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General Accounting Office
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Resources, Community, and
Economic Development Division

B-271884

June 20, 1996

The Honorable Rick A. Lazio
Chairman, Subcommittee on Housing
and Community Opportunity
Committee on Banking and Financial Services
House of Representatives

Dear Mr. Chairman:

Your Subcommittee and the Senate have each proposed legislation (H.R. 2406 and S. 1260) that would, in part, "voucher out" distressed public housing developments. Although differing in details, both proposals would require the Department of Housing and Urban Development (HUD) to provide Section 8 housing vouchers to local public housing agencies (PHA) that administer public housing programs for HUD instead of continuing to assist distressed public housing financially. Housing vouchers allow lower-income households to find private market rental units of their choice, as long as the units meet HUD's rent and quality standards. Vouchering out is seen as a way to save money, improve living conditions for households living in distressed public housing, reduce concentrations of the poor, and foster housing choice.

You asked us to identify (1) HUD programs that allow or require housing agencies to provide Section 8 rental assistance to residents of distressed public housing, (2) housing market and household characteristics that promote or restrict searches for housing by former residents of distressed public housing, and (3) HUD's and housing agencies' efforts to maximize use of vouchers and certificates by recipients. Your letter stated that this information may help the Subcommittee determine whether households receiving vouchers as part of these reforms would likely achieve similar success in finding housing as other families participating in HUD's Section 8 program. Consistent with your request, this report deals with issues surrounding the search for housing by households that are vouchered out. This report does not address other important considerations, such as how much vouchering will cost and whether living conditions will be improved.

GAO/RCED-96-161R Vouchering Out and Success in Housing Searches

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In summary, public housing agencies sometimes use Section 8 vouchers and certificates to provide relocation housing assistance to former residents of distressed public housing as part of efforts to (1) revitalize certain severely distressed or obsolete public housing developments (the Urban Revitalization Demonstration Grant program, also called HOPE VI), (2) provide housing when public housing units are demolished or disposed of (the Demolition and Disposition program), and (3) help PHAs reduce the number of partially occupied obsolete buildings (the Vacancy Consolidation program). While HUD has awarded about 15,600 vouchers and certificates to PHAs under these programs from fiscal years 1991 through 1995, over 90 percent of this assistance was awarded in fiscal year 1995. According to HUD, most of these vouchers and certificates have not yet been offered to residents of distressed public housing because of the time needed for PHAs' project planning and HUD's approvals of plans.

Research studies and officials at the seven PHAs that we contacted identified the supply of affordable housing as a crucial factor in households' ability to use vouchers and certificates.¹ A 1994 study by Abt Associates, Inc., performed for HUD, found that nearly 9 out of 10 households in HUD's mainstream Section 8 voucher and certificate programs were able to find rental housing by using their vouchers and certificates. However, about 30 percent of these successful households used their Section 8 assistance to rent their preprogram unit (i.e., they did not have to move), and the study was performed at a time when there was an adequate supply of rental units in local markets.

Information obtained from the studies we reviewed and officials we contacted did not clearly show the degree to which household characteristics might affect the success of households from distressed public housing in finding other housing. Officials at most of the seven PHAs that we contacted told us that they believed that there was little or no difference between households in their distressed public housing developments and Section 8 households in terms of their ability to find private market housing. Six of the seven PHAs told us that residents' resistance to change may reduce some households' willingness to move from distressed public housing.

Each PHA is required to provide information and an orientation to prospective renters, explaining how the Section 8 program works, what assisted households'

¹These PHAs were located in Atlanta, Georgia; Bridgeport, Connecticut; Dallas, Texas; Denver, Colorado; Los Angeles and San Francisco, California; and Seattle, Washington.

responsibilities are under a lease, and how to search for a unit successfully. Housing agencies also conduct owner outreach and provide resident relocation assistance, which may include counseling, to facilitate successful moves using Section 8 assistance. Finally, in 1995, HUD issued regulations and proposed legislative reforms designed to increase landlords' receptivity to the Section 8 program.

BACKGROUND

Under HUD's public housing program, about 3,300 PHAs own and operate about 13,200 developments, with about 1.4 million public housing units. While many of the units are reportedly in good condition, other units are in deplorable shape or have such problems as being physically isolated or located in high crime areas. Admission to public housing is generally limited to households whose income is 50 percent or less of the median income for their area. Generally, assisted households are required to pay 30 percent of their income for rent. HUD provides financial support to PHAs to make up the difference between the rent households contribute and the cost to operate and modernize public housing.

According to HUD, about 100,000 units of public housing are severely distressed because they require over \$50,000 each to rehabilitate. However, HUD's estimate may not include housing units that are subject to other forms of distress. The 1992 report of the National Commission on Severely Distressed Public Housing identified wide-ranging indicators of distress that included (1) families living in distress (such as families with no earned income), (2) the incidence of serious crime, (3) barriers to managing the environment (such as high vacancy or turnover rates), and (4) physical deterioration of buildings and sites.

HUD also provides rental housing assistance to over 1.5 million lower-income households through its Section 8 voucher and certificate programs. While these programs have some important statutory differences, they both provide rental assistance to lower-income households to help them obtain affordable housing in residential areas of their choice, as long as this housing meets HUD's cost

and quality standards.² Both programs, which are administered through PHAs, we refer to as HUD's mainstream programs.

As in public housing, eligibility for the voucher and certificate programs is generally limited to households whose income is 50 percent or less of the median income for their area. A prominent statutory difference between the certificate and voucher programs concerns the rental contribution of the assisted households. In the certificate program, assisted households generally are required to pay 30 percent of their income to landlords for rent, while in the voucher program, assisted households may choose units that result in their paying more or less than 30 percent of their income for rent.³

In both programs, HUD provides assistance through PHAs on behalf of families to make up the difference between a household's rental contribution and the agreed-upon rent for the unit. PHAs are eligible to receive funds for the mainstream Section 8 voucher and certificate programs, as well as for special purposes, some of which are described later in this report.

SECTION 8 ASSISTANCE PROVIDED TO RESIDENTS OF DISTRESSED PUBLIC HOUSING

HUD makes special allocations of Section 8 vouchers and certificates to PHAs to provide relocation and/or replacement housing for families displaced from distressed public housing. Public housing agencies can receive these allocations under the HOPE VI, Demolition and Disposition, and Vacancy Consolidation programs described below.⁴ PHAs may also provide other forms

²Regarding cost, HUD sets rents for each metropolitan area at a level at which about 40 percent of the area's rental housing can be obtained. Housing quality standards are established by a detailed set of health and safety requirements for the unit and for the property in general.

³These provisions of the voucher program are designed to allow program participants to decide how much to spend on housing. For more information, see Section 8 Rental Housing: Merging Assistance Programs Has Benefits but Raises Implementation Issues (GAO/RCED-94-85, May 27, 1994).

⁴PHAs may also provide certificates or vouchers from their mainstream allocation to families relocated under HUD's activities to modernize public housing. According to HUD's Director of Assisted Housing, however, this use of Section 8 assistance occurs very seldom.

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of housing assistance to displaced families, such as relocating them to other public housing.

While HUD has provided about 15,600 vouchers and certificates under these programs to 39 PHAs during fiscal years 1991 through 1995, approximately 93 percent were awarded in fiscal year 1995. According to HUD, few of these vouchers and certificates have as yet been issued to families living in distressed public housing. Before issuance, PHAs must complete project planning and gain HUD's approval of project plans. According to HUD's Rental Assistance Division Director, HUD deliberately provided tenant-based assistance for these purposes in advance of the need, given the uncertainty of future appropriations for tenant-based assistance for these and other purposes.

Almost 2,600 (16 percent) of these vouchers and certificates were awarded to the seven PHAs in our review (see table 1). Until the fiscal year 1995 appropriations act rescissions were enacted, HUD had the discretion to allow PHAs that had received these vouchers and certificates to offer them to other eligible families when displaced households moved to other public housing. While HUD maintains information on PHAs receiving vouchers and certificates, it does not maintain summary information on whether the vouchers and certificates were actually provided to the families displaced from public housing. According to HUD's Rental Assistance Division Director, data on the use of these vouchers and certificates by former residents of distressed public housing have not been collected as yet because few have received this assistance to date.

Table 1: Number of Vouchers and Certificates Awarded for Relocating Households at Seven PHAs, Fiscal Years 1991 Through 1995

PHA	Number of vouchers or certificates awarded by program			Total
	HOPE VI	Demolition/ disposition	Vacancy consolidation	
Atlanta	427	0	500	927
Bridgeport	0	140	0	140
Dallas	167	0	0	167
Denver	0	158	0	158
Los Angeles	216	400	0	616
San Francisco	131	177	0	308
Seattle	250	0	0	250
Total	1,191	875	500	2,566

Source: HUD.

HOPE VI Program

The HOPE VI program, authorized in 1993, revitalizes severely distressed or obsolete public housing developments in the 40 most populous cities in the United States or in cities with housing agencies that HUD had designated as troubled. Eligible program activities include major reconstruction, rehabilitation, and other physical improvements; management improvements; and planning and technical assistance.

From fiscal year 1993 through fiscal year 1995, a total of 38 cities received grants covering about 60,000 units. According to HUD's HOPE VI program director, PHAs generally plan to use vouchers or certificates on a limited basis because local communities would rather rebuild existing affordable housing units.

Six of the seven housing agencies that we contacted had HOPE VI projects. Five of these agencies had been awarded a total of 1,191 vouchers or certificates as part of their HOPE VI grant. Of the housing agencies that we contacted, only the Atlanta PHA had begun providing Section 8 relocation housing to residents displaced from their HOPE VI project. While the Atlanta

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PHA received Section 8 assistance for 427 units, its officials indicated that households were being relocated in stages and that it had provided 253 certificates as of mid-May 1996. According to these officials, almost all families successfully located units with their certificates or were in the process of searching for units, although some families decided to move to other public housing.

The Los Angeles and San Francisco PHAs had not received their Section 8 allocations as of mid-May 1996, while the Seattle PHA received its allocation in May 1996. Although the Dallas PHA received 167 vouchers for replacement housing under the HOPE VI program in October 1995, as of mid-May 1996, it had not yet offered the vouchers to residents. An official with the Denver PHA said that it had not requested any Section 8 assistance for replacement housing as part of its HOPE VI project because of that agency's desire to maintain its existing affordable housing stock.

Demolition and Disposition Program

When public housing units are either demolished or disposed of (e.g., sold), HUD requires that displaced households be offered opportunities to relocate to other comparable decent, safe, and affordable housing. Such assistance may include Section 8 assistance, such as vouchers, as well as other public housing units.

Four of the seven PHAs in our review received a total of 875 vouchers and certificates in connection with their demolition or disposition activities from fiscal year 1991 through fiscal year 1995. The demolition of distressed public housing developments had been completed in two of the cities that we visited, Bridgeport and Denver. In conjunction with the 1994 demolition of the Father Panik development in Bridgeport, HUD awarded 140 vouchers and 245 units of project-based housing assistance to the PHA. Households offered vouchers declined to use them and moved to project-based housing instead. The Section 8 program director did not have information about why the vouchers were declined.

In conjunction with the 1991 demolition of the Stapleton Homes development in Denver, HUD awarded 158 certificates to the Denver PHA. Of the 137 displaced households, 48 found housing using certificates and the remaining households,

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with few exceptions, moved to other public housing.⁵ According to both PHAs, high vacancy rates in rental housing enabled almost all displaced households that were interested to find housing (within 60 days in Bridgeport and 30 days in Denver).

Vacancy Consolidation Program

In fiscal year 1995, the Congress first appropriated funds for the Vacancy Consolidation program. The purpose of the program is to allow for better and more cost-effective management, maintenance, and security at PHAs by reducing the number of partially occupied obsolete buildings and by moving the remaining residents to more fully occupied buildings and portions of sites that then can receive improved services. While one of the housing agencies we contacted, Atlanta, is among the 18 PHAs selected for this assistance, neither it nor any other of the other PHAs HUD selected had received their certificate allocations as of mid-May 1996 because they had not submitted approvable plans, including relocation plans, according to HUD's Rental Assistance Division Director.

HOUSING MARKETS AND SUCCESS IN SEARCHING FOR HOUSING

The supply of decent, affordable housing in a market area may be a key factor in whether Section 8 households from distressed public housing will find housing. A related factor is the supply of units with multiple bedrooms to accommodate larger families. Finally, racial discrimination may play a part in the ability of assisted households to find decent, affordable housing.

Supply of Affordable Housing

The more vacancies that exist at levels at or below HUD's cost guidelines (generally, the level at which 40 percent of an area's rental housing can be obtained⁶), the easier finding housing will be, all other factors being equal.

⁵The housing agency used certificates from its mainstream Section 8 program because the 158 certificates awarded under the demolition action were not received until after the development was demolished. Only 137 households had to be relocated.

⁶In fiscal year 1995, HUD reduced the maximum rent that could be charged from an amount at which 45 percent of a metropolitan area's units could be rented to an amount at which 40 percent could be rented.

Conversely, in "tight" markets with few vacancies, there might not be a sufficient supply of decent, affordable housing and a very intensive search for housing might be necessary to find a unit that meets both price and quality guidelines. Vacancy rates are different in different local markets, vary over time, and differ for units of different sizes.

According to a 1994 report by Abt Associates, Inc., for HUD, 87 percent of almost 1,100 sampled households enrolled in the mainstream voucher and certificate programs successfully found rental units in the private market.⁷ A potentially significant difference between the households in Abt's 1994 report and those coming out of distressed public housing is that about 30 percent of those studied used Section 8 assistance to rent their preprogram unit (i.e., the unit they occupied before receiving Section 8 assistance) and thus did not need to search for housing.

Abt's finding of a 87-percent success rate represented an increase from the 73-percent success rate reported in its previous study of a 1985 through 1987 housing voucher demonstration. According to the 1994 study, although the reasons for the increase were not clear, Section 8 directors from housing agencies that participated in both studies attributed the increased success rates to high vacancy rates at the time renters were searching for housing during the period of the later study.

Officials at the PHAs and landlord associations that we contacted did not keep information on the supply of affordable housing that met HUD's cost and quality guidelines. However, on the basis of their experience with their mainstream voucher and certificate programs, the officials provided their perceptions of the rental market for affordable housing in their local market areas in late 1995.⁸ For example, officials of the Bridgeport PHA said that affordable rental units were readily available. Such units were plentiful, they indicated, because many renters had left the city due to an economic downturn in the late 1980s. Conversely, officials in the Seattle PHA said that affordable units were difficult to find. As a result, the housing agency used its authority to approve higher allowable rents (called "exception rents") for a portion of its

⁷Section 8 Rental Voucher and Rental Certificate Utilization Study: Final Report (Oct. 1994). The study concluded that because success rates were so high, the sample included relatively few unsuccessful enrollees and it was difficult to identify factors associated with being unsuccessful.

⁸At the seven PHAs, programs ranged in size, providing from about 2,100 to 29,500 vouchers and certificates.

certificate holders. According to the Seattle officials, the housing agency took this action because of the lack of affordable units available under the HUD-specified rent ceiling for the area and to provide families with the choice of renting in neighborhoods where rents otherwise would be above allowable levels.

The 1994 Abt study observed that for households that qualified by moving, requiring a large unit reduced the probability of success. All of the housing agencies that we contacted, except Bridgeport, generally reported an insufficient supply of multibedroom units. Denver officials indicated that 3-, 4-, and 5-bedroom units were not available on the private market, while Atlanta officials told us that multibedroom units tend to be available in the city's older and lesser-quality neighborhoods. With regard to units accessible for persons with disabilities, only San Francisco and Los Angeles housing officials indicated that such units were difficult to find.

In addition to the physical existence of affordable units in the marketplace, landlords' willingness to rent to Section 8 households affects the supply of affordable housing. A recent HUD study on promoting housing choice in its certificate and voucher programs concluded that a weak rental market appears to be significant in encouraging landlords to participate in HUD's voucher and certificate programs.⁹ Also, the 1994 Abt study found that increasing evidence suggests that Section 8 enrollees search for and find qualifying housing primarily in a limited "Section 8 submarket;" that is, landlords that are generally familiar with the program and have previously rented to Section 8 households. However, HUD's Rental Assistance Division Director told us that interim findings from an analysis of new data on the location of voucher and certificate recipients may refute this suggestion.

Racial Discrimination

Racial discrimination may also affect the success of households trying to rent units with vouchers and certificates. For example, a national HUD study on discrimination found that 46 percent of black renters and 43 percent of Hispanic renters were subject to racial discrimination at some point in their

⁹Promoting Housing Choice in HUD's Rental Assistance Programs: A Report to Congress (Apr. 1995).

search for housing.¹⁰ HUD does not have data on rental discrimination complaints broken down by city, including for the communities we visited. While several fair housing officials in communities we visited said that rental discrimination based on race existed, PHA officials told us that generally they did not think that discrimination was widespread in their communities.

However, Abt Associates found that black and Hispanic households fared at least as well as white enrollees. But this result may not be due to the three groups' being treated equally by landlords. In this regard, Section 8 households may observe little rental discrimination if they confine their housing search to communities where landlords typically rent to Section 8 households because they perceive that discrimination limits their opportunities to rent in other areas.

HOUSEHOLD CHARACTERISTICS AND SUCCESS IN SEARCHING FOR HOUSING

Information obtained from the studies we reviewed and officials we contacted did not clearly indicate the degree to which household characteristics might affect the success of households from distressed public housing in searching for housing. Officials at most of the seven PHAs that we contacted said there was little or no difference between households in their distressed public housing developments and Section 8 households in terms of their ability to find private market housing, but the officials' views were based on their general perceptions.

However, officials in Bridgeport said that some residents of distressed public housing may have little or no experience renting in the private rental market. As a result, these residents may not understand private landlords' expectations and may have difficulty understanding a lease and its obligations. Bridgeport officials found that some long-term public housing residents had difficulty adjusting to the need to monitor their use of and pay for utilities. To the extent that these situations occur, they could decrease a household's success in searching for housing as well as its ability to stay in a private rental unit.

¹⁰Housing Discrimination Study: Synthesis (Aug. 1991). Discrimination can occur at different points in searching for housing, for example, determining the availability of the units or offering the terms and conditions of occupancy. According to HUD's data on a large subset of households, about 60 percent of households in public housing (not limited to distressed housing) are black or Hispanic.

Housing officials in Atlanta and Seattle told us that the lack of (or poor) rental and/or credit histories may also adversely affect the ability of households to move from distressed public housing. While Abt's 1994 study found that bad credit histories and bad references from previous landlords did not generally affect the probability of success, it is not known to what degree, if any, households in distressed public housing developments have different credit and rental histories than those that participated in the Abt study. In addition, the study noted that since there were so few unsuccessful participants, it was difficult to determine reasons for a lack of success.

According to officials from six of the seven PHAs, resistance to change by residents of distressed public housing may reduce some households' willingness to move. For example, in Atlanta, the housing agency's Deputy Executive Director for Special Housing and Homeownership told us that the resistance to change (i.e., being comfortable with what they know) encourages households to stay in public housing. According to public housing officials in Atlanta, Dallas, and Los Angeles, family counseling is needed to make the housing search a success.

Counseling can play an important role because households coming from distressed public housing may have to search intensively for housing. Abt Associates found that for households in its 1994 study, the housing search process was demanding and difficult. Successful households that moved from their preprogram unit visited an average of nine units. Unsuccessful households stopped after visiting nearly 12 units, on average.

PHAs' AND HUD'S EFFORTS TO MAXIMIZE USE OF ASSISTANCE

The seven PHAs that we contacted and HUD have undertaken several activities to help households receiving Section 8 assistance find decent, affordable private rental housing. PHAs work with the assisted households to increase their success in searching for housing and encourage landlords to participate in the Section 8 program. HUD has recently revised program rules and proposed statutory changes to increase landlords' participation.

The seven PHAs told us that, as provided by HUD's rules, they provide orientation to all households selected to receive either vouchers or certificates. According to the PHAs, during these orientations, households receive information on program rules, fair housing issues, and general suggestions on how to locate a rental unit.

In addition, the PHAs told us that households that are displaced from public housing, including distressed units, generally receive relocation housing and other assistance. According to HUD's rules, residents' displacement as a direct result of acquisition, rehabilitation, or demolition of a federal or federally assisted development is subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act. The act's services include (1) referral to replacement housing; (2) financial assistance to either rent or purchase a residence; (3) financial assistance for moving and related expenses, such as transportation costs; and, sometimes, (4) referral to agencies that provide services, such as employment, health, welfare, or legal assistance.¹¹

For example, an Atlanta housing agency official estimated that successful relocation activities under the HOPE VI program, using Section 8 assistance cost between \$1,200 and \$1,500 for moving expenses and between \$1,000 and \$2,000 for counseling per household. According to this official, households need help searching for jobs, understanding credit and budgeting, and approaching landlords. In addition, he said that successful relocation is a long-term effort that should begin about a year before the start of a move to provide time for skills training that will help make these households more acceptable to landlords. In Bridgeport, housing officials explained that, in addition to moving expenses, they provided van transportation for residents to view prospective rental units and conducted briefings on such independent living issues as family budgeting and utility use and billing procedures.

Not all landlords want to participate in the Section 8 program. In the 1994 Abt study, about half of the landlords approached by unsuccessful enrollees agreed to participate, and the other half did not.¹² Enrollees reported that the most common reason given by landlords for turning them down was that the landlords did not rent to households receiving Section 8 assistance.

To encourage landlords to rent to lower-income households assisted through voucher and certificate programs, most of the housing agencies that we visited told us that they contacted landlords in their communities to educate them about the programs and encourage them to accept these households. For example, the Denver PHA conducts an annual open house to explain its

¹¹HUD's Rental Assistance Division Director told us that tenant counseling and relocation plans are required in the Vacancy Consolidation program.

¹²Analysis of landlords' responses were generally limited by the study's small sample size and because most were willing to rent to enrollees, as evidenced by the high success rate of enrollees.

programs to prospective landlords. The housing agencies that we visited in Seattle and Los Angeles participate in rental owner association meetings and dispense program information.

HUD has also acted to make the voucher and certificate programs more acceptable to landlords. In 1995, HUD issued rules that made both programs' rules the same, except where a difference results from statute. This "administrative merger" of the two programs eliminated the situation in which a landlord was subject to different regulatory requirements for two households if one household had a housing voucher and the other had a certificate. HUD's 1995 rules made other changes that were designed to make the programs more attractive to owners by more closely mirroring rental practices in the unassisted market. For example, the rules allowed landlords to collect security deposits that were customary for the area (such as 1 month's rent) rather than the tenants' contribution toward the monthly rent (an amount that might have been small given the low income of many assisted households that was allowed under the previous rules). This change was made because collecting larger security deposits—in line with local practice—provides a greater incentive for tenants to care for their rental dwelling.

In a special situation following the 1994 Northridge (Los Angeles), California, earthquake, HUD temporarily relaxed program rules to better enable households that had lost their housing to use the 12,858 temporary Section 8 certificates provided as relief. HUD relaxed several program requirements, such as waiving the "endless lease" rule¹³ so owners could choose not to renew a lease, as in the private market, rather than having to pursue tenants' eviction. HUD's outreach efforts to cosponsor, with the apartment owners associations, forums for apartment owners to educate them about the Section 8 program and encourage their participation. As a result, hundreds of owners registered with HUD to participate in the program.

Finally, current legislative proposals (H.R. 2406 and S. 1260) would establish a single program and eliminate certain statutory provisions that are seen as making the Section 8 program less attractive to landlords. For example, the reform proposals would eliminate the "take-one, take all" provision, which requires multifamily housing owners to accept all Section 8 tenants once the owners have begun to participate in the program. In addition, current statutory

¹³The endless lease requirement provides for automatic lease renewal and thus makes it more difficult to end the tenancy of problem rent-assisted households than unassisted renters.

rules make it difficult for owners to stop renting to troublesome Section 8 tenants. Reform proposals remedy this situation by requiring that leases allow owners to terminate tenancy at the end of the lease term.

OBSERVATIONS

HUD has much experience in providing housing vouchers and certificates in its mainstream Section 8 programs but it has limited knowledge about PHAs' experience in vouchering out distressed public housing. While the 1994 Abt study showed that nearly 9 of every 10 households in the mainstream voucher and certificate programs were able to find housing, it is not clear whether similar success would be enjoyed by households from distressed public housing. Our discussions with PHA, HUD, and owner association officials suggest that vouchering out will be more successful, everything else being equal, if PHAs can (1) stagger implementation so that they, especially those with a large distressed housing stock, will have time to plan for and administer their programs and take advantage of favorable rental market conditions; (2) provide relocation and counseling assistance when needed; and (3) continue to allow residents of distressed housing developments to move to other public housing developments if it appears that these households would be unsuccessful in securing and/or living in private market housing.

AGENCY COMMENTS

We provided a draft of this report to HUD for review and comment. We met with the Director of HUD's Rental Assistance Division, who generally agreed with the draft's contents but stated that it did not fully recognize that the Department deliberately made the bulk of the Section 8 resources available to PHAs in fiscal year 1995, in advance of when they could be used. She emphasized that initiatives have generally not progressed to the point at which the vouchers and certificates have been offered to tenants of the affected public housing projects. The Director also said that HUD deliberately provided this tenant-based assistance in advance of the need, given the uncertainty of future appropriations for such assistance for these and other purposes. We clarified our report to reflect this point and made a number of suggested technical and clarifying changes, where appropriate.

SCOPE AND METHODOLOGY

In performing our review, we asked HUD officials responsible for Section 8, HOPE VI, and public housing modernization activities to identify programs that receive special Section 8 funding allocations for relocation or replacement

housing assistance. From HUD's records of Section 8 fund assignments for these purposes for fiscal years 1991 through 1995, we contacted PHAs that planned to receive or were listed by HUD as receiving 50 or more vouchers and certificates for relocation or replacement housing purposes. From these contacts, we selected seven PHAs that we found either were using or planned to use vouchers or certificates for relocation or replacement housing purposes. We did not select several locations that HUD's records showed receiving more than 50 vouchers or certificates because (1) the PHAs told us that the vouchers and certificates they were awarded were not for the relocation of families from distressed public housing or (2) we were already doing work on other assignments at those locations.

To identify housing market and household characteristics that may affect the success of housing searches by households that are vouchered out and to identify HUD's and housing agencies' efforts to maximize the use of vouchers and certificates, we contacted program directors or deputy directors at each of the seven PHAs, as well as officials involved in Section 8 and public housing functions. At the seven PHAs, we also discussed the agencies' efforts to aid the housing searches of households receiving vouchers and certificates. We also contacted HUD fair housing, economic and market analysis, and rental assistance officials at local offices responsible for overseeing the PHAs. Finally, we contacted apartment owner associations in six of the seven cities (Bridgeport had no association).

We reviewed congressional testimonies and studies on housing market and household characteristics, landlords' participation, and fair housing issues pertinent to the issue of housing searches by lower-income renter households. We discussed our work and our findings with headquarters officials from HUD's Office of Assisted Housing, the office with immediate responsibility for the public housing and Section 8 programs. We also discussed vouchering out issues with two national organizations representing public housing agencies, the Council of Large Public Housing Authorities and the National Association of Housing and Redevelopment Officials.

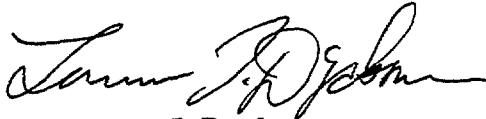
We performed our review from October 1995 through May 1996 in accordance with generally accepted government auditing standards.

Copies of this report are being sent to congressional committees and subcommittees interested in housing matters; the Secretary of Housing and Urban Development; the Director, Office and Management and Budget; and other interested parties. We will make copies available to others upon request. Major contributors to this product were William Sparling and James

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Ratzenberger. If you or your staff have any questions about this report, please contact me at (202) 512-7631.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Lawrence J. Dyckman". The signature is fluid and cursive, with a prominent initial "L" and "D".

Lawrence J. Dyckman
Associate Director, Housing and
and Community Development Issues

RELATED GAO PRODUCTS

Housing and Urban Development: Public and Assisted Housing Reform
(GAO/T-RCED-96-25 and GAO/T-RCED-96-22, Oct. 13, 1995).

Housing and Urban Development: HUD's Reinvention Blueprint Raises Budget Issues and Opportunities (GAO/T-RCED-95-196, July 13, 1995).

Public Housing: Converting to Housing Certificates Raises Major Questions About Cost
(GAO/RCED-95-195, June 20, 1995).

Housing and Urban Development: Reform and Reinvention Issues (GAO/T-RCED-95-129,
Mar. 14, 1995).

Housing and Urban Development: Reforms at HUD and Issues for Its Future
(GAO/T-RCED-95-108, Feb. 22, 1995).

Housing and Urban Development: Reinvention and Budget Issues (GAO/T-RCED-95-112,
Feb. 22, 1995).

Section 8 Rental Housing: Merging Assistance Programs Has Benefits but Raises Implementation Issues (GAO/RCED-94-85, May 27, 1994).

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