

A Proposed Demonstration of a Flat Rental Subsidy for Very Low Income Households

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Introduction

The housing safety net does not currently meet the needs of the poorest American families. It's a persistent and growing problem; millions of families pay more than half their income on rent, live in severely inadequate housing, double-up with extended family or friends, or live on the streets and in shelters. While rental subsidies, such as housing choice vouchers (HCVs), have proven effective at ensuring affordable, adequate housing for even the poorest families (Khadduri 2010; Wood et al. 2008), there are not enough to go around, and the wait time to receive rental assistance is typically measured in years, not months. Households facing an immediate housing crisis can apply for emergency assistance, but this support is short-term, often narrowly targeted, and generally insufficient to promote long-term housing stability.

To strengthen the housing safety net for low-income renters, the Bipartisan Policy Center's Housing Commission recommended making HCVs an entitlement, but limiting eligibility to the most vulnerable, extremely low-income individuals and families. Other low-income renters would be eligible for a newly created emergency rental assistance capped at \$1,200 (Bipartisan Policy Center 2013). Enacting these recommendations would go a long way toward ending homelessness and preventing other worst-case housing situations. However, many families would still be left with severe rent burdens and other critical housing problems.

This paper looks at alternative rental assistance programs that fall somewhere between HCVs and emergency assistance, a program that could target families with housing instability whose incomes are very low, but not extremely low. This would allow HCVs to serve extremely low income households, but offer an alternative to waiting for emergency assistance. The paper begins with an overview of federal and local rental assistance programs and their incapacity to address the growing need for affordable housing. Then, it reviews the existing literature on alternative forms of rental assistance. Finally, it outlines the recommended components for a demonstration to rigorously test the impacts of one alternative assistance program: a flat, shallow subsidy. This paper is sponsored by the What Works Collaborative, a foundation-supported partnership that conducts timely research and analysis to help inform the implementation of an evidence-based housing and urban policy agenda. The What Works

Collaborative has funded a handful of incubator projects that complete the first steps toward larger-scale research projects that can be funded in the future. The goal of this incubator project is to outline a proposed demonstration to test alternative rental assistance programs to help families afford housing and decrease residential instability.

Background

Federal Rental Assistance Programs

Deep Subsidies

The Housing Act of 1949 set a national policy goal of “a decent home and suitable living environment for every American family.” Today, federal rental assistance programs assist roughly 5 million low-income households. Nearly 90 percent of assisted households are in the Department of Housing and Urban Development’s (HUD’s) Section 8 programs: the HCV Program, Section 8 Project-Based Rental Assistance, and public housing (Center on Budget Policies and Priorities 2013). In these programs, assisted households pay 30 percent of their monthly income toward rent and the public housing agency (PHA) subsidizes the difference between the household’s rent contribution and the gross rent (in the case of the HCV program) or the full operating cost of the unit (in the case of project-based assistance).¹ This deep subsidy model provides a strong protection of housing affordability for even the poorest individuals and families. These programs are means-tested, and to be eligible for HCVs, households must be very low income (VLI), meaning that their incomes are less than or equal to 50 percent of the Area Median Income (AMI). To be eligible for public housing, households must be low income (80 percent of AMI). However, admissions preference is given to extremely low income (ELI) households—those earning 30 percent or less of AMI. Each year, 75 percent of all

¹ The federal government considers housing affordable if households pay 30 percent or less of their monthly income on rent and utilities. Households that pay between 31 and 50 percent of their income on housing are considered moderately rent-burdened and households that pay more than 50 percent are severely rent-burdened.

new admissions to the HCV program and 40 percent of new admissions to public housing must be ELI households.

Housing vouchers effectively promote housing affordability and residential stability. The Welfare to Work evaluation, a randomized controlled trial that tests the impact of HCVs and employment services for families, found that families receiving a voucher experienced 1.3 fewer moves over a four- to five-year period compared to families in the control group. Vouchers were also found to dramatically reduce families' risk of losing their housing and being forced to live with family or friends or in shelters (Wood et al. 2008). Shinn et al.'s (1998) study of the housing stability of New York City families exiting the homeless shelter system found that receipt of a housing subsidy was the single best predictor of future housing stability. Five years after exiting shelter, families receiving a housing subsidy were 20.6 times more likely to be stably housed and living in their own residence for the last 12 months than families without a subsidy.

Discounted Rents

In addition to deep subsidy programs to help low-income households afford rental housing, the federal government invests in programs to increase the supply of affordable housing through tax incentives or direct funding for the construction, rehabilitation, or preservation of rental units. The Low-Income Housing Tax Credit (LIHTC) subsidizes the development of rental housing in return for a commitment from developers to charge below-market rents for a certain percent of newly developed or renovated apartments for a set period of time. LIHTC units are reserved for households making either 50 or 60 percent of AMI, and rents must be set at or below 30 percent of that income level. The Home Investment Partnerships Program is a block grant that can be used to fund the acquisition, construction, and rehabilitation of rental housing. Most of these grant units are priced to be affordable for households earning 65 percent of AMI (Mueller and Schwartz 2008).

These programs, particularly LIHTC, have been effective at attracting investment in affordable housing for the "working poor" (Burton et al. 2000). However, the units are typically not priced to be affordable to households with incomes significantly below 50 percent of AMI. For example, a

1999 survey of LIHTC-property households in five metropolitan statistical areas found that half of all assisted households had affordable housing costs, 37 percent were moderately rent-burdened, and 13 percent were severely rent-burdened (Burton et al. 2000). Moreover, unlike the HCV program, LIHTC does not protect tenants against economic hardships, such as a sudden drop in income.

Temporary Rental Assistance to Prevent or End Homelessness

The federal government also provides limited funding for emergency rental assistance for people experiencing or at imminent risk of homelessness. Homeless programs have traditionally focused on providing shelter and transitional housing in residential facilities, but recently there has been a paradigm shift toward providing temporary rental assistance to help individuals and families live independently (Culhane et al. 2011). The Homelessness Prevention and Rapid Re-Housing Program (HPRP) was a significant resource for temporary rental assistance—nearly \$1.5 billion over a three-year period; however, this program was funded as part of the post-crisis federal stimulus and has since ended. Following HPRP's end, it is unclear how much short-term assistance will be made available for individuals and families in need.

Emerging evidence indicates that the provision of temporary rental assistance is effective at preventing homelessness for at-risk groups and at helping individuals and families in shelter obtain permanent housing (Culhane and Byrne 2010; Meschede et al. 2012; Locke et al. 2007). However, we lack evidence on what happens to these highly vulnerable households after they stop receiving assistance. The few local evaluations that have tried follow-up surveys have experienced low response rates, which could reflect high rates of residential instability in the post-assistance period.

State and Local Programs

Federal rental assistance programs are supplemented by a patchwork of state and local programs, which tend to be small and narrowly targeted. A 50-state review of these programs by the National Low-Income Housing Coalition (NLIHC) found that they generally offer one-time

emergency assistance rather than an ongoing subsidy. NLIHC found only two states with programs that provided ongoing rental assistance to more than 2,000 households and did not restrict eligibility to specific target populations (e.g., elderly, disabled, homeless) (Twombly et al. 2001). A 2009 follow-up review of state programs found that, while more states have shifted toward providing ongoing subsidies, the scale of investment was still insufficient to fill the gap created by insufficient funding at the federal level (Pelletiere et al. 2008). Also, federally funded programs administered by the states (e.g., Home Investment Partnerships Program or Community Development Block Grant) tend to focus on relatively higher-income groups, such as the working poor or those on fixed incomes, rather than the most vulnerable (Mueller and Schwartz 2008).

The Growing Housing Affordability Problem

Low-income households are likely to experience a range of housing problems including severe rent burden, overcrowding, inadequate conditions, residential instability, and homelessness. HUD defines households with worst-case needs as unassisted, VLI renters who either have severe rent burden (defined as paying more than half of their income for rent) or live in severely inadequate conditions (i.e., in units lacking adequate heat, plumbing, etc.). From 2007 to 2011, the number of worst-case needs households increased by 43.5 percent, from 5.9 million to nearly 8.5 million. In 2011, 44 percent of all VLI unassisted renters had a worst-case needs. Housing affordability is by far the predominant cause of worst-case needs, with 97 percent of worst-case needs households severely rent-burdened and only 3 percent living in housing that was affordable but severely inadequate (HUD 2013). In addition to the millions of worst-case needs renters, many more low-income households are homeless and living in shelters, on the streets, couch-surfing, or doubled-up in overcrowded housing with extended family or friends.

The lack of affordable housing has far-reaching consequences. Families with high rent burdens spend significantly less on food, clothing, and healthcare than low-income families with affordable housing (Joint Center on Housing Studies 2013); they also experience higher levels of stress and depression (Cohen 2011). Children in families receiving an HCV are more likely to receive adequate amounts of nutritious food and meet “well-child” criteria than families on

waitlists for housing assistance (March et al. 2009). Rental subsidies can also improve health by reducing overcrowding (Wood et al. 2008) and enabling low-income families to move out of inadequate housing that has health hazards, such as lead paint, mold, or cockroaches (Rauh et al. 2008).

Housing problems can also harm children's education (Institute for Children and Poverty 2009; Cunningham et al. 2012). Poor families are prone to frequent "churning" moves in response to financial stress or problems in their rental housing arrangements (Coulton et al. 2009). Frequent churning moves are stressful for families and can adversely impact a child's development (ICP 2009) and academic performance (Schafft 2006; Jensen 2009). Widespread residential instability can also negatively affect neighborhood quality and school performance (Schafft 2005).

Alternative Rental Assistance Programs

In its 2012 report, *Housing America's Future: New Directions for National Policy*, the Bipartisan Policy Center's Millennial Housing Commission made two key recommendations: expand the HCV program to serve all ELI households, and make available up to \$1,200 in one-time emergency rental assistance for all households with incomes between 30 and 80 percent of AMI (Bipartisan Policy Center 2013). We believe that research supports the need to expand the HCV program and improve its targeting, and believe that these recommendations will go a long way towards reducing homelessness and improving the safety net for the most vulnerable; however, we caution that these solutions will likely still leave some VLI families severely rent-burdened and unstably housed. For example, a single mother of two in Washington, DC, with an annual income of \$30,000 (\$2,500/month) would be above the ELI income limit, but still have a very difficult time finding adequate, affordable housing given that the area's fair market rent for a two-bedroom apartment is \$1,412—or 56 percent of her monthly income. One-time assistance may be effective at preventing an eviction or homeless episode, but it will likely leave families like this with ongoing, difficult trade-offs between housing and consumption of other necessities.

Another potential problem with the commission's recommendations is that they would create a large income cliff for families near the ELI cutoff. Families at or below the cutoff would receive a permanent subsidy whose average annual value was \$8,460 (in 2012), while families above this cutoff would be eligible for up to \$1,200 in one-time assistance.² This could create a perverse incentive for families to keep their income below the ELI cutoff.

For these reasons, we recommend exploring rental assistance alternatives for families that may not require the level of assistance provided by HCVs but may need more support than one-time emergency assistance. In this section, we review the literature on three potential alternatives: (1) rental insurance; (2) a flat, shallow subsidy; and (3) cash assistance.

Rental Insurance Payment

Rental insurance programs that offer guaranteed rental payment in the event of a financial hardship caused by job loss, health problems, or other disrupting life events have the potential to increase residential stability by preventing evictions. For the most part, this idea is still at a conceptual level and has been proposed by Brendan O'Flaherty, an economist at Columbia University. O'Flaherty (2011) argues for a government-subsidized rental insurance payment program on two grounds. First, rental insurance would reduce homelessness, which is a huge negative externality in rental markets. Second, insurance would increase the overall efficiency of rental markets. The tools landlords use to screen out bad tenants (such as security deposits, minimum incomes, and guarantors) increase housing costs and have no social benefit, because they merely pass off riskier tenants to other landlords. They can also create a deadweight loss by preventing potential renters willing and able to pay market-rate rents from leasing an apartment.

While a public rental insurance program remains theoretical, there is at least one private rental insurance program operating in the United States. In New York City, landlords often require potential tenants to earn an annual income that is at least 45 times the monthly rent or that they

² "Picture of Subsidized Housing, Data for 2009 to 2012," HUDUSER, accessed January 1, 2014. <http://www.huduser.org/portal/datasets/picture/yearlydata.html>.

have a local guarantor. Renters who cannot meet those requirements have the option of purchasing rental insurance through Insurent, a private company. The applicant pays Insurent an upfront fee (58 to 110 percent of a month's rent, depending on credit score) and Insurent insures the landlord in exchange for waiving the screening requirements.³ Insurent currently insures approximately 235,000 tenants across 1,500 New York City buildings.⁴

Insurent's business model, which requires a large upfront fee, a good credit score, and a monthly income of at least 27 times the monthly rent, is not targeted to low-income renters. O'Flaherty argues that because of the adverse selection problem and the negative externalities of homelessness, a large-scale rental insurance program that covers low-income renters would have to be government subsidized, at least initially. To be affordable, the insurance premium would be spread out over the lease term rather than required upfront. A rental insurance program is an intriguing idea for promoting widespread protection against homelessness and housing instability at a relatively low cost. Insurance programs are complex, however, and more theoretical groundwork on program design is needed before an actual model can be tested in a demonstration.

Shallow, Flat Subsidy

Shallow, flat subsidies are designed to stretch out finite resources to serve a greater number of people, with the trade-off that recipients receive a less generous subsidy than what is provided under HCVs. Motivated by the long waiting lists for HCVs and the urgent need for stable housing for people living with HIV/AIDS, a number of communities have used their Housing Opportunities for Persons with AIDS grants to provide shallow subsidies. The most rigorously studied of these programs is Project Independence in Alameda County, CA. Project Independence is a shallow rent subsidy program with services coordination support for VLI people living with HIV or AIDS. The program is targeted to VLI, HIV-positive individuals and their families who were living independently (i.e., without a subsidy) in rental housing but whose low

³ Hughes, C. J., "Attention, First-Time Renters," *New York Times*, July 20, 2008.

http://www.nytimes.com/2008/07/20/realestate/20post.html?_r=0.

⁴ Elstein, Aaron, "The Apartment Whisperer," *Crain's Business Insider*, September 30, 2013.

<http://www.crainsnewyork.com/article/20130929/FINANCE/309299985>.

income, and high rent burden, put them at risk for homelessness (Dasinger and Speigman 2007).

Participants in Project Independence receive a shallow, flat subsidy that varies by household and bedroom size but is not pegged to household income and is generally lower than what the participant would have received in the HCV program. For example, when the program started, a single person in a one-bedroom apartment would receive a \$225/month subsidy. That same person renting a one-bedroom unit, assuming the only income source was Supplemental Security Income, would have received a \$421/month subsidy through the HCV program.

Project Independence participants were evaluated against a comparison group of program-eligible individuals who were also living independently in rental housing at baseline and receiving services through the Alameda County Public Health Department Office of AIDS Administration. On average, Project Independence participants were paying 68 percent of their monthly income on rent before receiving the subsidy and 42 percent of their monthly income on rent with the subsidy. While most Project Independence participants remained at least moderately rent-burdened, the subsidy was sufficient to keep them stably housed. Two years from the baseline survey, 96 percent of Project Independence participants were still in rental housing, versus 10 percent of the comparison group. Over the five-year study period, the average time in rental housing for Project Independence participants was 3.9 years versus 1 year for the comparison group. Thus, while the shallow subsidy still left most participants moderately rent-burdened, it appeared to be sufficient in keeping them stably housed. However, the authors note that unobserved differences between the treatment and control groups, such as prior rental history, may help explain the stark differences in housing stability.

The Housing Authority of the County of Tulare in California used its flexibility as a Moving to Work (MTW) demonstration site to implement a flat subsidy in its voucher program and a flat rent in its public housing program. The voucher subsidy varies from \$280 for a studio apartment to \$680 for a five-bedroom unit, which is roughly equal to the average income-based subsidy received by HCV households in neighboring Fresno County. Thus, it is not considered a shallow subsidy. Tulare switched to a flat-subsidy system to promote increased earnings and self-

sufficiency, rather than to serve more people with existing funds. All non-elderly, non-disabled households receive the flat subsidy, and elderly and disabled households have the option of receiving an income-based subsidy. Assistance terminates after five years. Tulare's data show that the flat subsidy has increased the amount of earnings families report to the Housing Authority of the County of Tulare, but it has also slightly increased the proportion of families with moderate or severe rent burdens (Housing Authority of the County of Tulare 2013).

The Minneapolis Public Housing Authority used its MTW status to implement the Soft Subsidy Initiative, a program that targets 20 homeless or formerly homeless adults, with minor children, who are capable of working. At least 75 percent of units must be occupied by ELI families. Assisted families receive a flat subsidy of \$500/month and assistance is limited to five years. The program is sponsored by the Alliance Housing Incorporated, a local nonprofit that screens applicants, provides employment and education services to tenants, and covers all eviction and vacancy costs for the landlord (Minneapolis Public Housing Authority 2013). The program is only in its second year, so outcome data is not yet available.

Internationally, the Chilean national government recently implemented a flat subsidy program for "young, vulnerable, and emerging families." Low-income adults between 18 and 30 are eligible for a flat rent subsidy equivalent to \$135/month; the assistance is limited to five years. To ensure that the assistance is sufficient, the maximum rent for assisted households is \$400 and only households with at least \$180 in savings are eligible. Unlike the HCV program, in which PHAs provide payments to the landlord, the Chilean program provides a direct deposit to the tenant in a rent program account and the tenant pays the landlord (Gobierno de Chile 2013). Because the program was just implemented this year, outcome data is not available.

Cash Transfers

Cash transfers provide families with cash that they can spend however they choose. Cash transfer programs are either conditional, meaning the assistance is conditioned upon certain behaviors or benchmarks, or unconditional and do not require any adjustments in behavior or direct action by the participant. Conditional cash transfer (CCT) programs have been extensively tested internationally but not in the United States. Opportunity NYC, the only large-

scale CCT program that has been rigorously tested in the states, provided cash payments to low-income families in NYC as an incentive for behaviors like regular school attendance, preventive health care visits, and maintaining full-time employment. In the program's first two years, nearly all (99.6 percent) families received a cash award; the average award amount was \$6,209. Seventy percent of families used some or all of the award amount on necessities such as food, rent, or utilities.⁵ In the 18 months since random assignment, the residential mobility rate for families in the program (10.7 percent) was significantly lower than that of the control group (14.9 percent) (Riccio et al. 2010). The authors plan to provide more detail on how the cash payments affect housing stability in future reports.

In the 1970s, the Rand Corporation conducted the Housing Assistance Supply Experiment as part of a series of HUD-funded experimental housing programs that ultimately led to the development of the HCV program. The Housing Assistance Supply Experiment was an open-enrollment program available to all low-income households (renters and owners) in two counties: Brown County, WI, and St. Joseph County, IN. Under the program, households received a direct monthly payment equal to the standard monthly cost of adequate housing minus 25 percent of the household's monthly income. (This subsidy formula is similar to today's HCV program, except that payments went directly to the household rather than to the landlord.) The program functioned as a conditional cash transfer; households could only receive monthly payments while occupying units that met minimum standards for space, domestic facilities, safety, and sanitation. Ultimately, participation in the program increased households' likelihood of living in adequate housing from 50 to 80 percent, and reduced households' monthly housing costs from 50 percent of gross income to 30 percent. The program's evaluators concluded that an unconditional cash transfer program without housing standards would have had significantly higher program participation but would have been less effective at improving housing quality (Lowry 1983).

⁵ The evaluators did not disaggregate rent from other necessities.

Designing a Demonstration

To summarize the literature review above, both flat, shallow subsidies and direct cash assistance have shown potential for increasing housing stability for low-income renters, though these forms of assistance may not be as effective at ensuring housing affordability as a voucher. However, all of the programs we have described have lacked an independent evaluation, lacked a proper control group, or lacked details on housing outcomes. While rental insurance is an appealing idea, more conceptual and empirical work needs to be done before it's ready for a research demonstration. Thus, we propose more rigorous testing of the effectiveness of shallow, flat subsidies and cash assistance through a demonstration using a randomized controlled trial design. In this section we provide our recommendations for how the demonstration would work, including the target population, the type of assistance provided, and the administering agency.

Demonstration Goals

The primary outcome of interest for the demonstration is housing. We hope to answer the question of whether the assistance is sufficient to place participants in housing that is adequate and affordable, and whether the assistance will promote prolonged, sustained housing stability. In addition, we anticipate that the assistance could have tertiary benefits, including:

- Increased consumption of other essentials such as food, medicine, and clothing, and/or increase savings
- Reductions in stress and depression
- Improved health outcomes through better management of health conditions and improved access to preventative care
- Improved academic achievement through reduced student mobility or facilitated movement to better school districts

Target Population

The intent is to serve families that may not require a deep, permanent subsidy but that are unlikely to achieve housing stability with one-time emergency assistance. With that in mind, we recommend limiting the demonstration to families with children with incomes between 31 and 50 percent of AMI who are severely rent burdened. Although there is also great need among single adults, we recommend limiting eligibility to families with children because of the particularly harmful effects of housing instability on children's health, education, and overall well-being. Similarly, like Project Independence, we recommend restricting eligibility to current renters; a shallow subsidy may not provide sufficient funds to facilitate a family's transition from a doubled-up situation or shelter to leasing an apartment and paying for moving costs. We also recommend targeting families with a severe rent burden because they are most vulnerable to eviction, homelessness, or churning moves, and also because any level of assistance is likely to reduce material hardships by allowing families to spend more on other necessities (e.g., food, clothing, and medicine). Additionally, targeting rent-burdened families increases the chance that cash assistance is used for housing.

Site Selection and Recruitment

We expect this will be a single-site demonstration with the potential to expand to multiple sites if there is sufficient interest and funding. The site would be defined as the catchment area for a single public housing authority. The site selection criteria will depend on the preferences of the funder and the willingness of a local PHA to participate. Given the level of housing need among low-income families, we do not anticipate recruitment to be a barrier in any major urban area. Nationwide, 3.8 million unassisted renter households with children were severely rent burdened in 2011 (HUD 2013). The most practical recruitment source is the PHA's voucher waiting list.

Intervention Models

The demonstration should test the effects one form of assistance: a flat, shallow subsidy, administered two ways: as a "voucher" (with assistance paid directly to the landlord) and cash assistance (with assistance paid to the household who then pays the landlord). Eligible families should be randomly assigned to one of two treatment groups or the control group. Families that

accept placement into the treatment group would lose their position on the PHA waiting list although they can re-apply. Assistance should be administered by the local PHA, although the evaluator could be responsible for screening and randomization. The demonstration will need to include administrative funds and technical assistance to PHAs for program administration.

Treatment 1: Flat Subsidy, Administered as a Voucher

The flat subsidy should vary only by household size and the subsidy amount should be less than the average HCV subsidy amount by bedroom size for that metropolitan area. Our initial recommendation is that the flat subsidy amount should be set at 35 percent of the area fair market rent. This amount would be far enough below the average HCV subsidy to create cost savings, but the success of the Project Independence program suggests it offers enough support to create rent-burdened participants stably housed. The final determination of the flat subsidy should be made after a local analysis of the selected site.

The subsidy should be administered by the local PHA, which would provide the subsidy amount to the landlord each month. The assistance would have requirements similar to those of the HCV program: PHAs must certify that families' units meet housing quality standards, families may not rent units above the local payment standard, and families would have to complete annual reexaminations with the PHA. Because assistance is not tied to income, and thus does not naturally phase out as participants become more self-sufficient, assistance should be limited to five years or until families' income exceeds 80 percent of AMI, whichever comes first.

Treatment 2: Flat Subsidy, Administered as Cash Assistance

The cash assistance model would provide the same level of assistance as the flat subsidy, but, rather than cutting a check to the landlord, the PHA would provide a monthly direct deposit to a family's bank account. Unlike Opportunity NYC, assistance would not be dependent on families meeting any milestones, and families would not be required to spend the assistance on housing or to live in housing that meets PHA quality or affordability standards. The assistance should be

limited to five years or until family income exceeds 80 percent of AMI. Annual or biannual certifications will be needed to make sure that families are still income-eligible.

Services

The demonstration would not fund additional services such as case management, job training, or childcare. Providing a service package would diminish the cost-effectiveness of the demonstration as well as its ability to be replicated nationally. It would also make it more difficult for evaluators to determine if differences between the control and treatment groups were the result of the housing assistance or the services.

Control Group

Families assigned to the control group would receive usual care, which includes the possibility of a deep subsidy through the HCV program. Recruiting from the waiting list has several advantages. First, it would allow for a longitudinal analysis of families waiting for rental assistance, which would provide more information on the consequences of long wait times. Second, it will move some families off the waiting list, thus reducing the wait times for the remaining families. Third, over time, we expect more of the control group families will receive an HCV. While this may complicate the evaluation, it will also allow for the evaluators to compare the effect of the shallow subsidy to both no rental assistance as well as a deep subsidy.

Evaluation

The demonstration should include funding for an independent evaluator. The evaluator should use program administrative data, surveys, and stakeholder interviews to assess the program’s effects. Table 1 shows the suggested outcomes to be measured by the evaluation.

Table 1. Suggested Demonstration Evaluation Outcomes

Outcome	Measures
Primary Client Outcomes	
Housing stability	# of moves; # of churning moves; % of time spent in own housing
Affordability	Housing costs (rent and utilities) as a percentage of monthly income
Homelessness	Time spent in homeless shelters or on the streets; time spent doubled up with family or friends in a temporary living arrangement

Housing quality	Prevalence of substandard housing as measured by AHS; overcrowding; mold; other health hazards
Neighborhood quality	Composite measure; quality of public schools
Client satisfaction with housing	Both physical characteristics and neighborhood

Tertiary Client Outcomes

Material hardship	Skipped meals; inadequate clothing; forgone medical care
Academic performance	Students' school attendance and grades
Well-being	Indicators of stress, depression, anxiety
Self-sufficiency	Savings; earned income

Program Outcomes

Cost	Average cost per family by treatment group, including administrative costs
Community-wide Homelessness	# of families in annual Point-in-Time count

The primary outcome of interest is housing. We expect Treatments 1 and 2 to significantly improve families' housing stability and housing affordability, compared to usual care. Improvements in housing and neighborhood quality may be more modest if families use assistance to remain in place rather than move. Families receiving a shallow subsidy may have higher housing quality because their units would need to meet housing quality standards. Families receiving cash may have greater choice in terms of units, since many landlords, particularly in higher-income neighborhoods, do not accept subsidy payments from a PHA.⁶ The evaluation should survey control and treatment families to measure changes in housing instability, including homelessness, housing quality, housing affordability, and neighborhood quality over time.

In addition to housing, the treatments may lead to benefits in other areas. Assistance may reduce material hardships by reducing housing costs, allowing families to spend more on food, clothing, transportation, and medical care. The evaluation should assess whether assistance enabled families to become more self-sufficient through increased income or savings. Assistance may improve children's academic outcomes by preventing disruptive out-of-school boundary moves during the school year. Increased housing stability may also improve adults' and children's overall well-being, while decreasing reported levels of stress, anxiety, and

⁶ Earlier evidence suggests this is unlikely without providing housing search assistance. For example, the results of Rand's Housing Assistance Supply Experiment suggest that recipients are unlikely to use cash assistance to move to better neighborhoods (Lowry 1983).

depression. The evaluator should use a survey tool to measure changes in these areas, as well as whatever administrative data it can obtain on receipt of public assistance and school data on grades and attendance.

The evaluation should include a cost study. The cost study should provide a direct comparison of the administrative costs of the flat subsidy and direct cash assistance. To the extent possible, the evaluation should also include data on costs incurred by both the treatment and control groups for homeless services, housing assistance, emergency assistance, and child welfare.

Finally, if the demonstration serves enough families in a concentrated area, we would expect to see some neighborhood-level effects. The evaluation should assess the demonstration's effect on the local rental market as well as demand for local emergency rental assistance and homelessness, as measured by the community's homeless point-in-time count. The evaluator could also try to work with local schools to assess if the demonstration has affected student turnover rates.

Conclusion

The nation faces a growing and persistent affordable housing crisis among low and extremely low-income renters. It's clear that our current housing programs do not have the capacity to meet their needs, nor are they efficiently targeted. This paper proposes a demonstration that would test the efficacy of an alternative rental assistance program, a flat subsidy. If implemented, a research demonstration could provide evidence about cost-effective responses to keep more Americans stably housed.

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