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# *Digest of Recent Literature*

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## **Data Brief: How Do Small Area Fair Market Rents Affect the Location and Number of Units Affordable to Voucher Holders?**

*NYU Furman Center (January 5, 2018)*

With the goal of providing housing choice voucher holders greater choice outside of neighborhoods with relatively low rents, the U.S. Department of Housing and Urban Development (HUD) published a final rule in November 2016 requiring the use of Small Area Fair Market Rents (FMRs) in 24 metropolitan areas. By setting FMRs on a smaller area basis (using ZIP codes) rather than a single standard at the metropolitan area, the regulation would allow voucher holders to access neighborhoods with higher rents by increasing the payment standards in those areas. Less than a year after the promulgation of the final regulation, however, HUD announced a two-year delay in its implementation, citing an interim report on a demonstration program that found that, while voucher holders were able to access areas with higher rents, there was a 3.4 percent decline in the overall number of units available to voucher holders. In this article, the NYU Furman Center shares its analysis as to whether the 24 metropolitan areas subject to regulation can expect a similar decline.

The analysis takes the reader through a brief explanation of the theory behind the Small Area FMR as a means of reducing concentration of voucher holders, describes the Small Area FMR Demonstration that HUD relied on in delaying implementation, and explains HUD's initial reasoning for choosing the 24 metropolitan areas it did and how they contrast with those in the demonstration. The analysis then looks at the data for the 24 metropolitan areas and runs a test similar to that done for the demonstration report. The test finds that in the 24 areas that were to be covered by the Small Area FMR regulation, its implementation would actually increase the number of units affordable to voucher holders by 9 percent overall. Out of the 24 areas, 20 would see an increase in the number of affordable units, while four would see slight declines. The report concludes that the effects of implementation of Small Area FMRs are market specific and notes that the contrasting findings are not surprising given HUD had identified the 24 areas specifically due to their likelihood to expand choice for voucher holders.

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**Urban Institute**  
**Trends in Housing Problems and Federal Housing Assistance**

*G. Thomas Kingsley (October 2017)*

Approximately ten years ago, the Urban Institute evaluated the nation's housing challenges and the evolution of subsidized housing. This article provides an update to that evaluation, reviewing major federal housing assistance programs as well as the continued challenges faced in today's affordable housing market. In its assessment, the article notes the various demographic changes that have taken place over the past decade, as evidenced by an increasing number of renters with higher incomes, increased housing assistance for the elderly and disabled as compared to families with children, and an increase in housing choice voucher recipients as compared to individuals utilizing project-based assistance or living in public housing. The article also observes that the primary housing concerns across the country include a significant widening in the housing assistance gap and an increase in the number of households with serious housing needs. Furthermore, it notes that challenges relating to affordability now are more common than concerns regarding physical and structural deficiencies in housing. As a final takeaway, the author concludes that disproportionate housing assistance in central cities can continue to reinforce concentrated poverty in inner-city neighborhoods and examines how policy issues such as congressional budget allocations and declining corporate tax rates will affect federal housing assistance in the future.

**Safety Net? The Utility of Vouchers When a Place-Based  
Rental Subsidy Ends**

*Vincent J. Reina and Ben J. Winter, HUD/UPenn (May 10, 2016)*

This study analyzes the effectiveness of vouchers as a "safety net," when provided to tenants of project-based Section 8 properties upon termination of the project-based subsidy. It examines how household demand, market supply, and household characteristics affect whether the voucher is used and whether the household moves from the formerly subsidized property. The authors constructed a dataset of 65,000 households residing in project-based Section 8 subsidized housing at the time the subsidy was terminated and, using statistical models, analyzed variables such as the number of dependents, race, source of income, and poverty rate of the census tract of the subsidized property to examine voucher usage. The study found that fewer than 50 percent of households in the sample used the voucher and that those households with the highest and lowest demand for the subsidy (i.e., those households to which the voucher gave the greatest and the least subsidy), those over the age of 62, male-headed households, and those living in a property where HUD terminated the subsidy, were the least likely to use the voucher. The authors concluded that the utility of vouchers as a safety net tool varies. It provides an oppor-

tunity for some households to improve their welfare by moving to lower-poverty census tracts, but is least effective as a safety net for households where the head of the household is black or over the age of 62.

### **Pay for Success: Opportunities and Challenges in Housing and Economic Development**

*Omar Carrillo, Harvard's Joint Center for Housing Studies and NeighborWorks America (August 10, 2017)*

Pay for Success (PFS) is an outcome-based contracting initiative where a public entity contracts with a nonprofit or private service provider, having to pay that service provider only if it achieves the agreed-upon results. Investors provide the upfront capital to the service provider but only recoup their costs (and receive potential profit) if the project achieves its predetermined goals. The PFS model, which offers many benefits, has garnered increasing interest and attention in recent years, particularly because it shifts the focus of the service providers from “inputs to outputs”—and looks at measurable results.

In this article, Carrillo lays out the fundamentals of the design, structure, and process of a PFS project and describes the benefits and challenges of applying this model to different areas in the public sector. Carrillo goes on to describe and review the inner workings of a few PFS projects in the housing and community development arena. While early results do show some promise, Carrillo warns that he is not yet sure the benefits outweigh the costs, which include substantial transaction costs and resistance to funding untested or risky innovations.

### **Patterns and Trends of Residential Integration in the United States Since 2000**

*Jonathan Spader and Shannon Rieger, Harvard Joint Center for Housing Studies (September 2017)*

While there is a significant body of research on patterns of residential segregation in the United States, there is less evidence showing patterns of residential integration. This research brief aims to address that gap. Using the most recent data available at the census tract level, it focuses on the residential integration of communities across the United States since 2000, looking at the incidence and attributes of neighborhoods with substantial integration.

Using two widely used definitions of integration and data from the 2000 Census, 2006–2010 American Community Survey 5-year estimates and the 2011–2015 American Community Survey 5-year estimates, Spader and Rieger examine such questions as the racial/ethnic composition of integrated and non-integrated neighborhoods, the extent of residential integration over time, the characteristic differences of newly integrated neighborhoods compared to neighborhoods that have seen a steady pattern of integration for an extended period of time, and the geographic locations of

neighborhoods that have experienced changes in integration since 2000. As the data in this report show, there is still a significant racial and economic divide among many communities across the United States, and despite increased integration between 2000 and 2011–2015, as the authors candidly state, these integrated neighborhoods “remain the exception rather than the rule.”