

In a Fiscally-Constrained Legislative Environment, are Project-Based Section 8 Vouchers
an Overlooked Vehicle for Affordable Housing Production?

by

David Pedro Garcia

B.S., Business Administration, 2000
University of Southern California

Submitted to the Department of Architecture in Partial Fulfillment of the Requirements
for the Degree of Master of Science in Real Estate Development

at the

Massachusetts Institute of Technology

September, 2004

© 2004 David Pedro Garcia
All Rights Reserved

The author hereby grants to MIT permission to reproduce and to distribute publicly paper
and electronic copies of this thesis document in whole or in part.

Signature of Author _____

Department of Architecture
August 6, 2004

Certified by _____

Peter Roth
Lecturer, Department of Architecture
Thesis Supervisor

Accepted by _____

David Geltner
Chairman, Interdepartmental Degree
Program in Real Estate Development

In a Fiscally-Constrained Legislative Environment, are Project-Based Section 8 Vouchers
an Overlooked Vehicle for Affordable Housing Production?

by

DAVID PEDRO GARCIA

Submitted to the Department of Architecture on August 6, 2004 in partial fulfillment of
the requirement for the Degree of Master of Science in Real Estate Development

ABSTRACT

In a legislative environment where increased funding for affordable housing is highly improbable, the affordable housing industry is left with the task of trying to assist additional families with static funding levels. One way to accomplish this daunting task is it to try and identify existing affordable housing programs that are not fully optimized, to increase their efficiency. One program that could be made more effective and efficient is the Project-Based Section 8 Voucher program. This thesis considers the Project-Based Section 8 Voucher program in the context of federal affordable housing programs, to better understand how this program was created and how it is currently being implemented. It provides examples of how the program is best used in an affordable housing transaction to maximize loan proceeds that can be used to fund additional rehabilitation, add social services, enhance property amenities, or simply fill an existing project financing gap. The thesis also considers the impact of this program on lenders, developers, public housing authorities / HUD, tax credit investors, and residents. The thesis culminates with several recommendations on how HUD could make this a more effective program.

Thesis Supervisor: Peter Roth

Title: Lecturer, Department of Architecture

ACKNOWLEDGEMENTS

I would first like to thank my wife Michelle for her support and encouragement during this process; your patience and resilience continues to amaze me. I would also like to thank my parents and my sister who have all had a part in shaping who I am today.

I want to thank all of my friends in this industry that so generously offered their time and insight. I also want to thank Peter Roth for agreeing to advise me and for so liberally offering his time and resources.

I also want to thank the CRE professors and my classmates; this year has been an experience I will never forget.

DEDICATION

This thesis is dedicated to my late grandfather, Kemper West; thank you for being a man that never compromised who he was for anyone.

**IN A FISCALLY-CONSTRAINED LEGISLATIVE ENVIRONMENT, ARE
PROJECT-BASED SECTION 8 VOUCHERS AN OVERLOOKED VEHICLE
FOR AFFORDABLE HOUSING PRODUCTION?**

Introduction	5
Methodology	7
United States Affordable Housing Programs	8
The Current United States Affordable Housing Budget	11
Historical Section 8 Program Background	13
Section 8 Vouchers	16
Current Section 8 Voucher Statistics	19
Public Housing Authorities	24
Types of Section 8 Vouchers	26
Project-Based Section 8 Vouchers	28
Project-Based Section 8 Vouchers and Affordable Housing Finance	33
Participants Perspective of Project-Based Section 8 Vouchers	40
Developers	40
Public Housing Authorities / HUD	42
Lenders	44
Tax Credit Investors	47
Residents	49
Conclusion & Recommendations	54
Interviews	57
Selected Bibliography	58

***IN A FISCALLY-CONSTRAINED LEGISLATIVE ENVIRONMENT, ARE
PROJECT-BASED SECTION 8 VOUCHERS AN OVERLOOKED VEHICLE FOR
AFFORDABLE HOUSING PRODUCTION?***

INTRODUCTION

“As the federal deficit balloons, the calls to cut spending on social and housing programs are growing even as the demand for and costs of these programs continue to escalate.¹”

This statement from the State of the Nations Housing 2004 study from the Joint Center for Housing Studies of Harvard University precisely articulates the current legislative environment for affordable housing. Since there appears little hope for increased budgetary appropriations for affordable housing, the best way to expand housing opportunities for low-income households is to make full and efficient use of the existing affordable housing programs. This thesis will evaluate and analyze a very specific program within existing federal affordable housing programs – the Project-Based Section 8 Voucher (“PBV”) -- to see how it is best used, and to evaluate how the PBV could be made more effective.

With over 2 million Section 8 vouchers currently available throughout the United States, this program has the potential to stimulate the production of over 400,000 new affordable housing units (20% of the total number of Section 8 vouchers). The Section 8 rental subsidy program is designed to support families earning less than 30% of the Area Median Income (“AMI”). The resident is generally obligated to pay 30% of their adjusted income towards the total rent, and the government pays the remainder. With PBVs, the subsidy is attached to a specific unit through a Housing Assistance Payment

¹ Joint Center for Housing Studies of Harvard University, “The State of the Nation’s Housing 2004” (page 4).

("HAP") contract which entitles an owner to rental subsidies up to an agreed level for 10+ years.

This thesis is focusing on PBVs because of recent and upcoming changes to the program that will make this program much easier to administer and implement for both Public Housing Authorities ("PHAs") and developers. The PBV has taken attributes of both tenant and previous project-based Section 8 programs, and has the potential to merge them into a very effective and efficient program that can serve as the first affordable housing production program to address the extremely low income population (households earning less than 30% of area median income) in over two decades.

METHODOLOGY

In an effort to take a comprehensive view of PBV's and their impact on affordable housing production, this thesis first provides an overview of how PBV's fit into the affordable housing industry in general. This was done to ensure a clear understanding of the program's size and scale in comparison to other federal affordable housing programs. With a clear picture of the affordable housing environment as background, the thesis describes the Section 8 program as a whole, which is comprised of both project-based Section 8 and tenant-based Section 8 vouchers,² before focusing on the PBV in detail.

The thesis evaluates the PBV from a practitioner's standpoint, focusing on the PBV programs capacity to stimulate affordable housing production. The thesis identifies all participants that would typically be involved in the development process involving PBVs, and through interviews obtained a clear understanding of how this subsidy impacts affordable housing production from their varied points of view. The participants involved in this process include: Developers, Lenders, Tax Credit Investors,³ Public Housing Authorities / HUD,⁴ and Residents. Subsequent to this assessment, the thesis makes several recommendations which could make the PBV program more effective at stimulating the production of affordable housing units.

² Just to reiterate, my thesis is evaluating a subset of the tenant-based Section 8 vouchers – called project-based Section 8 vouchers.

³ These people are equity providers in tax credit transactions.

⁴ United States Department of Housing and Urban Development

UNITED STATES AFFORDABLE HOUSING PROGRAMS

The majority of the United States commitment to the production of affordable housing occurred post-World War II. In the 1950's the federal government assisted less than 100,000 units with direct subsidies; today the government directly subsidizes approximately 5 million units (and an additional 1.4 million units through the use of block grants and tax credits).⁵ The federal government's affordable housing programs were especially productive during the 1960's and 1970's.

Starting with the Reagan Administration in the early 1980's, the federal government made a fundamental shift in the method by which it provided subsidies from a predominately supply-side production strategy (where the subsidy went directly to the developer to buy-down affordability) to a demand-side subsidy (where the subsidy was given directly to the low-income households). The reason why the vehicle for the subsidy changed was because the demand-side subsidy appeared to be significantly cheaper than the supply-side subsidy. The demand-side subsidy also seemed to alleviate the issue of concentration of poverty, because families that receive the subsidies directly are not restricted to a specific property in a specific community.

In 2002, the Millennial Housing Commission, a Congressionally-nominated commission tasked with evaluating the state of the nation's subsidized housing, summarized the bulk of the (affordable) housing stock by funding source in its report.

The following chart is derived from this report:

⁵ Report of the Bipartisan Millennial Housing Commission Appointed by the Congress of the United States "Meeting our Nation's Housing Challenges." Washington, D.C., May 30, 2002 (page 14).

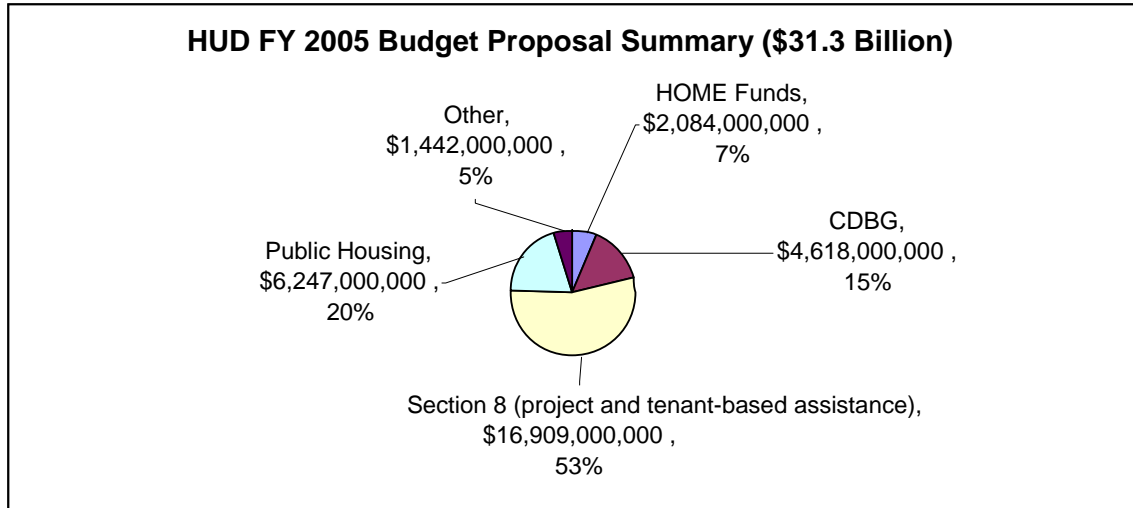
	Total Units
Inactive: Publicly Owned, Project-Based	
Public Housing	1,274,000
Inactive: Privately Owned, Project-Based	
Section 8 New Construction / Substantial Rehabilitation	644,000
Section 202 Elderly Housing Direct Loan	207,000
Section 8 Property Disposition	60,000
Section 8 Loan Management Set-Aside	409,000
Rent Supplement	21,000
Section 236	60,000
Section 221(d)(3) Below Market Interest Rate	71,000
Active: Tenant-Based	
Section 8 Certificates and Vouchers	2,075,628
Active: Privately Owned, Project-Based	
Section 202 Supportive Housing for the Elderly	65,000
Section 811 Supportive Housing for Persons with Disabilities	18,000
Section 515 Rural Housing Rental Assistance	410,000
Total Rental Assistance	5,314,628
Active: Privately Owned, Project-Based, Tax Incentives	
Low Income Housing Tax Credits	1,400,000
Total	6,714,628

It should be noted that the information used to aggregate these numbers was from 1999, and there has since been a reduction in the privately-owned, project-based categories (actual number unknown, but estimated to be several hundred thousand units). Overall, this chart gives a fairly accurate picture of the affordable housing universe. As it shows, there have been many vehicles through which affordable housing production has been stimulated, including direct grants, subsidized interest rates, direct subsidies to landlords on behalf of tenants, federal insurance of affordable multifamily loans, the creation of Government Sponsored Enterprises (“GSE”) that facilitate affordable housing,

and tax incentives, including accelerated depreciation, property tax abatement, tax-exempt financing, and Low Income Housing Tax Credits (“LIHTC”).

THE CURRENT UNITED STATES AFFORDABLE HOUSING BUDGET

In early 2004, the Secretary of HUD, Alphonso Jackson, submitted his \$31.3 billion budget proposal to Congress for fiscal year 2005 (a 2.8% increase over the FY 2004 level).⁶ Based on the information presented in HUD's summary, the following allocation of departmental funds was proposed:



As can be seen above, approximately 75% of HUD's budget will go to fund Section 8 (which includes both project and tenant-based assistance) and public housing. HUD notes that these three major rental assistance programs provide subsidies to over 4.5 million households.⁷ It should also be noted that the primary affordable housing production tool used today, the LIHTC, does *not* appear in this budget summary. The LIHTC is a program under the Department of Treasury, and is currently funded at \$1.80 per capita.⁸ Given a United States population of 293,636,157,⁹ and the fact that the tax credit is allocated for 10 years, this program would have a budget of approximately \$5.3

⁶ Handelman, Ethan, "Summary of HUD Budget Proposal FY 2005", 2/5/04.

⁷ Jackson, Alphonso. United States Department of Housing and Urban Development Fiscal Year 2005 Budget Summary, Message from Acting Secretary Jackson, February 2, 2004.

⁸ This program has a state minimum of \$2.075 million.

⁹ www.census.gov

billion annually. In addition, the federal housing administration (“FHA”) provides approximately \$891.6 million in insurance for low-income multi-family projects,¹⁰ while Fannie Mae provides \$3.1 billion, and Freddie Mac provides \$690 million in financing for affordable housing annually.¹¹

¹⁰ Wong, Eric “FHA Financing for LIHTCs Jumped \$218.6 million.” Affordable Housing Finance, March 2004 (page 2).

¹¹ Wong, Eric “Fannie Mae Invested \$3.1 billion for Affordable Housing in 2004.” Affordable Housing Finance, March 2004 (page 2).

HISTORICAL SECTION 8 PROGRAM BACKGROUND

The Section 8 program was officially created by the Housing and Community Development Act of 1974, which was intended to “reduce the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and viability of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower incomes.¹²” The Section 8 program that this Act created had two distinct types of Section 8 rental subsidies: project-based and tenant-based assistance.

The Project-Based Section 8 program worked by the government offering a developer a HAP contract¹³ that obligated the government to provide market rents to a specified percentage of the total units on a property (up to 100% of the units). This HAP contract had a guaranteed contract term ranging from 10 to 20 years and typically had renewal options for additional 5 to 20 year terms. The contract agreed to subsidize a tenant’s ability to pay up to this market rent. The resident was obligated to pay 30% of their household income towards rent regardless of how little income their household earned, and the federal government paid the difference between the tenant’s payment and the market rent. With the original Project-Based subsidy, if the resident moves, the resident loses his or her subsidy, and the next resident to move into the unit would have use of the subsidy. The project-based program offered subsidies directly to the project which meant that specific units within a community would remain affordable for the term of the HAP contract.

¹² 42 USC 5301

¹³ The HAP contract is executed by the developer and by HUD upon project completion. Prior to this time, both parties typically execute an agreement to enter into a housing assistance payment (AHAP) contract, which is a contract that all parties (including lenders) can rely on prior to project completion.

Although this program targeted households at the extremely low-income level of 30% of AMI, lenders were willing to underwrite hundreds of thousands of units like this because the property had federally guaranteed market rents, and due to the fact that the residents only had to pay 30% of their income towards rent, the property would remain 100% occupied (with a waiting list) throughout the term of the HAP contract¹⁴. One unique aspect about the original Project-Based Section 8 program is that, although its properties are regulated by multi-year HAP contracts, the program itself is funded under a discretionary portion of the federal budget. This means that it is subject “to the availability of sufficient appropriations,¹⁵” which means that the property’s income stream is subject to the possibility that Congress could reduce or eliminate funding for this program at anytime during the term of the HAP contract, effectively canceling HUD’s obligation to perform under the remaining term of the HAP contract, with no penalty. This risk has been termed “appropriations risk” because a lender’s underwriting of an affordable housing transaction is partially predicated on Congressional budgetary outcomes.

Tenant-based Section 8 worked much in the same way as project-based Section 8 in that the owner is still entitled to market rent comprised of 30% of the resident’s income, and the remainder from HUD. They are distinct from project-based subsidies in that the subsidy is attached to the resident, and if the resident moves, the resident is able to use their subsidy at their next place of residence. The tenant is given the subsidy and is solely responsible for identifying suitable housing within their community. The

¹⁴ Lenders were also willing to underwrite many properties like this because many of these projects also qualified for FHA insurance, which limited the bank’s financial exposure in the event of a foreclosure.

¹⁵ Report of the Bipartisan Millennial Housing Commission Appointed by the Congress of the United States “Meeting our Nation’s Housing Challenges.” Washington, D.C., May 30, 2002 (page 69).

concept of tenant-based assistance actually started in 1970 with a demonstration program called the Experimental Housing Allowance Program. It was created to “undertake on an experimental basis a program to demonstrate the feasibility of providing families of low income with housing allowances to assist them in obtaining rental housing of their choice in existing standard housing units.¹⁶” This demonstration program proved successful, and was eventually made permanent through the Housing and Community Development Act of 1974, which created the housing certificate program. Under this program, the rent in the private-market was not allowed to exceed a maximum rent level; residents then paid a percentage of their income towards this rent level.¹⁷

In 1984, another demonstration program called the Section 8 Housing Voucher program was created which allowed tenants to exceed the rent ceilings of the certificate program by allowing tenants to contribute more in terms of their tenant contribution (more than 30%). This demonstration program also allowed households to use their vouchers anywhere a PHA could oversee the program (meaning nationally). This program eventually became permanent in 1987 through Section 8 of the Housing and Community Development Act.

Annual funding for both of the Section 8 programs comes from HUD’s annual budget (which approximates \$30 billion annually). HUD earmarks a portion of this \$30 billion (approximately \$17 billion) for both Section 8 programs. This \$17 billion is then distributed by HUD to over 3,100 PHAs nationally who are responsible for administering and implementing the Section 8 program in local jurisdictions.

¹⁶ “Section 8 Tenant-Based Housing Assistance: A Look Back After 30 Years.” March 2000 (page 1).

¹⁷ The Brooke Amendments in 1969, 1970 and 1971 stated that tenants in public and assisted housing would have to pay 25% of their household’s income for rent; the percentage was increased through the Omnibus Budget Reconciliation Act of 1981 to 30% of household income.

SECTION 8 VOUCHERS

The Section 8 tenant-based assistance program is based on several fundamental program guidelines:¹⁸

- ❖ **Residential Choice and Mobility** – This program is designed to offer residents increased flexibility and choice in determining their place of residence. This means that residents are allowed to select communities based on attributes of their choosing. It was assumed that tenants were concerned with the quality of schools, concentration of poverty, proximity to work / transportation, proximity to family / friends / church, and quality of the housing.
- ❖ **Subsidy Scheme is Flexible** – The program is designed to pay an amount, called the payment standard, equal to the 40th percentile of rents surveyed in a geographic area (called Fair Market Rent, or “FMR”), with the PHAs having flexibility to increase the payment standard up to 110% of FMR. As of December 2003, the national average PHA payment standard was 104% of FMR.¹⁹
- ❖ **Fee Structure** – PHAs will earn adequate fees to support tenant assistance programs and landlord outreach programs.
- ❖ **Selection and Occupancy Policies** – This program gives both the landlords and PHAs the ability to weed out problem tenants. Tenants found to have issues with drug / alcohol abuse or criminal behavior will be evicted as part of HUD’s One Strike program.
- ❖ **Sanctioning of Bad Owners** – PHAs have the ability to also punish bad owners (because of poor housing quality standards, code violations, or refusal to evict problem residents) by not renewing the Section 8 contract and disallowing the owners from further participation in the program.
- ❖ **HUD’s Section 8 Management Assessment Program (SEMAP)** – This is a scoring process that HUD completes on PHAs to determine the effectiveness of the PHA. A score of below 60 points out of 100 points means that a PHA is deficient and they must submit a corrective action plan.

Households that are interested in receiving a Section 8 voucher submit an application to a PHA to get on a waiting list for a voucher. As mentioned earlier, many PHAs have different priority preferences that move families directly to the top of the

¹⁸ “Section 8 Tenant-Based Housing Assistance: A Look Back After 30 Years.” March 2000.

¹⁹ “The Flexible Voucher Program: Why a New Approach to Housing Subsidy is Needed.” May 18, 2004 (page 2).

waiting list. Some of these preferences include: those with housing costs above 50% of income, those living in severely substandard housing, and those involuntarily displaced from housing

If a household is not a priority family, they then wait on the list until their name is next on the list or until their name is chosen in a lottery type format; households can stay on these waiting lists for months or years depending on the housing situation in a particular market. In 2000 the national average wait time was 28 months for Section 8 vouchers; problem affordability areas like New York and Los Angeles were significantly longer, 8 and 10 years respectively.²⁰

Once the household is next on the waiting list, they must go through an income-certification process with the PHA to ensure that the household is income-eligible to occupy the subsidized unit.²¹ Any families that meet the income requirements (below 50% of AMI) are eligible to receive vouchers; statutorily the PHA is obligated to allocate 75% of their total vouchers towards families earning less than or equal to 30% of AMI.

Once the household is income certified, the tenants are obligated to pay 30% of their income towards rent until their income rises to the point where 30% of their income is equal to FMR²². Even if a resident is unemployed (where 30% of their adjusted gross income should be \$0), residents are still required to pay a monthly minimum rental amount not to exceed \$50.²³ At the point where 30% of their income is equal to FMR,

²⁰ “Section 8 Tenant-Based Housing Assistance: A Look Back After 30 Years.” March 2000 (page 15).

²¹ The Section 8 program is targeted for the very poorest households on the income spectrum.

²² Nationally, this target affordability level is being met as Section 8 voucher tenants spend on average 29.3% of their income on rent.

²³ Hunt, Louise “Summary of the Quality Housing and Work Responsibility Act of 1998 (Title V of P.L. 105-276).” Office of Policy, Program and Legislative Initiatives, Office of Public and Indian Housing, December 1998.

they are able to stay in the same rental unit, if they choose, but they no longer will receive (or will need to receive) rent subsidies.

PHAs typically assist residents by offering them insights into which owners in the area accept Section 8 vouchers, but the household is primarily responsible for identifying an acceptable quality unit where the owner is willing to accept Section 8 vouchers (as they have the right to refuse participation in this program). On average 2/3rds of resident's chosen units passed inspection on the first try; the majority of the remaining 1/3rd of the units eventually passed the housing quality standards examination, but required multiple inspections.²⁴ The resident typically has between 60-120 days to find a unit before they must return their voucher unused. The average and median time it took households to utilize their voucher in 2001 was 83 days and 69 days, respectively.²⁵

²⁴ Finkel, Meryl "Study on Section 8 Voucher Success Rates, Volume I Quantitative Study of Success Rates in Metropolitan Areas." U.S. Department of Housing and Urban Development, Office of Policy Development and Research, November 2001.

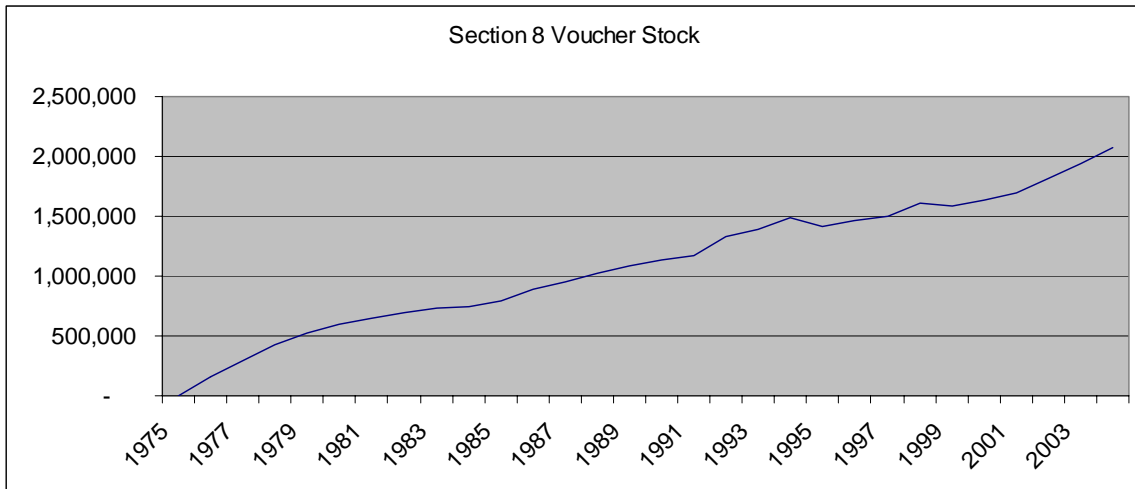
²⁵ Finkel, Meryl "Study on Section 8 Voucher Success Rates, Volume I Quantitative Study of Success Rates in Metropolitan Areas." U.S. Department of Housing and Urban Development, Office of Policy Development and Research, November 2001 (page 2-5).

CURRENT SECTION 8 VOUCHER STATISTICS

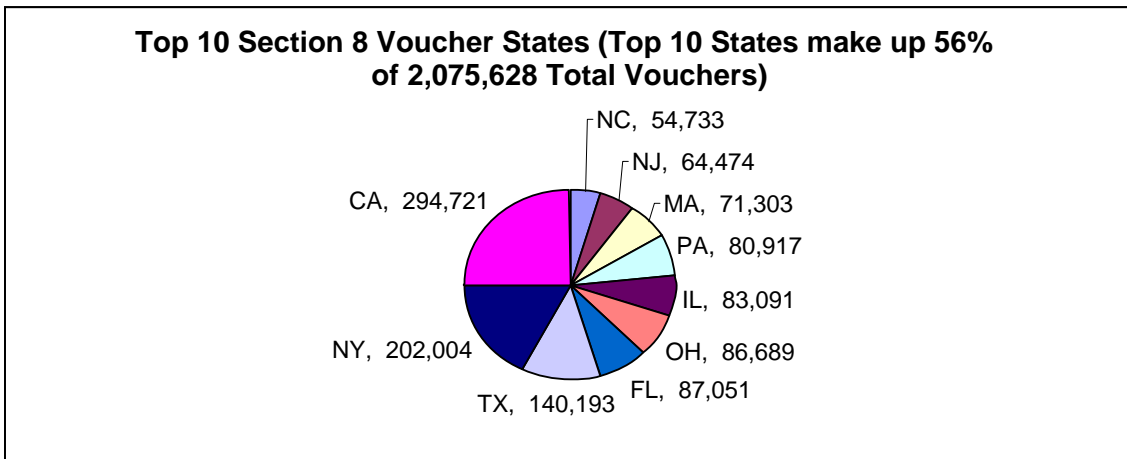
A report by HUD, called the Resident Characteristics Report (as of May 31, 2004), gave the following statistics for the Section 8 voucher program:

Total Available Vouchers	2,075,628
Total Occupied Vouchers	1,831,239
Total Number of Household Members	4,807,391
Percentage Occupied	88%

The Section 8 voucher program has added additional vouchers incrementally every year since its inception in 1974.

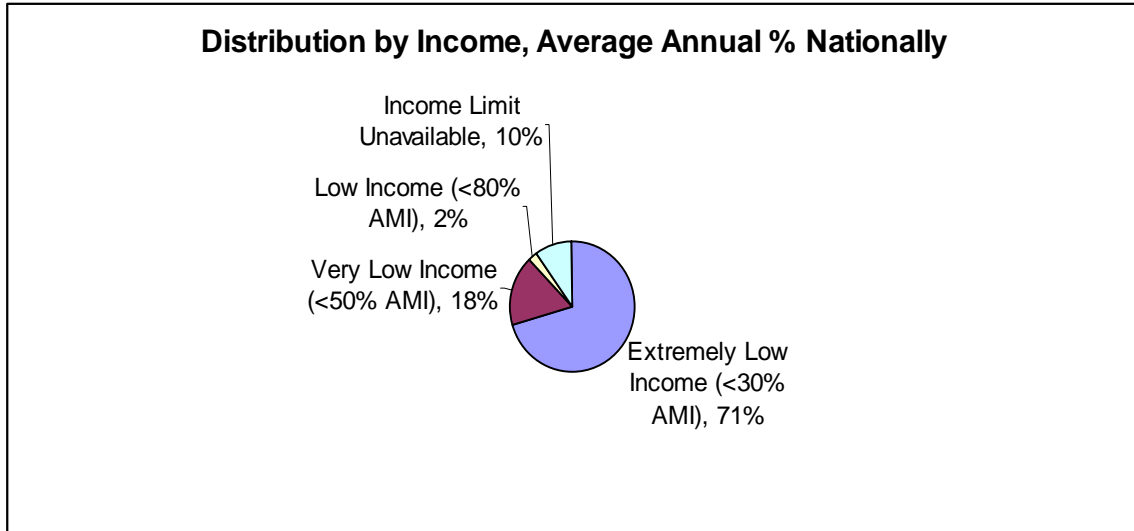


A significant portion of the total Section 8 vouchers are concentrated in 10 markets throughout the country. Below is a chart showing their representation:



The report also gave a consolidated perspective of the distribution by income.

The results are as follows:



By statute, PHAs are required to allocate 75% of their total vouchers to the extremely low income (<30% of AMI) affordability band. This chart shows that, assuming at least 4% of the “income limit unavailable” category belongs in the extremely low income category, this federal requirement has been met.

The report also notes that nationally, the average annual income of a Section 8 voucher household is \$10,779. The household income is derived from the following sources:

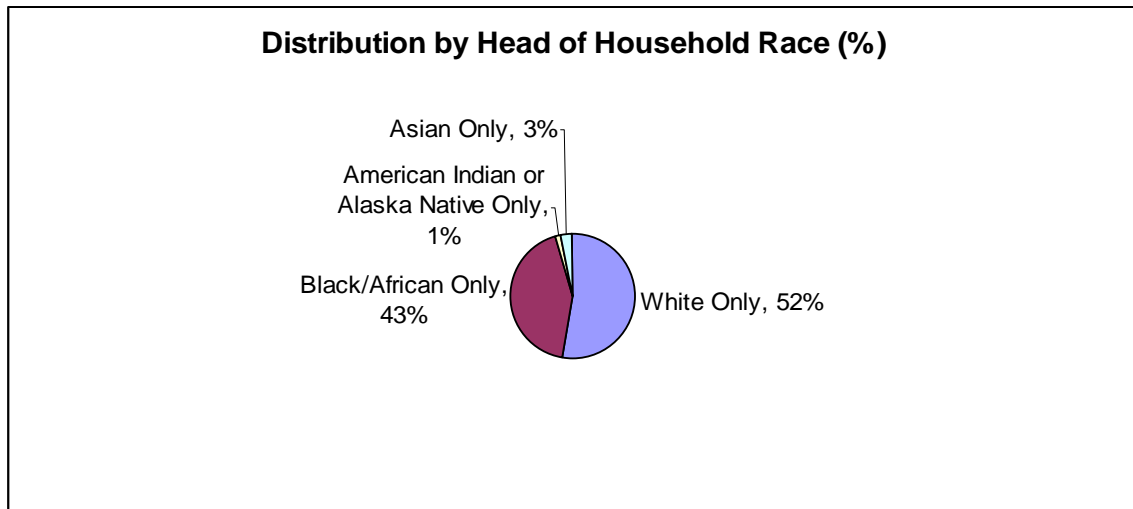
With Any Wages	With Any Welfare	With Any SSI/SS/Pension	With Any Other Income
36%	23%	48%	25%

The report also offered current statistics on the distribution of family type. The results are as follows:

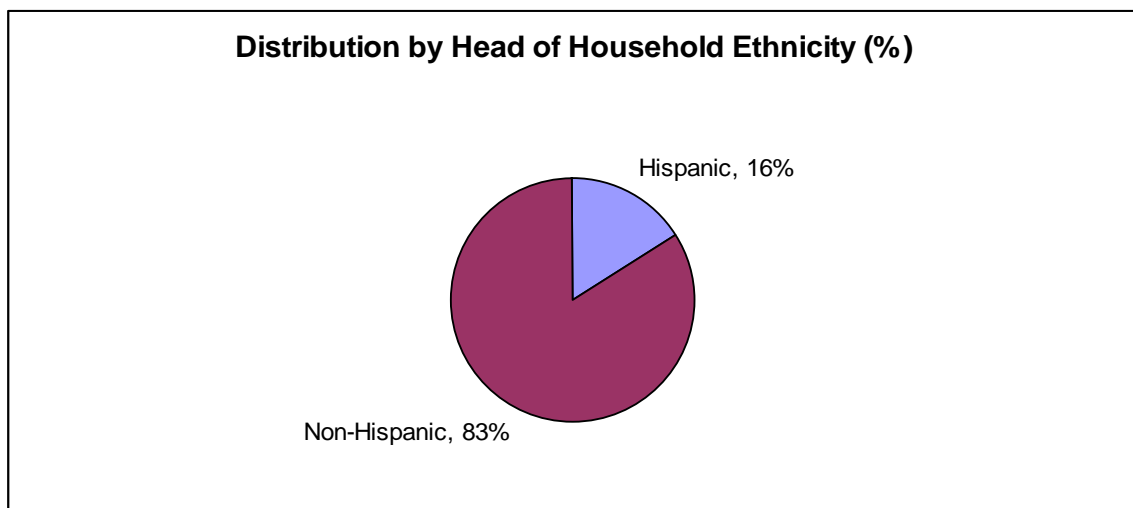
	Distribution of Family Type (%)
Elderly, No Children, Non-Disabled	7%
Elderly, with Children, Non-Disabled	0%

Non-Elderly, No Children, Non-Disabled	9%
Non-Elderly, with Children, Non-Disabled	50%
Elderly, No Children, Disabled	8%
Elderly, with Children, Disabled	1%
Non-Elderly, No Children, Disabled	17%
Non-Elderly, with Children, Disabled	8%
All Female Headed Household with Children	54%

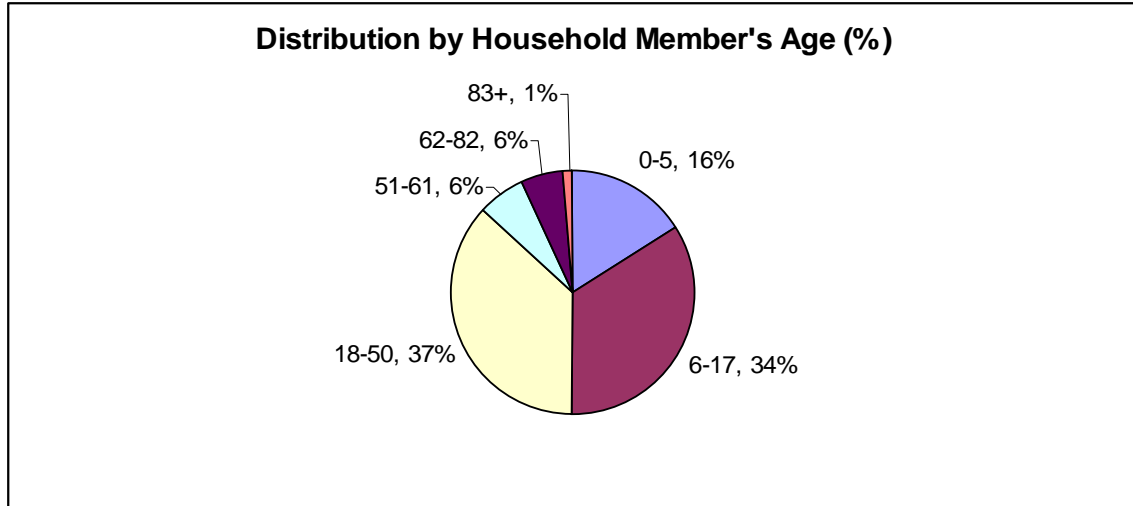
The statistics clearly show that the dominant groups are families with children (especially all female headed households) and the disabled. In terms of an ethnic breakdown, current statistics show the following:



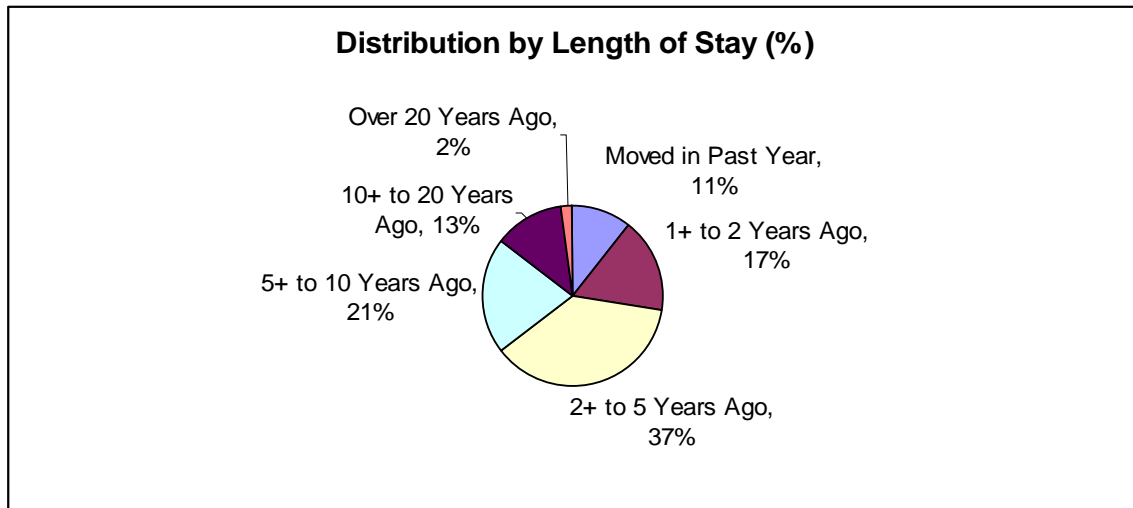
As Hispanics are counted somewhat differently in the census, the overall percentage of Hispanics that receive Section 8 vouchers is as follows:



The report also indicates that Section 8 vouchers primarily assist individuals under 50 years old. The summary statistics are as follows:

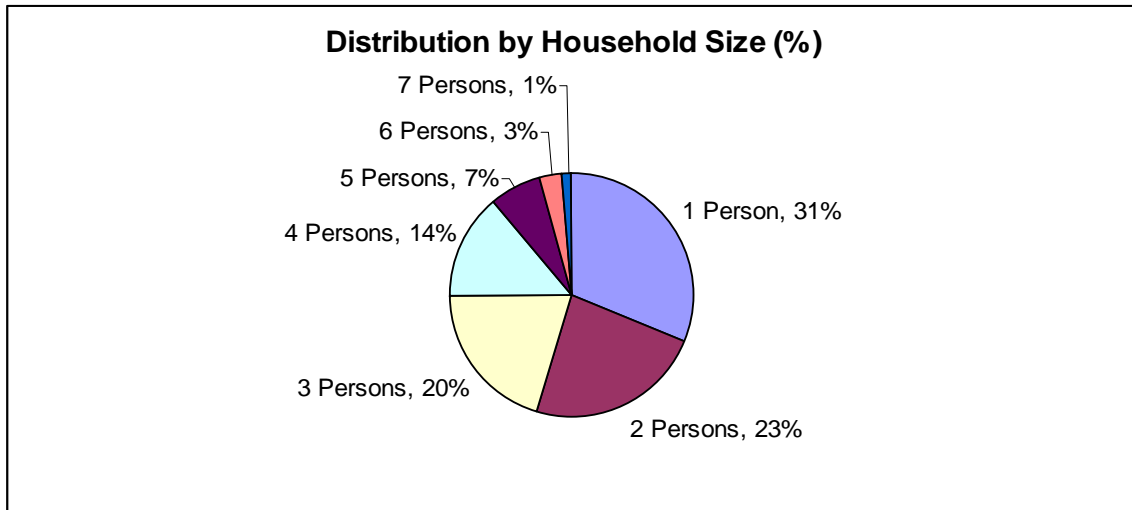


The report also offers detailed information on the length of stay; the results are as follows:

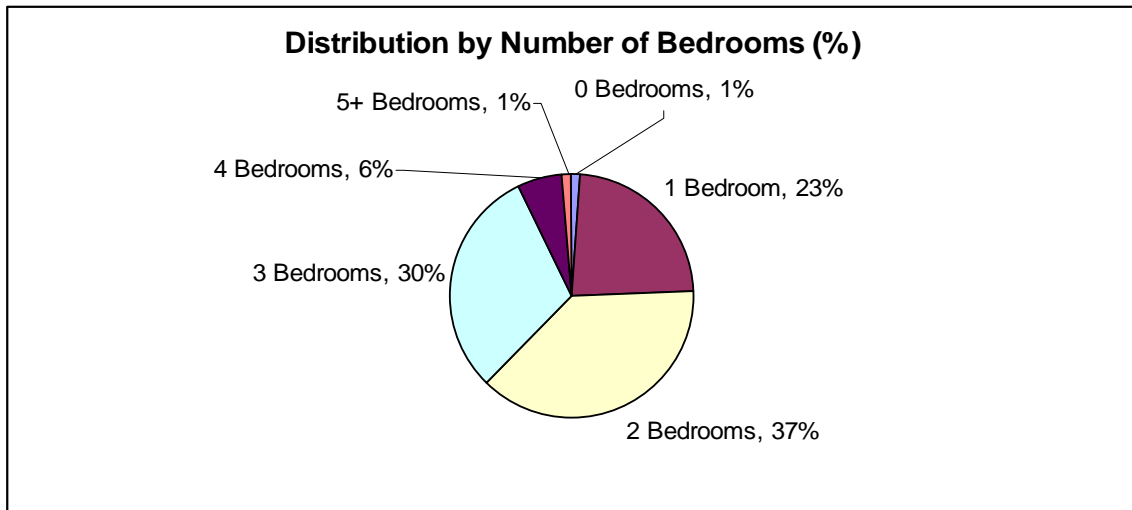


While this summary chart does show that approximately 65% of the households on this subsidy have been at their place of residence for less than 5 years, 35+% (or over 725,000) households have been on Section 8 voucher assistance for over 5 years.

In terms of household size, the dominant response was as follows:



Finally, the statistics for distribution by number of bedrooms is as follows:



PUBLIC HOUSING AUTHORITIES

There are over 3,100 PHAs nationally that administer the 2,075,628 housing choice vouchers.²⁶ Most PHAs are responsible for administration within a specific city or county, which means that there are usually several PHAs with administration responsibilities within a given Metropolitan Statistical Area (“MSA”). The PHAs are generally categorized as follows:²⁷

- ❖ Small PHAs (oversee <500 units) and this segment represents 86% of all PHAs
- ❖ Medium PHAs (oversee 500-1,250 units) and this segment represents 8% of all PHAs
- ❖ Large PHAs (oversee 1,251-2,500 units) and this segment represents 3% of all PHAs
- ❖ Very Large PHAs (oversee 2,501+ units) and this segment represents 2% of all PHAs

Although the very large PHAs represent a very small portion of the total PHAs, they administer a significant proportion of all Section 8 voucher units nationally; over 30% of the entire Section 8 voucher stock is administered by the top 16 PHAs (of over 3,100 total PHAs).²⁸

The PHAs begin the year with funding for the same number of Section 8 voucher units that they had in the previous year. If additional funding is made available, HUD issues a Notice of Funding Availability (“NOFA”) which invites PHAs to apply for additional Section 8 vouchers for their area (called funding increment). These additional units are added to the existing Section 8 voucher units and placed under the PHA’s Annual Contributions Contract (“ACC”) with HUD. The new vouchers must be used for a specified purpose and are generally for a term of one year. At the end of the year, the

²⁶ HUD Website

²⁷ Bratt, Rachel G. “Public Housing Authorities: Determining an Appropriate Role in a National Preservation Strategy.” *Housing Policy Debate*, Volume 2, Issue 2 (page 537).

²⁸ Bratt, Rachel G. “Public Housing Authorities: Determining an Appropriate Role in a National Preservation Strategy.” *Housing Policy Debate*, Volume 2, Issue 2.

PHAs generally do not have to re-apply for Section 8 funds as they are in most cases automatically renewed.

Although HUD dictates the upfront administrative process, once the PHAs have the funding they are responsible for determining how to best administratively allocate those vouchers. They determine different attributes like priority populations, search timeframes, and minimum rent. Their primary objectives are to: house the neediest, achieve diversity of tenancy, cross-subsidize the developments by attracting unsubsidized tenants, and attract private capital.²⁹

²⁹ Quercia, Roberto G. and Galster, George C. “The Challenges Facing Public Housing Authorities in a Brave New World.” Housing Policy Debate, Volume 8, Issue 3, Fannie Mae Foundation, 1997.

TYPES OF SECTION 8 VOUCHERS

As previously mentioned, the 2,075,628 housing choice vouchers are comprised of 11 different types of vouchers that target different populations. Below is a summary of the different types of vouchers that comprise the tenant-based Section 8 voucher program.³⁰

1. **Conversion Vouchers** -- Conversion vouchers assist residents affected by the demolition, disposition, or mandatory conversion of their housing units. Conversion vouchers also assist residents impacted when the owners of their buildings decide to prepay their mortgage, opt-out of their HAP contract, or when HUD decides to take enforcement action against bad owners of HAP contract properties.
2. **Enhanced Vouchers** -- This is a form of Section 8 tenant-based assistance that is used in the cases of existing property conversions from affordable housing to market-rate housing (because of an opt-out of a Section 8 project-based contract or a prepayment on an older HUD-assisted first mortgage).³¹ Unlike a regular Section 8 voucher, whose payment standard is generally capped at a defined percentage of FMR, the enhanced voucher's payment standard is typically set at the actual post-conversion rent level at the property, so as the tenant is not forced into displacement.
3. **Family Unification Vouchers** -- Family unification vouchers are intended for families for whom the lack of available housing is the main reason for the separation (or threat of “imminent separation”) of children from their families.³²
4. **Homeownership Vouchers** -- Homeownership vouchers assist first-time homeowners with their monthly homeownership expenses.³³
5. **Project-Based Vouchers** -- A PHA can attach up to 20% of its total number of vouchers to specific housing units in a property (not to exceed 25% of the total number of units in a project).³⁴
6. **Tenant-Based Vouchers** -- Tenant-based vouchers increase affordable housing choices for extremely low-income families. Families with tenant-based vouchers are empowered to lease (affordable) privately-owned rental housing.³⁵

³⁰ HUD website.

³¹ HUD website.

³² HUD website.

³³ HUD website.

³⁴ HUD website.

7. **Mainstream Vouchers** -- Mainstream program vouchers enable elderly and non-elderly families that have a person with disabilities to lease (affordable) privately-owned housing of their choice.³⁶
8. **Designated Housing Vouchers** – Designated housing vouchers enable non-elderly families with a disabled person, who would be eligible for public housing (if occupancy were not limited to elderly families) to lease affordable rental housing.³⁷
9. **Certain Development Vouchers** -- Certain development vouchers enable non-elderly families that have a person with disabilities (who is prohibited from receiving housing assistance in certain developments because the owner has established preferences for, or restricted occupancy to, elderly families), to obtain affordable housing.³⁸
10. **Project Access Vouchers** – In FY 2001, a demonstration program between HUD and the United States Department of Health and Human Services (“HHS”) allocated 400 vouchers to 11 different PHAs to partner with Medicaid agencies to provide housing assistance to non-elderly disabled persons transitioning from nursing homes into the community.³⁹
11. **Welfare to Work Voucher Program** -- To address the lack of housing available to families attempting to transition from welfare to self-sufficiency, HUD allocated an additional 50,000 housing choice vouchers to PHAs nationally through its Welfare to Work Voucher Program.⁴⁰

³⁵ HUD website.

³⁶ HUD website.

³⁷ HUD website.

³⁸ HUD website.

³⁹ HUD website.

⁴⁰ HUD website.

PROJECT-BASED SECTION 8 VOUCHERS

Title V (applicable to public housing and PHA-administered Section 8) of the Quality Housing and Work Responsibility Act (a.k.a. Public Housing Reform Act) of 1998 significantly changed the tenant-based Section 8 program. An important reform that took place because of this legislation was that the Section 8 voucher and certificate programs were merged into one tenant-based program called Housing Choice Vouchers (a.k.a. Section 8 vouchers). The Housing Choice Voucher had attributes of the old voucher and certificate programs, along with some new elements:⁴¹

- ❖ **Payment Standards** – The payment standard is authorized between 90% and 110% of FMR. HUD must approve any exception rents that are below 90% or above 110% of FMR.
- ❖ **Maximum Initial Rent Burden** -- Although they are supposed to pay 30% of their income towards rent, households are allowed to rent a unit that is more expensive than the payment standard allows if they pay the difference between the market rent and the payment standard (as long as their total rent burden does not exceed 40% of their income).
- ❖ **Housing Quality Standards (“HQS”)** – All units that are occupied by a Housing Choice Voucher resident must be inspected by the PHA to ensure that the unit meets all HQS and local codes.
- ❖ **PHA Penalties for Late Payments** – To remedy one common landlord complaint, PHAs are now required to pay late fees if the monthly subsidy is paid late.
- ❖ **Portability** – Residents are able to move and use their voucher in any community throughout the country, as long as there is a local administrative agency to administer the Housing Choice Voucher.
- ❖ **Section 8 Homeownership** – PHAs may implement a Section 8 home-ownership program.

⁴¹ Hunt, Louise “Summary of the Quality Housing and Work Responsibility Act of 1998 (Title V of P.L. 105-276).” Office of Policy, Program and Legislative Initiatives, Office of Public and Indian Housing, December 1998.

- ❖ **Project-Based Vouchers** – PHAs could authorize up to 15% of their total number of vouchers towards project-based vouchers (which would be subsequently increased to 20%).

Although the Public Housing Reform Act of 1998 authorized the use of PBV's, legislation in FY 2001 made important changes to the program that resulted in significant changes to the PBV program. On October 27, 2000, President Clinton signed into law the Fiscal Year 2001 Department of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act (Section 232), which mandated the following changes to be made to the PBV program:⁴²

- ❖ **Existing Housing** – Prior to this Act, project-based assistance could only be attached to newly constructed housing or newly rehabilitated units. This Act allowed project-based assistance to be attached to existing housing, defined as a unit requiring a maximum expenditure of no more than \$1,000 per unit in order to comply with the PHA's housing quality standards, along with newly constructed or rehabilitated units.
- ❖ **Percentage Allocation to Project-Based Assistance** – This Act allowed PHAs to allocate 20% (instead of the prior 15% maximum) of the total funding available to the PHA under its consolidated ACC towards PBVs.⁴³ It should be made clear that PHAs are under no obligation to allocate 20% of their vouchers towards a project-based program -- PHAs may very well choose not to create a PBV program at all.
- ❖ **Deconcentration Goals** – This Act requires that PBVs only be attached in areas that will deconcentrate poverty and expand housing and economic opportunities. This provision specifically requires that PBVs be attached to properties in census tracts with poverty rates of less than 20%, unless HUD specifically approves an exception.⁴⁴ In some cities, where the majority of the census tracts in their jurisdiction have poverty rates exceeding 20%, the PHAs have been able to get exceptions from HUD. HUD has been willing to authorize the use of PBVs in areas that have poverty rates up to 40%, but rarely in areas with poverty rates in excess of 40%.
- ❖ **Maximum Percentage of Units** – The Act requires that a maximum of 25% of the total units in the project will have PBVs. Units targeted specifically for the elderly,

⁴² Department of Housing and Urban Development [Docket No. FR-4633-N-01] "Revisions to PHA Project-Based Assistance Program; Initial Guidance." Federal Register / Vol. 66, No. 10/Tuesday, January 16, 2001.

⁴³ The ACC is the baseline number of units in the PHA's voucher program.

⁴⁴ Department of Housing and Urban Development [Docket No. FR-4633-N-01] "Revisions to PHA Project-Based Assistance Program; Initial Guidance." Federal Register / Vol. 66, No. 10/Tuesday, January 16, 2001 (page 3608).

disabled, or families receiving supportive services are not counted against the 25% maximum. This general provision was adopted to ensure that project-based assistance does not lead to concentrations of poverty that resulted from the old project-based Section 8 program in the 1970's and 1980's.

- ❖ **Mobility** – This provision states that families in a PBV unit may move at any time after they have been in the unit for 12 months, and that if they move they are entitled to a tenant-based voucher from a PHA.
- ❖ **Contract Term** – This Act allowed PHAs to enter into PBV contracts for a period of up to 10 years, subject to annual appropriations. Upon expiration of the initial 10 year term, PHAs are allowed to extend the contract for a term that the PHA determines “appropriate to achieve long-term affordability of the housing or to expand housing opportunities.”⁴⁵
- ❖ **Maximum Initial Gross Rents** – The regulations state that the initial HAP contract shall not exceed 1) 110% of FMR, or 2) any exception payment standard that exceeds 110% of FMR that HUD has approved for the area.
- ❖ **Unit Inspection and Housing Quality Standards** – This regulation states that, prior to entering into the contract, the PHA must inspect 100% of the units that will receive PBV assistance, but upon annual reinspection the PHA need only inspect a representative sample of the assisted units in the project.
- ❖ **Vacancy** – PHAs will be allowed, at their discretion, to continue providing subsidies to landlords that have vacant units for up to 2 months, as long as the vacancies are not the fault of the landlord and the unit is being actively marketed.
- ❖ **Income Targeting** – PBVs are still required to follow the same income targeting guidelines as Section 8 vouchers in general. This means that at least 75% of the project-based Section 8 units must be allocated to households earning less than or equal to 30% of AMI (extremely low-income).
- ❖ **Davis-Bacon (prevailing wage provision)** – In new construction or rehabilitation in which 9 or more project-based units will be affected, the use of project-based funds requires that the owner comply with Davis-Bacon prevailing wage provisions, along with other equal opportunity and environmental provisions typical of development using federal subsidies.
- ❖ **Allocation of Project-Based Section 8 Vouchers** -- New PBV units that become available through a PHA must be allocated to developers through a competitive process and publicized through a newspaper of general circulation.

⁴⁵ Department of Housing and Urban Development [Docket No. FR-4633-N-01] “Revisions to PHA Project-Based Assistance Program; Initial Guidance.” Federal Register / Vol. 66, No. 10/Tuesday, January 16, 2001.

Overall, these changes were implemented “to make project-basing of voucher assistance more flexible ...and more workable.”⁴⁶ Many of the bureaucratic approvals were eliminated giving PHAs the flexibility to more effectively use the program. Some of the changes have allowed PHAs to avoid bureaucratic processes like needing HUD approval for advertising packages, and remedying regulations which disincentivized PHAs from placing PBV residents in units, because they would receive a smaller administrative fee.⁴⁷ The changes were instituted to make this a more efficient production program for extremely low income households.

On March 18, 2004, HUD released a PBV program proposed rule change. HUD expects that these changes will give permanent guidance to both PHAs and the affordable housing industry on how to properly implement this program. HUD released the proposed rule change in March, and accepted comments from the affordable housing industry on the proposed rule changes through May 2004. HUD is in the process of reviewing the comments and HUD expects to finalize the rule change by the end of 2004. HUD suggested that many PHAs have been holding off on implementing a PBV program because the PHAs knew that regulatory changes were looming, and preferred to implement this program subsequent to the final regulations being released. With the understanding that these are proposed rule changes, the most noticeable modifications articulated in this proposal are as follows:

- ❖ **The 25% Maximum Number of Project-Based Section 8 Voucher Units on any Property Includes any other Units that may have “other federal project-based rental assistance”.** This means that if a property currently has an “other federal

⁴⁶ Ward Sr., Mark “Linking Tenant-and Project-Based Assistance.” Journal of Housing and Community Development, Jan/Feb 2002.

⁴⁷ Ward Sr., Mark “Linking Tenant-and Project-Based Assistance.” Journal of Housing and Community Development, Jan/Feb 2002.

project-based assistance” covering 10% of the total units, than the maximum allowable percentage of additional PBV units on this property would be 15% (because combined they would subsidize 25% of the total units).

- ❖ **PHAs Must Redetermine Rents Annually.** PHAs must readjust rents annually, regardless whether or not the owner has requested a rent adjustment. Historically, rents on project-based Section 8 properties have been increased annually based on inflation, more than on changes in local rental market variations.
- ❖ **Restriction on Extensions of the Initial 10-year Term.** This provision would limit extension of the initial (10 year) term to 1-year periods. This is contrary to the current regulations which state that extension terms shall be made “for a period determined to be appropriate to achieve long-term affordability.”
- ❖ **PHAs May No Longer Use Higher Payment Standards for Project-based Section 8 Vouchers.** This proposed change by HUD would disallow PHAs from using exception payment standards of up to 110% of FMR on PBV units. PHAs are currently allowed to use exception payment standards (up to 110% of FMR) for PBV properties even if the PHA’s payment standard on its other properties is lower.
- ❖ **High-Rise Prohibition.** The proposed rule change would disallow the use of PBVs in family high-rise buildings.
- ❖ **Public Housing Prohibition.** The proposed rule change would disallow the use of PBVs on any public housing unit.

PROJECT-BASED SECTION 8 VOUCHERS AND AFFORDABLE HOUSING FINANCE

The benefit of PBV's is enhanced project feasibility because of a 10 year subsidy contract (provided by the federal government) at rents that are above those traditionally used in tax credit developments (which are usually restricted to 60% of AMI). With the contractual rents attached to the property (instead of the resident) both affordable housing lenders and tax credit equity investors are typically willing to underwrite to the higher contract rents. This increase in the gross income of the property is then able to be used to support additional debt. This additional debt can be used for rehabilitation, added project amenities, or to fill an existing financing "gap" in the project that would have been filled by another limited and competitive affordable housing subsidy (i.e. HOME, CDBG, or AHP funds); these other subsidies can now be used to fund other affordable housing projects.

In order to show the impact of PBVs on affordable housing finance, certain geographic areas were selected for study so that actual rental and AMI data could be used. Two different samples were used in this thesis: the first is the Top 25 United States Cities in terms of Population, and the second is a subset of the Top 25 United States Cities, which represent the Top Tier Cities in the United States. The Top Tier Cities subset represents the most established and dominant cities throughout the country; those cities that due to their geography and global presence have and will continue to have problems maintaining an affordable housing stock. The two populations are as follows:⁴⁸

⁴⁸ As of July 1, 2003.

Top 25 Cities	Top Tier Cities (subset of Top 25 Cities)
New York (8,085,742)	New York (8,085,742)
Los Angeles (3,819,951)	Los Angeles (3,819,951)
Chicago (2,869,121)	Chicago (2,869,121)
Houston (2,009,690)	San Francisco (751,682)
Philadelphia (1,479,339)	Boston (581,616)
Phoenix (1,338,416)	Washington D.C. (563,384)
San Diego (1,266,753)	
San Antonio (1,214,725)	
Dallas (1,208,318)	
Detroit (911,402)	
San Jose (898,349)	
Indianapolis (783,438)	
Jacksonville (773,781)	
San Francisco (751,682)	
Columbus (728,432)	
Austin (672,011)	
Memphis (645,978)	
Baltimore (628,670)	
Milwaukee (586,941)	
Fort Worth (585,122)	
Charlotte (584,658)	
El Paso (584,113)	
Boston (581,616)	
Seattle (569,101)	
Washington D.C. (563,384)	

The next step was to identify the payment standards of the PBVs. The payment standard can range anywhere from 90% to 110% of FMR, the result is directly correlated to the local market rents. In looking at the Top 25 Cities list, many of these markets are just as likely to have a payment standard below 100% FMR as they are above 100% FMR. Therefore, the national payment standard, which averages out to be 104% of FMR, was used throughout this example. The different FMR's were then identified for each apartment size as indicated by number of bedrooms in each of the Top 25 Cities, and subsequently multiplied by 1.04.

The tax credit rents were then determined for each of the Top 25 Cities (60% of AMI was used throughout this example). To obtain the tax credit rents, the AMI's for all

25 cities were obtained and then that number multiplied by 60%. That number then had to be multiplied by 30%, and divided by 12 to determine the maximum rent a household making 60% of AMI could pay towards rent monthly. An analysis was also completed based on 30% of AMI in order to analyze the effect of PBVs on affordable housing developments both with and without the use of tax credits. An example of this is as follows (AMI is based on the 2004 New York County AMI of \$54,400):

New York City	% of FMR	% of FMR	Maximum Gross Rent	Maximum Gross Rent	Difference Between 104% FMR and 30% AMI	Difference Between 104% FMR and 60% AMI
	100%	104%	30% AMI	60% AMI		
2004 Fair Market Rents						
Studio:	\$848	\$882	\$286	\$571	\$596	\$311
1-bedroom:	\$944	\$982	\$306	\$612	\$676	\$370
2-bedroom:	\$1,073	\$1,116	\$367	\$734	\$749	\$382
3-bedroom:	\$1,342	\$1,396	\$424	\$849	\$972	\$547
4-bedroom:	\$1,504	\$1,564	\$473	\$947	\$1,091	\$617

This same analysis was completed for all 25 cities and then the results averaged for both the Top 25 Cities and for the Top Tier Cities.

PBVs have the greatest impact on affordable housing finance upfront in the development process (or during a refinancing) because instead of lenders underwriting to either the 30% or 60% of AMI rents, they are able to underwrite to the payment standard of the PBV, which can be significantly higher than the tax credit rents. Lenders are willing to do this because the owner has a 10+ year contract with HUD to provide a reliable rental stream (predicated in this case on 104% of FMR), which as this example shows, can be significantly higher than the 30% or 60% of AMI rents.

As an example, with a Project-Based Section 8 contract, an owner of a 2-bedroom unit in New York City (see above) would be entitled to receive \$1,116 per month (104%

of FMR), compared to the rents they would get at 60% AMI (\$734) or at 30% AMI (\$367). This increase in the income stream (\$382 per unit per month over 60% AMI rents or \$749 per unit per month over 30% AMI rents) can then be capitalized upfront into increased debt capacity.

In order to show a complete example, this thesis will assume construction of a 100-unit apartment building in New York that is comprised of all 2-bedroom units. The new construction project will be a tax credit deal with 100% of the units affordable to households at 60% AMI or less, and the project has PBVs for 25% of the units (the maximum allowable).

Recall that because this project has been awarded PBVs for 25% of the total units, that 75% of the units will have rents at \$734 per month and 25% of the units (the project-based Section 8 units) will receive rents equal to the payment standard that the PHA determines (in this example 104% of FMR), which is \$1,116 per month. This means that as the owner, the income stream on this apartment will increase by \$382 (the difference between 104% of FMR and 60% AMI rents) per unit per month.

$$\$382 \times 25 \text{ units} \times 12 \text{ months} = \$114,600 \text{ annually}$$

If a standard vacancy rate of 5% is used, this gross income differential is reduced to \$108,870. The fact that PBVs are being used should not have any impact on operating expenses so the Net Operating Income (“NOI”) should increase by \$108,870. A standard Debt Service Coverage Ratio (“DSCR”) used in affordable housing finance is 1.10x. If this DSCR is used on the above-mentioned NOI, the resulting increase in cash flow available for debt service is \$98,973. If a 6% interest rate and a 40 year amortization term are used, the present value of this \$98,973 is equal to **\$1,489,177**.

This means that this 100-unit development with 25 PBVs can raise an additional \$1,489,177 in loan proceeds, simply because PBVs were used. As previously mentioned this increase in debt capacity can be used to fill any existing financing gaps, to pay for additional amenities or rehabilitation, or to provide social services.

This same sort of analysis was completed in the aggregate using the averages from the Top 25 Cities and the Top Tier Cities (from above). The analysis was done for both of these samples showing the difference between 104% of FMR and both 60% and 30% AMI. The summary chart below skips all of the steps described above, and proceeds directly to the resulting present value figure, using the same assumptions as used above (100 units, 104% of FMR compared to 60% of AMI and also 104% of FMR compared to 30% of AMI, 25% PBVs, 5% vacancy, 1.10x DSCR, 6% interest rate, and 40 year amortization term). The overall results of this analysis are summarized below:

104% FMR	Top Tier Averages		Top 25 Averages	
	PV @ 60% AMI	PV @ 30% AMI	PV @ 60% AMI	PV @ 30% AMI
Studio:	\$502,005	\$2,004,822	\$(122,028)	\$1,231,326
1-bedroom:	\$920,065	\$2,530,087	\$150,046	\$1,599,924
2-bedroom:	\$1,174,887	\$3,107,174	\$285,616	\$2,025,219
3-bedroom:	\$2,142,252	\$4,376,012	\$1,007,535	\$3,017,841
4-bedroom:	\$2,549,345	\$5,039,096	\$1,313,616	\$3,555,640

Top 25 City Averages

This summary shows that based on the averages of the Top 25 Cities (using the same terms as used above), that a 100-unit, all 2-bedroom development with a 25% PBV component would be able to support an additional \$285,616 in debt. If an all 1-bedroom building was constructed (given all of the same terms used before) the project would be able to support an additional \$150,046 in debt. If you look at the impact PBVs have on a

30% of AMI transaction, the increase in debt capacity is significantly higher at approximately \$2,025,219 for an all 2-bedroom development.

The Top 25 Cities example is a good illustration because it truly touches on every primary, secondary, and tertiary market in the United States. Unfortunately, included in the Top 25 Cities are many cities that have no affordability issues, which means that the PBV subsidy has little to no impact. Some of the cities that have very little difference between 104% of FMR and 60% tax credit rents include Detroit, Indianapolis, Columbus, Memphis, and Milwaukee. Therefore, when one averages all Top 25 Cities the areas that lack affordability problems very much moderate the overall results. When the Top Tier Cities are analyzed the results become much more apparent.

Top Tier City Averages

On average in the Top Tier Cities the average increase in debt capacity for a 2-bedroom development of 100 units, with a 25% PBV component would be \$1,174,887 (comparing 104% of FMR to 60% of AMI rents). This is significantly higher than the increase in debt capacity using the average from the Top 25 cities, which was \$285,616. The impact of PBVs on a 30% of AMI transaction is significantly higher at \$3,107,174. As these examples show, PBV subsidies can have a significant impact on the debt capacity of an affordable housing transaction.

Project-Based Section 8 Vouchers and HOME Funds

PBVs can be a very useful tool not only with tax credits but also when used in tandem with HOME funds. HOME funds are direct grant funds allocated through states or local allocating agencies to support affordable housing. Typically HOME funds

require that 90% of households that benefit from these funds must have incomes at or below 60% of AMI, and that rents be affordable to families at that income band. PBVs override the HOME rent restrictions to allow the developer to receive the payment standard of the local PHA (104% of FMR in the illustrated case), instead of the rents affordable to households at 50% or 60% of AMI. This fact results in a similar increase in debt capacity as was shown above.

Summary of Results

As the examples from above show, PBVs can provide a very beneficial resource to developers trying to produce affordable housing for extremely low income households. Although the numbers used in the example were averaged and certain financing parameters were assumed, PBVs can have *this* significant of an impact on project underwriting. A project without the use of PBVs will have an extremely difficult time aggregating the available subsidies to set aside a portion of the development for the 30% of AMI affordability band.

PARTICIPANTS PERSPECTIVE OF PROJECT-BASED SECTION 8 VOUCHERS

In order to fully comprehend the pragmatic impact of PBVs on affordable housing production, it is imperative to take a step back and consider the participants that are impacted by this subsidy and understand the practical limitations and uses of this program. In the development of affordable housing, several participants must be considered: developers, PHAs / HUD, lenders, tax credit investors, and residents.

The following is an assessment of the PBV program from the perspective of each of the following participants.

Developers

The developers that participated in research interviews for this thesis had varying opinions on the PBV program depending on the geographic area in which they worked. This is because some of these tax credit developers work in states with lenders (oftentimes state housing finance agencies) that are unwilling to underwrite to the higher PHA payment standard rents due to the “appropriations risk”. If lenders are unwilling to underwrite to the higher rental stream then all of the benefits of increased debt capacity described earlier cannot be realized. Instead of increased debt capacity, the project would experience increased operating cash flow for the term of the HAP contract.

As for the developers that worked in states where the lenders *were* willing to underwrite to the higher PHA payment standard with a Project-Based HAP contract, it was agreed that this is a very effective program for stimulating the production of affordable housing for extremely low income families. Their feedback was not on whether the program is an appropriate use of funding, but more on how the program

could be modified to better suit developers' specific needs. Some developers wanted to allow PBVs to be used in high-rise buildings; some wanted to be able to use PBVs in an existing subsidized building; and some wanted to use PBVs in certain areas that had poverty rates that exceeded program regulations.

These developers echoed the fact that the program works best in instances where they are able to increase their debt capacity and immediately monetize the difference between PHA payment standards and tax credit rents. Most developers said that they prefer to monetize this difference upfront because it allows them to move forward on deals instead of continuing to search for other competitive subsidies to fill the financing gap in their proposed project. They reiterated that the reason this subsidy is so effective is because it allows them to meet deep, low-income set aside requirements (which assists extremely low income households), while still maintaining a strong rental stream that ensures project feasibility.

These developers also indicated that their lenders and tax credit equity investors were more willing to underwrite to a lower vacancy factor on deals that had a PBV component. The reason for this is because the subsidy is likely to remain with the property for 10 years (the term of the initial HAP contract), and there will almost certainly be a long waiting list for units which subsidize extremely low income households.

Although most developers mentioned that this is a very effective program in theory, recent budget cuts have caused some PHAs to retract funding commitments for incremental PBVs (upon which developers and their lenders had relied) which sent many developers scrambling to find additional resources. In fact, some developers now

question the reliability of PBV allocations in the current climate of cut-backs at HUD. It is very important that the program be stabilized immediately if the PBV program is to continue. If not, the development and lending communities will not be able to rely on the program, and it will not produce the intended results.

Public Housing Authorities / HUD

PHAs and HUD consistently mentioned that PBVs are most effective in strong rental markets. The reason for this is that in already affordable markets, the difference between the payment standard of Section 8 and tax credit rents is minimal. If there is a minimal spread between the two numbers the increase in debt capacity will be minimal. Also more fundamentally, if there is a minimal difference between the FMR and 60% tax credit rents, then most of the rents used in the FMR survey were probably already affordable to households earning 60% of AMI (which is affordable to begin with).

The PHAs indicated that the PBV program did not require a great deal of administrative time and energy to set up initially. They indicated that the program actually eases their workload because the owners of buildings that receive PBVs can be responsible for the project waiting list and the resident's income certification, instead of the PHA. (It should be noted that several developers disagreed with this assertion. The developers stated that in their experience, many PHAs are reluctant to set up a PBV program because of the administrative burden associated with the program – especially the initial Request For Proposal (“RFP”).

PHAs in strong rental markets also indicated that when they have been able to “project base” units, the time it takes for individuals on waiting lists to find acceptable housing is reduced. The project-based units also consistently increase success rates, the

probability that a family that is given a voucher will lease an acceptable unit, which is expected since the PBV units are readily available for the tenants on the waiting list.

The PHAs also mentioned that PBVs do not seem to have the problems of concentration of poverty like that of the old project-based Section 8 program. This is because restrictions now discourage PHAs from allocating PBVs to high poverty census tracts (as part of the RFP, which is how the PHAs allocate available PBVs, the poverty rate of the census tract is one of the deciding factors for an allocation).

PHAs interviewed added that another benefit of the PBV program is that it results in a consistent supply of affordable housing for the term of the HAP contract (usually 10 years). This means that the landlord *must* accept the next qualified household on the waiting list. This is unlike the case of tenant-based vouchers because the voucher recipients are at the mercy of several factors that are outside of their control. The driving factor in whether a tenant is able to acquire suitable housing is the strength of the local rental market and the landlord's prior experience with the PHA and the Section 8 voucher program in general. The fact is that even after the tenant-based voucher recipient has been able to wait the 6 months to several years on a waiting list, has been able to gather enough money for the security deposit, and has been able to maintain adequate credit and prior references, they are still at the mercy of factors outside of their control with the tenant-based program.

PHAs also seemed to appreciate the fact that by using a PBV they were able to ensure that hard-to-find unit types were available for the next 10+ years. The PHAs all mentioned that it was difficult to place larger families that needed three or four bedroom units because the private multi-family development market is simply not constructing

these types of units as much as they used to. Besides hard-to-find units, PBVs allowed PHAs to secure housing for hard-to house residents like the disabled, victims of domestic violence, and immigrants. These people traditionally have difficulty physically looking for housing or have a poor rental history, which often means that after several months of searching they are forced to return vouchers to the PHA unused.

PHAs in strong rental markets did admit that the payment standard for PBVs was insufficient in most instances to make deals work, and that additional subsidies were needed to fill the “gap” between development costs and the debt supported by the payment standard of the PHA. Even in instances where PBVs were not in themselves enough to make deals work, PHAs support the use of the subsidy because it is a method by which to buy deeper affordability levels in tax credit projects from 60% of AMI to 30% of AMI. HUD was somewhat more apprehensive in applauding the use of both PBVs and tax credits on the same property because it does involve so called “double-dipping” – the use of multiple subsidies on one project when the subsidies could be spread out and used on multiple properties to assist more households. HUD remedies this public policy concern by requiring that only 25% of the units on a property can receive double subsidies. In very strong rental markets the PBV is still just one of several subsidies needed to make new affordable housing developments feasible.

Lenders

The primary concerns expressed by lenders interviewed is the fact that although the Section 8 contract term may be for 10 years, PBVs (like Section 8 in general) are subject to annual appropriations, which means that the property’s income stream is subject to the whims of HUD budget discretion and Congress (“appropriations risk”).

Lenders are concerned that if they underwrite to the FMR payment standard, and Congress decides one day not to continue funding the Section 8 program, the rents that would result would revert to tax credit rents, which would most likely be insufficient to service the debt. After speaking with several lenders it appears like there are simply some financial organizations that are willing to accept this appropriations risk, and there are some that are not.

After speaking with lenders that *are* willing to underwrite to the higher PHA payment standard rent under a Project-Based HAP contract, they seem confident that since Congress has always funded the appropriations necessary to fund this program, there is a very small likelihood that they would not continue to do so in the future. They also mentioned that since most affordable housing projects also utilize federal mortgage insurance, in the event Congress does discontinue funding for Section 8, the federal insurance fund would absorb most of the losses incurred as a result of such a cutback.

Some lenders have also come up with more creative ways to hedge their risk exposure. One way is for the lender to bifurcate the senior debt into two tranches. The first debt would be sized off of the lower, tax credit rents and amortized over the traditional 40 year period. The second tranche would be sized off of the incremental rental revenue over the tax credit rents up to the PHA payment standard and fully-amortized over a coterminous period with the HAP contract. This would alleviate the concern about what happens when the HAP contract expires because the incremental rental revenue would no longer be necessary because there would no longer be a loan to service. Although this is an effective way to deal with what happens when the HAP

contract terminates, this method still leaves the lender vulnerable to appropriations risk during the term of the HAP contract.

Lenders that are *unwilling* to assume appropriations risk say that they understand the risk, but indicated that there are other ways for them to earn Community Reinvestment Act (“CRA”) credit⁴⁹ that has less downside financial exposure – essentially saying that there is no way for them to hedge the appropriations risk. It should also be noted that, unlike the case with tax credit investors, lenders in syndicated transactions involving tax credits are not allowed (by IRS regulations) to require developer guarantees (the debt must be non-recourse). This means that lenders are not able to as effectively shift the appropriations risk onto the developer (as syndicators are through methods like developer deficit guarantees and transition reserves).

Lenders also mentioned that they typically provide financing for these projects for a term of 30-40 years, and that although a 10 year HAP contract is important, they must consider what happens after that 10 year initial term. Upon expiration of the HAP contract, lenders no longer have a government guaranteed income stream to rely on, and unless tax credit rents rise significantly over the initial HAP term, a reversion to the tax credit rents could put the property at risk of foreclosure.

Some lenders have found creative ways to underwrite around this issue. One method was to underwrite to the PBV rent level for the term of the HAP contract, then the lender assumes that the Section 8 HAP contract expires and is not renewed, in which case the tenants all are entitled to enhanced vouchers. Enhanced vouchers pay an amount

⁴⁹ CRA credit rating refers to the requirement that lenders that accept deposits from low-income neighborhoods must appropriately reinvest funds in these neighborhoods. Banks get rated based on their compliance with this regulation. CRA ratings are most important for banks planning to merge / consolidate with other banks. The CRA rating is a factor the government can evaluate to determine if the merger should be approved.

equal to the then current Section 8 HAP rents but essentially transform into tenant-based vouchers where the subsidy is then tied to the resident. Since the resident has control over the subsidy, and is free to leave with the subsidy at anytime, the lender underwrites a certain attrition percentage (say 10%-20% annually), and the underwriting reflects the fact that 10%-20% of the income stream is reduced from Section 8 to tax credit rents annually during the post-HAP contract term. The lender then sizes the initial loan (with these built-in assumptions) to maintain a 1.10x DSCR throughout the 40 year term of the loan.⁵⁰

Tax Credit Equity Investors

Tax credit equity investors are parties that agree to purchase limited partnership interests in projects that have received an allocation of LIHTCs from a state allocating agency. The tax credits reduce an investor's overall tax liability on a dollar-for-dollar basis and losses from depreciation and "soft" debt often create additional tax benefits. The money a tax credit investor uses to buy its LIHTC interest in a project is then used as an additional source of funds for the developer to use to pay for development costs in an affordable housing project.

Tax credit investors receive LIHTC's over a 10 year period, and are required to ensure that the project remains affordable for 5 years after this initial 10 year term (for a total of 15 years). Projects that do not maintain affordability or other compliance standards are subject to "recapture" – a reduction in tax credits available to them. These investors are primarily concerned with maintaining affordability for the 15 year

⁵⁰ Anderson, Nancy "HUD/HFA Risk Sharing Program, Underwriting Practices for 236 and Sec. 8 Assisted Developments." July 6, 2001.

compliance period, and are not so much concerned or interested about what happens to the property after 15 years.

Tax credit investors interviewed noted that although their investment period might be shorter than that of lenders (10-15 years versus 30-40 years) they are much more concerned about project underwriting than lenders because, when all of the tax benefits are ignored, they are, in the most basic form, equity investors in a real estate project. This means that they are in top-loss position, with limited collateral to call upon in the event of a default. They do not have the luxury of a secured interest in the property or mortgage insurance to limit their financial exposure.

After discussing the issue of appropriations risk with several tax credit investors, it became clear that they have procedures in-place to guard against this downside scenario. For example, if the event that the only way a proposed project underwrites sufficiently is with the use of the higher PBV rents, then a tax credit investor can require the developer to execute a deficit restoration guarantee which forces the developer to assume some, or all, of the appropriations risk. This means that if for any reason the income decreases (or expenses increase) on the property to a point where there would be an operating deficit situation, the developer would be responsible for funding this deficit.

Tax credit investors can also require developers to fund a transition reserve, equal to the capitalized difference between the PBV and tax credit rents. Tax credit investors often require developers to fund this reserve to cover a period for up to 24 months. Fannie Mae, which is the largest tax credit investor in the United States (and also one of the most conservative), requires that developers set-aside a 24 month transition reserve to account for appropriations risk.

Tax credit investors generally have a preference for financially and politically strong developers, especially when appropriations risk is involved because in the event that appropriations risk is realized, such developers are more likely to have the political contacts to secure other subsidies to account for at least a portion of the deficit. Such developers also have much stronger balance sheets and are more likely to be able to perform on guarantees in the event of a call on deficit restoration or other guarantees.

Residents

In order to get a comprehensive view of the impact PBVs have on affordable housing production, other critical stakeholders must be considered – the residents. After all, the residents will be the ones that must remain in a specific PBV-funded project for at least 12 months before they will be able to move again with a tenant-based voucher.

1. **Concentration of Poverty** -- In the year 2000, there were over 3.5 million low income people living in communities with poverty levels exceeding 40%.⁵¹ There has been a great deal of research trying to understand the impact of poverty concentration on families. Many social scientists have hypothesized that poverty concentration can foster social problems like crime, joblessness, teen parenthood, victimization, higher welfare dependence, low workforce participation, and substance abuse.

⁵¹ Sanbonmatsu, Lisa “Moving to Opportunity Interim Impacts Evaluation.” U.S. Department of Housing and Urban Development, Office of Policy Development and Research, September 2003 (page i).

There have been numerous demonstration programs to try and quantify the impact of giving low income residents portability.⁵² The results point to the fact that there seems to be inconclusive evidence regarding any benefit in terms of educational performance, employment, earnings, household income, security, or self-sufficiency.⁵³ There *does* appear to be a positive impact in terms of the housing quality in the new residences and in terms of the quality of schools that the children attend.

Unfortunately, between the public housing, project-based Section 8, tenant-based Section 8, and LIHTC programs, there are a considerable number of federally subsidized low-income families isolated in pockets of poverty throughout the United States. Current PBV program regulations restrict use of PBVs to census tracts with poverty rates at or below 20%. Although this is a well-meaning public policy, HUD has found that most of the requests for PBVs were anticipated to be used in conjunction with tax credits (in low income areas), HOPE VI projects (revitalization of distressed communities), and local redevelopment projects (in low-income pockets within communities).

HUD has been willing to waive this poverty de-concentration requirement, and allow PBVs to be used in census tracts with higher poverty rates, although they do prefer to limit subsidies to census tracts with poverty rates below 40%. HUD understands that the PBV needs to be leveraged with other subsidies to make positive neighborhood changes, and to constrain PBVs to only low poverty census tracts

⁵² The two best examples of this are the Gautreaux Program in Chicago in the 1970's and the Moving to Opportunity Demonstration Program in Baltimore, Boston, Chicago, Los Angeles, and New York City in the mid-1990's.

⁵³ Sanbonmatsu, Lisa "Moving to Opportunity Interim Impacts Evaluation." U.S. Department of Housing and Urban Development, Office of Policy Development and Research, September 2003 (page vi).

would again result in poverty stricken neighborhoods being abandoned by the federal government. Additionally, the regulations still only allow 25% of the units in any property to receive a PBV.

The utilization of PBVs means that tenants may be placed back into census tracts with poverty rates up to 40%, but only if it is their choice to do so (they have the option to wait for the next available tenant-based voucher). Additionally, the PBV is typically part of a broader effort to rehabilitate a property or a neighborhood, which means that the housing conditions at the property should typically be much better than its neighboring properties.

Overall, with regard to poverty concentration, the PBV is only marginally superior to that of the old project-based Section 8 program, and only because it is the tenant's choice to live at the project, coupled with their ability to move with a tenant-based voucher after 12 months.

2. **Portability for Voucher Holders** -- One of the key features that was hailed by affordable housing advocates when tenant-based vouchers were created was the ability for families that were stuck in poor neighborhoods in poor buildings to move to housing of their choice. Vouchers were supposed to be the tool that allowed families to escape and pursue a better life – and the old project-based Section 8 program stood in the way of allowing this to happen.

PBVs are an option that families can *choose* to accept – if a family is not interested in a PBV property and its neighborhood, it can pass on the opportunity to live there and simply wait for the next available tenant-based voucher. Additionally, if the tenant does decide to live in the PBV property, and if they stay in the property

for a least 12 months and then decide to move, they are guaranteed a tenant-based voucher from their PHA. This feature of the new PBV program is a very significant addition.

With regard to portability, residents are better off with the PBV program than they were with that of the old project-based Section 8 program, because of their ability to move with a tenant-based voucher after 12 months.

3. **Housing Conditions** -- There is considerable evidence that housing quality standards at the old Project-Based Section 8 properties is better than at that of units rented by tenant-based Section 8 voucher holders. Fortunately, the PBV program allocates the “project-based” subsidy to properties a PHA chooses (and it has been used mostly for new or substantially rehabilitated properties – it was only in 2001 that existing properties were even eligible to receive the subsidy). This is unlike the case of tenant-based Section 8 voucher residents whose HQS are still at the mercy of willing landlords and an unpredictable rental housing market.

Overall, residents will see that the PBV program is just another option for them to consider. Their participation in the program is completely voluntarily; they can very well decline the project-based option and wait for the next available tenant-based voucher. The PBV program is likely to be a good option for many families because, until recently, the subsidy has only been attached to newly constructed or recently rehabilitated properties which means that the apartments should be in above-average condition. Also, if the residents end up not liking the property or the neighborhood, they are free to leave after 12 months and still receive a tenant-based voucher.

The PBV program should also reduce the time it takes for low-income families to find suitable housing because the project is essentially pre-qualified by the PHA, which means shorter search times for families and higher utilization rates for the PHA (because families will never return this voucher unused due to a strong rental market in which owners have no need to burden themselves with the bureaucracy of tenant-based Section 8 vouchers). If PHAs are able to attach the PBV to hard-to-find unit types (i.e. three and four bedroom units) then the residents will also benefit from the fact that they will definitely be able to identify suitable housing for their families (and not need to overcrowd in too small of a unit).

CONCLUSION & RECOMMENDATIONS

The 2004 legislative environment has not been tremendously successful for affordable housing advocates. During this election year, Congressional appropriations for national security, confrontations abroad, and a recovering economy are trumping the needs of extremely low income households. Unfortunately, regardless if there is money to increase funding for affordable housing, the problem of more and more families allocating an unsustainable percentage of their household income towards rent is getting worse. There are over 6.4 million extremely low income households living in housing that is not affordable. In 1999, the average extremely low income household reported paying 54% of their income for housing,⁵⁴ which means that the household must sacrifice other basic needs in order to maintain their housing. Allocating this high a percentage of a household's income towards rent is the first step towards homelessness.

This thesis has given a broad overview of federal affordable housing programs and of HUD's annual budget. The thesis also provides a detailed background of the Section 8 program, the Tenant-Based Section 8 program, and the PBV program. Most importantly, the thesis details how PBVs best work to stimulate the production of affordable housing for extremely low income households. Between the program changes over the past 6 years, the expected changes in the next few months, and the recommendations described below, the PBV has transformed an overlooked demand-side subsidy into a functioning supply-side production tool for extremely low-income families. The recommendations are as follows:

⁵⁴ Report of the Bipartisan Millennial Housing Commission Appointed by the Congress of the United States "Meeting our Nation's Housing Challenges." Washington, D.C., May 30, 2002 (page 37).

1. **Allow PHAs to allocate up to 1/3rd of their total voucher allocation towards project-based Section 8 vouchers (with no minimum requirement).** This would allow PHAs in strong rental markets to have an effective tool to leverage with existing resources.
2. **Remove “Subject to Annual Appropriations” language from multi-year HAP contracts.** Remove the provision in multi-year HAP contracts that states “subject to annual appropriations.”⁵⁵ The best way to do this would be to move project-based Section 8 HAP contract funding from a discretionary portion in the federal budget to a mandatory category of the budget.⁵⁶ This would eliminate the need for annual appropriations and eliminate the “appropriations risk” that lenders and tax credit investors are currently pricing into their participation.
3. **Do not count (as the proposed rule change recommends) “other federal project-based assistance” towards the 25% maximum number of project-based Section 8 voucher units on any property.** In order for the PBV to be an effective tool for the affordable housing industry, the tool needs to be able to be used to preserve and acquire existing subsidized properties as well as stimulate new production.⁵⁷
4. **Do Not force PHAs to redetermine rents annually.** One of the proposed rule changes is to force PHAs to readjust PBV rents annually, regardless if the owner requested a rent adjustment. This is important because FMRs and payment standards can be modified at anytime without a real estate rationale for the change. HUD or the PHA could be under budgetary pressure and in an effort to cut costs a project’s rent could be unnecessarily reduced. Such a reduction in operating cash flow can be detrimental to an already financially stressed affordable housing project. This provision would eliminate one of the key tradeoffs in affordable housing, which is the assumption that rents will probably never be reduced (because these deals are typically underwritten so tight that any material downward rent adjustment or increase in operating expense can cause a foreclosure), but rents will also have limited upside potential. HUD should not instill regulations that unnecessarily destabilize the income stream of an already financially thin project.
5. **Change concentration of poverty restrictions to below 40%.** Although the current regulation is correct from a public policy perspective, the requirement to only use PBVs in census tracts that have a poverty rate below 20% is impractical. The reason for this is because this subsidy is most often used in tandem with other affordable housing subsidies that encourage affordable housing production in

⁵⁵ Report of the Bipartisan Millennial Housing Commission Appointed by the Congress of the United States “Meeting our Nation’s Housing Challenges.” Washington, D.C., May 30, 2002 (page 69).

⁵⁶ Report of the Bipartisan Millennial Housing Commission Appointed by the Congress of the United States “Meeting our Nation’s Housing Challenges.” Washington, D.C., May 30, 2002 (page 69).

⁵⁷ The existing subsidized projects that this change would affect would be 221d3 BMIR, 236, and partially project-based Section 8 assisted properties.

census tracts with *high* poverty. For instance, in the tax credit application process, additional points are awarded if the development is in a high poverty area in need of revitalization. Another example would be using PBVs in a HOPE VI project, which would most certainly be in a high poverty area. HUD's central office indicated that this provision was originally used to see what types of proposals would be submitted, and that they have been more than willing to approve exceptions to this rule. In an attempt to make the process more efficient, HUD should change the poverty rate restriction to 40%.

The PBV is a resource that has been overlooked for many years, but with more and more affordable housing participants understanding the need to optimize existing resources, the PBV is a resource on the verge of becoming a readily available and understood tool for this industry. PHAs are increasingly initiating a PBV program, affordable housing developers are slowly starting to inquire and utilize this relatively unknown program, and lenders and tax credit investors are being forced to find creative ways to underwrite this unique subsidy. The PBV is well on its way to being the production program for extremely low income households than has been absent for the past two decades, but its success relies in part on the administration and HUD reversing some of their policy stances about Section 8 nuances that could be remedied by recommendations such as those described above.

INTERVIEWS

Developers / Owners

Lloyd, Bart, Manager of Acquisitions, Preservation of Affordable Housing, Inc., personal interview, June 30, 2004.

Madsen-Hardy, William, Vice President, New Atlantic Development, personal interview, June 17, 2004.

Williams, Joseph, Director of Acquisitions, National Church Residences, telephone interview, August 2, 2004.

Wright, Ashley, Director of Project Development, Southern California Housing Development Corporation, telephone interview, July 21, 2004.

Lenders

Aiyer, Mahesh, Vice President of Community Development Lending, Washington Mutual, telephone interview, June 28, 2004.

Anderson, Nancy, Manager of Rental Development, Mass Housing, telephone interview, August 3, 2004.

Hilbert, Christopher M., Chief Financial Officer, National Housing Development Corporation, telephone interview, June 30, 2004 (former Vice President with Bank of America Community Development Lending).

Tax Credit Investors

Canori, Gino, Related Companies of California, telephone interview, June 28, 2004.

Castillo, Lisa, Vice President, National Housing Development Corporation, telephone interview, June 30, 2004 (former tax credit syndicator with Related Capital).

Tran, Phuc, Vice President, Apollo Housing, telephone interview, August 2, 2004.

Public Housing Authorities / HUD

Bak, Rose, Section 8 Director, Housing Authority of Portland, telephone interview, August 2, 2004.

Benoit, Gerald, Director, Housing Voucher Management and Operations Division, Department of Housing and Urban Development, telephone interview, July 22, 2004.

Wuenschel, Daniel, Former Executive Director, Cambridge Housing Authority, personal interview, July 1, 2004.

SELECTED BIBLIOGRAPHY

Aboul-Saad, Shereen “Overcoming Barriers: How and When Non-Profits Can Acquire At-Risk Affordable housing.” Policy Analysis Exercise, Master in Public Policy Program, Kennedy School of Government, Harvard University, April 2001.

Achtenberg, Emily “Stemming the Tide: A Handbook on Preserving Subsidized Multifamily Housing.” Local Initiatives Support Corporation. September 2002.

Anderson, Nancy “HUD/HFA Risk Sharing Program, Underwriting Practices for 236 and Sec. 8 Assisted Developments.” July 6, 2001.

Anthony, Amy S. “Comments on Project-Based Voucher Rule, Docket No. FR-4636-P-01.” Preservation of Affordable Housing, Inc.

Bratt, Rachel G. “Public Housing Authorities: Determining an Appropriate Role in a National Preservation Strategy.” Housing Policy Debate, Volume 2, Issue 2.

Center on Budget and Policy Priorities “Comments on Project-Based Voucher Rule, Docket No. FR-4636-P-01.” May 17, 2004.

Citizens Housing and Planning Association and Community Economic Development Assistance Corp. of Massachusetts “Project-Based Voucher Program: Proposed Rule 24 CFR Part 983, Docket No. FR-4636-P-01, May 14, 2004.

City of Boston Department of Neighborhood Development and the Boston Housing Authority “Request for Proposals, City of Boston “Leading the Way, HOME, CDBG, HOPWA and Section 8 Project-Based Assistance Program.” 2002.

Department of Housing and Urban Development website (www.hud.gov).

Department of Housing and Urban Development. 24 CFR Part 983 Project-Based Voucher Program; Proposed Rule. Federal Registrar. March 18, 2004.

Department of Housing and Urban Development [Docket No. FR-4633-N-01] “Revisions to PHA Project-Based Assistance Program; Initial Guidance.” Federal Register / Vol. 66, No. 10/Tuesday, January 16, 2001.

Devine, Deborah “Housing Choice Voucher Location Patterns: Implications for Participants and Neighborhood Welfare.” U.S. Department of Housing and Urban Development, Office of Policy Development and Research, January 2003.

Devine, Deborah J. “The Uses of Discretionary Authority in the Tenant-Based Section 8 Program, A Baseline Inventory of Issues, Policy, and Practice.” U.S. Department of Housing and Urban Development, Office of Policy Development and Research, Division of Program Monitoring and Research, November 2000.

FDCH Political Transcripts “U.S. Rep. James Walsh Holds Hearing on FY 2005 HUD Appropriations.” March 3, 2004.

Finkel, Meryl “Costs and Utilization in the Housing Choice Voucher Program.” U.S. Department of Housing and Urban Development, Office of Policy Development and Research, July 2003.

Finkel, Meryl “Learning from Each Other, New Ideas for Managing the Section 8 Certificate and Voucher Programs.” U.S. Department of Housing and Urban Development, Office of Policy Development and Research, Office of Public and Indian Housing, September 1996.

Finkel, Meryl “Study on Section 8 Voucher Success Rates, Volume I Quantitative Study of Success Rates in Metropolitan Areas.” U.S. Department of Housing and Urban Development, Office of Policy Development and Research, November 2001.

Goering, John “Promoting Housing Choice in HUD’s Rental Assistance Programs.” U.S. Department of Housing and Urban Development, Office of Policy Development and Research, April 1995.

Guhathakurta, Subhrajit and Mushkatel, Alvin H. “Does Locational Choice Matter? A Comparison of Different Subsidized Housing Programs in Phoenix, Arizona.” Arizona State University, March 2000.

Houston, Elizabeth Ann “Preservation Issues in Project-Based Section 8 Contract Expirations.” Massachusetts Institute of Technology Master’s Thesis. September 1992.

Hunt, Louise “Summary of the Quality Housing and Work Responsibility Act of 1998 (Title V of P.L. 105-276).” Office of Policy, Program and Legislative Initiatives, Office of Public and Indian Housing, December 1998.

Jackson, Alphonso. United States Department of Housing and Urban Development Fiscal Year 2005 Budget Summary, Message from Acting Secretary Jackson, February 2, 2004.

Joint Center for Housing Studies of Harvard University, “The State of the Nation’s Housing 2004”.

Katz, Bruce J. and Turner, Margery Austin “Who Should Run the Housing Voucher Program? A Reform Proposal.” Housing Policy Debate, Volume 12, Issue 2, Fannie Mae Foundation, 2001.

Landis, John and LeGates, Richard “Housing Planning and Policy.” University of California at Berkeley, Institute of Urban and Regional Development, August 1998.

Locke, Gretchen “Case Studies of the Conversion of Project-Based Assistance to Tenant-Based Assistance.” U.S. Department of Housing and Urban Development, Office of Policy Development and Research, August 2000.

McClure, Kirk “Housing Vouchers versus Housing Production: Assessing Long-Term Costs.” Housing Policy Debate, Volume 9, Issue 2, Fannie Mae Foundation, 1998.

McDonough, Michelle K. “Balancing Income Targeting and Poverty Deconcentration in Subsidized Housing: The Challenge of the Federal Section 8 Program.” Massachusetts Institute of Technology Master’s Thesis. June 1998.

National Council of State Housing Finance Agencies website (www.ncsha.org).

National Housing Trust “Changes to Project-Based Multifamily Units in HUD’s Inventory Between 1995 and 2003.” April 2004.

Office of Policy Development and Research “Voucher Recipients Enjoy Much Greater Choice About Where to Live Than Residents of Public Housing and are Less Likely to be Concentrated in Distressed neighborhoods.” Issue Brief No. I, December 2000.

Quercia, Roberto G. and Galster, George C. “The Challenges Facing Public Housing Authorities in a Brave New World.” Housing Policy Debate, Volume 8, Issue 3, Fannie Mae Foundation, 1997.

Report of the Bipartisan Millennial Housing Commission Appointed by the Congress of the United States “Meeting our Nation’s Housing Challenges.” Washington, D.C., May 30, 2002.

Resident Characteristics Report. U.S. Department of Housing and Urban Development. June 23, 2004.

Rohe, William and Kleit, Rachel Garshick “Housing, Welfare Reform, and Self-Sufficiency: An Assessment of the Family Self-Sufficiency Program.” Housing Policy Debate, Volume 10, Issue 2, Fannie Mae Foundation, 1999.

Sanbonmatsu, Lisa “Moving to Opportunity Interim Impacts Evaluation.” U.S. Department of Housing and Urban Development, Office of Policy Development and Research, September 2003.

“Section 8 Tenant-Based Housing Assistance: A Look Back After 30 Years.” March 2000.

Shroder, Mark and Reiger, Arthur “Vouchers versus Production Revisited.” Journal of Housing Research, Volume 11, Issue 1.

Smith, David A. and Handelman, Ethan “Block-Granting Section 8 (by another name): Round III Administration’s Implementation of FY 04 Appropriations.” May 2004.

Smith, David A. “Voucher Versus Production: The Arguments.” Multifamily Advisor, May/June 2002.

“The Flexible Voucher Program: Why a New Approach to Housing Subsidy is Needed.” May 18, 2004.

The Urban Institute “CHAC Mobility Program Assessment.” Interim Report, November 2001.

Varady, David and Walker, Carole C. “Case Study of Section 8 Rental Vouchers and Rental Certificates in Alameda County, California.” U.S. Department of Housing and Urban Development, Office of Policy Development and Research, October 2000.

Verrilli, Ann, New England PHA Survey on Utilization Problems, its Perceived Causes, and Potential Solutions. Citizens’ Housing and Planning Association and the New England Housing Network, 2000.

Ward Sr., Mark “Linking Tenant-and Project-Based Assistance.” Journal of Housing and Community Development, Jan/Feb 2002.

Wong, Eric “FHA Financing for LIHTCs Jumped \$218.6 million.” Affordable Housing Finance, March 2004.

Wong, Eric “Fannie Mae Invested \$3.1 billion for Affordable Housing in 2004.” Affordable Housing Finance, March 2004.