD should use the allocation of any new vouchers to encourage moves toward metropolitan governance and collaboration. Extra points should be given to applicants that represent a consortium of local administrators and seek to represent all or a large part of the metropolitan area. Likewise, preference should be given to applicants that involve private sector institutions in the delivery of services to voucher recipients, such as counseling. There is precedent for such action. HUD, for example, recently awarded incremental welfare-to-work vouchers to a consortium of six public housing agencies in the Chicago metropolitan area.

Third, HUD should use its oversight of voucher administration to further the goals of metropolitan governance and competition. Since the late 1990s, the Department has used the Section 8 Management Assessment Program (SEMAP) to monitor the performance of agencies that administer vouchers. Generally, HUD helps agencies that are failing these performance standards to cure any managerial deficiencies. In Chicago, however, HUD has gone further and contracted out the administration of vouchers to a for-profit. SEMAP provides an excellent vehicle for testing alternative management schemes for vouchers. HUD should pursue the contracting out option with greater vigor when local public housing authorities are found to be poor performers, testing the competitive process described above.

Finally, Congress and HUD should authorize and fund a metropolitan voucher demonstration in two to three metropolitan areas. HUD could make available a sizable number of incremental vouchers (and a portion of opportunity counseling funds if they exist) as an incentive for broad participation in a metropolitan competition. The demonstration would enable HUD to gauge the market for broader metropolitan efforts. What institutions are likely to seek administrative responsibilities? To what extent do local housing authorities join together and compete? What steps does HUD have to take to ensure broad participation? Such a demonstration would also enable HUD to assess a series of thorny administrative issues. How difficult is it to merge the separate

administrative systems used by individual public housing authorities? Which functions are best consolidated in a centralized administrative agency? Which functions are best carried out by local or private entities?

The combined effects of these incremental steps could be significant. Within a relatively short time, there could be a substantial increase in the number of public and private sector entities that take a metropolitan approach to the administration of vouchers. This could both improve the effectiveness of the voucher program in these particular markets as well as build a broader base for further incremental and systemic reform.

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