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BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Honorable Charles B. Rangel Chairman, Subcommittee On Oversight Committee On Ways And Means House Of Representatives

HUD Demonstration Programs--Their Use As A Policy Tool

HUD conducted 65 demonstrations in fiscal years 1974-81. Nearly all had one of two important policy purposes--either to promote a new approach to housing or urban problems or to produce information needed to solve such problems. Many demonstrations had both purposes.

GAO reviewed all these demonstrations, analyzing 6 in detail, to find out whether these policy purposes have been well served by the HUD demonstrations.

GAO found some demonstrations markedly successful, reflecting careful design, implementation, and evaluation. Others, however, were lacking one or more essential elements--for example, nearly half of the demonstrations were not evaluated--and failed to achieve their policy purposes. Demonstrations are generally thought to be inexpensive, yet 5 of HUD's 65 cost more than $40 million each. GAO provides guidelines in this report that should not only help improve decisions about when and how to use demonstrations but also help protect the investment of public funds.

UNITED STATES GENERAL ACCOUNTING OFFICE

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

INSTITUTE FOR PROGRAM EVALUATION

B-210497

The Honorable Charles B. Rangel
Chairman, Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

In your August 3, 1982, letter, you asked that we review demonstrations conducted by Federal civilian agencies. Specifically, you expressed interest in the ways demonstrations have been initiated, designed, conducted, and used to satisfy policy needs. In this report, we summarize the salient characteristics of 65 demonstrations funded by the U.S. Department of Housing and Urban Development that were conducted between 1974 and 1981. We report in detail on 6 of those demonstrations. (We focused on HUD because of the wide variety of demonstrations it has funded.) We also offer guidelines for design and evaluation that we hope will be useful in making policy decisions for future HUD demonstrations.

Officials of HUD read and commented on a draft of this report. The letter is printed here as appendix IX. Copies of our report are being sent to people with an interest in Federal demonstration programs and will be made available to others who request them.

Sincerely yours,

Eleanor Chelimsky
Director

GENERAL ACCOUNTING OFFICE
REPORT TO THE CHAIRMAN
SUBCOMMITTEE ON OVERSIGHT
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

HUD DEMONSTRATION PROGRAMS--
THEIR USE AS A POLICY TOOL

DIGEST

Federally sponsored demonstrations are frequently used as a policy tool in such diverse fields as energy, health care, housing, education, and transportation. Despite their popularity as a policy tool, their strengths and weaknesses are not well understood. There have been many studies of individual demonstrations but few attempts to examine the characteristics of the demonstration mechanism across programs and projects.

GAO examined some of the characteristics of 65 demonstrations conducted by the U.S. Department of Housing and Urban Development (HUD) between 1974 and 1981. GAO studied their nature and extent and examined their design and evaluative aspects. GAO also performed case studies of 6 HUD-funded demonstration projects to determine whether they had been selected, designed, and evaluated to achieve their general policy purposes.

The Chairman of the Subcommittee on Oversight of the House Committee on Ways and Means asked GAO for information on demonstrations, with special interest in the ways in which they have been initiated, designed, carried out, and used to satisfy policy needs. Specifically, the Chairman expressed interest in information on the following questions:

1. What policy purposes have demonstrations had?

2. Have they provided the information that was expected from them?

3. Have their design and evaluation been appropriate to their purpose?

4. What time and cost have they involved?

5. Have the results been used appropriately?

6. Are there steps that can be taken to increase their effectiveness and usefulness?

Because GAO's review took place in only one agency, it is not possible to generalize the findings to all federally funded demonstrations.

OBJECTIVES, SCOPE, AND METHODOLOGY

For this review, GAO defined a program as a demonstration if (1) the Congress mandated that it be conducted as a demonstration or (2) HUD conducted it as a demonstration or (3) a product or process was used at or near full scale in a realistic environment in order to produce new information about the product or process or to promote it through actual use. GAO selected demonstrations that cost at least $50,000 and that were still going on or had been completed between January 1, 1974, and September 30, 1981. (p. 4)

Officials responsible for the HUD demonstrations that GAO identified with these criteria answered a detailed questionnaire from which GAO drew a profile of the 65 demonstrations, categorizing them as technological or non-technological, informational or promotional. GAO then drew a judgmental sample of 6 cases that had sufficient documentation and that reflected at least some of the distribution across the variables of interest (type, policy goals, time, cost). The 6 cases are Community Economic Development, Fair Housing Enforcement, Gautreaux, Land Title, Optimum Value Engineered Housing, and Prepurchase Counseling. GAO also examined relevant published and unpublished documents and interviewed agency and demonstration personnel. (pp. 4-8, 45-56)

In analyzing the 6 cases, GAO looked at four critical decision points:

--selecting the demonstration as a policy tool,

--designing it and setting up its evaluation strategy,

--implementing it in such a way that its results will be clear, and

--informing others about and using its results. (pp. 8-10)

Because it found a variety of problems in the selection, design, and evaluation of the 6 cases, GAO constructed guidelines for future demonstration policy. (pp. 10, 38-43)

HUD officials read a draft of this report and agree with GAO's observations and conclusions. HUD states that it believes that GAO's review is thorough and balanced and that GAO's guidelines offer excellent suggestions on how to improve the development and implementation of future demonstrations. (pp. 43, 108-09)

WHAT POLICY PURPOSES HAVE DEMONSTRATIONS HAD?

GAO's profile of HUD demonstrations shows that 60 of the 65 programs included among their policy purposes either the production of new information to support program development or the promotion of a new approach that had already been developed or both. HUD's use of demonstrations for these purposes seems well suited to the inherent strength of the demonstration mechanism. Other policy purposes included improving a process and providing training or services. (pp. 11-12, 16-19)

GAO's case studies show that, while a single project or program can serve many purposes, the design demands of those having multiple goals are great, with real potential for conflict. For example, a demonstration that has both an informational and a promotional purpose may encourage the adoption of a product or process before its effectiveness has been clearly determined. Some programs with both purposes (like Optimum Value Engineered Housing) were designed so that promotional activities did not occur until effectiveness had been demonstrated. In others, the distinction between the two policy purposes was not clearly drawn, so that promotional activities (in Community Economic Devlopment, for example) were begun long before effectiveness had been established. (pp. 20-22, 24)

HAVE THEY PROVIDED THE INFORMATION THAT WAS EXPECTED FROM THEM?

Four of the case study demonstrations provided reasonably clear results, although they were limited in various ways by design decisions. Clear results were not obtained from one (Prepurchase Counseling) and are unlikely from another (Fair Housing Enforcement) not yet completed. Both suffered from design and implementation problems. In some cases, information important to the users was not obtained. Prepurchase Counseling, for example, failed to determine the extent of need for services. Had it done so, HUD might have discontinued this unsuccessful demonstration. (pp. 20-22, 24-28, 31-33)

HAVE THEIR DESIGN AND EVALUATION BEEN APPROPRIATE TO THEIR PURPOSE?

Policy purposes and program goals were reasonably clear and agreed on in all 6 cases. They differed, however, in how well their design and evaluation could provide information that is necessary to determine if their policy purposes and goals were achieved. For example, of the 4 that had promotion as a principal goal, one (Community Economic Development) included extensive efforts to inform people interested in the demonstration activities, but efforts in the 3 others were less extensive. (pp. 28-29)

GAO indicates some of the problems that can arise when design issues are not carefully addressed before a demonstration is initiated, including whether it is an appropriate tool for achieving the policy purpose, clearly addresses the program concerns, can reasonably be expected to work, and has a market or potential use. It seems likely that Prepurchase Counseling and Land Title would have been done differently or not at all if the planning had systematically pursued answers to these questions. (pp. 26-28)

HUD officials reported that more than half of the demonstrations were not evaluated. They were likely to have been evaluated (although 3 were not) if obtaining information was more important than any other policy purpose. Only about half of those in which information and promotion were rated as equally important were evaluated. Demonstrations were likely not to be evaluated if promotion was more important than any other policy purpose. (pp. 11, 14)

WHAT TIME AND COST
HAVE THEY INVOLVED?

Nearly half of the 65 demonstrations lasted 3-5 years; most lasted 5 years or less. HUD obligated a total of more than $874 million in 1974-81 for all 65, although costs for individual demonstrations varied enormously. The amounts did not approach those typically allocated for service programs, but they cannot be said to have been cheap. The median HUD cost was $586,000 for 62 demonstrations; 20 (nearly a third) cost $2 million to $229 million. Five cost more than $40 million each. Congressionally mandated demonstrations were among the more expensive, and there was a trend toward small demonstrations over the years. Many HUD demonstrations involved cost-sharing with other governmental or private sources. (pp. 12-13, 15)

HAVE THE RESULTS BEEN
USED APPROPRIATELY?

Evidence shows that HUD used the results of 3 of the 6 case study demonstrations. HUD also adopted several strategies to inform potential users of the results of 4 of the 6, but there is no solid evidence on the extent to which the information was used. Contextual factors affected the potential use of results negatively in some instances. For example, the tightening housing market hindered both Gautreaux and Prepurchase Counseling, and the energy crisis reduced the utility of results from Optimum Value Engineered Housing. (pp. 31-35)

Changes in policy and politics also affect how the intended audience receives the results. By the time Prepurchase Counseling and Land Title, both congressionally mandated, were completed, the political environment had changed so much that interest in the results had substantially waned. Similarly, changes in political priorities may lessen the interest in Fair Housing Enforcement. (pp. 35-36)

ARE THERE STEPS THAT CAN
BE TAKEN TO INCREASE
THEIR EFFECTIVENESS
AND USEFULNESS?

The four critical decision points in the demonstration process are at initiation, design

Tear Sheet

and evaluation, implementation, and the publication and use of results. GAO finds that a demonstration should be initiated only when

--the policy or program concern and the process or product being demonstrated are a good match;

--it is both needed and sufficient to achieve the policy purpose,

--there is good reason to believe it will succeed,

--the time required for conducting it will be compatible with the policy needs,

--there is a market or other potential use for it. (pp. 39-40)

To achieve its policy purposes, a demonstration's design should carefully address

--clarity of purpose, whether informational or promotional;

--the need for evaluative information about the effectiveness of the product or process being demonstrated;

--the need for adequate descriptive information on success, failure, and users' needs;

--the existence of an incentive for the demonstration's use. (pp. 40-42)

Successful implementation requires careful organization and administration and appropriate and aggressive encouragement of participation. (pp. 42-43)

The most appropriate strategy for using and informing others about a demonstration's results depends on their nature and clarity. The tendency is to make only successes known, but data from demonstrations that fail can also contribute to the understanding of a product or process and should be made available. (pp. 42-43)

Finally, assessing how users react to and use the results will help improve the demonstration as a policy tool. Demonstrations that are frequently selected or expensive to conduct must be assessed for the extent to which their results were interesting and useful to the relevant audience. (p. 43)

C o n t e n t s

ABBREVIATIONS

DOC	U.S. Department of Commerce
DOE	U.S. Department of Energy
DOL	U.S. Department of Labor
GAO	U.S. General Accounting Office
HUD	U.S. Department of Housing and Urban Development
NAHBRF	National Association of Home Builders Research Foundation
NCDH	National Committee Against Discrimination in Housing
NCUED	National Council for Urban Economic Development
OMB	Office of Management and Budget

CHAPTER 1

INTRODUCTION

Federal funding of demonstration programs appears to have begun in 1843 with a $30,000 appropriation to demonstrate Samuel Morse's telegraph. In fiscal year 1977, the latest year for which figures are available, it was estimated that $860 million was spent by Federal civilian agencies for demonstrations--nearly 10 percent of their research and development budget. 1/* Over the past several years, federally sponsored demonstration programs have come into frequent use as a policy tool in such diverse fields as education, energy, health care, housing, and transportation, despite the fact that their strengths and weaknesses as a policy tool are not well understood.

There have been many studies of individual demonstrations but few attempts to examine their general characteristics. Most of the cross-project studies have examined technological demonstrations only and have not been primarily concerned with the design or evaluation aspects of demonstrations. In this report, we present the results of our analysis of these aspects of 65 technological and nontechnological demonstrations conducted between 1974 and 1981 by the U.S. Department of Housing and Urban Development (HUD), we give details of our examination of 6 case studies of HUD demonstrations, and we offer specific guidelines for designing and evaluating demonstrations in the service of policy.

PREVIOUS ATTEMPTS TO CHARACTERIZE FEDERAL DEMONSTRATION PROGRAMS

Demonstrations belong to research and development activity, but they are distinguished by their focus on a "real world" environment. Often they are intended to serve multiple purposes, but they are typically selected in order to achieve at least one of the following purposes:

--to produce new information about how a program, product, or process functions in a realistic environment, rather than a laboratory; these are called "informational" or "experimental" demonstrations;

--to promote a particular program, product, or process by demonstrating its utility to potential adopters; these are called "promotional" or "exemplary" demonstrations.

In one of the earliest systematic attempts to examine the characteristics of technological demonstrations across a variety of projects, the Rand Corporation concluded in 1976 that these

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*Citations are given in full in appendix VII.

characteristics are important contributors to a demonstration's success:

--the technology has been well developed before the demonstration;

--non-Federal firms or agencies and potential users are involved significantly in all phases of the demonstration, including cost-sharing and risk-sharing;

--there is a market for the technology that is being demonstrated;

--time constraints are realistic.

From this analysis of 24 technological demonstrations funded by 13 Federal agencies, Rand developed guidelines specifying how technological demonstrations should be managed, when Federal involvement in the development of a technology is appropriate, the respective roles of Federal and private sectors in demonstrations, and how people should be informed about demonstration results. 2/

Rand's case studies were used as a data base in 1978 by the Charpie Task Force, which developed guidelines for the use of demonstrations for the Energy Research and Development Administration. Like Rand's guidelines, these were concerned primarily with the management of technological demonstrations and with issues about the appropriate Federal role in technological development. 3/

As the Federal use of demonstrations grew, more studies of specific demonstration programs were conducted. In 1978, the MITRE Corporation sponsored a symposium on the experience of participants in several different demonstration programs in a variety of areas. A number of problems and issues affecting the success of demonstrations surfaced in the discussions. Among the problems that the participants identified were vague and conflicting goals, weak or inappropriate evaluation designs, and the inability to measure all aspects of the product or process being demonstrated. 4/ Many of the same issues were also raised in another report published by Rand in the same year. 5/ Thus, although the demonstration is frequently employed as a policy tool, it is known to have many potential difficulties in its design and execution.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives and strategy for achieving them

We selected demonstrations as a focus for study because of congressional interest in their appropriate use. We selected HUD's demonstrations for our review because of the wide variety of demonstrations that this agency funds. A demonstration must yield clear evidence of its effectiveness if its results are to inform policymakers or to persuade potential adopters of the usefulness of the product or process being demonstrated. To determine how well demonstrations funded by the Federal Government achieve their policy purposes, the Chairman of the Subcommittee on Oversight of the House Committee on Ways and Means asked us to examine the ways in which they have been initiated, designed, carried out, and used to satisfy policy needs. Specifically, the Chairman expressed interest in information on the following questions:

1. What policy purposes have demonstrations had?

2. Have they provided the information that was expected from them?

3. Have their design and evaluation been appropriate to their purpose?

4. What time and cost have they involved?

5. Have the results been used appropriately?

6. Are there steps that can be taken to increase their effectiveness and usefulness?

To provide information on each of these questions, we organized our review of HUD's technological and nontechnological demonstrations with three objectives in mind:

--to determine how the purposes and characteristics of the demonstrations have varied,

--to determine whether their selection, design, and evaluation structure permitted the achievement of both their general policy purposes and their specific program goals,

--to develop guidelines to assist both the Congress and HUD in the appropriate selection, design, and evaluation of demonstrations.

In the strategy that we adopted, we first drew a profile of the demonstrations, collecting our data from a questionnaire we constructed to solicit descriptive information about each of the demonstrations HUD funded between 1974 and 1981. Next, we selected for analysis six case studies of individual demonstrations that exemplify the types of demonstration HUD conducted in those years. Finally, from this analysis and our findings, we developed guidelines for the appropriate selection, design, and evaluation of demonstrations. We based our guidelines on our determination of whether the selection of the demonstration as a policy tool had been appropriate, whether its design and evaluation had been consistent with its policy purpose, and whether the demonstration yielded clear results that were used as had been intended.

The scope of the demonstrations we profiled

We defined a program or a project as a demonstration if it met any one of the following criteria:

--the Congress had mandated that it be conducted as a demonstration;

--HUD conducted it as a demonstration;

--a program, product, or process was operated at or near full scale in a realistic environment in order to produce new information about the program, product, or process or to promote it through actual use.

We included demonstrations that cost at least $50,000 and that were still going on or had been completed between January 1, 1974, and September 30, 1981.

With these criteria, we compiled a tentative list of HUD demonstrations from HUD's computerized data, from budget documents, and from our own working papers. We made contact with officials in HUD's program offices and each division of HUD's Office of Policy Development and Research. Then we asked each official responsible for a demonstration to answer a questionnaire regarding that project. The information we solicited included congressional mandates, policy and program purposes, offices responsible for administration, dates programs began and ended, the number of sites, HUD and other costs, and program evaluations. We identified 65 demonstrations by this process, having made every effort to locate all HUD demonstrations performed between fiscal year 1974 and fiscal year 1981.

Given these procedures, the profile we drew is likely to have the following characteristics. It probably includes most of the bigger demonstrations and most of those that best fit our definition of a demonstration. It may be missing the smaller demonstrations and others that are more ambiguous in definition. The demonstrations administered by HUD's program offices are more likely to be missing than those administered by the Office of Policy Development and Research. (A computerized list of funded projects was available from it but not from the program offices.) Demonstrations completed earlier are more likely to be missing than others completed recently or still going on.

Our selection of case studies for analysis

To select our case studies, we drew a judgmental sample from the 65 HUD demonstrations reflecting at least some of the distribution across the variables of interest, such as type, policy goals, time, and cost. They also had to have sufficient documentation. We chose the following demonstrations:

Table 1

Six Case Study Demonstrations

Demonstration	Policy purposes rated most important by HUD officials	Program goal
Community Economic Development	Information; promotion	Determine whether innovative approaches to coordinating Federal and private money could improve the urban economic base
Fair Housing Enforcement	Information; promotion	Test whether cooperative relationships between private fair-housing groups and HUD can improve fair-housing effectiveness
Gautreaux	Information; respond to court mandate; provide services to Gautreaux population	Promote the mobility of public-housing tenants by giving them Section 8 assistance
Land Title	Information; promotion	Develop model systems for recording land titles
Optimum Value Engineered Housing	Information; promotion	Provide a system for reducing costs for housing construction
Prepurchase Counseling	Information	Evaluate the need for and efficacy of prepurchase counseling

--Community Economic Development,

--Fair Housing Enforcement,

--Gautreaux,

--Land Title,

--Optimum Value Engineered Housing,

--Prepurchase Counseling.

It is noteworthy that of these six, four (all but Gautreaux and Prepurchase Counseling) sought to implement both informational and promotional purposes.

In the appendixes to this report, we reprint our questionnaire, summarize the information we collected with it, and compare the characteristics of the case study sample to those of the whole group of 65. In table 1, we show the policy purposes and program goals of the six demonstrations listed above, and in the sections that follow we give short descriptions of each of them.

Community Economic Development

Jointly funded in 1976-79 by HUD, the U.S. Department of Commerce, and the U.S. Department of Labor, the Community Economic Development demonstration had both information and promotion as its policy purposes. Its program goal was to determine whether the economic base in 10 cities could be improved by coordinating Community Development block grants, Economic Development Agency grants, and Comprehensive Employment and Training grants, by involving the local members of the private sector, and by building up the analytical and policymaking capabilities of local staff. Earlier research had provided information on the nature of urban economic bases and had suggested that links did not exist between various agencies' urban grant programs. The 10 cities selected to participate demonstrated various strategies for increasing the local coordination of Federal funds, involving the private sector in local urban economic planning and development, and building up local capacities for coordinated economic development. The evaluation of the demonstration documented many examples of successful coordination and progress in local economic development activities, but because a comparison base is lacking, it is not possible to conclude that they were the direct result of the demonstration.

Fair Housing Enforcement

The Fair Housing Enforcement demonstration is one of a number of projects HUD began in 1978 in response to a national survey's indicating that unlawful discriminatory practices prevailed in the housing market. Its purposes were both informational and promotional. In particular, HUD wanted to find out whether a cooperative relationship between HUD and local fair-housing groups would increase HUD's effectiveness in upholding title VIII of the Civil Rights Act of 1968, which prohibits discrimination in renting and selling housing. The specific objective of the demonstration was to develop teamwork between HUD and private fair-housing groups. The private groups were to process title VIII complaints, test for discriminatory practices on the part of the accused, and study broad-based discrimination in segments of the market. Complaints and test results were to be turned over to HUD's regional offices, which were to use them in their efforts to mediate conflicts between complainants and the accused when discrimination was indicated by test results. The demonstration required coordination among 2 central offices in HUD, 7 of HUD's 10 regional offices, a management contractor, and 9 local fair-housing groups. Significant problems in implementation were caused at least in part by the management of the project. In addition, the ability to measure complaint activities and costs fell short of what had been anticipated, and a planned independent evaluation of the demonstration has been postponed. Although the results have varied considerably from site to site, it has not yet been clearly demonstrated that effective ties can be established between local fair-housing groups and HUD's regional offices.

Gautreaux

The purposes of the Gautreaux demonstration were to develop information and to provide services. The project resulted from a series of court actions in which HUD and the city of Chicago were sued on the grounds that their administration of Chicago's low-rent public-housing program had been racially discriminatory. HUD and Chicago were required to provide opportunities for tenants in and applicants for low-income public housing to move to parts of the Chicago metropolitan area containing few minority residents. The court ruled that 7,100 opportunities had to be provided; the demonstration began in 1977, and by July 1981 approximately 1,000 families had been placed. Where they are placed depends on the availability of Section 8 rental assistance certificates and on locating eligible, willing applicants. HUD estimates that it may take from 5 to 15 years to complete the demonstration.

A limited evaluation was conducted by HUD's Office of Policy Demonstration and Research in 1978. Participation has been less than expected, and this has affected both the informational and the service delivery purposes of the demonstration. In the first two years, 870 certificates were made available, only 455 families were placed, and 18 percent of these subsequently dropped out. That participation has been less than was expected is a result of strict eligibility criteria, a tight housing market, and the lack of desire among many families to live in the suburbs. One third of the participants still in the demonstration would prefer to live in Chicago rather than in the suburbs.

Land Title

The policy purposes of the Land Title demonstration, which ran from 1978 to 1981, were both informational and promotional. Section 13 of the Real Estate Settlement Procedures Act of 1974 required HUD to establish a model system or systems of land-title recording that would simplify and reduce the cost of land transfers and mortgage transactions, with the ultimate goal of developing a nationally uniform recording system. HUD responded by funding two research studies on improving land-title records and nine demonstration sites to illustrate and test the results of various procedures for improving title records. HUD's research indicated that making improvements in public record systems is possible--the demonstration sites showed ways of doing this successfully--but that it will not necessarily reduce costs for the consumer.

Optimum Value Engineered Housing

The informational purpose of the 1971-77 Optimum Value Engineered Housing demonstration was to find out if it is possible to

> "develop a building system using conventional materials and labor skills to produce safe, healthful dwellings that meet user needs at a lower cost than current conventional practice. This was accomplished by reducing the costs of materials and related labor through a process of value engineering. The basic concept was to

engineer the structure to fully utilize the capability of all materials, including recognition of the interrelated performance of the various elements." 6/

Components of the system were selected for their cost-saving potential and for their use of familiar and available building materials and labor skills. Likely components were tested and those that were cost-effective and complemented one another were integrated into the demonstration. The system was tested by the construction of a demonstration house in Montgomery County, Maryland. Engineering tests on the house and cost analyses indicated a 12 percent overall reduction in typical construction costs. As for the demonstration's promotional purpose, the National Association of Home Builders, the demonstration's contractor, made the results available to interested homebuilders.

Prepurchase Counseling

The Prepurchase Counseling demonstration was mandated by the Congress in 1976 to provide information on the need for and the cost-effectiveness of counseling services for first-time low-income and moderate-income home buyers. Designed and conducted in 1977-81 by Abt Associates, the demonstration addressed cost but not need. The cost-effectiveness of prepurchase services provided by HUD-approved counseling agencies in three communities was assessed in a design that attempted to compare both the intensity and the format of counseling services. Participation in the demonstration was extremely limited, however, despite an intense public relations campaign to promote it. Because of the low participation, it was not possible to assess how the services affected default rates as had originally been planned.

Our method of analysis

To perform our analysis of the six case studies, we constructed four general study questions, basing their concepts on the six questions raised by the Chairman of the Subcommittee on Oversight of the House Committee on Ways and Means. We constructed the four study questions to address the design issues at four critical decision points in the demonstration process:

--selecting the demonstration as a policy tool,

--designing the demonstration and setting up its evaluation strategy,

--implementing the demonstration in such a way that its results will be clear, and

--publishing and using the demonstration's results.

As table 2 shows, these questions serve as a guide to this report; we have broken them down into their detailed elements and present the results of our analysis chapter by chapter.

Table 2

The Case Study Questions That Structure Our Analysis

Study questions	Their subquestions
Has the selection of the demonstration as a policy tool been appropriate?	a. Is the demonstration needed to achieve the policy purpose? b. Does the product or process being demonstrated clearly address the program concern? c. Is there evidence to suggest that the demonstration will work? d. Does a market or potential use exist, or is one being created, for the product or process?
Has the demonstration been designed and evaluated so as to achieve its policy purposes and program goals?	a. Are the policy purposes and program goals of the demonstration clear, agreed to, and compatible? b. Does the design and evaluation structure adequately support the demonstration's informational purposes? c. Does the design and evaluation structure adequately support the demonstration's promotional purposes?
Has the demonstration provided clear answers to the program questions?	a. Was the demonstration's implementation adequate? b. Were the results clear?
How are the results of the demonstration being used?	a. Were the relevant users informed about the demonstration? b. Were the results of the demonstration used for its policy purposes or for other purposes? c. Did contextual factors affect the demonstration or receptivity to its results?

After providing in chapter 2 an overview of the HUD demonstrations, in which we summarize their extent, purposes, and general characteristics, we answer the first of the study questions, and its subquestions, in chapter 3: Has the selection of the demonstration as a policy tool been appropriate? As with all four questions, to answer this and its subquestions we conducted a thorough review of all available documents about each of the six case study demonstrations, including legislative histories, requests for proposals, contracts, and evaluation reports. We supplemented this review with interviews with HUD officials, other Federal officials, and private contractors.

The next question--Has the demonstration been designed and evaluated so as to achieve its policy purposes and program goals? --and its subquestions constitute the analysis we present in chapter 4. Has the demonstration provided clear answers to the program questions? How are the results of the demonstration being used? We present the answers to both of these questions and their subquestions in chapter 5.

The size of our sample is small, and this precludes us from making generalizations about all demonstrations, or even all HUD demonstrations. However, our analyses do suggest that certain critical factors should be considered at each decision point in the demonstration process. Analyzing these factors has enabled us to construct a set of policy guidelines for designing and evaluating future demonstrations.

The development of policy guidelines

Coupling the information we collected through the demonstration questionnaire, which gave us a profile of the demonstrations, with what we learned from our intensive examination of the six individual demonstrations, we found it possible to develop specific guidelines for the selection, design, and evaluation of HUD demonstrations. The questionnaire provided us with the basic information on the 65 HUD demonstrations that are identified in the profile. From this, we were able to characterize the demonstrations as informational or promotional, as technological or nontechnological, as more or less costly, as having been congressionally mandated, and so on. In choosing the six demonstrations for closer examination, we were thus able to select them to include as many characteristics as a demonstration conducted between 1974 and 1981 might have had, although they are not intended to be representative of all demonstrations.

The broad profile with the detailed analysis allowed us to identify some criteria that determine a demonstration's potential for success, and we outline them and discuss them in chapter 6. It should be noted, however, that generalization to all federally funded demonstrations is not possible from this study. The guidelines we offer apply to HUD. Further study will be needed to determine whether the findings we report here would be confirmed in other agencies and whether, as a result, the guidelines we have suggested for HUD application would also be meaningful and useful in other agencies.

CHAPTER 2

THE EXTENT, PURPOSES, AND CHARACTERISTICS OF HUD-FUNDED DEMONSTRATIONS

WHAT IS THE EXTENT OF HUD DEMONSTRATIONS?

We identified 65 demonstrations that HUD funded, at least in part, between 1974 and 1981. In technological areas, they included housing construction and energy conservation. The nontechnological demonstrations were concerned with a wide range of issues, including the rehabilitation and preservation of residential and commercial areas, economic development strategies, housing for the elderly and handicapped, housing allowances, housing counseling, fair housing, productivity improvement, urban displacement, and services to rural areas. The 65 constitute the universe from which we drew our profile of HUD demonstrations. In appendix I, we give a complete list of them and their program purposes.

WHAT PURPOSES DO HUD DEMONSTRATIONS SERVE?

Policy purposes

Nearly all the demonstrations had either information or promotion as one of their most important policy purposes. More than half had both. Other policy purposes included the provision of services to recipients. Many demonstrations had multiple purposes. In table 3, we show the numbers of technological and

Table 3

The Most Important Policy Purposes of HUD-funded Demonstrations as Rated by HUD Officials

Most important policy purposes	Number of demonstrations: Nontechnological	Technological	Total
Information	8	2	10
Promotion	4	5	9
Information and promotion	18	6	24
Information, promotion, and service delivery	3	2	5
Promotion and service delivery	6	0	6
Information, promotion, and one other	2	1	3
Information, promotion, service delivery, and one other	3	0	3
Other	5	0	5
Total	49	16	65

nontechnological demonstrations in the profile by "most important policy purposes," whether single or multiple, as rated by officials of the HUD program offices responsible for the demonstrations. Of the 16 technological demonstrations, 14 had promotion as at least one of their most important policy purposes. Nontechnological demonstrations were more likely than technological ones to have multiple purposes and to have purposes other than information and promotion.

Program goals

Sixteen of the projects demonstrated a new technology or technological approach. The remaining 49 were demonstrations of different nontechnological strategies for solving various housing and urban problems. They included tests of the efficacy of different service delivery mechanisms (as in Rural Assistance Initiative and Small Cities), assessments of the effectiveness of specific services (as in Prepurchase Counseling), demonstrations of training programs (as in Training for Section 202 Sponsors), tests of different housing management techniques (as in National Tenant Management), and demonstrations of various reinvestment and urban development strategies (as in Neighborhood Business Revitalization).

WHAT ARE THE CHARACTERISTICS OF HUD DEMONSTRATIONS?

Congressional mandate

Only 9 of the 65 demonstrations were specifically mandated by the Congress. All but 2 of the 9 were nontechnological. The congressionally mandated demonstrations had promotional, informational, and multiple goals.

Administration

Thirty-six of the 65 demonstrations we identified were administered by HUD's Office of Policy Development and Research, while 7 were administered jointly by that office and a program office. Most of the demonstrations were administered by HUD alone, but 18 involved other Federal agencies.

Time

Many of the demonstrations, 31 of the 65, ran from 3 to 5 years. Fifty-three lasted 5 years or less. Two thirds began in one of the years from 1977 to the present; only 4 began before 1974. Two thirds of the demonstrations ended in 1981 or will end in 1982 or 1983.

Cost and size

From fiscal year 1974 through fiscal year 1981, HUD obligated a total of more than $874 million for 62 of the demonstrations we

Table 4

HUD Demonstration Costs
in Fiscal Years 1974-81

Cost to HUD	Number of demonstrations
$500,000 or less	29
$501,000 to $2 million	15
More than $2 million to $5 million	5
$6 million to $30 million	7
$31 million to $40 million	1
More than $40 million	5
Unavailable	3
Total	65

Total cost of 62 demonstrations:	$874,000,000
Median cost of 62 demonstrations:	$586,000

identified. Cost estimates were not available for the 3 others. Most of them were relatively inexpensive--two thirds cost HUD $2 million or less. Some, however, were quite expensive--13 cost HUD between $2 million and $40 million and 5 cost HUD more than $40 million each. The median cost of the 62 demonstrations was $586,000. In table 4, we give a frequency distribution of HUD costs for the 62 demonstrations for which estimates were available.

Nearly two thirds of the demonstrations were implemented in 10 or fewer sites. Five of the projects were implemented in more than 50 sites. Over the years we studied, the trend was toward smaller demonstrations. Most of the costliest began before 1979. For example, of 13 demonstrations that cost more than $5 million, 7 began before 1979. Of 6 that cost more than $30 million, 5 began before 1979.

Congressionally mandated demonstrations tended to be among the more expensive. Five of the 9 congressionally mandated demonstrations cost more than $5 million, and 3 cost more than $30 million. Only 2 of the 9 were technological, however.

Many HUD demonstrations involved cost-sharing with other Federal, State, or local governments or private entities. Sixteen of the demonstrations involved other Federal money. The median contribution from Federal agencies other than HUD was $1.6 million, with a range of $12,000 to $56 million. Eighteen demonstrations involved State or local contributions or both that ranged from $255,000 to more than $27 million. The median State and local contribution was $3.3 million. Twenty demonstrations involved money from private sources. The median private contribution from private sources was $496,000, with a range of $147,000 to $68.1 million.

Table 5

Incidence of Evaluation for HUD Demonstrations in Fiscal Years 1974-81

Evaluated	Number of demonstrations: Nontechnological	Technological	Total
Yes	27	4	31
No	22	12	34
Total	49	16	65

Evaluation

Evaluative information from demonstrations is especially important if demonstration results are to be useful for answering policy questions or for providing evidence of effectiveness to potential users. However, HUD officials reported that more than half of the demonstrations we identified do not have evaluations when evaluation is defined as either an in-house or an external effort to examine program success and difficulty. Nevertheless, for some demonstrations without evaluations, efforts to provide descriptive information were funded.

Tables 5 and 6 show the incidence of evaluation for the various types of demonstration. Most of the technological demonstrations were not evaluated, although engineering performance data were obtained for some of them. Demonstrations were likely to be evaluated if obtaining information was more important than any other policy purpose, although even three of these had no evaluation. However, for demonstrations in which information and promotion were rated equally, only about half were evaluated. Demonstrations were likely not to be evaluated if promotion was more important than other policy purposes.

Table 6

The Relation of the Incidence of Evaluation to Policy Purpose

Policy purpose	Number of demonstrations: Evaluation	No evaluation	Total
Information	7	3	10
Promotion	2	7	9
Information and promotion	13	11	24
Promotion and service delivery	3	3	6
Multiple (3 or more purposes)	5	6	11
Other	1	4	5
Total	31	34	65

SUMMARY

Nearly all the 65 demonstrations HUD conducted in fiscal years 1974-81 had either information or promotion as one of their most important policy purposes; 35 had both. One fourth of the projects were technological while the others were demonstrations of different strategies for solving housing and urban problems. Nine of the projects were mandated by the Congress and they tended to be among the more expensive. As for their time, 53 of the HUD demonstrations lasted 5 years or less. Nearly half of the demonstrations we identified were not evaluated even though evaluative information plays an important role in determining how demonstration results are used. (We show tabulated summaries of these data in appendixes III and IV.)

Our review of HUD demonstrations reveals that demonstration costs are extremely variable. While the amounts that are involved do not approach those typically allocated for service programs, demonstrations cannot be said to be cheap. They have a median HUD price tag of $586,000. Of the 62 HUD demonstrations for which costs were available, 13 cost between $2 million and $40 million and 5 cost more than $40 million.

CHAPTER 3

HOW WELL HAVE DEMONSTRATIONS SERVED HUD AS A POLICY TOOL?

In this chapter, we discuss our findings regarding the first decision point in the demonstration process--selecting the demonstration as a policy tool. To address the issue, we cast it in the form of a study question about the appropriateness of the choice of the demonstration rather than other possible policy mechanisms, such as regulations or service programs. This question is reflected in the chapter's title and was stated in table 2 (in chapter 1), where we also listed the subquestions that provide the structure of the discussion.

Federal involvement in an area, the likelihood that the product or process being demonstrated will be economical, and the existence of incentives for people to use or adopt what is being demonstrated are all factors to consider in choosing a demonstration in order to carry out a policy purpose. Therefore, our concern in the initiation of this decision point, the selection process, is with the issues that relate most closely to demonstration design. These are whether a demonstration is needed to achieve the policy purpose, whether the product or process being demonstrated addresses program concerns, whether there is evidence to suggest that the demonstration will work, and whether there is a market or potential use for the product or process. In table 7, we summarize our findings from the six case studies for each of these issues.

IS THE DEMONSTRATION NEEDED TO ACHIEVE THE POLICY PURPOSE?

Although demonstrations are generally considered to be less costly than service programs, they are not necessarily cheap. The median HUD cost of demonstrations in our profile was $586,000. It is important, therefore, to consider whether there are alternative, perhaps cheaper, quicker, or better-targeted means of achieving the intended policy purpose before initiating a demonstration.

Some of the projects in our case study sample provide convincing examples of the appropriateness of the choice of a demonstration. The Fair Housing Enforcement demonstration, for example, was designed to inform policymakers about whether creating effective relationships between HUD regional offices and private fair-housing groups can improve fair-housing enforcement. In this case, a demonstration was needed to determine whether such relationships can be established and whether they can be effective. Similarly, in Optimum Value Engineered Housing, after all the components of the system had been subjected to

Table 7

The Appropriateness of the Demonstration as a Policy Tool in Six HUD Case Study Demonstrations

Demonstration	Is it needed for policy purposes?	Does it address program concerns?	Is there evidence that it works?	Is there a market or potential use?
Community Economic Development	Yes, to test effectiveness of economic development strategy	Yes, economic planning and consolidation possible solutions to deteriorating economy of cities	Much on need for economic development, not much on effectiveness of alternative strategies	Yes, considerable interest throughout the country
Fair Housing Enforcement	Yes, to determine whether effective working relationships could be established	Yes, as a reasonable attempt to resolve substantial discrimination problem	Unclear, some suggestive but none conclusive	Yes, information potentially useful to many local groups
Gautreaux	Yes, to resolve information uncertainties before providing services	Yes, moving people to nonminority areas a possible solution to substantial discrimination	Unclear, not much available	Unclear, potential use of information unclear when project initiated
Land Title	Not for information, perhaps for promotion	Not well, title search only a small part of total settlement costs to be reduced	Yes, good evidence	Not much, no incentive for land title reform
Optimum Value Engineered Housing	Yes, to produce information on the effectiveness of the whole system and to analyze costs	Yes, by reducing high construction costs	Yes, good evidence	Yes, high construction costs provided an incentive for use
Prepurchase Counseling	Questionable, other ways existing to get the data	Yes, counseling a potential solution to high default rates	Unclear, no good evidence and some reason to expect low participation	Unclear, the Congress and OMB wanted information but timing was a problem

laboratory tests, a demonstration was needed for learning whether the system as a whole would result in cost savings in housing construction and still yield safe and healthful dwellings for homeowners.

In other cases, however, we question the appropriateness of the demonstration as a policy tool. In the Land Title project, the congressional mandate required the development of information on whether

--title-recording procedures could be simplified,

--simplification would result in cost savings to the consumer, and

--a nationally uniform system would be feasible.

HUD began its response to this mandate by funding two research studies, but the results indicated that

--title-recording procedures can be simplified in many ways,

--simplification will not necessarily result in cost savings to the consumer, and

--a nationally uniform system is not feasible at this time because of the highly decentralized nature of the laws and procedures governing land title records and the likely political opposition of the title assurance industry.

Thus, the informational requirements in the congressional mandate had already been met by the research HUD conducted before the demonstration sites were funded. Although individual demonstration projects provided additional insights into the nature of title reforms that were feasible and the process through which they could be implemented, the essential informational requirements of the mandate were met without them.

We also question the need for funding the demonstration sites in the Prepurchase Counseling project. For this one, the congressional mandate in the Housing Authorization Act of 1976 stated that the demonstration was intended to "determine the extent of need for and cost effectiveness of providing prepurchase (and other) counseling and related services . . ." (Pub. L. No. 94-375, sec. 26). At the time of the mandate, HUD already had an operating program that provided both prepurchase and default counseling services. At the very least, an indication of the need for prepurchase services could have been obtained from an analysis of the response to this program. Anticipating the low level of the participants' response would have made HUD officials better prepared for the difficulties in obtaining cost-effectiveness data and to question, perhaps in communication with the Congress, whether obtaining such information would be worth the effort and whether a demonstration was the proper vehicle for obtaining it.

These examples illustrate the value of asking whether a demonstration is the appropriate policy tool. It has many appealing characteristics, but its appropriateness as an instrument is not always carefully analyzed. Demonstrations are attractive because they are a cheaper means of responding to urgent needs than full-scale programs are. They are sometimes criticized, however, as being merely inadequately funded service programs rather than deliberate mechanisms for informing or promoting policy. In addition, the demonstration is often seen as a fairly weak, "symbolic" mechanism because it is transitory (typically about three years in duration), it targets knowledge and persuasion rather than compliance, and it is often implemented outside the more powerful agencies. 1/

Our profile results show that HUD demonstrations nearly always had an informational or a promotional purpose; only 5 of the 65 we identified did not (see table 3). Thus, the policy intention for most of these demonstrations was to accomplish something other than providing services to a limited number of recipients, even while service delivery was one of the most important policy purposes for 15 demonstrations. Information and promotion thus seem well suited to the demonstration's inherent capacities, given information that can be developed in three years and given the absence of a policy intention to require compliance.

DOES THE PRODUCT OR PROCESS BEING DEMONSTRATED CLEARLY ADDRESS THE PROGRAM CONCERNS?

To be used appropriately, demonstrations must go beyond the general policy purpose to aim clearly at the specific program concerns. How well a particular demonstration addresses them can be determined only by analyzing individual projects in depth. As table 7 indicates, several of the case study demonstrations clearly matched program concern and demonstration activity. Optimum Value Engineered Housing, for example, responded to a major program concern, the high cost of housing construction with a clear and direct response--the development of a cheaper housing construction system. Land Title, however, illustrates what can happen when the demonstration activity does not or cannot match the program concern.

For the Land Title demonstration, the Congress had issued the following mandate in the Real Estate Settlement Procedures Act of 1974:

> "The Secretary shall establish and place in operation on a demonstration basis . . . a model system or

systems for the recordation of land title information in a manner and form calculated to facilitate and simplify land transfers and mortgage transactions and reduce the cost thereof, with a view to the possible development of a nationally uniform system of land parcel recordation." (Pub. L. No. 93-533, sec. 13)

The mandate resulted from congressional concern over consumers' high settlement costs and was intended to encourage reforms that would result in savings for consumers. However, HUD studies before the demonstration indicated that consumer cost savings from land title reforms were likely to be quite small, partly because of the absence of competition in the title assurance industry and partly because title search costs are just one small portion of settlement costs. Also, a 1971 survey of settlement costs for houses insured by the Federal Housing Administration and by the Veterans Administration indicated that title examination constitutes only 6 percent of average total settlement costs. 2/ Reducing title search cost is, therefore, not likely to result in much consumer savings.

Despite these findings, HUD implemented land title reforms in nine demonstration sites across the country. These projects showed that it was possible to improve the title search process. They did not demonstrate consumer savings, which was the major program concern underlying the congressional mandate.

IS THERE EVIDENCE TO SUGGEST THAT THE DEMONSTRATION WILL WORK?

Studies of demonstrations show that they often fail because an innovation that had not been fully developed was prematurely implemented as a demonstration. For example, the Personal Rapid Transit Sytem, implemented with great media attention in Morgantown, West Virginia, failed partly because the technology for the system was not well developed and tested in the field before the demonstration. 3/

In a well-conducted project, a demonstration is preceded by a careful review of available information, and a thoughtful decision is made as to whether there is sufficient reason to believe that a demonstration will work, justifying the expense of initiating one. The demonstration of the Optimum Value Engineered Housing system, for example, was preceded by extensive research and laboratory-testing of its components. Similarly, the findings from the Land Title projects were preceded by extensive reviews of the literature, which indicated the types of reform that were not likely to succeed.

The potential for failure by proceeding when there is no clear evidence that the demonstration will work is vividly exemplified by the Prepurchase Counseling demonstration. It faltered from a serious lack of participation among people who were eligible but who elected not to use the services the demonstration made available to them. The result was that the demonstration did not succeed in providing the cost-effectiveness information it was designed to produce.

The lack of participation had been anticipated, however, in HUD's own earlier studies, which indicated that participation in prepurchase counseling programs was likely to be low. One of these studies, conducted by the Organization for Social and Technological Innovation, concluded that

> "voluntary counseling programs succeeded in reaching only an extremely small portion (less than 3 percent) of families who purchased homes through subsidized ownership programs." 4/

The subsequent failure of the Prepurchase Counseling demonstration to attract enough participants to support an analysis of cost-effectiveness might have been anticipated had its designers been adequately forewarned by their own research.

IS THERE A MARKET OR POTENTIAL USE FOR THE PRODUCT OR PROCESS?

Studies of demonstrations emphasize the importance of the existence of a market or potential use for the innovation being demonstrated:

> "In the absence of a well-articulated market demand, the pursuit of demonstration projects is an especially risky activity; whatever successes are achieved are accompanied by many failures." 5/

However, our case studies point to instances in which the market or ultimate users were not informed of a demonstration's results, making it unlikely that the improvements that were demonstrated would be widely adopted by other communities. In such instances, what inhibited the spread of this information had been known before the demonstration sites were funded.

The time required to conduct a demonstration also affects its potential utility. Demonstrations are often conducted in response to needs urgently felt about a particular issue. However, half of the HUD demonstrations we identified required from 3 to 5 years to complete. Demonstrations cannot provide instant information.

Although the literature emphasizes the importance of establishing a realistic time for conducting demonstrations, policymakers are often unrealistic in their expectations. 6/ The Prepurchase Counseling demonstration illustrates this. Initiated in a climate of great controversy over the effectiveness of prepurchasing services, the demonstration was intended to settle the dispute definitively. However, the time required to successfully complete a cost-effectiveness analysis of prepurchase services is considerable. First, it is necessary to provide such services to a sample of home buyers; then, how many of the people who are counseled actually purchase a home must be determined; and, finally, at some later time, there must be a follow-up analysis to determine how many of the buyers ultimately default on their purchase. Such analysis obviously requires several years to complete. Would the Prepurchase Counseling demonstration have been mandated if the Congress and the Office of Management and Budget had understood how long they would have to wait for the results of a cost-benefit analysis? The answer is only speculative. Nevertheless, it is worth noting that by the time the demonstration was completed, in May 1980, the issue had ceased to be a major concern.

SUMMARY

There are many elements in the decision to initiate a demonstration. They include its appropriateness as a tool for achieving the policy purpose, the clarity with which it addresses the program concerns, the reason for believing that the demonstration will work, and the market or potential use for the results. We have indicated some of the problems that can arise when these factors are not carefully considered before a demonstration is initiated. Both the Prepurchase and the Land Title demonstrations would have been done differently, or perhaps not at all, if the initial planning had systematically pursued these four points.

CHAPTER 4

HAVE HUD DEMONSTRATIONS BEEN DESIGNED AND EVALUATED TO ACHIEVE THEIR POLICY PURPOSES AND PROGRAM GOALS?

In this chapter, we focus on the second critical decision point in the demonstration process: designing the demonstration and its evaluation strategy. Specifically, we address three issues:

--Are the demonstration's policy purposes and program goals clear, agreed to, and compatible?

--Does the design and evaluation structure adequately support its informational purpose?

--Does the design and evaluation structure adequately support its promotional purpose?

Table 8 summarizes our findings for the six case studies.

Table 8

The Design and Evaluation Structure of Six HUD Case Study Demonstrations

Demonstration	Policy purposes and program goals clear, agreed to, compatible?	Does design support informational purpose?	Does design support promotional purpose?
Community Economic Development	Somewhat, with purpose clear and agreed to but promotion activity begun before effectiveness established	Yes, but comparative information would have yielded stronger conclusions	Yes, including extensive effort to inform interested parties
Fair Housing Enforcement	Yes, clear and agreed to	No, information actually available falling far short of comprehensive evaluation needs	Not very well, with no clear plan at project beginning for publishing results
Gautreaux	Yes, clear and agreed to	Somewhat, lacking information on receptivity and cost of providing services	Not applicable
Land Title	Reasonably, with purpose clear and compatible but not identical to Congress' purpose	Somewhat, meeting HUD's objectives but not providing cost-benefit data implied by congressional mandate	Somewhat, producing materials for users but no incentive for reform
Optimum Value Engineered Housing	Yes, purpose clear and promotion activity not begun until program's effectiveness was established	Yes, in most respects	Fairly well, making reasonable effort to reach intended audience but no attempt to assess ultimate effect
Prepurchase Counseling	Yes, clear and agreed to	No, not addressing need for services and containing contaminated comparison groups	Not applicable

ARE THE POLICY PURPOSES AND PROGRAM GOALS OF THE DEMONSTRATION CLEAR, AGREED TO, AND COMPATIBLE?

Evaluators have given warning of the problems that arise when a demonstration's goals are conflicting, unclear, or the subject of disagreement among the various parties involved in it. Our profile results show that HUD demonstrations have typically been intended to serve multiple policy purposes. For example, only 19 of the 65 demonstrations had a single policy purpose more important than others, whereas 11 of the 65 had three or more "very important" policy goals. Even a single project can serve many purposes, and the design demands of projects with multiple goals are great. In both, the potential for conflict is real.

A project with both an informational and a promotional purpose, for example, can potentially encourage the adoption or use of a product or process before its effectiveness has been clearly determined. Thirty-five of the demonstrations in the profile, including 9 of the 16 technological demonstrations, had both an informational and a promotional purpose. Some of these, like Optimum Value Engineered Housing, were designed so that promotional activities would not, and did not, occur until effectiveness had been demonstrated. In others, however, the distinction between information and promotion as a policy purpose was not clearly drawn, with the result that promotional activities were begun long before effectiveness had been established, as happened in, for example, Community Economic Development.

DOES THE DESIGN AND EVALUATION STRUCTURE ADEQUATELY SUPPORT THE DEMONSTRATION'S INFORMATIONAL PURPOSES?

Many HUD demonstrations--45 of the 65--had obtaining information as at least one of their most important goals, and all 6 case study projects had an informational purpose. Informational demonstrations are typically required to give evidence of the effectiveness of the product or process being tested. In addition, they need descriptive information for documenting the conditions that lead to success, if they are effective, and for providing insight into the reasons for failure, if they are not. All the case study demonstrations provided considerable information on implementation problems and issues and on demonstration effectiveness.

In some cases, however, information that would have been important to the demonstration's users was not obtained. The Prepurchase Counseling demonstration proved to be a dramatic example of ignoring a significant information need of the Congress. Determining the extent of the need for prepurchase counseling services was one of two informational requirements the Congress had specified in the demonstration's legislative mandate. Addressing this requirement, instead of ignoring it, might have prevented

HUD from continuing with the implementation of this unsuccessful demonstration.

The Gautreaux demonstration offers a somewhat less dramatic illustration of the failure to include important information as part of the demonstration. Responding to a court order to make housing opportunities available in nonminority areas, HUD elected to administer the mandated services as a demonstration project that would exemplify how metropolitan integration could be achieved. The purpose was to "develop, test, evaluate, and report on procedures" to provide the mandated services. 1/ The evaluation was designed to yield information about the availability of suitable housing, the number and characteristics of participants who were successfully placed and the extent to which their housing preferences and needs were satisfied, and the administrative problems in providing demonstration services. What was missing were two types of information that would have been important to future users of the demonstration results: information about the receptivity of Gautreaux's neighbors and apartment managers to its participants and about the cost of administering the services. These two pieces of information would clearly have been important guides in future efforts to improve the mobility of low-income tenants of public housing. In table 9, we display the components of the information that the six case study projects were designed to yield.

Table 9

The Design Components for Information in Six HUD Case Study Demonstrations

Demonstration	Descriptive and other implementation information	Effectiveness assessment	Comparison base
Community Economic Development	Obtained very detailed descriptive information from each community	Included information on effects on the economic base of the cities	No comparison included
Fair Housing Enforcement	Included descriptive information of poor quality from each community	Did not fund intended independent evaluation	No comparison included
Gautreaux	Included considerable information but not administrative costs or community receptivity to participants	Included evaluation of effect on participants	No comparison included
Land Title	Obtained very detailed information from each community	Outcome measures not obtained	No comparison included
Optimum Value Engineered Housing	Included descriptive information	Obtained cost savings data and some engineering performance data	Compared only cost data to data from a similar house not in the project
Prepurchase Counseling	Did not address need for services but documented implementation problems	Included a cost-benefit analysis as required by law	Included a randomly selected comparison group that was subsequently contaminated

Assessing effectiveness

Most informational demonstrations are required to give convincing evidence of the effectiveness of the product or process being demonstrated. Like other research activities, demonstrations do not always succeed, but they must at least provide information about their effectiveness, whether that is positive or negative.

All but one of the six projects included, or was intended to include, some effectiveness assessment as part of the demonstration. The exception was Land Title, in which the implementation of each of the attempted improvements was carefully documented but from which no outcome information was obtained. This might have been expected given that HUD's previous studies had already indicated that the likelihood of such improvements resulting in cost savings was small. Moreover, other benefits to be derived from the Land Title project were self-evident--for example, the advantage of title searchers being able to use computerized files rather than having to search through records by hand or the advantage of all relevant records being located in a single office rather than scattered across several offices.

More typically, effectiveness information is both desired and required if a demonstration is to achieve its policy intent. The Community Economic Development demonstration was funded to demonstrate innovative approaches to improving the economic base of cities by coordinating Federal grants, involving the private sector, and developing the analytical capabilities of staff. Each of the 10 participating cities developed its own strategies, including the establishment of economic development corporations and various types of industrial loan programs, among other things. The effect of all this on the cities' economic bases was assessed by estimating the number of new jobs created, the number of old jobs saved (by convincing firms to remain in the cities), and the financial commitments the private sector made in the participating communities.

Strengthening the design

Strong evidence of effectiveness requires not only measurable outcomes but also the elimination of competing explanations for them. Both can be obtained by comparing a demonstration's results with results obtained in similar situations in which the demonstrated product or process was not present. In table 9, we have indicated whether comparisons were used in the case study demonstrations. Unless such comparisons are made, it is difficult to be certain that a demonstration's outcomes were the result of its own activities rather than other events occurring at the same time.

The Community Economic Development demonstration illustrates this point very clearly. Whereas the demonstration documented improvements in the economic base of the participating cities, it was not possible to conclude that the improvement resulted from the demonstration's activities. At the time the demonstration was being conducted, many ideas about economic development were being implemented across the Nation, and elements of the demonstration (such as the coordination of resources across Federal agencies) were also being incorporated into the "urban policy initiative" of President Carter's administration. In describing the results of Community Economic Development, the evaluators thus noted:

> "It became very difficult to sort out the CEDP's influence on local decisions and actions versus the influence of other forces . . . . It is also clear that the rhetoric, if not also the behavior of local economic development officials has promoted the major CEDP concepts. Whether this is directly attributable to the CEDP or the later but more widely promulgated tenets of Carter's Urban Policy is not clear." 2/

In contrast to this, Optimum Value Engineered Housing used a comparison base to determine the cost advantage of the system being demonstrated. The costs of labor and materials in constructing the demonstration house were compared to those of constructing a conventional house of similar size and characteristics. The comparison house was not actually built, but the costs were estimated from an engineering data bank available from previous studies conducted by the National Association of Home Builders. Comparing the two sets of data enabled the demonstration officials to conclude convincingly that the system resulted in a 12 percent overall reduction in typical construction costs.

Developing and implementing a comparison-based design is not easy, however. It is not always possible to find suitable comparison situations, and providing special services or resources to one group of persons or communities while withholding them from another raises ethical questions that are difficult to resolve. Faced with these problems, the Prepurchase Counseling demonstration devised the following solution. People potentially eligible for counseling but assigned randomly to the comparison group were given copies of a "home buyer's information package" containing most of the information covered in the counseling sessions. Demonstration participants, however, were invited to a series of counseling sessions. Their attendance was not high, many failing to return for sessions scheduled beyond the initial one, and the hoped-for differences in the information offered to participants and comparison group members did not, therefore, materialize. Instead, the information package, which had been designed to alleviate the effect of withholding demonstration services, had the effect of contaminating the demonstration design.

The decision about whether to use a comparison-based design is difficult. Using a comparison base can greatly strengthen a demonstration's conclusions, as Optimum Value Engineered Housing illustrates. But the advantages must be weighed against the costs, including not only the resources that are required to obtain comparison information but also the ethical cost of withholding services from eligible persons, as we have seen in the Prepurchase Counseling demonstration.

DOES THE DESIGN AND EVALUATION STRUCTURE ADEQUATELY SUPPORT THE DEMONSTRATION'S PROMOTIONAL PURPOSES?

Most of the demonstrations in our profile--50 of the 65, including 4 of the 6 case study projects--had a promotional purpose. To achieve a promotional goal, information about a demonstration must reach the intended audience--that is, its potential users. One design requirement of demonstrations is, therefore, that they include or use a mechanism that can make information available to users.

Moreover, most promotional demonstrations have informational requirements. All but 15 of the promotional demonstrations in our profile had an informational purpose and also a promotional one. Information about the cost of implementing the demonstration may be needed, for example, or it may be necessary to produce user-oriented materials for potential adopters of the demonstration's product or process.

Finally, in order to learn whether a demonstration achieved its promotional goal, it is necessary to assess what happened because of the demonstration activities. Were the demonstrated products or processes in fact used by anyone? If so, were they satisfied with the information that was made available to them from the demonstration?

In table 10, we display the components of promotion in the design of the four promotional case study demonstrations. (They are also summarized in table 8.) These projects varied in their degree of attention to promotional design elements. All included some provision for the development of user-oriented materials about the demonstrations. They tended to use standard mechanisms for publishing information--presentations at national meetings and reports.

Although standard methods are useful to potential adopters, they are not necessarily adequate. One requirement for making information available for promotional purposes is that it be made available to potential users who have some incentive to act on the information they receive. In the Land Title demonstration, no such incentive existed beforehand and none was created as part of the project. It seems unlikely, therefore, that Land Title's results will be widely used, despite considerable efforts to produce user-oriented information on land title improvements.

Table 10

The Design Components for Promotion
in Four HUD Case Study Demonstrations

Demonstration	User-oriented information	Publication mechanisms	Assessment of users' reaction
Community Economic Development	Developed and published much descriptive user-oriented material	Presentations at national meetings and in newsletters and reports; 2 contracts funded with U.S. Conference of Mayors and Council for Urban Economic Development	No assessment of users' interest although evaluation report suggested other cities were interested
Fair Housing Enforcement	Solicited some information from each project but not in user-oriented form	None built in	None
Land Title	Each demonstration site prepared materials for users	Presentations at national meetings and in reports	None
Optimum Value Engineered Housing	Included builders' manual and other materials describing the system	Presentations at national conferences and in trade magazines and reports	None

In contrast, Community Economic Development used a somewhat more aggressive strategy as part of the demonstration activities. Contracts were funded with two separate organizations, each having access to and credibility with potential demonstration users, both making an effort to tell potential users about the demonstration's activities. The effectiveness of this strategy was not assessed, but it did at least insure that other communities were made aware of the ideas behind the demonstration and its activities.

None of the demonstrations made any attempt except at the most informal level to assess what happened as a result of the demonstration. That is, none tried to find out whether the results were used by the intended audience or what the reaction to it was. Some demonstration officials argued that such assessments are too difficult to be feasible. They are, however, the only way of determining whether a demonstration has offered any benefit beyond the utility to its participants. Given that HUD demonstrations cost $874 million between 1974 and 1981, it would seem to be important to make some effort to know what their ultimate effect is, however imperfect the effort might be.

SUMMARY

The decisions governing the design and evaluation structure of demonstrations are complex and have far-reaching consequences for their utility. Exploring the consequences of various design decisions in our case study projects, we have shown some of the problems that stem from not carefully considering and developing the design requirements of all a demonstration's purposes, informational and promotional, before implementing it. The case study demonstrations yielded considerable information on implementation problems and issues, but some did not obtain information important to the users. HUD's Prepurchase Counseling demonstration, for example, failed to determine the extent of need for counseling services. Had it done so, HUD might have discontinued this unsuccessful demonstration.

All the case study demonstrations had an informational purpose. Our review indicates that for two of these the designs were not adequate to achieve this purpose. Four of the six case studies had a promotional purpose as well. To achieve a promotional goal, information about a demonstration must reach the intended audience--that is, its potential users. To learn whether a demonstration achieved its promotional goal, it is necessary to assess what happened as a result of the demonstration activities. The four promotional case studies were designed with some attention focused on such an assessment, but the amount of this attention varied considerably. Only the Community Economic Development demonstration included extensive efforts to make the activities of the demonstration cities more widely known.

CHAPTER 5

HAVE HUD DEMONSTRATIONS PROVIDED CLEAR ANSWERS THAT WERE USED BY THEIR INTENDED AUDIENCES?

In this chapter, we discuss the two remaining decision points in the demonstration process: the decisions governing demonstration implementation and the decisions governing information about results and their use. Table 11, referring back to the full set of case study questions in table 2, breaks out the answers to these two points for the six cases.

DOES THE DEMONSTRATION PROVIDE CLEAR ANSWERS?

If a demonstration is to be useful, it must provide clear answers to the policy and program questions posed. This means that the demonstrated product or process must be adequately implemented and that the results must be clear.

Was the implementation adequate?

Some demonstrations, even well-designed ones, suffer from implementation problems that prevent the successful attainment of

Table 11

The Provision of Clear Answers in Six HUD Case Study Demonstrations

Demonstration	Was the implementation adequate?	Were the results clear?
Community Economic Development	Yes, good implementation in most communities	Reasonably, with somewhat limited conclusions for lack of a comparison base
Fair Housing Enforcement	No, suffering many organizational and administrative problems and the implementation falling far short of expectations	Doubtful, operational problems making clear evidence of effectiveness unlikely
Gautreaux	No, participation being less than expected and there being organizational and administrative problems	Yes, providing clear information on effectiveness of procedures
Land Title	Yes, good implementation except for reforms requiring State legislative action	Yes, providing clear evidence on HUD's objectives but not fully responding to congressional mandate
Optimum Value Engineered Housing	Yes, very well implemented	Yes, providing clear evidence of cost-savings potential
Prepurchase Counseling	No, poor participation preventing full implementation	No, inconclusive because of inadequate participation and contamintion of comparison group

the demonstration's goals. Table 11 indicates whether the implementation was adequate in the six case study demonstrations and whether the demonstration results were clear. Three of the demonstrations had serious implementation problems of one or the other of two types--lack of participation and faulty organizational and administrative arrangements.

The Prepurchase Counseling demonstration suffered so seriously from a lack of participation that it was not possible to conduct a cost-benefit analysis of prepurchase counseling services as originally planned. In part, this was the result of a changing housing market in which many in the group that had been targeted for receiving counseling services were priced out of the market during the years the demonstration was conducted. Implementation was also hampered, apparently, by a lack of interest among the potential counselees. Many persons who attended initial counseling sessions did not return for follow-up sessions. People in the individualized counseling group, for example, were projected to receive 14 hours of counseling but received instead an average of only 2.2 hours.

The Gautreaux demonstration's participation rates were also low. Only about 2 percent of the 22,655 eligible families who were notified of the demonstration were actually placed. That is, in the first 2 years, only 870 rental certificates were made available, and of these only 455 were used to place Gautreaux families. A tightening of the rental market, especially within Chicago, and the fact that most of the available housing units were located in the suburbs partly caused the lack of participation. The demonstration's evaluation reported that "a high proportion of eligible non-participants had no desire to live in the suburbs." 1/ One third of the families who were placed would have preferred to live in the city, but 84 percent of them moved to the suburbs.

Organizational and administrative problems also interfered with implementation. For example, the Gautreaux demonstration, partly because of its legal history, was administered by several different agencies--HUD (both the central and regional offices), the Leadership Council for Metropolitan Open Communities, the Home Investment Fund, and the Housing Authority in Cook, Elgin, and McHenry counties. The complex administrative arrangements led to confusion among participants about which agency was responsible for what, failure of communication among agencies on their demonstration policies, and the lack of a centralized information system on Gautreaux's participants. Some of these problems were subsequently addressed, but it seems likely that they contributed to participation being low in the demonstration's early years.

The effectiveness of the Gautreaux demonstration's outreach activities is also questionable. According to the evaluation, 43 percent of the participating families reported that they had heard about the demonstration from relatives or friends rather than from the program. This was probably because an attempt had been made to keep the public exposure of the demonstration to a minimum in order to increase its chances of success. The demonstration may thus have suffered less from the negative effects of politicization, as was intended, but it may also at the same time have suffered more from a special lack of awareness about it.

The Fair Housing Enforcement demonstration was also handicapped by organizational and administrative problems, stemming from the multiple activities of 2 central offices in HUD, 7 of HUD's 10 regional offices, a management contractor, and 9 local fair-housing groups. The demonstration's management contractor, which was responsible for coordinating reports between HUD and local groups and for providing technical assistance to the local groups, had no direct ties with the regional offices, nor did it have sole responsibility for the local groups. The regional offices had no vested interest in working with the management contractor. Not surprisingly, demonstration implementation fell far short of expectations and was highly variable from site to site.

Although good design and careful planning cannot always prevent implementation failures, several of the problems just described might have been alleviated, if not eliminated, if planning had been more careful. For example,

--the lack of participation in the Prepurchase Counseling demonstration might have been anticipated (as we noted in chapter 3) if the demonstration designers had paid more attention to HUD's own research,

--at least some of the Fair Housing Enforcement demonstration's implementation problems would probably have been alleviated if organizational structure and planning had been more thorough and involved all relevant parties at the outset;

--the Gautreaux demonstration could have been facilitated by a stronger administrative structure and more aggressive outreach efforts, although it might not have been possible to anticipate the shifting housing market or participant resistance to moving to the suburbs.

Were the results clear?

Table 11 shows that most of the case study demonstrations provided reasonably clear results even though they were limited in various way by early design decisions. (We described these in chapter 4 and summarized them in table 8.) Clear results were not obtained in the Prepurchase Counseling demonstration and seem unlikely to be forthcoming from the Fair Housing Enforcement demonstration, however, because both had not only serious implementation problems but also serious design problems.

Table 12

The Use of the Results
from Six HUD Case Study Demonstrations

Demonstration	Were users informed?	Were results used?	Did contextual factors affect demonstration or receptivity to its results?
Community Economic Development	Yes, in many materials and activities including conferences, seminars and meetings	Some, by HUD to modify block grant regulations and in other ways; no systematic information on use by other communities	No
Fair Housing Enforcement	Demonstration still on	Demonstration still on	Possibly, changing political priorities maybe lessening the public interest
Gautreaux	Yes, in a report	Some, as the basis for at least one other HUD demonstration	Yes, the tightening housing market interfering with implementation
Land Title	Yes, in convention presentations and reports	No information available	Probably, lowered political interest in consumer savings being likely to lessen congressional interest
Optimum Value Engineered Housing	Yes, in an open house, convention presentations, and materials	Some, by HUD in revising minimum property standards for HUD-insured housing; no information available on use by builders	Yes, the energy crisis reducing the utility of some components because of no allowance for standard insulation space
Prepurchase Counseling	No, because of the nature of the findings	No	Yes, the changing housing market pricing some of the target population out of the market; also, Congress' interest changed

HOW WERE THE ANSWERS USED?

In the final analysis, a judgment about the effectiveness of a demonstration depends on its ultimate utility to the potential audience. This means that relevant and interested parties have been informed about the demonstration and that they have actually used the results. It also means that a demonstration's usefulness can be limited by contextual factors--changing policy priorities, shifting housing markets, and the like--that affect either the demonstration itself or receptivity to its results. Table 12 summarizes these points for the case study demonstrations.

Were the relevant users informed?

As we discussed in chapter 4, and as table 12 shows, information about the case study demonstrations was typically presented at meetings and conferences and distributed through reports. The effectiveness of these strategies was never assessed, however, so that knowledge about how much the demonstrations were used is informal and depends on the personal recollections of the demonstration officials.

Were the results used?

The case study demonstrations were used in many ways. Results from Optimum Value Engineered Housing were used, for example, in revising HUD's minimum property standards for HUD-insured housing. Experience with that demonstration's procedures also helped HUD guide subsequent technological demonstrations, such as Building Value into Housing and Energy Efficiency Residence. However, the extent of its use by the audience primarily intended for it--homebuilders--is unknown. Similarly, HUD used information from Community Economic Development to modify block grant regulations and to help guide the development of Urban Development Action Grants, but no solid information is available on the extent to which the demonstrated economic development strategies were used by other communities.

Did contextual factors affect the demonstration or receptivity to its results?

The utility of a demonstration is affected not only by the quality of its design and implementation and the extent to which people are informed about it but also by the environment in which it is conducted. Especially because demonstrations require several years to complete, unanticipated changes in the context, such as changing policy priorities or shifting housing markets, can alter a demonstration's ultimate usefulness.

Five of the six case study demonstrations were influenced negatively by changing contextual factors. In Gautreaux and Prepurchase Counseling, implementation was affected negatively by a tightening housing market. In Optimum Value Engineered Housing, the onset of the energy crisis reduced the demonstration's utility. In this case, much of the cost savings came from a reduction in the amount of space that would ordinarily have been available for insulation. In the 1971 environment in which this demonstration was begun, trading off insulation space to save on construction costs appeared to be reasonable. By 1977, when the demonstration was completed, the cost of energy had increased the importance of insulation to the point at which giving up insulation space to save construction costs did not make sense. Thus, some of the demonstrated components, judged by the new energy-saving criteria, were obsolete by the time the demonstration was completed.

Changing policy priorities and political environments also affect the receptivity of the intended audience to demonstration results. This was true for both of the congressionally mandated demonstrations--Prepurchase Counseling and Land Title. By the time these projects were completed, the political environment had changed so much that interest in the results had substantially waned. A similar fate may await the Fair Housing Enforcement demonstration, for which it seems likely that changing political priorities will lessen the interest in results.

SUMMARY

Both the implementation and the information publication phases of a demonstration reflect the earlier planning and design decisions. Failure to anticipate certain issues can lead to serious implementation problems, as in the Prepurchase Counseling case, for example.

Demonstrations are also sometimes threatened during implementation by inappropriate or inadequate organizational and administrative arrangements. The decisions governing how a demonstration is to be implemented are as critical to its success as the planning decisions that preceded them. Both the Gautreaux and the Fair Housing Enforcement demonstrations exemplify problems that can arise from inadequate organizational and administrative arrangements. With Gautreaux, moreover, it is likely that these problems contributed to participation rates being at low levels in the early years.

Similarly, decisions governing the way information about a demonstration is published affect the utility of the entire effort. Nevertheless, the success of information efforts and, therefore, the ultimate effect of the demonstration are seldom assessed. Some type of assessment of the ultimate use of demonstration results is highly desirable for confirming the wisdom of using demonstrations, especially where they are used frequently --in building-technology, neighborhood revitalization, and housing for the handicapped.

Finally, it is important to recognize that demonstrations are often vulnerable to political and environmental changes if they seriously interfere with either the demonstration itself or receptivity to its results. In our review, we found that in two cases, the Gautreaux and the Prepurchase Counseling demonstrations, implementation was affected negatively by a tightening housing market. We found that in Optimum Value Engineered Housing the onset of the energy crisis reduced the demonstration's use. We found that by the time the Prepurchase Counseling and the Land Title demonstrations were completed, political interest in them had decreased considerably. Such factors are often not anticipated. The only precaution is to try to anticipate whether a demonstration being planned, appearing to be important at the moment, is likely to remain important five years down the road.

CHAPTER 6

CONCLUSIONS, GUIDELINES FOR DEMONSTRATION DESIGN AND EVALUATION, AGENCY COMMENTS, AND OUR RESPONSE

CONCLUSIONS

Demonstrations as a policy tool

Demonstrations are an attractive policy tool for a variety of reasons. They are less expensive than full-scale programs and, depending on the results, may indicate the inappropriateness of changing to full scale. They can be applied in a wide range of program areas. They can serve multiple purposes.

Demonstrations have also been viewed as having valuable political uses. They can represent a symbolic act--it is sometimes possible and appropriate, for example, to respond to pressure being brought to bear on a specific social issue with a "social action" demonstration project, even though the usual research and development process may not have taken place. Demonstrations can be a means of showing that a problem has been identified and steps are being taken to alleviate it. Implementing a demonstration program often makes it possible to delay a decision so that additional information can be collected and analyzed. In short, Federal demonstration programs are often a means of showing political constituents that the Government is doing something for them.

Nevertheless, obstacles can prevent demonstrations from having a desired effect. Demonstrations designed to address a perceived national need may fail to get implemented at local levels simply because the need is not recognized there. Even highly successful demonstration programs may not become established when Federal funds disappear, as they can for a variety of reasons. Despite all this, demonstrations remain one of the most feasible means agencies have for promoting the application of the results of their programs.

HUD's use of demonstrations

HUD has made extensive use of the demonstration as a policy tool, having spent more than $874 million on demonstration activities over the last 7 years. HUD demonstrations have typically had either an informational or a promotional policy intention--some have had both--although they have also served other policy purposes. A few demonstrations were congressionally mandated, but most were initiated by HUD in such areas as housing technology, neighborhood revitalization, housing allowances, and service to rural areas. At least one of the 65 HUD demonstrations we identified could be classified as a social action demonstration, since it grew from the results of a legal action rather than a research and development process, but since social action demonstrations are not typical at HUD, we have not addressed them in this report.

HUD demonstrations have lasted from 3 to 5 years and cost, on the average, less than $2 million each. More than half of them have not had evaluations, including some demonstrations whose most important policy purpose was to obtain information. Over the period covered by our review, there was a trend toward smaller, less costly demonstrations.

Design and implementation issues

The six HUD studies we analyzed indicate that demonstrations that have not been properly designed and implemented will probably fail to achieve their intended policy purposes. Among the many potential problems related to design and implementation, we find the following typical situations:

--a demonstration has been initiated when there are better-targeted or cheaper means of meeting the policy purpose;

--a demonstration has been initiated when there is no real reason to believe it will work;

--a promotional demonstration is being initiated with no clear plan for informing people about it;

--the demonstration activities do not clearly address the program concern;

--the product or process being demonstrated is being made generally available before it has been proven effective;

--critical information about the demonstration has not been obtained;

--the demonstration does not include measures of effectiveness;

--it is not possible to relate demonstration activities to measures of effectiveness;

--implementation is hampered by lack of participation;

--implementation is hampered by organizational and managerial problems;

--the demonstration has been completed and the policy need for it no longer exists.

These situations can arise when critical design elements have been overlooked or inadequately addressed during planning. However, demonstrations are also vulnerable to changes in the market and the political environment in ways that may limit their ultimate utility.

GUIDELINES FOR DEMONSTRATION DESIGN AND EVALUATION

Careful design, implementation, and evaluation may prevent demonstrations from failing to achieve their intended policy purposes and program goals. In this section, we present guidelines that we believe should be followed when the various demonstration issues are being addressed. The guidelines focus on the four critical decision points in the demonstration process--the initiation decision, the design and evaluation decisions, the implementation decision, and the decisions about publishing and using the results.

1. Initiating a demonstration

When policy issues are perceived as urgent, demonstrations can be initiated with inadequate attention to whether the demonstration mechanism is the best way to achieve the policy intention. Given the vulnerability of demonstrations to a wide range of problems, they should be undertaken only after a careful consideration of their potential benefits, risks, and requirements and the likelihood of their success. In addition, what is influencing the selection of the demonstration over other possible mechanisms should be considered; this may include the Federal role and the political viability of alternative procedures.

Even when all pertinent factors have been considered, however, other issues must be faced in order to determine whether the demonstration is the most appropriate policy tool in a particular situation. Generally, a demonstration should be initiated only if the following five conditions have been met.

There is a good match between the policy or program concern and the process or product being demonstrated

When the product or process to be demonstrated does not directly and clearly address the major policy and program concerns, there may be very little point in initiating a demonstration.

The demonstration is needed in order to achieve the policy purpose

Although they are cheaper than full-scale programs, demonstrations can be more expensive than other research activities.

Therefore, a demonstration should be initiated only when it is not possible to achieve the policy intention through a cheaper research project, from an evaluation of some other program already funded, or by some other means.

There is good reason to believe that the demonstration will succeed

Demonstrations often fail because the innovation being tested was not ready for implementation on a demonstration basis. Premature initiation when the innovation or approach to be tested is not ready can have disastrous consequences for a demonstration project. To prevent this, planning should weigh the chances of success against the chances of failure, thus permitting the demonstration designers to make a judgment about whether initiating a demonstration is warranted under the circumstances.

The time required for conducting the demonstration is compatible with the policy needs

Demonstrations sometimes take longer than their initiators anticipate. When unrealistic time constraints are put on them, however, they can fail. Moreover, demonstrations can be completed at times when the policy purpose they were designed to serve is no longer a critical issue on the public agenda. Therefore, it is important in planning to make a realistic analysis of time --the time required to complete the demonstration and the time that defines the policy purpose being served.

There is a market or potential use for the demonstration

Demonstration activities are sometimes initiated when their planners have no clear idea about who will use the results or for what purpose. However, if there is no market for a demonstration's results, no purpose will be served other than the benefit to the demonstration's participants, regardless of how well the project is conducted. If a demonstration is to achieve a broader purpose, its initiators should confirm during planning that there is a market or potential use for it.

2. Designing and evaluating a demonstration

Many problems in demonstrations result from inadequate designing and oversights in planning for evaluation. In many cases, problems arise that could have been anticipated and prevented or alleviated. If demonstrations are to achieve their policy purposes, the following conditions pertaining to design and evaluation should be addressed in the demonstration planning. There are three conditions, two of which have several elements.

Purposes should be clear

One of the most important aspects of demonstration design is insuring that the policy purposes and program goals are clearly defined, that they are agreed to by the relevant parties, and that multiple purposes are compatible with each other. Another is making a periodic reassessment of the demonstration's purposes, activities, and progress as it develops. As in all research activities, demonstration projects evolve as purposes are redefined and compromises with reality are made. This means that there must be communication with the Congress and the demonstration's users in order to determine whether what the demonstration can achieve warrants a continuation of the project. If the connection between the policy process and demonstration activities is weakened, the demonstration is in danger of becoming irrelevant before it is finished.

The design must enable the demonstration to achieve its informational purpose

To achieve its informational purpose, a demonstration must include some type of information-gathering procedures. What kind of information is to be obtained will depend on the specific project and on the purposes to be served. In general, however, all demonstrations should include the following four elements.

Descriptive information that addresses the user's needs. For a demonstration to be useful to others, descriptive information about the product or process being demonstrated must be available. Therefore, demonstration planning must include a detailed definition of the user's needs, a data collection plan that meets these needs efficiently, and a carefully considered expectation about how materials suited to the user's needs can be produced. This aspect of planning may require considerable discussion and negotiation, if the demonstration's users have only a vague idea of what they want.

Descriptive information about the conditions associated with success and failure. If they are to make informed judgments about how to interpret and apply a demonstration's results, users must be informed about the conditions under which the demonstration was conducted. This should include definitions of the characteristics of the participants, the demonstration sites, and special resources that were used, among other things.

Evaluative information about the effectiveness of activities. To be persuasive, a demonstration must include clear evidence that the product or process being demonstrated is effective. Effectiveness measures must be carefully planned so that they are appropriate for the product or process under study, their technical quality is adequate, and demonstration managers and users have agreed to them.

A design whose strength is sufficient to the desired conclusions. A demonstration's design must be guided by the purposes the demonstration is to serve and the conclusions it is expected to yield. Critical sampling decisions concerning demonstration locations, for example, can constrain the conclusions, so they should be made only after careful analysis of the demonstration's purposes and uses. If possible, demonstrations should include a comparison base so that activities can be linked to outcomes and alternative explanations of them can be eliminated. When a comparison base is to be included as part of the design, ethical problems should be resolved and the comparison groups or conditions should be made really comparable.

The design must enable the demonstration to achieve its promotional purpose

Demonstrations are often designed with vague promotional intentions and no clear plan for achieving the promotional purposes. An effective design must include the following two elements.

An incentive for the demonstration's adopters to use the results. To achieve their promotional purposes, demonstration designers must determine whether there is any incentive for anyone to use the demonstration's results. If none is apparent, consideration should be given to whether it is possible to create one. Funding "seed money" grants to encourage an organization to adopt an innovation is one way of doing this. In the absence of an adoption incentive, even the most carefully designed and implemented demonstration is not likely to have much effect.

Materials oriented toward users. An important design consideration is that the materials describing the demonstration be presented in a form that suits the user's needs.

3. Implementing a demonstration

It is in the implementation of a demonstration that many of the inadequacies in its design become apparent. To avoid implementation difficulties, the following conditions should be met.

The demonstration's organization and administration must be effective

In addition to suffering from design flaws, demonstrations can be threatened by poor organizational and administrative arrangements. Two aspects of organization and administration are particularly important to success. The organizational structure must be well defined and the areas of authority and responsibility must be clearly delineated. Organizational units that have a vested interest in the demonstration and its goals must be included.

Outreach activities
to encourage participation
must be appropriate

Demonstrations that rely on voluntary participation will obviously falter if no volunteers show up. Thus, for demonstrations that depend on voluntary participation, the outreach component must be sufficiently aggressive to insure adequate demonstration implementation.

4. Publishing and using the results

What the most appropriate strategy is for informing potential users about a demonstration's results depends on the nature and clarity of those results. A tendency to publish only successes should be avoided, however. Information from demonstrations that do not succeed can be equally important to understanding a particular product or process, and it should be made available to people who are interested. It is also essential to assess how users react to a demonstration's results. It is particularly important to know the extent to which demonstration results were interesting and useful to the relevant audience if the demonstration process as a policy tool is to be improved.

AGENCY COMMENTS AND OUR RESPONSE

Officials of the U.S. Department of Housing and Urban Development reviewed a draft of this report. The letter containing HUD's comments, from the Assistant Secretary for Policy Development and Research, is reprinted in appendix IX. As the Assistant Secretary's letter indicates, HUD agrees with the majority of our observations and conclusions. With regard to specific points in the report, HUD clarifies the legislative intention of the Land Title demonstration as having been to require HUD to determine the cost-savings potential of model land recordation systems, emphasizes that the failure of Prepurchase Counseling is attributable more to the economy than to flaws in the demonstration, and notes that a report on Fair Housing is expected to be completed in July 1983. We agree that each of these points, noted and used in our review, is an important explanatory piece of information. HUD's general assessment of our report is that "it presents a thorough and balanced examination of HUD's demonstration efforts." With regard to our guidelines for demonstration design and evaluation, HUD states that we have made "excellent suggestions on how to improve the conduct of future demonstrations," concluding that the report "will be useful in the development and implementation of future demonstrations." We appreciate HUD's positive reception of our suggested guidelines for their use.

HUD-FUNDED DEMONSTRATIONS

AND THEIR PURPOSES

The 65 demonstration projects in this list were funded by HUD in 1974 through 1981. HUD funded others, but these represent the various types that HUD funded in those years, as we discussed in chapter 1. The six demonstrations that we used as case studies are marked with an asterisk (*).

AETNA/NTIC Training. Demonstrate an urban reinvestment project in six neighborhoods.

Affirmative Marketing Plan Demonstration. Design, implement, and assess an affirmative marketing plan in Baltimore.

Alternative Mortgage Instrument Research. Promote the use of new mortgage instruments.

Approach '80. Design and demonstrate cost-cutting by careful design.

Area-wide Housing Program. Increase interjurisdictional mobility of lower-income households in areas of concentration.

Baltimore Home Maintenance. Demonstrate home maintenance procedures.

Barrier Free Design Demonstration. Develop and demonstrate plans for renovating public housing projects for the handicapped.

Better Value in Housing. Demonstrate house design and construction with a potential for lowering the costs of construction or maintenance.

Boston Multi-Family Demonstration. Test the feasibility of resident participation in management and dispositon procedures.

*Community Economic Development. Demonstrate innovative approaches to coordinating CDBG, CETA, and EDA grants and private money to develop an economic base in cities.

Community Energy Conservation. Demonstrate replicable approaches to energy conservation.

Congregate Services Demonstration. Congressionally mandated to provide support services for congregate facilities for the handicapped and elderly.

Displacement Demonstration. Demonstrate replicable approaches to minimizing or avoiding displacement.

Energy Efficient Residence. Present ways to save energy.

Experimental Housing Allowance Program. Congressionally mandated to test the feasibility of a national housing allowance.

*Fair Housing Enforcement Demonstration. Test innovative methods of promoting fair housing.

Fair Housing Lawyer Training. Train law students to practice fair-housing law.

Fair Housing Legal Aid Program Demonstration. Establish, document, and evaluate a comprehensive fair-housing enforcement program.

*Gautreaux 400 Unit Demonstration. Promote the mobility of public housing tenants by giving them Section 8 assistance.

Group Homes for Handicapped. Demonstrate the feasibility of small group homes.

Home Energy Alert System. Evaluate the feasibility, cost-effectiveness, and market potential of monitoring major energy-consuming devices in homes.

Home Maintenance and Repair for Elderly. Deliver home maintenance and repair services to the elderly and handicapped.

Housing and Community Development Phase II. Encourage State involvement in delivering rural housing services.

Housing for Physically Handicapped. Evaluate the cost and marketability of housing for the handicapped.

HUD/USDA Rural Housing and Community Development Demonstration. Encourage greater involvement by States in the delivery of housing services to rural areas.

Innovative Wiring Systems. Examine and demonstrate innovative electrical wiring systems in residences.

Labor/Management Productivity Improvement Demonstration. Assess the usefulness and transferability of labor-management committee techniques.

*Land Title System Demonstrations. Congressionally mandated to develop model systems of land-title recording.

Lead Based Paint Demonstration. Congressionally mandated to demonstrate techniques for eliminating lead hazards.

Livable Cities Demonstration Project. Demonstrate creative approaches to neighborhood restoration.

Local/State Government Productivity Improvement Demonstration. Demonstrate productivity-improvement methods.

Minority Business Enterprises Demonstration. Promote the integration of minority business enterprises into the mainstream of the housing industry.

Modular Integrated Utility Systems. Demonstrate the advantages of the integrated utility system.

NASA/HUD Advanced Technology Demonstration. Develop a plan for a demonstration house using advanced technology.

National Tenant Management Demonstration. Determine whether the management of public housing by tenants results in an improvement in operating performance.

National Water Demonstration. Give technical assistance to local communities for water and sewer system projects.

Negotiated Investment Strategy. Test the utility of negotiated investment in facilitating and coordinating planning at regional levels.

Neighborhood Business Revitalization (Rehab Loans 312). Revitalize commercial neighborhood businesses, stimulate new private investment, generate tax revenue, and the like.

Neighborhood Reinvestment Strategy Demonstration. Study reinvestment strategies in Baltimore, Maryland, and Providence, Rhode Island.

Neighborhood Strategy Area Demonstration. Demonstrate new local-government housing and community revitalization services in target neighborhoods.

New Energy Efficiency Systems. Demonstrate energy-efficient systems of housing construction.

*Optimum Value Engineered House. Provide a system for reducing the costs of housing construction.

Operation Breakthrough. Demonstrate industrialized housing-construction methods.

Paintmobile. Demonstrate new maintenance procedures for public housing.

*Prepurchase Counseling. Congressionally mandated to test the efficacy of prepurchase counseling.

Radiation Hazard Mitigation Demonstration. Demonstrate and evaluate methods of mitigating radiation hazards in housing.

Regional Housing Mobility. Establish an interjurisdictional Section 8 certificate-exchange system for residents of existing housing.

Region II Multi-Family Housing. Demonstrate approaches to remedying problems in distressed multi-family projects.

Region IX Multi-Family Housing. Demonstrate approaches to remedying problems in distressed multi-family projects.

Rural Assistance Initiative. Identify how HUD programs can be more effectively matched to the needs of rural areas.

Rural Cooperative Housing Demonstration. Demonstrate the viability of rural housing cooperatives and establish an integrated delivery system that includes technical-service organizations.

Small Cities Demonstration. Demonstrate the State role in allocating small-cities funds.

Small Rental Property Rehabilitation Demonstration. Promote the use of a new approach to the rehabilitation of rental properties.

Solar Heating and Cooling. Congressionally mandated to demonstrate the practical use of solar heating and cooling.

State Agency Discrimination. Identify, develop, and demonstrate administrative strategies for combating systematic discrimination.

Targeted Area Preservation. Encourage mortgage insurance for refinancing existing multi-family buildings.

Targeted Jobs Demonstration. Demonstrate methods of targeting jobs to economically disadvantaged persons.

Training for Section 202 Sponsors. Train 202 sponsors to increase minority participation.

Triangular Partnerships. Stimulate local economic development with links between downtown areas and residential neighborhoods.

Urban Homesteading. Congressionally mandated to encourage home ownership and reduce the negative effects of abandoned housing.

Urban Homesteading--Multi-Family. Convert abandoned multi-family buildings to livable housing.

Urban Initiative Anti-Crime Demonstration. Congressionally mandated to demonstrate and assess anti-crime activities in public housing projects.

Urban Reinvestment Task Force. Demonstrate a neighborhood housing services approach to promoting neighborhood preservation.

<u>Water Conservation Demonstration</u>. Demonstrate water-efficient systems and practices.

<u>Youth Employment Demonstration</u>. Teach youths skills related to building-construction.

DEMONSTRATION INFORMATION SHEET

We used the questionnaire on the facing page to obtain detailed and systematic data for the demonstrations listed in appendix I. In appendix III, we present the responses to the questionnaire for each demonstration. The "attached list" referred to in question 1 on the questionnaire was unique for each demonstration and consisted of a HUD document describing that demonstration, for which the questionnaire was to be completed. We have not included those documents here.

U.S. GENERAL ACCOUNTING OFFICE

DEMONSTRATION INFORMATION SHEET

DEMONSTRATION NAME ______________________

1. The purpose of the demonstration, as indicated in HUD documents (PDR printout, Budget, etc) appears on the attached list. Please read the description. If it does not accurately describe the project, please provide a corrected description in the space below.

____

____

2. Below is a list of possible goals of demonstration projects. For each goal, please check the box which best describes how important the goal was in the decision to initiate the demonstration. If a goal of the demonstration was not included in the list, please write the goal(s) under "other" and indicate the importance of the goal in the demonstration.

	Not at all important 1	Somewhat important 2	Moderately important 3	Very important 4
a. Produce new information about an approach or about the relative merits of several approaches.				
b. Promote new approach by demonstrating its actual use in a real environment.				
c. Provide services for program recipients or funding for some technology.				
d. Other (Please specify) ______________________				

3. Was this project specifically mandated as a demonstration by Congress? (Check box)

Yes . . . ☐ —If yes, specify law:

No . . . ☐ ______________________

4. Which HUD office(s) was responsible for administering the demonstration?

____

5. Please list any federal agencies other than HUD that were either involved in administering or funding the demonstration.

____

6a. Is there a formal evaluation of the demonstration to examine programmatic success or difficulties with the program that is either ongoing or will be completed as of Sept. 30, 1981? (Do not include financial audits or evaluations conducted solely for local purposes. Please consider evaluations conducted both in-house and externally.) Check box.

Yes . . . ☐

No . . . ☐

6b. If yes, which HUD office(s) was responsible for the evaluation?

____

7. In what fiscal year was the demonstration:

a. First funded FY ______________________

b. Completed (if over) FY ______________________

-or-

Anticipated for completion FY ______________________

8. How many sites or locations have been involved in the demonstration from its beginning through FY 1981?

Number of Sites ______________________

9. In the space provided, please indicate the amount of funds obligated by HUD to external performers for conducting the demonstration and the funds, if any, obligated for evaluating the demonstration through FY 1981. Indicate all HUD costs, regardless of source, including funds obligated for support contractors, evaluation contractors, and direct payments of program funds to program participants. If evaluation funds cannot be separated from the total demonstration budget, please indicate the total demonstration budget on the line labelled "total".

Demonstration (not including evaluation) $ ______________________

Evaluation $ ______________________

Total $ ______________________

10. Please check the box next to each type of source that helped fund the demonstration. Then go on to indicate the amount of money contributed by those funding sources.

AMOUNT

☐ Other federal agencies $ ______________________

☐ State/local government $ ______________________

☐ Private sources (including private mortgage or other funds insured by the federal government.) $ ______________________

JB-6-81

DEMONSTRATION SUMMARY PROFILE TABLE

In this table, we summarize the responses we received to the demonstration information sheet in appendix II. The numbers across the top correspond to the question numbers on the information sheet. In the column headings for 4 and 6b, we have used the abbreviation "PDR" for HUD's Office of Policy Development and Research. The notes to the table are explained below.

a/Provide 7,000 opportunities; may take as long as 15 years.

b/Document what is learned and inform other communities.

c/One scheduled for fiscal year 1982.

d/Provide relief resulting from litigation.

e/Required by court order.

f/Document replicable aspects of the demonstration.

g/Administered by National Center for Productivity and U.S. Office of Personnel Management.

h/HUD not responsible; see note g.

i/Information not available.

j/Collect cost and operating experience.

k/Improve the process of providing housing.

l/Regional offices also involved.

m/Identify HUD program barriers.

n/Assess the experience of using this approach.

o/Train potential minority sponsors of Section 202 housing.

p/Not known.

q/Will not be completed because company is going out of business.

r/Estimate.

s/In design stage; decision to continue will be based on report of first phase of project.

t/Does not include funds for housing "set-aside."

u/Transferred from U.S. Department of Energy to HUD.

 APPENDIX III

1	2				3		4			5	6a		6b	
	Goals				Congress mandated		HUD office responsible			Other Federal agencies	Evaluation conducted		HUD office responsible for evaluation	
Demonstration	a	b	c	d	Yes	No	Program	PDR	Both		Yes	No	PDR	Program
Aetna/NTIC	4	4	3	-		X	X			0		X		
Affirmative Marketing Plan	4	4	1	-		X		X		0		X		
Alternative Mortgage	4	1	1	-		X		X		1	X		X	
Area-wide Housing Program	3	4	4	-		X			X	0	X			X
Approach '80	3	4	1	-		X		X		0		X		
Baltimore Home Maintenance	4	4	4	-		X		X		0	X		X	
Barrier Free Design	4	4	3	-		X	X			0		X		
Better Value in Housing	4	4	1	-		X		X		0		X		
Boston Multi-family	3	4	4	-		X	X			0		X		
Community Economic Development	4	4	1	-		X		X		2	X		X	
Community Energy Conservation	4	4	4	4a/		X	X			1		X		
Congregate Services	4	4	3	-	X		X			0	X		X	
Displacement	4	4	4	4b/		X	X			0		X		
Energy Efficient Residence	4	4	-	-		X		X		0		X		
Experimental Housing Allowance	4	2	2	-	X			X		0	X		X	
Fair Housing Enforcement	4	4	3	-		X			X	0		Xc/		
Fair Housing Lawyer Training	3	4	2	-		X		X		0		X		
Fair Housing Legal Aid	3	3	3	-		X		X		0		X		
Gautreaux 400 Unit	1	1	4	4d/		Xe/			X	0	X		X	
Group Homes for Handicapped	4	4	1	-		X			X	0	X		X	
Home Energy Alert System	4	4	2	-		X		X		0		X		
Home Maintenance and Repair	4	4	1	-		X		X		0	X		X	
Housing and Community	4	4	4	4f/		X	X			1		X		
Housing for Physically	4	4	1	-		X		X		0	X		X	
HUD/USDA Rural Housing	4	4	2	-		X	X			1	X		X	
Innovative Wiring Systems	3	4	3	-		X		X		0	X		X	
Labor/Management Productivity	4	3	-	-		X	g/			2	X		h/	i/
Land Title System	4	4	3	-	X			X		0	X		X	
Lead Based Paint	2	4	1	2j/	X			X		0		X		
Livable Cities	3	4	2	-		X	X			1		X		
Local/State Government	4	3	1	-		X		X		3	X		X	
Minority Business Enterprises	4	4	4	-		X	X			0		Xc/		
Modular Integrated Utility	3	4	1	-		X		X		2		X		
NASA/HUD Advanced Technology	4	1	1	-		X		X		1		X		
National Tenant Management	4	2	1	-		X			X	0	X		X	
National Water	4	4	4	-		X	X			3		X		
Negotiated Investment Strategy	4	4	2	-		X		X		0	X		X	
Neighborhood Business	4	3	2	-		X	X			2	X			X
Neighborhood Reinvestment	2	1	1	-		X		X		0		X		
Neighborhood Strategy Area	4	4	4	-		X	X			0	X		X	
New Energy Efficient Residence	4	4	1	-		X		X		1		X		
Optimum Value Engineered	4	4	1	-		X		X		0		X		
Operation Breakthrough	4	4	2	4k/		X		X		0	X		X	
Paintmobile	4	4	1	-		X		X		0	X		X	
Prepurchase Counseling	4	3	2	-	X			X		0	X		X	
Radiation Hazard Mitigation	4	2	1	-		X		X		0		X		
Regional Housing Mobility	3	4	4	-		X	X			0		X		
Region II Multi-family	4	4	3	-		X		X		0		X		
Region IX Multi-family	4	4	3	-		X		X		0		X		
Rural Assistance Initiative	4	4	2	4m/		X		X		0	X		Xl/	
Rural Cooperative Housing	4	4	1	4n/		X		X		2	X		X	
Small Cities	2	4	-	-		X	X			0	X			X
Small Rental Property	2	4	1	-		X	X			0		X		
Solar Heating and Cooling	3	4	1	-	X			X		1		X		
State Agency Discrimination	4	4	1	-		X			X	0	X		X	
Targeted Area Preservation	4	2	1	-		X	X			0		X		
Targeted Jobs	4	4	3	-		X	X			4	X			X
Training for Section 202	1	3	3	4o/		X		X		0		X		
Triangular Partnerships	4	4	4	-		X	X			0		X		
Urban Homesteading	3	4	4	-	X				X	0	X		X	
Urban Homesteading--Multi	2	4	4	-		X		X		0		X		
Urban Initiatives	4	4	3	-	X		X			3	X		X	
Urban Reinvestment Task Force	3	4	4	-		X		X		5	X		X	
Water Conservation	4	4	1	-		X		X		0		X		
Youth Employment	3	3	3	-	X		X			0	X		X	

1	7	8	9		
	Years	No. of	HUD costs		
Demonstration	conducted	sites	Demonstration	Evaluation	Total
Aetna/NTIC	1980-80	6	$ 112,000	$ 0	$ 112,000
Affirmative Marketing Plan	1974-81	1	250,000	0	250,000
Alternative Mortgage	1975-76	0	400,000	0	400,000
Area-wide Housing Program	1976-81	60	107,400,000	62,000	107,462,000
Approach '80	1979-82	1	110,000	0	110,000
Baltimore Home Maintenance	1979-81	1	334,448	227,097	561,545
Barrier Free Design	1978-82	9	4,883,000	0	4,883,000
Better Value in Housing	1980-82	i/	385,000	0	385,000
Boston Multi-family	1978-81	4	182,100	0	182,100
Community Economic Development	1976-79	10	2,622,000	251,000	2,873,000
Community Energy Conservation	1981-83	16	12,522,476	0	12,522,476
Congregate Services	1979-86	55	20,000,000	725,882	20,725,882
Displacement	1980-82	12	11,623,046	0	11,623,046
Energy Efficient Residence	1975-81	1	351,993	0	351,993
Experimental Housing Allowance	1971-81	12	69,000,000	84,000,000	153,000,000
Fair Housing Enforcement	1979-82	9	612,000	c/	612,000
Fair Housing Lawyer Training	1977-82	1	350,000	0	350,000
Fair Housing Legal Aid	1976-82	2	144,875	0	144,875
Gautreaux 400 Unit	1977- a/	1	i/	200,000	i/
Group Homes for Handicapped	1977-79	13	p/	p/	231,642
Home Energy Alert System	1980-83	i/	277,000	0	277,000
Home Maintenance and Repair	1980-82	7	1,304,324	479,420	1,783,744
Housing and Community	1979-82	3	2,640,000	0	2,640,000
Housing for Physically	1977-81	4	p/	p/	297,254
HUD/USDA Rural Housing	1977-79	4	3,000,000	100,000	3,100,000
Innovative Wiring Systems	1979-80	2	p/	p/	128,387
Labor/Management Productivity	i/	12	i/	150,000	i/
Land Title System	1978-81	9	p/	p/	2,000,000
Lead Based Paint	1979- q/	3	167,645	0	167,645
Livable Cities	1979-80	8	80,000	0	80,000
Local/State Government	1972-77	18	2,851,000	610,000	3,461,000
Minority Business Enterprises	1980-83	i/	25,000,000	c/	25,000,000
Modular Integrated Utility	1976-79	1	1,360,000	0	1,360,000
NASA/HUD Advanced Technology	1979-83	i/	100,000	0	100,000
National Tenant Management	1976-81	6	20,200,000	789,000	20,989,000
National Water	1979-80	28	700,000	0	700,000
Negotiated Investment Strategy	1980-81	3	p/	p/	121,000
Neighborhood Business	1980-83	9	p/	p/	350,000
Neighborhood Reinvestment	1976-79	4	522,306	0	522,306
Neighborhood Strategy Area	1979-83	110	229,320,000r/	435,272	229,755,272
New Energy Efficient Residence	1978-83	0	432,000	0	432,000
Optimum Value Engineered	1971-77	1	273,000	0	273,000
Operation Breakthrough	1968-76	9	82,508,000	70,000	82,578,000
Paintmobile	1975-75	10	p/	p/	50,000
Prepurchase Counseling	1977-81	3	p/	p/	1,688,603
Radiation Hazard Mitigation	1981- s/	1	75,000	0	75,000
Regional Housing Mobility	1976-81	i/	1,859,000	0	1,859,000
Region II Multi-family	1975-80	5	989,583	0	989,583
Region IX Multi-family	1977-81	1	631,375	0	631,375
Rural Assistance Initiative	1979-81	40	700,000t/	7,500	707,500
Rural Cooperative Housing	1980-82	7	844,165	288,750	1,132,915
Small Cities	1981-81	2	25,000	5,000	30,000
Small Rental Property	1981-82	23	68,625	0	68,625
Solar Heating and Cooling	1975-81	600	82,800,000	0	82,800,000u/
State Agency Discrimination	1976-80	9	1,639,875	0	1,639,875
Targeted Area Preservation	1981-83	4	130,291	0	130,291
Targeted Jobs	1980-82	14	p/	p/	625,000
Training for Section 202	1979-80	2	200,000	0	200,000
Triangular Partnerships	1980-81	10	100,000	0	100,000
Urban Homesteading	1976-81	39	36,000,000	2,000,000	38,000,000
Urban Homesteading--Multi	1976-80	1	300,000	0	300,000
Urban Initiatives	1979-82	39	22,626,000	1,554,000	24,180,000
Urban Reinvestment Task Force	1974-78	80	23,625,000	1,776,442	25,401,442
Water Conservation	1980-83	5	500,000	0	500,000
Youth Employment	1978-81	10	i/	186,821	i/

1 10

Demonstration	Additional non-HUD funding source: Other Federal	State/local	Private	Total cost
Aetna/NTIC	$ 0	$ 0	$ 225,000	$ 337,000
Affirmative Marketing Plan	0	0	0	250,000
Alternative Mortgage	100,000	0	0	500,000
Area-wide Housing Program	0	0	0	107,462,000
Approach '80	0	0	0	110,000
Baltimore Home Maintenance	0	0	147,000	708,545
Barrier Free Design	0	0	0	4,883,000
Better Value in Housing	0	0	0	385,000
Boston Multi-family	0	0	193,700	375,800
Community Economic Development	2,970,000	1/	1/	5,843,000
Community Energy Conservation	1,000,000	4,547,114	3,124,000	21,193,590
Congregate Services	500,000	0	0	21,225,882
Displacement	0	10,099,638	0	21,722,684
Energy Efficient Residence	0	0	0	351,993
Experimental Housing Allowance	0	0	0	153,000,000
Fair Housing Enforcement	0	0	0	612,000
Fair Housing Lawyer Training	0	0	0	350,000
Fair Housing Legal Aid	0	0	0	144,875
Gautreaux 400 Unit	0	0	0	1/
Group Homes for Handicapped	0	0	0	231,642
Home Energy Alert System	0	0	0	277,000
Home Maintenance and Repair	0	0	660,000	2,443,744
Housing and Community	53,775,000	27,100,000	0	83,515,000
Housing for Physically	0	0	0	297,254
HUD/USDA Rural Housing	56,000,000	400,000	0	59,500,000
Innovative Wiring Systems	0	0	0	128,387
Labor/Management Productivity	1/	1/	0	1/
Land Title System	0	1,000,000	0	3,000,000
Lead Based Paint	0	0	0	167,645
Livable Cities	1/	0	0	80,000
Local/State Government	0	1/	0	3,461,000
Minority Business Enterprises	0	0	0	25,000,000
Modular Integrated Utility	0	0	0	1,360,000
NASA/HUD Advanced Technology	0	0	0	100,000
National Tenant Management	0	0	600,000	21,589,000
National Water	2,100,000	0	0	2,800,000
Negotiated Investment Strategy	0	0	630,477	751,477
Neighborhood Business	619,000	687,000	2,256,000	3,912,000
Neighborhood Reinvestment	0	0	0	522,306
Neighborhood Strategy Area	0	1/	1/	229,755,272
New Energy Efficient Residence	12,000	0	0	444,000
Optimum Value Engineered	0	0	0	273,000
Operation Breakthrough	0	0	68,123,000	150,701,000
Paintmobile	0	0	0	50,000
Prepurchase Counseling	0	0	0	1,688,603
Radiation Hazard Mitigation	0	0	0	75,000
Regional Housing Mobility	0	0	0	1,859,000
Region II Multi-family	0	0	391,469	1,381,052
Region IX Multi-family	0	0	342,420	973,795
Rural Assistance Initiative	1/	1/	1/	1/
Rural Cooperative Housing	450,000	0	150,000	1,732,915
Small Cities	0	255,000	0	285,000
Small Rental Property	0	7,520,000	1/	7,588,625
Solar Heating and Cooling	0	0	1/	82,800,000
State Agency Discrimination	0	0	0	1,639,875
Targeted Area Preservation	0	0	0	130,291
Targeted Jobs	2,200,000	1/	0	1/
Training for Section 202	0	0	0	200,000
Triangular Partnerships	0	0	250,000	350,000
Urban Homesteading	0	0	0	38,000,000
Urban Homesteading--Multi	0	0	0	300,000
Urban Initiatives	10,000,000	8,000,000	0	42,180,000
Urban Reinvestment Task Force	0	2,822,136	2,362,321	30,585,899
Water Conservation	0	1/	0	500,000
Youth Employment	1/	1/	1/	1/

COMPARISON OF CASE STUDIES

TO ALL DEMONSTRATIONS PROFILED

In this summary, we compare the characteristics of all HUD demonstrations profiled for 1974-81 with the corresponding characteristics of the six case studies. The numbers are based on responses HUD officials gave to questions in the demonstration information sheet in appendix I.

Characteristic	Total profiled	Case studies
Type		
Nontechnical	49	5
Technical	16	1
Policy goals		
Informational	10	1
Promotional	9	0
Informational and promotional	24	4
Other	22	1
Congressionally mandated		
Yes	9	2
No	56	4
Administration		
Policy Development and Research	36	4
Program office	21	0
Policy Development and Research and other program office	7	2
Other	1	0
Evaluation		
Yes	31	4
No	34	2
Duration in years		
1-2	22	0
3-5	31	4
6-8	7	1
Other	5	1
Cost		
Less than $500,000	29	1
$500,000 to $2 million	15	3
$2 million to $5 million	5	0
$6 million to $30 million	7	0
More than $31 million	6	0
Not known	3	1
Total in each characteristic	65	6

DEMONSTRATION CASE STUDY ANALYSES

In this appendix, we present our case study analyses--Community Economic Development, Fair Housing Enforcement, Gautreaux, Land Title, Optimum Value Engineered Housing, and Prepurchase Counseling. For each one, we answer in detail the study questions and their subquestions that structure our report as summarized in table 2 (on page 9). The questions are the section headings for each case but reworded slightly for brevity. Thus, the outline is as follows:

--Was the demonstration appropriate as a policy tool?
- a. Was it needed?
- b. Did it address the program concern?
- c. Did evidence suggest it would work?
- d. Was there a market or potential use for it?

--Was the demonstration designed and evaluated to achieve its purposes?
- a. Were the policy purposes and program goals clear, agreed to, and compatible?
- b. Did the design and evaluation structure support the informational purpose?
- c. Did the design and evaluation structure support the promotional purpose?

--Did the demonstration provide clear answers?
- a. Was its implementation adequate?
- b. Were the results clear?

--How were the demonstration results used?
- a. Were relevant users informed about them?
- b. Were they used for policy or other purposes?
- c. Did contextual factors affect them?

COMMUNITY ECONOMIC DEVELOPMENT

Was the demonstration appropriate as a policy tool?

Was it needed?

The Community Economic Development demonstration attempted to respond to the "economic conditions of urban areas." 1/ That there was a problem was evidenced by the economic distress of large cities and the lack of local efforts at economic development and coordination. Like many other cities suffering well-documented decline during the 1960's and 1970's, the 10 cities participating in the demonstration exhibited several symptoms of economic distress: declining population, declining employment and high rates of unemployment, and increasing tax burdens (Chicago, Kansas City, Oakland), low per capita income (Buffalo, Dayton), and severe fiscal problems (Bridgeport, Buffalo, Philadelphia, Pittsburgh).

In 1974, before the demonstration was established, HUD analyzed economic development efforts in 12 cities and found that not much economic development or coordination of job creation was going on. This conclusion was reinforced by the results of a Council on Urban Economic Development study that found that economic development activities had only recently begun in many cities.

The 10 demonstration cities differed in the degree of their economic development efforts. When the demonstration began in the fall of 1976, all the cities had some economic development programs. These ranged from disjointed and weak efforts with no strong political support to well-established economic development organizations with both public and private support. All were limited in scope, however, and many of the cities had no key institution for economic development and very little economic and labor market data.

The basic principles of community economic development programs had been developed from the experience of urban renewal activities and the innovative efforts of a few cities, but there had been neither any real test of the extent to which other cities could implement an economic development program nor any solid assessment of the effect of economic development activities. Thus, the demonstration's informational purpose filled a need. As for its promotional purpose, many cities appeared to have been highly motivated to try economic development, so that the demonstration afforded an opportunity to encourage the trend. Its activities might have spread to other cities without the demonstration, however. It was needed to achieve the informational policy purpose; whether it was needed for promotional purposes is less clear.

<u>Did it address the program concern?</u>

The demonstration attempted to address the cities' economic problems by strengthening their economic development efforts. It took three approaches to this. It attempted to coordinate Federal development efforts (primarily Community Development Block Grants, Comprehensive Employment and Training, and Economic Development Administration) with a single comprehensive development activity for the cities. It attempted to involve the private sector in joint economic development efforts. And it attempted to build local capacities to analyze, plan, and implement economic development efforts. HUD considered these three approaches to be basic to an effective economic development process. Thus, the economic plight of cities reflected a real urban problem, and the demonstration represented a reasonable approach for addressing it.

<u>Did evidence suggest it would work?</u>

There was considerable evidence confirming the economic plight of cities. Some cities (Baltimore and Philadelphia, for example) had documented their efforts to enact economic development strategies, and their experience led HUD's urban planners to certain beliefs about what ingredients are necessary for economic revitalization, such as that the public and private sectors should cooperate in planning. There was no solid evidence, however, that alternative development strategies were effective. Thus, there was some reason to believe that the demonstration would be effective, but it was based on the experience of a few innovative cities. Economic development activities were being tried in many parts of the country. In fact, 10 of the cities that unsuccessfully applied for demonstration funds proceeded to carry out their proposed program with their own money. Thus, the demonstration activities were not unique, but testing their effectiveness was.

Was there a market or potential use for it?

There was considerable interest in the activities being demonstrated, both in policy circles and in cities around the country other than the 10 in the program.

Was the demonstration designed and evaluated to achieve its purposes?

Were the policy purposes and program goals clear, agreed to, and compatible?

The demonstration's program goals were five in number. One was to coordinate Federal and local resources so that development efforts could be cohesive and of a size sufficient to enable them to improve employment opportunities more than if resources were applied separately. A second was to insure that the planning of training programs for the unemployed and underemployed and for economically disadvantaged community residents would be directed toward developing the skills that were needed for current and projected labor market demands. Along with this, the demonstration was intended to direct joint planning efforts so that the skill levels of employment opportunities generated in the private sector would match the current or potential skills of unemployed or low-income residents. A third goal was to attract private investors to make sustained investment in public development efforts in significant and measurable multiples of public investment. A fourth goal was to make it possible for the public and private sectors to cooperate in a way that would provide analytical and management support to the public and private decisionmakers who make commitments to multiyear program development. A fifth was to identify and explain the approaches and methods that could be usefully transferred to other localities.

These five program goals were compatible, and they were clear and agreed to by the Federal officials and policymakers who were involved in the demonstration. As for the program purposes, HUD officials believed that the demonstration had an informational and a promotional policy intention, both clearly implied in the fifth program goal. At least at the Federal level, therefore, there was no evidence of any disagreement about the policy purposes of the demonstration. It should be noted, however, that the promotional activities of the demonstration were scheduled to begin before the effectiveness of the economic development strategies had been established.

Did the design and evaluation structure support the informational purpose?

Although three simultaneous approaches were required of all 10 cities--coordinating Federal programs, involving the private sector, and building local analytic, planning, and implementing capacities--each city in the demonstration devised its own strategies for accomplishing them. An evaluation contractor, Abt Associates, was funded to analyze the implementation and effectiveness of the program in each of the participating cities in depth and to summarize this information for all 10 cities.

Abt's evaluation was designed to provide the following information--(1) the economic need of the cities and their capacities before the demonstration began to analyze their development activities and coordinate public and private efforts; (2) the extent of the cities' implementation of their objectives and strategies for each of the three approaches; (3) the economic effects of development activities in each city, including measures of the numbers of new jobs created and old jobs saved (by convincing firms to remain in the cities) and of financial commitments the private sector made in the participating communities.

Thus, the evaluation was designed to provide detailed information about critical aspects of its implementation and effects. Missing, however, was any sort of comparison base that would enable the evaluators to analyze causal relationships between the demonstration's activities and its outcomes. Consequently, the demonstration's conclusions were constrained because it was not possible to say with certainty that the economic improvements that were noted were a result of the demonstration's activities. At the time the demonstration was being conducted, many economic development ideas were being implemented across the Nation. At the Federal level, elements of community economic development programs--such as resource coordination among Federal agencies--were being incorporated as part of the urban policy initiative under President Carter's administration. Describing the results, therefore, Abt Associates noted that

> "It became very difficult to sort out the CEDP's [Community Economic Development Program's] influence on local decision and actions versus the influence of other

> forces . . . . It is clear that the rhetoric, if not also the behavior of local economic development officials has promoted the major CEDP concepts. Whether this is directly attributable to the CEDP or to the latter, but more widely promulgated tenets of Carter's Urban Policy is not clear." 2/

The demonstration design was adequate to achieve its informational objectives, but it would have been greatly strengthened by the presence of a comparison base.

Did the design and evaluation structure support the promotional purpose?

The demonstration's informational component was stronger than is typical of the five other case study demonstrations. The Council for Urban Economic Development, the U.S. Conference of Mayors, and the Conference Board, all having extensive ties to potential users, were funded to inform them about the demonstration. (They were funded at the beginning of the demonstration, before its effectiveness had been established.) The Council and the Conference of Mayors developed user-oriented materials about demonstration strategies. All three groups published extensively in newsletters and other publications about the demonstration activities. In addition, the Conference of Mayors and the Conference Board sponsored seminars and conferences on the demonstration. The demonstration was like the other case study projects, however, in that it included no systematic attempt to assess users' reactions to it.

Did the demonstration provide clear answers?

Was its implementation adequate?

Economic development strategies were successfully implemented in all 10 participating cities. All the cities increased their economic development capacities by increasing their staff (and finding sources of support for them) and by establishing an economic development institution and pursuing other Federal and State sources of support. Private sector participation was increased by setting up coordinating bodies with both public and private participation and establishing joint loan pools for businesses and joint mediation structures for labor disputes. Finally, Federal activities were coordinated at the local level by developing joint programs in most of the cities. Most of the communities did not, however, integrate funds and training activities under the Comprehensive Unemployment and Training Act into other economic development activities. Nevertheless, the Community Economic Development demonstration activities were well implemented in the participating communities.

Were the results clear?

The results showed clearly that it is possible for cities to implement economic development strategies. They also provided clear evidence of positive economic benefits (especially in terms of jobs created and saved) in the participating cities. The lack of a comparison base, however, prevented any conclusion that the economic gains were the direct results of the demonstrated activities.

How were the demonstration results used?

Were relevant users informed about them?

The many informational activities that were planned were in fact conducted as part of the demonstration.

Were they used for policy or other purposes?

HUD and other agencies have used the demonstration results in a variety of ways. The demonstration officials reported that results were used at the Federal level for several purposes--to change regulations in order to allow more economic development activities; to modify Comprehensive and Employment Training Act regulations; to help develop Urban Development Action Grants. It was also reported that several cities that applied unsuccessfully for demonstration funds implemented their proposed programs anyway. Abt reported that several of the participating cities had received visits and information requests from other cities on the demonstration activities. 3/ However, no systematic information is available about the extent of the use of the demonstration by the other communities.

Did contextual factors affect them?

No known contextual factors significantly affected either the demonstration or receptivity to its conclusions.

FAIR HOUSING ENFORCEMENT

Was the demonstration appropriate as a policy tool?

Was it needed?

According to HUD documentation, the Fair Housing Enforcement demonstration project was intended

"to demonstrate how enforcement of the fair housing laws can be made more effective by establishing a close working relationship between HUD's fair housing field staff and local private fair housing groups (local groups). The demonstration is intended to show how the unique assets and capabilities of local groups--their knowledge of local problems and their ability to gather information on discrimination through testing and other means--can increase HUD's effectiveness in identifying and rectifying instances of discrimination. The demonstration will also show how a moderate amount of Federal or local government funding support and a cooperative exchange of information and technical assistance can improve the effectiveness of local groups in promoting fair housing within their communities.

"This demonstration recognizes that greater compliance with the fair housing laws requires the establishment of strong incentives to obey the laws . . . [and] is intended to test a method for increasing the probability that discrimination will be caught. It relies upon the better local knowledge of local groups and their ability to gather new information, especially through testing." 4/

Before the demonstration began, it had been determined that 30 percent of rental offices and 20 percent of real estate offices discriminated against minorities seeking housing. These figures were collected through and thoroughly documented in the Housing Market Practices Survey, conducted in 40 metropolitan areas across the Nation. Considering the breadth and statistical validity of the Survey, it seemed probable that discrimination would be found widely at local levels. In addition, we had reported that Title VIII efforts had not been effective in identifying and eliminating discriminatory housing practices. Evidence that a fair-housing problem did exist was, therefore, adequate.

The demonstration seemed an appropriate vehicle for the project. Inasmuch as a goal of the project was to determine whether working relationships could be established between HUD and local groups, with funding kept relatively low, the demonstration afforded a way of examining success and failure with a reasonable investment of staff, time, and money. Thus, while it was not essential to accomplishing HUD's policies, it was seen as desirable and compatible with HUD's goals.

Did it address the program concern?

From its inception, the fair-housing demonstration had two objectives. One was to test the way in which local fair-housing groups could help HUD identify and rectify discrimination in the marketing of housing. The other was to find out whether the funding support and technical assistance that HUD provides can expand the activities and strengthen the effectiveness of local groups in promoting fair housing. These two objectives clearly addressed discrimination against home seekers.

Did evidence suggest it would work?

The nationwide Housing Market Practices Survey had concluded that there was considerable discrimination in the rental and sales markets, but the sample did not allow the focus on particular areas that might have been possible had local fair-housing centers been more directly involved. Nevertheless, the demonstration was seen as a smaller and more intensive extension of the Survey's data-gathering effort. Also, local fair-housing groups had proven able to move swiftly and effectively against discrimination. Thus, experience suggested that the demonstration would be worth while and succeed. Moreover, it did not seem to duplicate any activities.

Was there a market or potential use for it?

It was the nature of the demonstration not directly to yield policy information. Rather, it was to be useful administratively, as in determining the feasibility of establishing closer working relations between HUD and local groups and replicating them elsewhere. It was thought that funds and expertise might vary from place to place but the demonstration's intention of giving funding support and technical assistance would be seen as extremely valuable by many local fair-housing groups and that, therefore, it had a ready market.

Since governmental organizations appear to offer only cumbersome and impersonal solutions to personal problems, many people seeking help with housing-discrimination complaints turn to smaller, nonprofit organizations. Depending on local conditions, however, these may be understaffed, underfunded, and lacking in the technical skills. Therefore, the demonstration could be described as proving whether its processes were transferable in two ways. First, it replicated a part of the Survey effort. Second, it was designed to show how nine local groups in different cities having various sizes and locations would reach the one goal of promoting fair housing. That is, various groups thought it had great promise of being transferable.

Was the demonstration designed and evaluated to achieve its purposes?

Were the policy purposes and program goals clear, agreed to, and compatible?

Given that the statement of work agreed with the original proposal request, the demonstration's purposes and goals were clear, agreed to, and compatible. As part of the demonstration's intention, establishing relationships between HUD and local fair-housing groups, identifying and rectifying instances of discrimination by bringing local problems to light, and testing whether HUD's funding support and technical assistance could expand the capacities of local groups to promote fair housing effectively, all met all three of these criteria. So did applying funds primarily to the investigation of discrimination and devoting investigation mainly to testing. Similarly, conducting activities, providing services, maintaining records, preparing and submitting reports, accounting for unit costs, and measuring the costs of private performance of various services and activities were all clear, agreed to, and compatible.

Did the design and evaluation structure support the informational purpose?

The Civil Rights Act of 1968 stated that "It is the policy of the United States to provide, within constitutional limitations, fair housing throughout the United States" (Pub. L. No. 90-284, title VIII, sec. 801). In passing this law, the Congress also mandated that HUD undertake studies and provide technical assistance to local public and private agencies to further the aims of the law. In carrying out these legislative intentions, HUD had been afforded considerable knowledge about users' needs, gaining it in day-to-day contact with public officials at all political levels and within a broad spectrum of professional and civic organizations. Other sources of information for HUD were its involvement with the Survey, its establishment of a congressionally mandated Office of Assistant Secretary for Fair Housing and Equal Opportunity, and our own report pointing out fair-housing deficiencies in HUD's Title VIII activities. 5/ Therefore, HUD was conversant with fair-housing issues and what users of information from the demonstration would need.

Accordingly, HUD established certain criteria to insure that groups within its regions and distributed across a broad geographic area would be included in the demonstration and that a representative sample of States with and without "equivalent" housing enforcement laws would also be included. Two of the cities in the demonstration were selected from the Housing Market Practices Survey--Boston and Dallas having been among the five cities that had been examined in depth. It was hoped that the data from these two cities would inform any evaluation of the demonstration that might be conducted while the three other cities were to serve as controls for possible evaluation. It can be seen, therefore, that adequate steps were taken to make a proper selection of sample sites.

Moreover, the National Committee Against Discrimination in Housing (NCDH)--the project's monitor--set up various reporting mechanisms in consultation with HUD staff. These were to monitor and measure the demonstration's processes, including the use of forms during testing, the recording of complaints, allocating costs by activity, and making a summary report of complaint and documentation activity.

Information about implementation problems and the requirements of the demonstration's processes was also gathered. Local fair-housing groups, after their acceptance as participants but before they actually began work related to the study, went through training sessions held for them. Staff in HUD's regional offices were also trained. In addition, the local groups were required to complete quarterly activity reports and perform other reporting procedures. HUD also warned the demonstration's participants of potential implementation problems and administrative requirements.

The data that were required of the local fair-housing groups participating in the demonstration and the information in their quarterly reports were to form the basis of the project monitor's final report. Among other items the project monitor was to report on were the local groups' performance and ways in which HUD field staff and local groups might work together to enforce fair-housing laws more effectively. Additionally, HUD was to make a separate assessment of the effect of the demonstration on discrimination in the metropolitan areas represented in it. Budget cutbacks forced HUD to drop its plan to conduct its own evaluation, although it has not discounted the possibility of an evaluation in the future. However, NCDH's documentation of the demonstration's first year's activities presented a straightforward assessment of the local group's participation, stating what the problems were and their solutions in no uncertain terms. Thus, the project's effectiveness was evaluated but not at the level initially planned.

Did the design and evaluation structure support the promotional purpose?

Both HUD and the project monitor expected to provide hard data on several aspects of the demonstration but found that the quality of the information reported to them was mixed during some of the quarters and that the reporting on unit costs was not as definitive as they had hoped. This did not affect the demonstration's promotional purposes, however, given that the principal audience was HUD itself. The purpose in this regard was to find out whether or not working ties could be improved between HUD's regional offices and local fair-housing groups. Consequently, HUD's publicizing the demonstration among other fair-housing groups was limited to a press release issued on December 21, 1979. Additional promotion was left to NCDH and to newsletters and other communications vehicles of the local fair-housing participants. As an additional audience for this demonstration, potential victims of discrimination were not directly informed. How much publicity was received by others who might have benefited directly from the demonstration is not known.

Did the demonstration provide clear answers?

Was its implementation adequate?

According to NCDH, participation by local groups and HUD's staff started unevenly in the first year but cooperation between them improved greatly by the end of it, although it still varied everywhere--from local group to local group, among HUD's regional offices, and between local groups and HUD's regional offices. The coordination of the demonstration suffered in that NCDH had ties with the local groups but not with HUD's regional offices. Moreover, as manager of the demonstration, NCDH had to share its responsibility for the local groups with HUD's Office of Policy Development and Research and with HUD's Assistant Secretary for Fair Housing and Equal Opportunity. Similarly, the regional offices had no vested interest in working with NCDH unless Policy Development and Research became involved. Rather, NCDH was seen as a technical advisor for local groups and a report monitor and coordinator between them and HUD. The local groups were, thus, potentially "overmanaged" but no evidence exists to indicate that they actually were.

Were the results clear?

The demonstration yielded important information concerning its mechanics, including information on communications and administrative and management controls. It was not clearly demonstrated, however, that effective ties can be established between local fair-housing groups and regional HUD offices. It was apparent by the end of the first year that the level of experience of local groups, the level of support for the project from HUD's regional offices, and the ability of HUD and local personnel to work well together differed considerably from site to site. Whether or not all the issues that were raised at the beginning of the demonstration were adequately addressed by the end is also not clear. What was demonstrated was that the administrative or management structure did not facilitate the demonstration and that the ability to measure complaint activities and cost factors fell short of what had been anticipated.

How were the demonstration results used?

Were the relevant users informed about them?

Little attention was given to promoting the demonstration. The National Committee Against Discrimination in Housing anticipated preparing articles for its own publications upon HUD's acceptance of its final report. It was not considered necessary to publish the results beyond the participants of the demonstration because they were the relevant users.

Were they used for policy or other purposes?

The demonstration was offically concluded in December 1981, although two sites were funded for an additional year. It cannot be determined at this time to what extent the demonstration's findings will eventually be incorporated into HUD's activities. It can be stated, however, that HUD's officials have been made aware of problems in the capacity of its regional offices to interact with local fair-housing groups. As for an assessment of the users' reaction to the demonstration, the local groups were asked to comment and, as we have noted, NCDH incorporated some of these in its interim report as an integral part of the evaluation. HUD's regional offices had no formal reporting requirements.

Did contextual factors affect them?

One contextual factor affecting the cooperation of HUD's regional offices with the local groups was the priority the regions gave to the demonstration--the strength of their participation varied from region to region. NCDH documented some of the problems concerning commitments for the demonstration in its interim report. Moreover, in our interviews with HUD's officials, we found that the demonstration was perceived by some as being of small concern relative to other problems having to do with inefficiencies existing at the regional level.

GAUTREAUX

Was the demonstration appropriate as a policy tool?

Was it needed?

According to HUD's evaluation of Gautreaux, the objective of the demonstration had been

> "to assist members of the plaintiff class in obtaining housing in non-racially impacted areas throughout the Chicago SMSA [standard metropolitan statistical area] and to develop, test, evaluate, and report on procedures to accomplish that goal." 6/

The court order that established the need for the Gautreaux services did not identify a purpose for the demonstration but required remedial action:

> ". . . HUD will provide assisted housing to eligible persons as set forth in this Part 5 until the number of occupancies of assisted housing units in the General Area and/or in the Revitalizing Area, pursuant to the contracts referred to in paragraph 5.4, commenced by eligible persons equals 7,100." 7/

Other than declaring that relief for the plaintiffs was necessary, the court did not specify the policy purpose of the services to be provided. HUD elected to provide the services as a demonstration project illustrating how metropolitan integration could be achieved, a goal that was compatible with the mandate. Thus, HUD set up both a service-delivery and an informational objective for the demonstration.

Since the court required only that service be performed, the demonstration was not a necessary response. It was fairly simple, however, to fulfill the requirement by making the project a demonstration in order to learn as much as possible from the experience. One could argue that the project was not really a demonstration but was instead a service project with an evaluation. However, it qualifies as a demonstration under our definition, in which any project conducted as a demonstration by HUD is considered to be a demonstration.

Did it address the program concern?

HUD's conclusion was that

> "the demonstration offered low-income families an opportunity to take advantage of suburban life. Certain families were attracted to the perceived benefits of the suburbs, particularly neighborhoods with higher socio-economic characteristics and schools. However, they encountered a trade-off between these new benefits and the city's convenience and better public transportation. A large majority of these families remained satisfied with their choice; a much smaller proportion, but nevertheless a considerable number of families, suggested through their behavior or expressed preferences an inclination to choose the advantages--and implicitly the disadvantages--of living in the city. For most of the eligible families who did not participate, this would have been, or was, their choice in the first place." 8/

This is a somewhat optimistic expression of the demonstration's conclusions, but given that it is accurate and appropriate, it can be said that the demonstration addressed the program concern.

Did evidence suggest it would work?

Evidence of discrimination in the practices of Chicago and the Chicago Housing Authority was considerable. The Authority had located 99 percent of all public housing units in areas resided in by 50 percent or more blacks while the Chicago Aldermen had rejected 99.5 percent of the proposals recommended by the Authority that public housing units be located in white locations. Of public housing units proposed for black locations, the Aldermen had rejected only 10 percent. Moreover, until 1954 the Authority had refused public housing applicants who were black and wanted to live in the four public housing units located in white areas. By 1967, only 7 percent of the residents in these units were black, despite the fact that 90 percent of the people on the waiting list for public housing in Chicago were black.

We have found no systematic studies on whether the people constituting the Gautreaux plaintiff class desired to move to the suburbs or to racially integrated areas, but the law suit itself provides some evidence that at least some did, and many of them so testified during the court hearings. Moreover, HUD's evaluation of Section 8 housing found that about half of the households that receive assistance do move and that, of those that move, only a third go to a different neighborhood. 9/

From its evaluation of the experimental housing allowance program, HUD found that of households tracked in the demand experiment, 18 percent in Pittsburgh and 33 percent in Phoenix moved from the city to the suburbs, moves that were not affected by the housing allowance. HUD concluded that "Mobility and location of residence [were] governed largely by ties to relatives, neighborhoods, friends, working places and schools." 10/

Evidence of racial discrimination when the demonstration began was clear. What the housing preferences of people in the Gautreaux plaintiff class were was less clear when the demonstration began. However, it seemed that the demonstration would work given court evidence that some families preferred racially mixed areas, even though the choice of where to move may be governed primarily by personal reasons and considerations of convenience. From its Gautreaux evaluation, HUD found that participants had not been permitted to live in Chicago suburbs under the regular Section 8 program, about half of the regular Section 8 residents expressed an interest in moving to the Chicago suburbs, and two thirds of the Gautreaux residents preferred to live in suburbs, while 61 percent of Section 8 families, 72 percent of Gautreaux residents, and 63 percent of eligible nonparticipants preferred racially mixed neighborhoods. 11/

Was there a market or potential use for it?

Chicago may or may not typify the housing market's issues and problems in urban areas, but the location was mandated by the court, and HUD had no flexibility in the choice. The Gautreaux participants were younger and more likely to own cars than typical Section 8 participants. The Leadership Council for Metropolitan Open Communities, one of Gautreaux's administering agencies, was more likely to serve families with cars, suburban preferences, and a need for no more than two bedrooms. Probably as a result of these constraints, the demonstration's participants typically differed from eligible nonparticipants in being married and in having white collar jobs, more schooling, and higher incomes. Thus, because the court determined the availability of housing and eligibility of participants, there was no way that a representative sample of residents in the general marketplace could have been served. Gautreaux's participants were not necessarily typical of all public housing residents or applicants.

<u>Was the demonstration designed and evaluated to achieve its purposes?</u>

<u>Were the policy purposes and program goals clear, agreed to, and compatible?</u>

The types of service to be provided were clearly spelled out by the court. HUD's purposes in developing, testing, evaluating, and reporting on procedures for delivering services were also clear. The nature of the services and the method of their delivery had been the subject of years of negotiation among everyone involved.

<u>Did the design and evaluation structure support the informational purpose?</u>

Information about housing preferences and the reactions of housing-program participants is available from a number of HUD studies, but the Gautreaux demonstration, being unique, produced unique information about metropolitan issues and problems and about the suburban residential placement of public housing applicants. To achieve its service goals, the demonstration had by mandate to provide an administrative mechanism for identifying residences and identifying potential participants and matching them. Consequently, in its evaluation, HUD might have considered a number of issues:

--Did the demonstration make suitable housing available in adequate supply?

--Were the participants' housing preferences and needs satisfied?

--Were the administrative mechanisms effective and appropriate?

--Were neighbors and apartment managers receptive to the Gautreaux families?

--Was the cost of administering the demonstration's services reasonable?

According to its report, HUD's evaluation considered the first two the most important. 12/

The evaluation report also, however, included descriptive information on some of the coordination problems, on outreach programs, and on the attempts of the Leadership Council to maintain a low profile. There are no specific recommendations in the evaluation report, but there is considerable information about implementation and administration.

HUD did not cover one aspect relevant to assessing other metropolitan housing problems and their solutions: the reactions of Gautreaux's neighbors and apartment managers to the Gautreaux families. And, except for some rough comparisons of the relative costs of regular Section 8 and Gautreaux paticipation, HUD's evaluation included no cost analyses. The demonstration was not designed, however, to facilitate any type of comparative analysis of administration and cost for service delivery (such as the effectiveness of different procedures for screening participants, matching participants with housing opportunities, and performing outreach activities). The circumstances of implementation--the imperative of negotiating service-delivery mechanisms with the plaintiffs and the court--would have made such experimentation difficult. The rest of the information that the evaluation did provide is for the most part generally relevant to metropolitan housing issues.

Did the design and evaluation structure support the promotional purpose?

Gautreaux had no promotional purpose, so that the question of a design and evaluation structure for this demonstration is irrelevant.

Did the demonstration provide clear answers?

Was its implementation adequate?

Implementation was hampered by a tightening of the rental market and a lack of acceptable units in areas with low concentrations of minority residents. Few places were available within Chicago. The participation rate was lower than expected--in the first 2 years of the demonstration, only 870 rental certificates were made available and only 455 families were placed. Of the 22,655 eligible families who were notified of the demonstration, only these 455 were placed, a number that includes 75 families who subsequently dropped out of the program but that had increased to 1,000 by the summer of 1981.

There is some question about the effectiveness of the Leadership Council's outreach activities. Forty-three percent of the Gautreaux families reported that they had heard about the demonstration from relatives or friends rather than from the Council's contacts. The Council attempted to keep public exposure to the demonstration to a minimum in order to better its chances of success and avoid identifying the participants. This may have helped keep the demonstration from suffering the negative effects of politicization, as was intended, but at the same time it may have prevented useful awareness about it.

Representatives of the participants, the plaintiffs' attorneys, were deeply involved in the design of the demonstration. Several HUD offices participated in developing it. That several different agencies were involved in administering the demonstration--HUD's central and regional offices, the Leadership Council for Metropolitan Open Communities, the Home Investment Fund, and the housing authorities of Cook, Elgin, and McHenry counties--led to serious confusion about responsibilities, inadequacy of communication, and no centralized information system. Both participants and administrators were confused.

Were the results clear?

In the demonstration's evaluation, the availability of housing was assessed by analyzing 1975 Annual Housing Survey data, selected as a data base after an extensive review of alternatives as the best available source of information. The major drawback in using it was its age, opening up the possibility that housing availability had changed sufficiently during the latter part of the 1970's to detract from its utility.

Neighborhoods and housing characteristics for Gautreaux and regular Section 8 participants were assessed by analyzing 1970 Census tract data, Section 8 applications, and other housing program forms. The Census tract data were old, but an analysis of racial changes in some suburban areas in 1970-76 indicate few changes during this time. The reliability and validity of the Section 8 information were not known, however.

Residential preferences and residents' satisfaction were assessed through an attitudinal and demographic survey conducted by the Survey Research Center. Response rates were high except for eligible nonparticipants, of whom only 57 percent were successfully interviewed. However, response failures in all groups resulted more from an inability to locate them than from refusals to be interviewed. The reliability and validity of these survey instruments are unknown but likely to be reasonable, given that the survey was conducted by a highly reputable organization.

Thus, the demonstration's measurement techniques were appropriate and acceptable, given the standards in the field. The results from the first 2 years showed 870 housing opportunities with 455 placements. They showed that more Gautreaux than regular Section 8 residents were satisfied with their new neighborhoods and that fewer Gautreaux than Section 8 residents thought of moving. Nevertheless, one third of the Gautreaux participants (most of whom lived in the suburbs) preferred to live in the city, and a "high proportion" of eligible nonparticipants had no desire to live in the suburbs. HUD was clearly able to provide opportunities for members of the Gautreaux plaintiff class to move to nonminority areas, but demonstration participation was not as great as had been expected, satisfaction was generally positive but nonetheless mixed, and, for the HUD policy questions that were addressed by the evaluation, the results were clear but mixed. Information about neighborhood reactions and the demonstration's cost were not obtained.

<u>How were the demonstration results used?</u>

<u>Were relevant users informed about them?</u>

The demonstration's results were made available throughout HUD through the evaluation report. It is unclear how many others beyond that were informed about them.

<u>Were they used for policy or other purposes?</u>

HUD used the Gautreaux demonstration idea as a basis for two additional demonstrations, both conceived of with the intention of encouraging metropolitan integration. They were the Area-Wide Housing and the Regional Housing Mobility programs.

<u>Did contextual factors affect them?</u>

The tightening of the housing market and the fact that many of the families were not interested in moving to the surburbs meant that HUD's ability to meet the goals required by the court was impaired.

<u>LAND TITLE</u>

<u>Was the demonstration appropriate as a policy tool?</u>

<u>Was it needed?</u>

According to one study addressing each of the informational needs expressed or implied by the congressional mandate for the Land Title program, title-recording procedures can be simplified in many ways, simplifying them does not necessarily result in consumer cost savings, and a nationally uniform system is not feasible because the laws and procedures governing land title records are decentralized and the title assurance industry is politically opposed to one. The informational needs of the congressional mandate had been met by research conducted before the demonstration sites were funded. Individual demonstration projects provided additional insight into the nature of land title reform and the process through which it might be implemented, but the essential requirements of the mandate were met without them.

Did it address the program concern?

The congressional purpose in mandating the demonstration is indicated in the Real Estate Settlement Procedures Act:

> "The Secretary shall establish and place in operation on a demonstration basis . . . a model system or systems for the recordation of land title information in a manner and form calculated to facilitate and simplify land transfers and mortgage transactions and reduce the cost thereof, with a view to the possible development . . . of a nationally uniform system of land parcel recordation." (Pub. L. No. 93-533, sec. 13)

The Act also required HUD to prepare a report to the Congress that would include

> "recommendations on the ways in which the Federal Government can assist and encourage local governments to modernize their methods for the recordation of land title information, including the feasibility of providing financial assistance or incentives to local governments that seek to adopt one of the model systems developed by the Secretary in accordance with the provisions of section 13 of this Act." (Pub. L. No. 93-533, sec. 14 (b)(3))

This language suggested both a promotional and an informational purpose for the demonstration.

The purpose of the model systems seemed to be to promote land title reform, an interpretation that is reinforced by the requirement that HUD recommend "ways in which the Federal Government can assist and encourage local governments to modernize their methods." Regarding the informational intention, however, the language implies that the Congress already knew of model systems that would facilitate, simplify, and reduce the cost of land transfers and simply wanted HUD to put these model systems into place. Alternatively, one could read the legislation as implying that determining whether simplification was possible and whether it would lead to cost savings was part of the mandate.

HUD interpreted the legislation as requiring both information and promotion, beginning its work by funding two studies designed to provide information on whether title-recording procedures could be simplified, save costs, and be made nationally uniform. On the results of this research, HUD based its funding of demonstration activities to facilitate land and mortgage transactions, demonstrate what could be transferred to other jurisdictions, and foster coordination and local control. This last objective was not included in the congressional expressions of intention but did not conflict with them. It was also compatible with the nature of land-title recording, a local function traditionally performed by county governments. Thus, the objectives of the demonstration sites were to achieve the promotional requirements of the mandate and also to provide an opportunity to confirm the results of the research studies.

In brief, both the Congress and HUD regarded the demonstration projects as having a promotional purpose. HUD clearly regarded itself as having an informational purpose in responding to the mandate, identifying it as implied, if not explicitly stated, in the legislative language. Nevertheless, while HUD's informational objectives appeared to be compatible with those of the Congress, the congressional informational requirements were not as explicit as they might have been.

Did evidence suggest it would work?

Before it funded the demonstration sites, HUD obtained expert information about title-recording and reviewed the legal literature on title-records improvement compiled by the law firm of Land and Edson. From these reviews, HUD identified types of potential improvement in land-title recording, and these were included in the design of the demonstration projects it subsequently funded.

For recordation systems, potential improvements included the establishment of a common recording office in which all land title documents could be recorded and stored, the development of parcel, or geographic, indexing procedures to replace indexing by names of parties, and the improvement of records management by computerization.

For registration systems, potential improvements included computer-assisted word-processing and certificate-production and computer-maintained tract-indexing. The studies indicated that other types of reform would require legal changes and would be, therefore, less likely to succeed.

For cost savings, the studies found that the amount consumers would save as a result of these improvements would likely be small, partly because title search is just one small step in the title assurance process and partly because there is no competition in the title assurance industry.

The demonstration projects that HUD funded implemented all these reforms, in various combinations, including an attempt to make legal changes to modernize the land title system. HUD had good reason from the research to believe that most of the demonstration activities it funded would be successful, with the exception of the attempt at legal change.

Was there a market or potential use for it?

In conducting their research, Land and Edson summarized what was known about the need for legal and administrative changes in land title systems. They visited communities that had developed innovative approaches to modernization. They also developed model legislation for the legal reform of title registration, following the lead of other legislation that had already been written for recordation systems in the "Uniform Simplification of Land Transfers Act." Moreover, this model act had been endorsed by the American Bar Association and the American Land Title Association, although it is not clear how actively these groups were advocating legal reform. No other groups were promoting land title reform at the time.

HUD appears to have made every reasonable effort to build on rather than duplicate existing information about land title reform, and the demonstration sites do not appear to have duplicated existing promotional activities. They were also definitely not typical of communities generally, since they were selected partly because of HUD's perception of their ability to implement the proposed innovations. This procedure biased the sample in favor of successful implementation but not unreasonably, given the mandate to implement "model systems." Thus, there was not a great market for the demonstration's product and potential use was limited by small incentive for it.

Was the demonstration designed and evaluated to achieve its purposes?

Were the policy purposes and program goals clear, agreed to, and compatible?

As we have already indicated, HUD interpreted the legislative mandate as containing informational and promotional requirements. HUD identified three objectives to fulfill these requirements: (1) to determine whether title-recording procedures could be simplified, (2) to demonstrate activities that could be transferred, and (3) to promote coordination and local control in the land-title demonstration projects. Thus, HUD's program purposes were clear and also compatible with the congressional mandate.

It is possible, however, to read the congressional mandate in different ways. For one, one might assume from the language of the legislation that the Congress' real concern was to establish a nationally uniform recording system. For another, one might assume that the Congress' primary motivation was to reduce consumers' costs and that to do this would require demonstration sites. This lack of clarity in the congressional intention had implications for the demonstration design.

Did the design and evaluation structure support the informational purpose?

The question of whether the demonstration's informational purpose was supported by the design and evaluation structure has to be addressed by considering whether the demonstration site activity was designed to achieve HUD's stated purposes, since the congressional information purposes were less clear.

To facilitate land and mortgage transactions, HUD funded in the demonstration sites types of activity that its previous research had shown were likely to simplify and, therefore, improve land title transactions. The exception was its funding of legislative reform in three registration projects, which did not fare well. Although this procedure was likely to bias the outcome in a favorable direction, it was reasonable given that HUD's resources were limited and that the congressional mandate had asked for "a model system or systems."

For the title searchers, the beneficial effects of most of the simplification activities that were funded in the demonstration were self-evident, including centralization of records in a common office and computerization eliminating hand searches. To achieve its objective, HUD needed only to document that such simplifications could be successfully implemented. Consequently, HUD funded demonstration sites so that they would provide such information. An evaluation of the demonstration documented its implementation.

HUD attempted to fund activities that could be used by other communities interested in reform--that is, transferability was one of the criteria for funding demonstration sites. To increase the possibility of transfer, demonstration staff at the sites participated in national conferences, those held by the American Land Title Association among them, and each demonstration site was required to document its procedures and products. However, no specific systematic procedural mechanisms were established for encouraging the spread of the demonstrated improvements except in North Carolina, where sites received technical assistance from the State office responsible for land title reform, thus making it possible to transfer reforms developed in one community to other communities in that State.

As for fostering coordination and local control, HUD attempted to keep a low key in the demonstration sites, which it selected in part because it perceived them as having the technical expertise to do the work. The effect was to increase the chances of local control over project activities.

Overall, the demonstration design and evaluation were adequate to achieve the purposes of facilitating and documenting land and mortgage transactions in the demonstration sites but not to transfer activities beyond the production of documentation materials. This means that HUD's ability to make specific recommendations about how the Federal Government could encourage modernization was somewhat limited, despite the fact that a report containing such recommendations was required in the legislation.

Did the design and evaluation structure support the promotional purpose?

Although model legislation had been prepared and been endorsed by the American Bar Association and the American Land Title Association, neither the legal profession nor the title assurance industry had been active in promoting legislative change in land-title recording. Legislators themselves tended to give low priority to it, partly because the general public relies on land title records too seldom to be interested in reforming their efficiency. Thus, Land Title's promotional purposes were hampered by the lack of incentive for change. Consumers did not push for reform. Title assurance did not compete for prices, so that there was no incentive to reduce costs by modernizing title systems. And the cost of entering large masses of historical data into computers meant that most local governments would find value in the automated portion of the demonstration systems only gradually over a long time.

To improve or modernize land title records, some type of incentive is needed, but it appears that none existed at the time of the demonstration. Funding the sites to develop transferable improvements seemed like an appropriate policy tool for achieving the Congress' promotional objectives. The demonstration's design and evaluation structure showed, however, that improvements have to be genuinely transferable with low costs and that there must be significant efforts to inform potential users about the demonstrated improvements.

Given HUD's interpretation of the congressional intention, HUD did a good job of identifying informational requirements and responding appropriately to them, although much of the response was obtained from research rather than the demonstration activities themselves. HUD also did a good job of funding activities that were likely to be successful, although it did not set up much in the way of systematic mechanisms. However, the lack of clarity in the congressional intention makes a final judgment about the adequacy of the design and evaluation structure difficult. Assuming that the real concern was to establish a nationally uniform system, the research findings that suggested that a uniform system was not politically feasible should have been sufficient to deal with that concern. Assuming that the real concern was to reduce consumers' costs, the finding that reform would not reduce cost much (except perhaps over a very long period of time and without passing reductions on to consumers) might have constituted a sufficient response to the mandate.

Did the demonstration provide clear answers?

Was its implementation adequate?

Land-title recording may be done through a recordation system, the method that prevails in this country, in which all mortgages, wills, and other interests affecting land are recorded and in which ownership is inferred from a search of the records. It may also be done through a registration system, in which the government determines the legal status of the title, the determination having the force of law, and in which all necessary title information is contained on a title certificate. HUD funded projects for both systems.

For recordation systems, the projects were concerned primarily with administrative reforms--computerizing records, reorganizing administrative offices, and the like. Some of the registration projects implemented such reforms, and they were generally successful.

For registration projects, however, the most significant improvement that was attempted was legislative reform of existing procedures, such as phasing in compulsory registration of all property parcels. All the legal reforms had been indicated in the research as necessary for the use of registration systems, and all were opposed by the title assurance industry, and all failed. They were known in advance to have had a low probability of success, but they were included as part of the demonstration because they represented one possible way of simplifying land title registration.

Were the results clear?

Given the lack of clarity in the legislative mandate, some early communication between the Congress and HUD would have been useful, but how much there was is not known. No other offices were involved in the demonstration, which was administered completely by HUD's Office of Policy Development and Research.

The demonstration did not present difficult measurement problems, however, and the achievement of the proposed improvements was easy to document. No attempt has been made to analyze costs and benefits for the improvements that occurred, but this was probably sensible in light of the conclusion that costs and benefits would be realized only some time beyond the demonstration's completion.

The reports on the demonstration project results indicated quite clearly the types of reform that can and cannot be implemented, their likely costs and benefits (that is, very little cost benefits except in the very long term), and the political constraints on proposed improvements. Because it was not designed to explore various ways of making the results of land-title recording improvements known, the demonstration did not provide a clear answer to the question of how best to encourage them. HUD's conclusions were that a national uniform system is not feasible, that land title procedures can be simplified, that simplification will not result in consumer cost savings, and that simplification will eventually result in savings to local governments over a long time period. From its experience with the demonstration, HUD identified several specific reforms that would be likely to simplify land title transfers. It also recommended that Federal agencies with interest in land reasonably accommodate their interests to the needs of registration systems and that a federally funded land title clearinghouse could serve as an information source, provide technical assistance, and evaluate new developments.

Except for HUD's conclusion about the future Federal role in land title reform, its conclusions from its research and demonstration activities are appropriate. However, the recommendation for the funding of a Federal clearinghouse seems questionable, given the lack of information from the demonstration on effective information strategies (HUD did not suggest what the clearinghouse would do) and the extent of public concern that the role of the Federal Government may already be too broad. HUD's failure to be specific about how (if at all) the Federal Government could encourage land title reform flows directly from its failure to address this question in setting up the research and demonstration activities.

How were the demonstration results used?

Were relevant users informed about them?

The primary audience for the demonstration was the Congress. Representatives of the title assurance industry and others interested in land title reform were included on advisory committees for the demonstration, both locally and nationally.

Staff at each demonstration site were asked to prepare extensive user-oriented materials on their projects. A document was planned for practitioners and sophisticated managers on land title reform and so was a report on the legal aspects of reform, telling how to use model legislation, for example. All these documents were to be made available through the National Technical Information Service. The results were also published at national conventions and meetings. Thus, HUD took the typical steps for informing users about the demonstration. The demonstration did afford an opportunity to explore more extensive and creative methods of encouraging users to adopt land title reform, but the opportunity was not taken.

Were they used for policy or other purposes?

No information is available concerning the use of the demonstration.

Did contextual factors affect them?

The Land Title demonstration's legislation was enacted in 1974, but the demonstration's results were sent to the Congress in the fall of 1981, some 7 years later. Part of the reason for the delay is that the research activities were funded and had essentially been completed before the demonstration sites were funded. According to HUD, the changing political context during that time will lessen the congressional interest in the demonstration's results. The pro-consumer interest in the Congress has faded while concern about the role of the Federal Government has increased, and both will decrease the likelihood that the Congress will be receptive to ideas about how the Federal Government can encourage land title reform in what has traditionally been a function of the State and local governments.

OPTIMUM VALUE ENGINEERED HOUSING

Was the demonstration appropriate as a policy tool?

Was it needed?

Before the demonstration, the individual components of the engineered housing system had been subjected to engineering tests, but they had not been tested together and their cost-saving potential had not been assessed. To do these, it was necessary to construct a house using the system and calculate the cost savings that resulted, and this is what the informational purpose of the demonstration was designed for. Concerning the promotional purpose, documents about some components of the system were already available but the system as a whole was not being promoted, for the simple reason that it did not exist before the demonstration. Thus, the necessity for the promotional activities that were included in the demonstration--compiling and publishing the promotional brochures, audiovisual materials, and so on--was linked to the more extensive activities of assembling and assessing the whole house. It could be argued that the individual components could have been promoted independently, but this would not have been the same as promoting an optimum value engineered system, and it would not have made cost data available.

Did it address the program concern?

Optimum Value Engineered Housing continued the Operation Breakthrough program, whose primary objective had been

> "the establishment of self-sustaining mechanisms for rapid, volume production of marketable housing at progressively lower costs for people at all income levels . . . ." 13/

Growing out of those activities, the optimum value project has as its purpose

> "to research, develop and design innovative concepts of subsystems or components of housing systems and provide full documentation of descriptions, operations, costs, results of test and evaluation activities . . . ." 14/

Thus, as it was originally conceived of, the policy purpose of the demonstration was essentially informational--to design, test, and evaluate methods for reducing construction costs.

However, HUD claims that promotion of the system or approach that was demonstrated was also an important policy purpose. This aspect of the demonstration was reflected in several tasks added to the contract in 1970, including developing audiovisual materials on the system, preparing a brochure on it, and developing a builders' technical manual. All these items suggest that HUD addressed both an informational and a promotional concern in carrying out the demonstration.

Did evidence suggest it would work?

The project began with a review of potential cost-saving techniques related to the structural, finishing, and mechanical elements of constructing dwellings. Then subsystems and components were tested, analyzed for cost, and integrated into what became the optimum value engineered house.

The research that was reviewed at the beginning of the project included work performed for Operation Breakthrough. It also included an examination of nine research houses that had been built by the National Association of Homebuilders and other NAHB research, particularly projects concerned with constructing interior wall partitions and venting systems. Also, time-and-study analysis was used to find out the relative effectiveness of various materials and designs and alternative labor, control, and supervisory practices, and the results were incorporated in the development of the demonstration. The basic design of the optimum value engineered house also took into account the work of several professional organizations--the American Plywood Association, the National Concrete Masonry Association, and others--as well as several universities with programs in housing technology.

From these sources, the demonstration project gathered innovative ideas that represented potential cost savings and integrated them as a system to determine whether they would work together. Thus, the separate innovations of the system had been tested before, and the informational and promotional aspects of the whole system in the demonstration were phased over time so that the promotional activities occurred after the system was tested. Thus, there was considerable evidence that the demonstration would work before it was implemented.

Was there a market or potential use for it?

NAHB took considerable effort to build on and use information that already existed, claiming along with HUD that the whole system was necessary because of interest in whether the various innovations would work together and, if so, what this would cost. The demonstration house was built in Gaithersburg, Maryland, by a medium-volume local builder of moderately priced houses. (The willingness of builders to participate was an important selection factor, since the builder was reimbursed not for building the house but only for the additional costs of the engineered housing implementation. Given that the system was designed to be suitable for a variety of locations, the particular site that was selected does not appear to have restricted either the demonstration or the marketability of the system.

Was the demonstration designed and evaluated to achieve its purposes?

Were the policy purposes and program goals clear, agreed to, and compatible?

According to the National Association of Home Builders Research Foundation, the purpose of the demonstration was

> "to develop a building system using conventional materials and labor skills to produce safe, healthful dwellings that meet user needs at a lower cost than current conventional practice. This was accomplished by reducing the costs of materials and related labor through a process of value engineering. The basic concept was to engineer the structure to fully utilize the capability of all materials, including recognition of the interrelated performance of the various elements. Cost-effective planning principles were carefully laid out for application to overall design." 15/

This statement of purpose was essentially repeated by HUD officials in conversation, in HUD's publications on the demonstration, and by NAHB staff, leading us to conclude that the purposes and goals were clear, agreed to, and compatible.

Did the design and evaluation structure support the informational purpose?

To meet the informational requirements of the demonstration, it was necessary to determine whether it was possible to develop a safe and healthful dwelling with conventional materials and labor skills that would save costs and meet users' needs. In selecting components for the system, NAHB chose materials and labor skills that are readily available in most areas and components that are adaptable to different methods of site construction and all types of houses and that will save costs without sacrificing safety or comfort. These criteria were relevant to the purposes of the demonstration and, in combination with the review of research that had been conducted at the beginning of the project, were reasonable for identifying promising components that would use available resources.

The demonstration's technical information on the engineering, therefore, was produced from tests run on these choices. After initial tests, the potential components were subjected to additional engineering analysis, loading tests, and labor and materials cost analysis. Then, cost-effective subsystems that complemented each other were integrated, and the system was then tested by constructing the demonstration house. After the house was built, engineering tests were run on wall and floor vibration, acoustics, and plumbing and venting systems, both directly after completion in 1972 and at three intervals in 1974 and 1975. This substantial amount of testing on the performance of the system met the technical information needs of the demonstration--that is, revealed whether the house was safe and healthful.

Cost analyses were performed at two points in the demonstration. The first analysis, of labor and materials costs, was made before the final selection of subsystems. This helped insure that the components would be likely to yield cost savings. After the house was built, labor and materials costs were analyzed again, by comparing them to those of a similar, conventional model for which labor and materials costs were available from NAHB's bank of engineering data from previous studies. These analyses were sufficient to assess the potential cost savings from optimum value engineered housing.

NAHB's contract called for interviews with occupants of the prototype house to determine their attitudes toward its design and construction. NAHB's performance evaluation report did not include a summary of the interviews, but it would not have been particularly useful because only one house was built and attitudes toward housing are highly idiosyncratic. To determine whether the house would be attractive to potential buyers, NAHB did conduct a survey of public reactions to the demonstration house directly after it opened, thus providing some indication of interest in the house.

Did the design and evaluation structure support the promotional purpose?

The promotional purposes were less clearly defined than the informational ones at the beginning of the demonstration but were nonetheless clearly implied by the products that were required --audiovisual materials, a promotional brochure, a builders' manual. Other aspects of the demonstration were also related to its promotional purposes. NAHB's criteria for the system components included that they be available in most areas of the country and adaptable to various types of houses and construction methods, making the system more transferable and, thus, promotable. Moreover, the demonstration's contractor was familiar with the market and the builders, giving it a wider publicity. And, finally, information about the demonstration project was presented at national meetings (especially NAHB conferences) and in trade magazines.

We conclude that the demonstration was adequately designed to provide the technical and cost information that was required. It did not provide much information about the reactions of residents and possible buyers of such a house, but this would not really have been possible since there was only one house.

Did the demonstration provide clear answers?

Was its implementation adequate?

The prototype house was constructed according to the plans that had been developed, and the solutions that were found to problems during construction were incorporated into the final working drawings. No serious implementation problems occurred in this regard. Only HUD and NAHB were involved in the demonstration administration, and no serious problems of coordination occurred.

Were the results clear?

The measurement procedures used in the extensive engineering tests and cost analyses were appropriate for the demonstration questions. The results showed clearly a 12 percent overall reduction from typical construction costs, with detailed cost-saving information for each component. The results of the engineering tests indicated that the optimum value engineered system was implemented successfully and functioned satisfactorily, with only minor problems.

HUD concluded that the demonstration system was more efficient than conventional ways of using labor and materials in the production of housing. In the guidelines that were prepared for homebuilders, the optimum value engineered housing system is described in detail and builders are encouraged to use its techniques, whether in total or in part. Because of local differences in materials and labor costs and variations in local building codes, different parts of the system may or may not be cost-effective for a particular builder at a particular site. Builders are encouraged in the guidelines to use the techniques from the demonstration that best suit their conditions. Thus, the results of NAHB's tests were clear, and the follow-up observations, conclusions, and encouragements to builders were appropriate.

How were the demonstration results used?

Were relevant users informed about them?

We described the publication of information on the demonstration in the section above on design and evaluation structure. When it was completed, the house was publicized and opened for public inspection for a weekend, during which 300 people visited the house. NAHB's extensive contracts with builders and the procedures that were used to promote the use of the system made information about it widely available.

Were they used for policy or other purposes?

The Optimum Value Engineered Housing demonstration results have been used in a variety of ways. For one, HUD used them to establish minimum property standards for housing programs it insures. For another, subsequent HUD demonstrations have used its procedures. In the Building Value into Housing demonstration, for example, builders were encouraged to use Optimum Value innovations. In the Energy Efficient Residence demonstration, the general approach of the Optimum Value demonstration was followed and expanded.

Over the course of several demonstrations, including those named above, the promotional aspects of Optimum Value Engineered Housing have been increasingly emphasized. For example, the experience of Optimum Value led the Energy Efficient Residence demonstration to develop a media kit as a promotional device.

Officials of both NAHB and HUD agree that they do not know the extent to which the demonstration's techniques have been adopted by builders. They also agree that it would be difficult, if not impossible, to find this out. Thus, while HUD has made substantial use of the demonstration process and its findings, no systematic information is available on the use builders have made of them.

Did contextual factors affect them?

The changing housing market appears to have had little effect on the demonstration, with a few exceptions. However, the energy crisis did reduce the utility of some of the system's components and, ultimately, its overall utility, inasmuch as it made insulation space a major building consideration.

PREPURCHASE COUNSELING

Was the demonstration appropriate as a policy tool?

Was it needed?

During the 1970's, and before the initiation of the Prepurchase Counseling demonstration, HUD funded several studies of the efficacy of federally funded homeownership counseling. Evidence from them suggested that, by and large, people seeking homes were not likely to use counseling programs. One evaluation by the Organization for Social and Technological Innovation noted that

> "voluntary counseling programs succeeded in reaching only an extremely small portion (less than 3 percent) of families who purchased homes through subsidized ownership programs." 16/

Besides not making it clear that there was a need for prepurchase counseling services, HUD's earlier studies did not provide a definitive answer to the question of its cost-effectiveness. This means, however, that the demonstration did not needlessly duplicate other work. Whether or not the information it yielded was necessary is a more difficult question in a time when the political climate is not favorable for initiating socially oriented programs. Nevertheless, it may be that the Congress and the Office of Management and Budget will eventually find information about an appropriately conceived demonstration useful.

Since some evidence existed that the need for prepurchase counseling services is not great, responses to existing counseling programs (which offered prepurchase as well as default counseling) might usefully have been analyzed before the demonstration began. One HUD official claimed that sufficient information about the cost-effectiveness of prepurchase services could have been obtained from an evaluation of the existing programs. If the congressional question could have been adequately addressed that way, funding the demonstration's sites might not have been necessary.

Did it address the program concern?

The objective of the prepurchase counseling demonstration was to provide information:

> "The Prepurchase Homeownership Counseling Demonstration and Evaluation has been conducted to provide the Department of Housing and Urban Development with information on the utility of counseling for first-time buyers

> of low and moderate incomes. The study arises from a Congressional mandate--Section 508(a) [26] of the 1976 Housing Authorization Act--that directed HUD to undertake a three-city demonstration to evaluate the impact of counseling for first-time buyers." 17/

This objective was addressed.

Did evidence suggest it would work?

Whether a prepurchase counseling demonstration would work depended first on need--without people seeking the services, it could not work. We discussed the evidence for this above. The cost-effectiveness of prepurchase counseling was also a factor in whether or not it would work. On this question, the HUD-funded studies initiated before the demonstration project were hampered by problems of data availability and research design. A number of officials familiar with homeownership counseling services believed that prepurchase counseling is effective, but whether it reduces defaults and foreclosures enough to justify the cost of counseling still had no definitive answer when the Congress mandated the demonstration in 1976.

Several studies had tried to answer the question. One was begun in 1966 by the San Francisco Development Fund with the assistance of a Low Income Housing demonstration from HUD. The program was intended to help low-income families buy homes by giving them both homeownership counseling and short-term cash subsidies. The project report concluded that families receiving both kinds of help were better at homeownership and self-sufficient tenancy than others that did not, but the experimental design failed to separate the effects of the counseling and the subsidies. No statistical data were made available on the counseling assistance. As a result, no statement can be made about the effectiveness of prepurchase counseling in this program, although the project staff felt that it was associated positively with ownership abilities.

The San Francisco Development Fund conducted a second demonstration between 1972 and 1975, the Buyer's Agent Program, which provided mandatory prepurchase counseling sessions for persons selected to receive Section 235 housing assistance. No control group was chosen initially for the demonstration's effectiveness evaluation, but later a sample of Section 235 and Section 237 buyers was chosen as a comparison group. It was presumed that people in the experimental and the comparison groups had similar socioeconomic backgrounds, but the evaluators found later that people in the experimental group had a higher average income. In comparing the two groups' foreclosure rates, adjusted for income differences, the Urban Management Consultants of San Francisco found a lower rate (by 2.7 percent) for the experimental group and a slightly better delinquency rate, but the experimental group trailed the comparison group in rising out of subsidy payments. It was concluded that the program's benefits were too small to justify its costs but that a different program design might have proven cost-effective.

The Organization for Social and Technological Innovation conducted yet another study evaluating all HUD counseling programs --prepurchase, default and delinquency, and fee-funded--and reported that counseled and uncounseled purchasers showed virtually identical rates of default and foreclosure. The report also concluded that counseled buyers tended to purchase used housing, their incomes increased more slowly than those of people not counseled, and their family size increased faster.

One interpretation of this data was that counseling may lessen default and deter foreclosure among mortgagers who are vulnerable to losing their homes. Another interpretation, however, was that the program's ability to prevent default was limited by the fact that the cause of default is an intermittent problem that is largely beyond the scope of counseling intervention. As for reducing mortgage failure, the study concluded that since foreclosures are often associated with housing conditions, prepurchase counseling services may be cost-effective if they can lessen the risk of purchasing homes in poor condition with little marketability.

We conclude that there was no strong evidence at the outset that a program of voluntary prepurchase counseling would be cost-effective. Evidence in some of the studies and the opinion of some HUD officials, however, suggested that some people who were knowledgeable about counseling services believed that prepurchase counseling would have some benefits.

Was there a market or potential use for it?

The question of whether there was a market or potential use for the demonstration is answerable in part by looking at the method of selecting the sample sites. The congressional mandate stipulated that there be three standard metropolitan statistical areas. They were selected in two stages. First, to identify cities in which a prepurchase counseling program would be likely to produce detectable results, sites were looked at that might have higher-than-average FHA program activity and default rates as well as high levels of real estate activity in the lower price range of the housing market. After sites were selected for these criteria, a second analysis considered them for the characteristics of potential counseling agencies, real estate agencies, mortgage-lending institutions, and local governments, evaluating them for their interest in and capacity for participating in the demonstration. The three cities finally selected were Atlanta, Philadelphia, and Phoenix. One might assume that three sites made a sufficient sample, given a reasonable demand for the services, but the assumption was not warranted.

The selection of the counseling agencies themselves is noteworthy. According to the project's final report,

> "the six counseling agencies participating in the demonstration were atypical of the some 700 HUD-approved agencies nationwide. Most had large professional staffs, substantial operating budgets, and were involved in presenting a wide spectrum of consumer counseling programs." 18/

The Consumer Credit Counseling Services of Greater Atlanta and the Atlanta Urban League as well as the Chicanos por la Causa in Phoenix and the City of Phoenix/HUD were all selected because of their abilities and their interest in the Prepurchase Counseling demonstration.

The two-stage selection process seems reasonable. Like the selection of the counseling agencies, however, it should have biased the demonstration's results in a positive direction. All the criteria facilitated the prepurchase counseling demonstration. The question of the number of sites is more difficult. It could be argued that pre-existing housing conditions should have led to the expectation of a low level of participation in all three cities, so that if only a small percentage of the target population in each site participated, then increasing the number of sites would not necessarily have meant an increase in the level of participation.

<u>Was the demonstration designed and evaluated to achieve its purposes?</u>

<u>Were the policy purposes and program goals clear, agreed to, and compatible?</u>

The Housing Authorization Act of 1976 required HUD

> "to undertake programs of studies and demonstrations within at least three standard metropolitan statistical areas to determine the extent of need for and cost effectiveness of providing prepurchase, default and delinquency counseling and related services to owners and purchasers of single family dwellings insured or to be insured under the unsubsidized mortgage insurance programs of the National Housing Act." (Pub. L. No. 94-375, sec. 26)

A comparison of this language with HUD's original request for proposal reveals that the Congress and HUD had the same cost-effectiveness purpose. However, the need-for-services question contained in the legislation is absent from the HUD document, which suggests that HUD officials did not think it necessary.

Did the design and evaluation structure support the informational purpose?

Several problems with the demonstration's design and evaluation structure are apparent. First, the design omitted a formal assessment of the need-for-services question, although one was mandated in the law. Logically, the question had to be answered before proceeding with the demonstration. However, the evaluators did not anticipate the possibility of limited participation in the target population or its probable reasons when the demonstration was being designed. It appears that the lack of need for services became salient only after the response to an extensive outreach campaign proved limited.

A second problem with the design was that the control group was inadvertently given a type of counseling in the homebuyers' information package that was distributed to them. According to the final report,

"Prepurchase counseling was the treatment whose effect was to be tested in the Demonstration. However, virtually all enrollees, including the control group, received the Homebuyer's Information Package, and the HIP appears to be a significant factor in enrollee perceptions of how the program helped them.

". . . The HIP proved a very popular feature of the program . . . . Every section of the HIP was read by at least three-fourths of those receiving it, with a peak of 97 percent who read the first section, 'To Buy or Not to Buy . . . .

". . . Control households nearly always reported higher opinions of the HIP than experimentals . . . . " 19/

Finally, the demonstration suffered from a basic flaw: the question it posed does not really make sense. To seek answers to the policy question, the Congress mandated "studies and demonstrations" in the 1976 Housing Authorization Act. HUD's interpretation of the mandate led it to conduct an evaluative demonstration of prepurchase counseling services delivered separately from other types of counseling. A typical counseling agency, however, provides all types of homebuyer service. The additional cost of providing prepurchase services for an agency that is already providing default counseling, for example, is not likely to be high. To study the cost-effectiveness of prepurchase counseling delivered separately from default and delinquency services does not make sense, because the cost of providing prepurchase services separately is bound to be higher than the cost of providing such services in the typical way.

The Prepurchase Counseling demonstration design and evaluation structure was severely flawed in three ways:

--it failed to answer half of the mandated questions;

--it posed a question in a context that did not make sense;

--the experimental and comparison groups received almost the same treatment.

Did the design and evaluation structure support the promotional purpose?

Since Prepurchase Counseling had no promotional purpose, the question is irrelevant.

Did the demonstration provide clear answers?

Was its implementation adequate?

The Abt report reveals some difficulties in the delivery of counseling services. In particular, it appears that "intensity" in the levels of counseling did not vary greatly from group to group. According to the original design, the demonstration was to study four levels of counseling--high (individual/advocacy), medium (group), low (group), and none (control). Because of the low rate of participation among the target population, the two group levels were collapsed into one. Even so, it is likely that the amount of counseling information was not very different in the individual and the multiple-family sessions.

The amount of time households spent in the individual high-intensity sessions averaged 2.2 hours; the original projection was for 14 or more hours. Groups averaging 3.3 households were counseled in 3 sessions of about 2.25 hours, with about 80 percent of those participating attending at least 2 of the sessions; the target had been 6 to 10 households. The reason the group sessions were smaller than planned was probably that the people being considered felt they received more individualized responses to their questions than they would have in the larger groups. 20/

In terms of its contents, the individualized counseling was structured so as to be flexible and responsive to the participants' needs. In group sessions, topics were set and their sequence was tied more uniformly to the buying process itself.

Thus, between topics covered and time spent in counseling, it appears that sessions for individuals and for groups did not differ greatly in intensity. Moreover, as we noted above, the treatment difference between counseled and control participants was minimized by the control group's receiving the homebuyers' information package. This was a problem in demonstration design, however, but not in implementation.

There is also evidence that the quality of the counseling in the group sessions was at times not as high as had been anticipated. The counseling agencies had been selected for their resources, skill, and interest in the project and, indeed, some comments from counselors were favorable to the program. Others, however, made the following remarks to Abt evaluators:

> "It's awful when only one or two come in . . . . How do you get started when they don't respond? When it gets bad, I just read the HIP [homebuyers' information package] to them, but I feel silly sometimes . . . I really don't feel good about talking to a group of people, even when I know my material . . . . I like one-on-one counseling best . . . you can tell better that you're helping a family that way . . . ." 21/

Thus, it appears that there were not great differences in the types and amounts of service that participants received. Because topics to be covered were structured in the group sessions, the "low" and "medium" intensity participants may well have received more homeownership counseling in some instances than the "high" intensity participants. Clearly, the demonstration's implementation varied across counselors and even counseling agencies.

The demonstration involved HUD officials from the Office of Policy Development and Research, Abt Associates, and the six counseling agencies, so that good coordination was essential. Interviews with the HUD officials and a review of the demonstration report indicate that the coordination was adequate.

Were the results clear?

The demonstration evaluation assessed the effect of counseling services on low-income buyers in their search for homes and their purchase decisions and housing expenditures with an appropriate multivariate analysis. The final important question for the demonstration was whether counseling lowered default and foreclosure rates sufficiently to justify the cost of the service. A formal cost-benefit analysis was not made, however, because it was concluded that the low participation rate did not affect the rate of default. Moreover, the group counseling sessions suffered from attrition, with approximately one fourth of the participants attending only one session. Abt's conclusions about the demonstration outcome appear to be justified, but the various problems of demonstration design probably precluded the generation of reliable and valid results.

It was apparent that there was a limited need for prepurchase counseling services among the target population at the time the demonstration was conducted, but this was noticed only after the demonstration was well under way. Similarly, the cost-effectiveness question was answered by noticing that participation, use rates, and associated net benefits were so low as to make improbable any change in the rate of mortgage default on FHA's insurance funds. It is probable that prepurchase counseling as considered in this demonstration's design is not cost-effective. However, the study of prepurchase counseling as delivered separately from other counseling services has probably led to results that cannot be generalized to other settings, in which agencies typically provide many services in addition to prepurchase counseling. Better results would be obtained by studying the service in a more realistic way. It is, however, reasonable to conclude from the demonstration that prepurchase counseling could not be cost-effective when much of the demonstration's target population was closed out of the housing market. This was Abt's conclusion, as we noted above. Nevertheless, structuring the research question to make cost-effectiveness a part of the delivery of several counseling services in a given agency, the more realistic of contexts, might have led to a different conclusion.

How were the demonstration results used?

Were relevant users informed about them?

Other than HUD officials and the counseling agencies, the principal users were the Congress and the Office of Management and Budget, which were interested in the demonstration mainly for its cost-effectiveness study, according to the remarks of the Honorable Morgan Murphy, who introduced the demonstration's legislation in the House:

> ". . . HUD has failed to experiment with a significant number of counseling demonstration projects. Since 1968, the only money for demonstration projects went to a small number of very high foreclosure areas. . . . The programs funded were successful but imagine the possibilities when you put a reasonable amount of money into an area that stands a relatively good chance of being helped. My amendment would provide the data HUD claims it needs to launch a nationwide counseling program . . . ." 22/

As we noted above, the Housing Authorization Act of 1976 required that the demonstration yield studies of prepurchase and other types of counseling. The Act also required that an interim report on the demonstration be sent to the Congress one year after its initiation and that a final report be submitted on its completion. There is some question, however, that the only congressional interest in the demonstration after the initial legislation was expressed during the annual appropriations hearings, when the effectiveness of counseling services was debated. Interviews with HUD officials indicate that neither the interim nor the final report from HUD was sent to the Congress or to OMB.

Had the demonstration been successful, HUD's Office of Policy Development and Research and Office of Community Conservation Research were prepared with an "information transfer line"--interested congressional staff members and officials of the Office of Management and Budget were to have been sent copies of the final report. Later, the results would have been sent to the local counseling groups. HUD's Neighborhoods, Voluntary Associations, and Consumer Protection offices anxiously awaited positive results from the demonstration. The results were not favorable, however, so that, according to HUD officials, the final report that Abt prepared will receive only limited external review.

<u>Were they used for policy or other purposes?</u>

Since the demonstration results have yet to be transmitted, this question is not applicable in our analysis.

<u>Did contextual factors affect them?</u>

Since the Congress played only a minor role in the demonstration beyond its authorization, there seem to have no been extraneous political pressures at work to alter the demonstration's outcome. However, the shifting housing market had the effect of pricing many of the people in the target group for counseling services out of the market during the years of the demonstration. Moreover, the changing political climate will probably decrease the public receptivity to the demonstration's results.

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 APPENDIX VIII

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C. 20515

SUBCOMMITTEE ON OVERSIGHT

August 3, 1982

The Honorable Charles Bowsher
Comptroller General
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Bowsher:

For some time now, most of the executive agencies have used demonstration programs and projects as a policy tool for testing, developing and promoting various promising concepts or strategies. In many instances, the Congress has mandated that a demonstration program or project be carried out prior to policy decisions regarding full implementation of the concept or strategy under consideration. As recently as FY 1977, $860 million was spent by civilian federal agencies alone on demonstrations. The Oversight Subcommittee of the House Ways and Means Committee would be very interested in information regarding demonstrations, especially the ways in which they have been initiated, designed, carried out and used to satisfy policy needs.

I understand that GAO's Institute for Program Evaluation has an ongoing review in this area, and is addressing some of the questions that are of interest to us. Specifically, we would be interested in information on the following:

* What policy purposes are demonstrations used for?

* Have they provided the information expected from them?

* Has their design and evaluation been appropriate to their purpose?

* What kinds of time periods and costs have been involved?

* Have the results been used appropriately?

* Are there some steps that, if taken, might increase the effectiveness and usefulness of demonstrations?

I would like GAO to provide me with a written report that is responsive to these questions. A draft of the report by October 1, would be most helpful. We understand that a comprehensive review across all demonstrations over the last few years is not possible, so that the necessary scoping and sampling may rule out any firm generalizations. Nevertheless, since we appear to know little about the record of these programs, the report should represent a good first step towards needed information in the area.

My staff will be happy to work with your Institute for Program Evaluation in this effort. If you have any questions, please contact Erwin Hytner, Staff Director, at 225-5522.

Sincerely yours,

Charles B. Rangel
Chairman

CBR:ehv

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

ASSISTANT SECRETARY FOR
POLICY DEVELOPMENT AND RESEARCH

IN REPLY REFER TO:

DEC - 6 1982

J. Dexter Peach, Director
Resources, Community, and Economic
Development Division
General Accounting Office
441 G Street, N.W. Room 4915
Washington, D.C. 20548

Dear Mr. Peach:

Secretary Pierce has asked me to respond to your letter to him of November 4, 1982, requesting comments on a draft GAO audit entitled HUD Demonstration Programs--Are They Achieving Their Policy Purposes?

The GAO report highlights demonstration strengths and searches for the causes of problems or barriers to successful completion of demonstrations. The Department has reviewed the report and, in general, believes that it presents a thorough and balanced examination of HUD's demonstration efforts. The report makes some excellent suggestions on how to improve the conduct of future demonstrations, many of which have already been implemented by the Department. Early in the Administration, Secretary Pierce addressed the Department's research activities and, in an April 2, 1981 memorandum, directed that the Office of Policy Development and Research review all proposed demonstrations to assure adequate design, data collection, and policy relevance.

While the Department is in substantial agreement with the majority of the report's observations and conclusions, it wishes to make comments on three demonstrations which GAO criticizes:

(1) Land Title Demonstration: The report asserts in several places that the Land Title Demonstration did not adequately address all of the necessary issues of purpose, design and possible outcome and that if these had been addressed, it would have been clear that improvements in public records do not necessarily result in cost savings. The demonstration was conducted because Congress required that HUD determine the degree of potential savings and to develop model land recordation systems. Previous studies had shown that potential savings to the home purchaser of $50 to $65 per transaction were possible. Equally important, the studies showed that there were savings to the local government and taxpayers through more efficient operation of land recordation. A consortium of land title organizations, attorneys, and others is currently encouraging state adoption of the uniform system developed under this demonstration.

(2) Prepurchase Counseling Demonstration: The Department wishes to reemphasize a point made by GAO that failures in the Prepurchase Counseling Demonstration were due more to a downturn in the economy and its effects on homeownership than on any inherent flaws in the design of the demonstration.

(3) Fair Housing Enforcement Demonstration: The Department notes that the report on the Fair Housing Enforcement Demonstration was prepared prior to the completion of the demonstration. Since this demonstration is still underway, it is impossible to accurately assess: (a) the time involved in the project; (b) the cost associated with it; (c) the appropriateness of the design and evaluation; (d) the provision of the information expected; (e) sufficient use of the results; and (f) the steps that could have been taken to increase the effectiveness and usefulness of the results. A report on the third and final year of the demonstration (which will be completed in July, 1983) will provide the information needed to make these determinations.

The Department would also like to call GAO's attention to one successful demonstration which was only included in the appendices of the GAO report. One of the most significant demonstrations ever undertaken by the Department was the Experimental Housing Allowance Program. This demonstration, conducted during the period 1971 to 1981, provided the data and experience for a major policy change in the Department's assisted housing programs--the shift from the costly Section 8 new construction program to the housing certificate or "voucher" program.

Finally, with respect to the Optimum Value Demonstration, the Department notes that the demonstration has produced a manual that has been widely used under HUD's Joint Venture for Affordable Housing. The manual is one of the technical resources provided to builders participating in the Affordable Housing Demonstration component of the Joint Venture.

The Department appreciates the opportunity to review this report and believes it will be useful in the development and implementation of future demonstrations.

Yours truly,

E. S. Savas

(973543)

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