



# A different market approach to affordable housing

*The Housing Choice Voucher Program approach to affordable housing of the United States of America*

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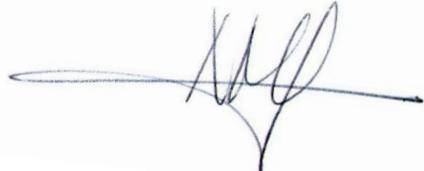


## PREFACE

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'Time flies when you're having fun', and that's something that definitely applies to my time as a student at the Radboud University in Nijmegen. In these 4,5 years I learned the skills to become a good and reliable researcher and planner. All that I've learned during this time comes together in this final masterpiece which is my master thesis that lies here before you. In this preface some acknowledgments are in order. First of all I want to thank prof. dr. Erwin van der Krabben for supervising my master thesis and to make it possible to do my research in the United States. Next to that I want to thank prof. dr. Harvey M. Jacobs of the University of Wisconsin for all the good care and help in Madison. Finally I want to thank my respondents for their time and effort. Because this master thesis marks the 'end of an era' some special thanks are in order. I want to thank my family and especially my mom and dad who supported me through all these years and made sure I kept motivated and eager to learn (I apparently mentioned as an 8 year old that I didn't have to go to school anymore because I already knew everything I needed to know, unfortunately when my mom asked me where Africa is, I didn't knew the answer, which could be one of the reasons why geography kept my interest for such a long time). I also want to thank all of my dear friends who made my time at the Radboud University an unforgettable experience. Finally, I want to thank my dearest Rob, who supported me in every step on the way, even if those steps lead me to the other side of the Atlantic ocean.

Thank you all!

A handwritten signature in blue ink, appearing to read "Naomi Heijnen".

Naomi Heijnen  
Nijmegen, January 29<sup>th</sup>, 2013

## LIST OF CONTENTS

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Preface	I
List of contents	III
Summary	V
<b>CHAPTER 1. INTRODUCTION</b>	<b>1</b>
1.1 Affordable housing in the Netherlands	2
1.2 Affordable housing in the United States	3
1.3 Goal of the research	4
1.4 Conceptual model	4
1.5 Main question of the research	5
1.6 Research model	5
1.7 Research approach	6
1.8 Theory and methodology	6
1.9 The societal and scientific relevance of this research	7
<b>CHAPTER 2. THEORETICAL FRAMEWORK</b>	<b>8</b>
2.1. The Law and economics approach	8
2.1.1 <i>The positive school in law and economics</i>	9
2.1.2 <i>The normative school in law and economics</i>	9
2.1.3 <i>The functional school in law and economics</i>	9
2.2 Different approaches to efficiency: Pigou and Coase	10
2.3 The corollary formulation of the Coase Theorem	12
2.4 Criticism of the Law and economics approach	13
2.5 The Law and economics approach applied in this research	14
<b>CHAPTER 3. METHODOLOGICAL FRAMEWORK</b>	<b>16</b>
3.1 Operationalization	16
3.1.1 <i>Price</i>	16
3.1.2 <i>Quantity</i>	16
3.1.3 <i>Quality</i>	17
3.1.4 <i>Externalities</i>	17
3.2 Research methodology	17
3.2.1 <i>Case study research</i>	17
3.2.2 <i>Expert interviews in the United States</i>	18
3.2.3 <i>Transcription of the interviews</i>	20
3.3 Case area	20
3.3.1 <i>The Madison and Dane County case area</i>	20
3.3.2 <i>Wisconsin</i>	21
<b>CHAPTER 4. AFFORDABLE HOUSING IN THE U.S.: THE VOUCHER PROGRAM</b>	<b>23</b>
4.1 Affordable housing in the United States	23
4.1.1 <i>Public Housing</i>	23
4.1.2 <i>Project-based federal subsidy</i>	24
4.1.3 <i>The Housing Choice Voucher Program</i>	24

4.2 How the Housing Choice Voucher Program works	24
4.2.1 <i>Vouchers</i>	25
4.2.2 <i>Distribution of vouchers</i>	25
4.2.3 <i>Renting a home with a voucher</i>	26
4.3 Costs of affordable housing	27
4.4 Support for the Housing Choice Voucher Program	27
4.5 Other housing programs	28
4.5.1 <i>The Low-Income Housing Tax Credit</i>	28
4.5.2 <i>Non-financial approaches to affordable housing</i>	29
<b>CHAPTER 5. ANALYSIS OF THE HOUSING CHOICE VOUCHER PROGRAM</b>	<b>30</b>
5.1 The dimension price (P)	30
5.1.1 <i>The price of housing and financial benefits for the voucher holder</i>	31
5.1.2 <i>Costs of implementing the Housing Choice Voucher Program</i>	32
5.1.3 <i>Financial benefits generated by the Housing Choice Voucher Program</i>	33
5.2 The dimension quantity (Qt)	35
5.2.1 <i>Quantity of vouchers available and demand for a voucher</i>	35
5.2.2 <i>Quantity of housing available for voucher holders</i>	36
5.2.3 <i>Quantity of suitable housing available for special voucher holders</i>	38
5.3 The dimension quality (Q)	39
5.3.1 <i>The quality of housing and the neighborhood</i>	39
5.3.2 <i>Time it takes to find a home with a voucher</i>	40
5.3.3 <i>Degree of flow-through of voucher holders in the program</i>	41
5.4 Externalities (E)	43
5.4.1 <i>NIMBYism and perception</i>	43
5.4.2 <i>Effects on housing in general</i>	44
5.5 Context variables and other (O)	44
5.5.1 <i>Macroeconomic and demographic influences</i>	45
5.5.2 <i>Borders and zoning</i>	45
5.5.3 <i>The low-income housing tax credit, the Section 42 program</i>	46
5.6 Overview analysis	47
5.6.1 <i>Generalizability of the analysis</i>	49
<b>CHAPTER 6. CONCLUSION</b>	<b>51</b>
6.1 Recap of the research	51
6.2 Conclusion	51
6.2.1 <i>The problem of skewed housing</i>	54
6.2.2 <i>The problem of moderate income households</i>	54
6.3 Introducing the Housing Choice Voucher Program in the Netherlands	55
6.4 Reflection on theory and methodology	55
References	57
<b>Appendix</b>	<b>62</b>
Appendix A: interview list	
Appendix B: interview guides	

## SUMMARY

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The Netherlands have a long tradition in public, or as it is called in the Dutch, ‘social’ housing. Since the 18<sup>th</sup> century, cooperative housing corporations have existed that provided affordable and suitable housing for households. During the last century, these housing corporations became one of the biggest suppliers of affordable housing in the Netherlands and hold a large proportion of the national housing stock. Although a large percentage of all housing is ‘social’ and therefore affordable for low and modest income households, it is not uncommon for households to wait several years to get an affordable house. The two most important reasons for that is the problem of ‘skewed housing’ and the new rules imposed by the European government that causes immobility on the housing market. The United States of America have a different approach to affordable housing, namely the Housing Choice Voucher Program, a more demand side approach of affordable housing. This approach will be analyzed in this research.

The goal of this research is:

*To explore a different kind of approach to affordable housing, namely the Housing Choice Voucher Program in the United States of America, and its effects on the availability, affordability and accessibility of housing for low-income households to see if such an approach could solve the problems of the Dutch approach to affordable housing.*

The main question in this research is:

*What effects does the Housing Choice Voucher Program have on the availability, affordability and accessibility of housing for low-income households?*

The Law and economics approach and especially the corollary of the Coase Theorem will be used in this research to analyze if the voucher program does efficiently maximize wealth. The main purpose of this research is to see if the Housing Choice Voucher Program could solve the problems or elements of this approach that the Dutch approach to affordable housing faces. The Law and economics approach will be used to analyze the economical impact of the Housing Choice Voucher Program on the affordability of housing for low-income households. The corollary of the Coase Theorem can be set out in a matrix, which deduction consists of four types of assignments of rights and liabilities, three types of resource allocation and the dimensions, quantity, price and quality. This deduction of the matrix by Lai & Hung (2008) will be used in this research.

In this research a case study will be conducted in the state of Wisconsin. The case used in this research is the Madison and Dane County area. Ten experts will be interviewed to get an insight into the working of the program and its pros and cons. The interviewed experts are from the public housing authorities (3), the U.S. Department of Housing and Urban Development (1), Interest groups (2), providers of affordable housing (2) and scientific experts (2). The conducted interviews will be thoroughly analyzed and the information in these transcripts will be divided and coded according to the three dimensions set out by Lai & Hung in their corollary of the Coase Theorem, namely price, quantity and quality. Next to those dimensions, their sub dimensions and externalities will be analyzed. Context variables and other important information will be coded with ‘O’. The conducted interviews will be transcribed with help of the transcription software Atlas TI.

Price (P)	Quantity (Qt)	Quality (Q)
Price of housing for voucher Holders and financial benefits for the voucher holder (P1)	Quantity of vouchers available and the demand for a voucher (Qt1)	Overall quality of voucher housing and neighborhoods (Q1)
Costs of implementing the voucher program (P2)	Quantity of housing available for voucher holders (Qt2)	Time it takes to find a home with a voucher (Q2)
Financial benefits generated by the voucher program by landlords and developers (P3)	Quantity of suitable housing for special voucher holders (Qt3)	Degree of flow-through of voucher holders. Enhancement of financial self-sufficiency(Q3)
Externalities (E) Context variables and other (O)		

The analysis of the dimension price showed that the Housing Choice Voucher Program is a ‘deep’ subsidy plan. Because the amount of subsidy and the way the term ‘affordable’ has been put down in policy as 30% of the income of a household. The subsidy can easily be adjusted to any change in the income of the voucher holder and the voucher holder’s needs. Next to that, because of the FMR what gets established every year, the amount of subsidy received by voucher holders can be adjusted to the regional circumstances of the housing market. The voucher program can be considered an efficient tool to provide affordable housing. The analysis of the dimension quantity showed that even though a lot of vouchers were issued in the case areas, it isn’t nearly enough to help all low-income households. From all eligible households only 25% receives a voucher. Because of the lack of vouchers, eligible households can be waiting on a waiting list for years, and often waiting lists are closed. The analysis of the dimension quality showed that voucher holders do tend to live in qualitative better neighborhoods, although the deconcentration of voucher holders is dependent on the dispersion of available rental units among the city. Next to that, voucher holders tended to live in qualitative better housing. The dimension externalities showed that there are a couple of externalities of the program on housing for low-income households and NIMBYism. The dimension context variables and other showed that borders and zoning and macroeconomic and demographics influence the voucher program.

When it comes to the problem of skewed housing the voucher program approach would definitely be a solution. Skewed housing can’t be possible because of the individual approach of the program. Through inspections the income of the voucher holders gets checked every year and the amount of housing subsidy gets adjusted to changes in their income. The problem of the immobile housing market and the problem of households with a moderate income in the Netherlands because of European legislation is something that could be solved with the Housing Choice Voucher Program if income limits of this program are high enough to support this income group. If these limits aren’t high enough, households with a moderate income will not be directly helped with the voucher program. Still, although the Housing Choice Voucher Program is a good program and it works in the United States, it isn’t superior to the Dutch approach. The voucher program doesn’t induce the supply of affordable housing and the quality of the section 8 houses isn’t definitely as high as of the housing stock of cooperatives housing corporations. Nevertheless, in the last year it has shown that things do have to change in the Dutch approach to affordable housing, and introducing some aspects of the Housing Choice Voucher Program would not be a bad idea at all.



## CHAPTER 1. INTRODUCTION

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The Netherlands have a long tradition in public, or as it is called in the Dutch, ‘social’ housing. Since the 18<sup>th</sup> century, cooperative housing corporations have existed that provided affordable and suitable housing for households. During the last century, these housing corporations became one of the biggest suppliers of affordable housing in the Netherlands and hold a large proportion of the national housing stock. Nevertheless, these cooperative housing corporations fail to provide sufficient affordable housing for all, and especially those who need it. For years now there has been a deficit in the provision of affordable housing in the Netherlands. Nevertheless a large part of housing exists of this type of housing. End of 2008, 31,9% of all houses where part of the public rental sector, 57,8% was a privately owned house and only 10,3% of all houses in the Netherlands were rental houses in the private rented sector (Botter, 2010, p. 97, see figure 1.1). The latter sector consist, because of its small size, mostly of high end houses with higher rents than the rental housing in the public sector. Households with a low or modest income, are designated to find a home in the social housing sector. Although almost a third of all housing exist of social housing, it’s difficult for these households to find a suitable home in this sector. People can easily be waiting for five to ten years for a house in the public housing sector (Willems, 2010).

Today it is even getting more difficult to find affordable housing for households with a low or modest income. Main reason is the economic crisis that lead to an immobile housing market where people are not able to buy a house and tend to stay in their rental house that immobilizes the flow in the public housing sector (Willems, 2010). Another reason why it is hard to find an affordable place for these income groups are the new policies imposed by the European government. These policies state that 90% of all social housing has to be given to households with a maximum income of €34,085 gross per year. This newly implemented rule has several consequences. First of all, households that already rent housing from a cooperative housing corporations and have a income above the €34.085 level, will not be able to move. This will lead to an even more locked housing market (Organisation for Economic Cooperation and Development, 2011). Second, households that aren’t allowed to rent in the public housing sector, but do not have sufficient income to rent on the private market or to buy a home, are feared to not be able to find a suitable and affordable house. A research done by a cooperative housing corporations showed that the implementation of this policy would mean that 300.000 households will not be able to find suitable housing (“Te rijk voor”, 2011).

Although a large amount of Dutch housing consists of social housing which is designated for households with a low or modest income, not all low or modest income households are able to find a house in this large market. The main reason for this is the fact that people have to have a low or modest income when they want to move in a house in the social rental sector, but are not subject to income limits after they moved in. This policy flaw causes what the Dutch call “scheefwonen” (skewed housing). Because of the fixed rents of social housing and the rights of renters, there are no

### Division housing in the Netherlands

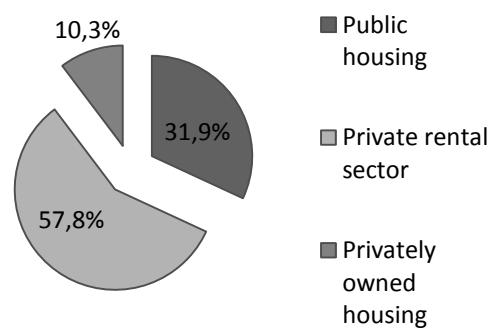


Figure 1.1: Division of housing in the Netherlands  
Source: Botter, 2010, p. 97

incentives for households to move to a house on the private rental sector or to buy a home. Because of this, almost 25% of all social housing is occupied by a household that isn't a low or modest income household. In the 'Randstad', the large urban area that contains cities as Amsterdam, Rotterdam and The Hague, this percentage is even 35% (Centraal bureau voor de statistiek, 2012).

Although there is a long tradition of social housing and cooperative housing corporations in the Netherlands, the system fails to provide sufficient affordable housing for low and modest income households. In this research, a different approach to affordable housing will be analyzed, namely the Housing Choice Voucher Program of the United States. This different approach to affordable housing will be analyzed to see what effects this program has on the availability, affordability and accessibility of housing for low income households and if such an approach would be a solution for the problems the Dutch affordable housing market face.

In the next part of this chapter, both approaches to affordable housing will briefly be introduced. Also, the goal of this research, the conceptual model and the main question of this research will be set out. Next to that, the research model, the societal and scientific relevance of this research and the research approach will be explained. Finally, the theory and methodology used in this research will be introduced.

### **1.1 Affordable housing in the Netherlands**

As is stated above, there is a large social housing sector in the Netherlands. The social housing sector can be compared with the public housing sector in the United States, although the social housing sector serves a far broader crowd. A social house isn't only meant for households with a low income, but also for households with a median income or households with special needs. As already stated in the introduction, it's difficult for new households with a low income to find suitable and affordable housing. This is mostly caused by the way the Dutch social rental market is organized. In the Netherlands, social rental housing is built, owned and exploited by 'woningcorporaties' (cooperative housing corporations). These institutions provide social housing commissioned by the government. Almost all housing associations are 'toegelaten instellingen' (authorized institutions) by the 'Woningwet' (housing law) of 1901. This means that they work in the interest of social housing and are entrepreneurs with a social objective.

The goals for cooperative housing corporations are expressed by the ministry of I&M in the Besluit Beheer Sociale Huursector (BBSH). This document states that cooperative housing corporations must accommodate low-income households, elderly, handicapped people and people that need guided living. They are also considered to improve the livability of the neighborhood and aren't allowed to distribute profit to shareholders. Because of this they can be considered a social enterprise with a special relation regarding the government (Botter, 2010,p. 96). cooperative housing corporations used to be under financial responsibility of the government, but are no longer since the 'Bruteringsoperatie' (grossing operation) of 1995 (Aedes, 2007). Nevertheless, housing corporations have access to beneficial arrangements provided by the government which they use to provide affordable housing and therefore implement the national government policy. For example, cooperative housing corporations can buy land cheaper than other project developers, they pay no 'vennootschapsbelasting' (taxes paid by businesses) and they can borrow money to a lower interest rate (Groetelaers et al., 2009).

In the Netherlands a so-called liberalization limit for social housing is applied. This means that the rents of social housing can't exceed the maximum reasonable rent of €664,66 per month, a limit which is set by the government (Aedes, 2007). When rents exceed this maximum, housing is no

longer considered social but is a part of the ‘free sector’. Households renting a house in the free sector are not eligible to receive rental subsidies from the government, even if the household has a low income. Additional rules and rights, like the ‘puntenstelsel’, a system that calculates the maximum rent for a social house; the maximum rent limit and the maximum rent increase per year, are not applied to housing with rents that exceed the liberalization limit (Rijksoverheid, 2012). For rental houses that have a rent that exceed the liberalization limit, the rent is generated by the law of supply and demand. Because of the small percentage of houses in this sector, this usually means a high rent and unaffordable for low-income households.

Summarized, the housing association tries to meet the demand of social housing and receives subsidies or other beneficial arrangements to built social rental houses. The provision of adequate social housing in the Netherlands is addressed by incentives on the supply side of the public rental market and by creating a special submarket in the housing market that is entirely focused on supplying sufficient affordable housing for low-income households. Nevertheless, even though the Netherlands has a long tradition in social housing and a large amount of all housing is ‘social’, still there isn’t sufficient affordable housing for low-income households, due to imperfections in the created submarket which results in problems like skewed housing which are already set out in the introduction. Perhaps a different approach to affordable housing could help to solve the problems Dutch social housing faces. In the United States there is a different approach to affordable housing for low-income households, namely the Housing Choice Voucher Program. This approach uses the existing market to supply affordable housing for low-income households. The Housing Choice Voucher Program will briefly be introduced in the next paragraph.

## **1.2 Affordable housing in the United States**

The Public Housing Program was established in 1937 to subsidize local governments in building housing for those temporarily unemployed and also in providing construction jobs for unemployed urban labor during the Great Depression. Until the end of the 1970s, the program subsidized virtually all of the capital costs of designated public housing dwellings and none of the operating costs. Since rent rolls were fixed at 25–30% of the tenant’s income, project managers who chose to serve households with the lowest incomes faced budgetary problems (Quigley, 2008). The private sector was first induced to build, manage and provide rental dwellings for low-income tenants in the 1960s, but it was not until 1974 that the subsidy provided to deserving tenants was separated from the cost of supplying newly constructed housing. The ‘Housing and Community Development Act’ of 1974 meant the birth of The Housing Choice Voucher Program, a program that became one of the largest and eventually most important ways of support for low-income households in the United States (Schwartz, 2010). Under this program, a eligible household receives a voucher which pays the difference between 30% of the tenant’s income and the ‘fair market rent’ (FMR). Because of the Housing Choice Voucher Program, exploitation of public houses became profitable. Throughout the years some changes are introduced to the voucher program. Nevertheless the use of the program has only increased ever since.

As in the Netherlands there is also a maximum limit for the rent of housing in the Housing Choice Voucher Program. But, this limit is not fixed for the entire United States, but dependent on local conditions. Because of this, rent limits are different per region. For example, the rent for a house may be \$1,658,- per month in San Francisco, and in Pittsburgh \$710,- per month (Schwartz, 2010, p.179). Because the voucher can be used for each house with a rent under this limit and as

long as the landlord gives permission for voucher holders to rent the house, the private rental market has an important part in providing housing for low-income households.

As is explained above, there are different market approaches to affordable housing for households with a low income. Every approach has its pros and cons. The focus of this research is the Housing Choice Voucher Program. The voucher program and its pros and cons will be researched.

### 1.3 Goal of the research

The goal of this research is:

*To explore a different kind of approach to affordable housing, namely the Housing Choice Voucher Program in the United States of America, and its effects on the availability, affordability and accessibility of housing for low-income households to see if such an approach could solve the problems of the Dutch approach to affordable housing.*

### 1.4 Conceptual model

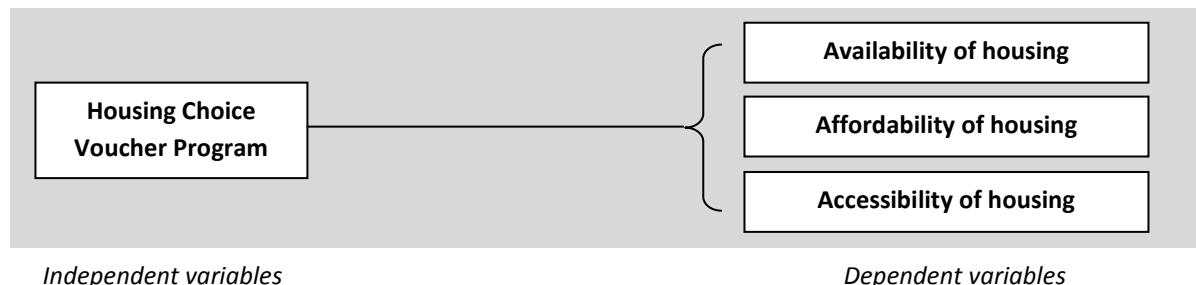


Figure 1.2: Conceptual model

There are multiple independent variables that influence the impact of the Housing Choice Voucher Program and therefore the availability, affordability and accessibility of housing for low-income households in the United States, which is the dependent variable in this research. Some examples of these variables that influences the success of the voucher program will be set out here.

First of all, the state of the housing market is of big influence on the effects of the voucher program. If vacancy rates are high, there will be a demand market which means rents are low and a cheaper place to live will be more available than in housing markets where vacancy rates are low. If that's the case, less people will need the voucher program or need less housing subsidy of the program and therefore the effect of the voucher program on the availability of affordable housing for low-income households is less than would be the case in a tight housing market where vacancy rates are low.

Secondly, laws, regulations and budgets can have a huge influence on the impact of the voucher program on the availability of affordable housing for low-income households. First of all building codes have an influence on the initial rent rate of housing. If the codes are strict, the quality of housing will be higher, but housing will also be more expensive. Next to that the budget of the voucher program can have a significant influence on the affordability of housing for low-income households. If budgets are tight, less households will be able to receive a voucher and without a voucher they will not be able to find an affordable place to live.

Finally, a variable that influences the impact of the voucher program is the social and societal characteristics of the target population. If people are not eager to be helped by programs like the voucher program because of pride or other considerations, the voucher program will have a low

impact on the affordability of housing for these low-income households. If there's a case of discrimination and certain people are excluded from the voucher program or do get a voucher but aren't able to rent a place with the voucher because of discrimination by the landlord, the voucher program will not make housing more accessible for these households.

In this research all these variables and other variables that can influence the effect of the Housing Choice Voucher Program on the availability, affordability and accessibility of housing for low-income households will be analyzed.

### **1.5 Main question of the research**

The main question in this research is:

*What effects does the Housing Choice Voucher Program have on the availability, affordability and accessibility of housing for low-income households?*

The main question will be answered through the following two sub questions:

1. How is affordable housing for low-income households organized in the United States?
2. What effect does The Housing Choice Voucher Program have on the affordability, availability and accessibility of housing for low-income households?

The relationship between the main variables in this research will be presented in the conceptual model on the next page.

### **1.6 Research model**

The effects of the Housing Choice Voucher Program on the availability, affordability, and accessibility of housing for low-income households will be analyzed through the law and economics perspective, and especially the Corollary of the Coase Theorem, which will be explained later on in chapter 2. In this research the different approaches of the Netherlands and the United States of America to organize the supply of affordable housing for low-income households will be analyzed, and especially the American approach, the Housing Choice Voucher Program.

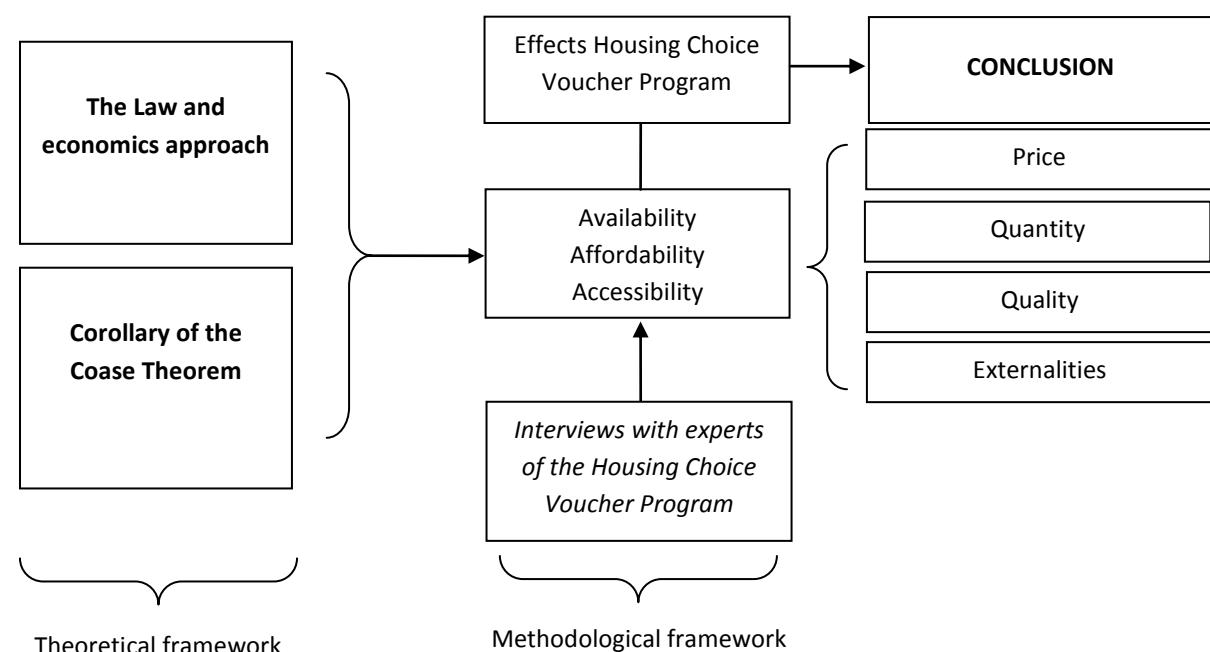


Figure 1.3: Research model

This theory will be formulated in a theoretical framework. Three aspects of the voucher program will be researched, namely the price, quantity quality of the housing. These dimensions are based on the matrix of the corollary of the Coase Theorem by Lai & Hung (2008). Externalities of the voucher program and context variables like macroeconomic changes that influence the voucher program will also be analyzed. An example of an externality of the voucher program are the effects that the program can have on the availability of affordable housing for non-voucher recipients or median-income families. The analysis will be done with the information gained by 10 interviews with experts in the field of the Housing Choice Voucher Program in the United States and a literature study. This analysis will lead to an answer on the main question in this research which will be presented in the conclusion.

Composition of the research:

1. Introduction
2. Theoretical framework
3. Methodological framework
4. Affordable housing in the United States, the Housing Choice Voucher Program
5. Analysis of the Housing Choice Voucher Program
6. Conclusion

### **1.7 Research approach**

To be able to answer the main question in this study, a case study will be done of the American approach to affordable housing, the Housing Choice Voucher Program. In the case study the focus will be on the voucher program applied in the area of Madison and Dane County (Wisconsin). The law and economics approach will be the theory used to analyze the main effects on affordable housing. This theory will briefly be explained further on.

### **1.8 Theory and methodology**

In this research the focus is on the market approaches towards the provision of affordable housing in the United States by the Housing Choice Voucher Program. The law and economics perspective and especially the corollary of the Coase Theorem will be used to analyze the effects of the voucher program on the affordability, availability and accessibility of housing for low-income households. This will be done by analyzing the Housing Choice Voucher Program with the dimension price, quality, quantity and externalities, which are based on the matrix of the corollary of the Coase Theorem by Lai & Hung (2008). The Coase Theorem and the corollary of the Coase Theorem are both based on the principle of market structuring, stating that this way of organizing markets has a better effect on resource allocation and therefore efficiency than market regulation. By bargaining, the most efficient allocation of resources will be achieved. In this research the market structuring approach of the Housing Choice Voucher Program will be analyzed to see if it manages to efficiently allocate resources and therefore provide sufficient affordable housing for low-income households.

The methodology used in this research is the case study. In this case study, the main cases will be the city of Madison and Dane County, Wisconsin. Ten expert interviews will be conducted to get an insight in the Housing Choice Voucher Program. The information will be completed with literature of previous performed research on the Housing Choice Voucher Program in Wisconsin and in the United States in general. More information on these approaches and the pros and cons of this

method will be presented in the theoretical (chapter 2) and methodological framework (chapter 3) of the research.

### **1.9 The societal and scientific relevance of this research**

The societal relevance of this research is to explore if a different approach to affordable housing, like the Housing Choice Voucher Program in the United States, has a positive effect on the affordability, availability and accessibility of housing for low-income households and therefore would be an option for the Dutch social housing system to avoid skewed housing and thereby provide sufficient affordable housing for low-income households. The scientific relevance of this research will be to test the law and economics approach, and especially the corollary of the Coase Theorem. The corollary of the Coase Theorem suggests that the Coase Theorem could be applied in real life cases. Some important assumptions of this theory are that a) transaction costs matter and b) that the way in which property rights are defined matter. In this research the latter assumption will be tested by researching if the way in which property rights are allocated by the Housing Choice Voucher Program has an effect on the resource allocation of housing, which in this particular research is the quantity, quality and price of affordable housing for low-income households.

## CHAPTER 2. THEORETICAL FRAMEWORK

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In this research the Law and economics approach will be used to analyze the economical impact of the Housing Choice Voucher Program on the affordability of housing for low-income households. The economic analysis of law, or law and economics, can be defined as 'the application of economic theory and econometric methods to examine the formation, structure, processes and impact of law and legal institutions' (Rowley, 1989, p. 125). In other words; Law and economics is an economical approach of the law (Geuting, 2011, p. 39). Law in this approach can mean a multiple types of law like tort law, company law, property law, environmental law etcetera (Holzhauer and Teijl, 1999). Law and economics relies on the standard economic assumption that individuals are rational maximizers, and studies the role of law as a means for changing the relative prices attached to alternative individual actions. Under this approach, a change in the rule of law will affect human behavior by altering the relative price structure, and thus the constraint, of the optimization problem. Wealth maximization, serving as a paradigm for the analysis of law, can thus be promoted or constrained by legal rules (Parisi, 2004, p. 262).

The theory used in this research to research the Housing Choice Voucher Program and its effect on affordable housing for low-income households will be addressed in this chapter. In paragraph 2.1 the types of law and economics analysis like the positive and normative analysis will be explained. Second, in paragraph 2.2 the different approaches to efficiency will be set out. In paragraph 2.3 the corollary formulation of the Coase Theorem will be explained and paragraph 2.4 reflects on the criticism of the approach. Finally, the way in which the Law and economics approach and especially the corollary of the Coase Theorem will be applied in this research is dealt with in paragraph 2.5.

### 2.1 The Law and economics approach

The Law and economics approach was found in the United States and was introduced in Europe during the mid 1970s (Mackaay, 1999, p. 65). There are two schools of the Law and economics approach; the Old Law and economics approach and the New Law and economics approach. The Old Law and economics approach is more traditional and is concerned with types of law like tax law and competition law that influence the state budget and markets. The new law and economics approach is concerned with types of law that dominate activities without a significant market, like family law and tort law (Van den Bergh, 1991, p. 11).

The idea of applying economic concepts to gain a better understanding of law is older than the current movement, the New Law and economics approach, which goes back to the late 1950s. Key insights of law and economics can already be found in the writings of the Scottish Enlightenment thinkers. The Historical School and the Institutional School, active on both sides of the Atlantic between roughly 1830 and 1930, had aims similar to the current law and economics movement. During the 1960s and 1970s the Chicago approach to law and economics reigned supreme. After the critical debates in the United States between 1976 and 1983, other approaches came to the fore (Mackaay, 1999, p. 65).

During its relatively short history, the law and economics movement has developed three distinct schools of thought. The first two schools of thought, often referred to as the Chicago or positive school and the Yale or normative school, developed almost concurrently. The functional school of law and economics, which developed subsequently, draws from the Public Choice theory

and the constitutional perspective of the Virginia school of economics to offer a third perspective which is neither fully positive nor fully normative (Parisi, 2004, p. 259). In the following subparagraphs these schools will be set out.

### *2.2.1 The positive school in law and economics*

Positive analysis explains the consequences of legal sanctions for behavior. For example, will longer prison sentences deter more crime? Next to that, positive analysis goes further to assert that legal rules tend to reflect economic reasoning. In other words, efficiency is a social goal that is reflected in the law (Miceli, 2004, p. 2). Important subjects in the positive school or Chicago school of Economics are clearly defined property rights, competitive markets and private negotiations. The main job of the state is to create the institutional framework in which property rights can be traded off and compliance with agreements can be enforced (Van den Bergh, 1991, p.23).

The positive school of law and economics laid most of its foundations on the work carried out by Richard Posner in the 1970s. An important premise of the Chicago approach to law and economics is the idea that the common law is the result of an effort, conscious or not, to induce efficient outcomes. This premise is known as the efficiency of the common law hypothesis. According to this hypothesis, first intimated by Coase (1960), and later systematized and greatly extended by Ehrlich and Posner (1974), Rubin (1977) and Priest (1977), common law rules attempt to allocate resources in either a Pareto or Kaldor-Hicks efficient manner. The primary hypothesis advanced by positive economic analysis of law is thus the notion that efficiency is the predominant factor shaping the rules, procedures, and institutions of the common law. Posner contends that efficiency is a defensible criterion in the context of judicial decision-making because “justice” considerations, on the content of which there is no academic or political consensus, introduce unacceptable ambiguity into the judicial process (Parisi, 2004, p. 264).

### *2.2.2 The normative school in law and economics*

This normative approach or Yale school of law and economics believes that there is a larger need for legal intervention in order to correct for pervasive forms of market failure. Distributional concerns are central to the Yale-style literature. The overall philosophy of this group is often presented as more value-tainted and more prone to policy intervention than the Chicago law and economics school. Unlike its Chicago counterpart, this school has attracted liberal practitioners who employ the methodology of the Chicago school but push it to formulate normative propositions on what the law ought to be like (MacKaay, 2000). Given the overriding need to pursue justice and fairness in distribution through the legal system, most Yale-style scholars would suggest that efficiency, as defined by the Chicago school, could never be the ultimate end of a legal system (Parisi, 2004, 264).

### *2.2.3 The functional school in law and economics*

In recent years, a new generation of literature developed at the interface of law, economics and public choice theory and public policy theory. Instead of individual transactions, markets are the central analysis domain of the Public Policy theory. Because of the meaning of this theory in this school, there is a strong role for government to correct market failures like externalities, asymmetric information and public goods. When market imperfections are corrected individual transactions will lead to efficient solutions. Next to that, law can have a redistributive function in which wealth is more equally spread (Van den Bergh, 1991, p. 25). This approach is in many respects functional in its ultimate mission, cutting across the positive and normative distinction and unveiling the promises

and pitfalls of both the normative and the positive alternatives. The functional or Virginia school approach to legal analysis has the potential of shedding light on the traditional conception of lawmaking, suggesting that the comparative evaluation of alternative sources of law requires an appropriate analysis of the incentive structure in the originating environment. This line of research is attentive to the identification of political failures in the formation of law, stressing the importance of market-like mechanisms in the creation and selection of legal rules (Parisi, 2004, p. 265).

As explained above, the law and economic approach has developed itself in three directions: the positive, normative and functional school. The first tries to analyze the societal, environmental and economical effects of different aspects of institutions. The second studies the possibilities in which the institutions can be enhanced. The latter tries to explain changes in institutions. In this research the positive or Chicago school of the law and economics perspective will be used to analyze if the voucher program is an efficient method to create affordable housing.

## 2.2 Different approaches to efficiency: Pigou and Coase

The economic approach to law is based on the concept of efficiency. The basic definition of efficiency is the Pareto efficiency. An economic system that is not Pareto efficient implies that there is a possible better allocation of goods which may result in some individuals being made better off with no individual being made worse off. In figure 2.1 this situation would be at 'A'. A Pareto improvement would be each spot in the grey triangle. An optimal allocation would be any spot on line segment BC since there is no reallocation that can make both people better off. Yet, as seen in figure 2.1, the Pareto efficiency doesn't lead to a unique allocation.

This means that more than one allocation can be the best allocation, and those best options are not comparable. Another unappealing feature is the movement from A to D. D is Pareto efficient and A is not, yet this movement is not comparable, because moving from A to D makes person two better off and moving from D to A makes person one better off. The reason for this problem is that the definition of the Pareto efficiency depends on the initial allocation. These problems of noncomparability are addressed by the Potential Pareto efficiency, also known as the Kaldor-Hicks Efficiency. Movement from B to C or from A to D could satisfy the Pareto criterion if person two (the gainer) is sufficiently better off that he can compensate the loss of person one and still realizes a net gain. In this situation the new allocation would still be superior to point A. Nevertheless, there are still 'losers' in this theory because losses cannot always be traded off. Because of these losers and negative external effects, government intervention is necessary to correct these market failures. But such intervention will nearly always create winners and losers. The hope is that those who lose from one policy will benefit from others and that on net; everyone will gain as aggregate wealth is increased (Miceli, 2004, p. 6).

These government interventions on the market can be typed as a form of market regulation. Market regulation, like Pigou once stated, is necessary to correct market failures in such a way that the allocative efficiency would be better than the market itself would achieve under the 'imperfect conditions'. In this way negative external effects like pollution could be stopped. The Pigovian correction is that the state should tax the factory, or prohibit the emission of dirty smoke (Needham,

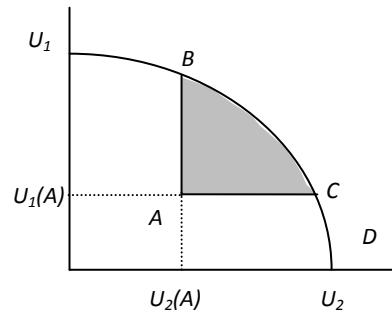


Figure 2.1: Utility Possibility Frontier Pareto Efficiency (Miceli, 2004, p. 5)

2006, p. 55). Government intervention is justified if to improve economic efficiency by correcting market failures. If there are no market failures, there is no economic justification for intervention.

A different approach to cope with external effects and restoring efficiency in the presence of market failure without government intervention is market structuring. The Coase Theorem is an elaboration of this approach. Instead of imposing financial liability on a polluter by the government, the Coase Theorem emphasizes on the role of bargaining and transactions costs in determining the ultimate allocation of resources against the background of legal rules. The Coase Theorem is in essence an economic cost-benefit analysis of law. It endorses the importance to distribute and record the rights associated with land in such a way that its use is socially and economically well (Geuting, 2011, p. 46). A famous example of illustrating the concept is that of the rancher and the farmer (box 2.1) in which negotiation leads to the most wealth.

However, the Coase Theorem is not a perfect theory as well. Two important conditions of the Coase Theorem are that transactions costs do not exist and all parties are fully informed. When these conditions are met, all external effects are eliminated because they can be valued and therefore can be traded between parties (Webster en Lai, 2003, p. 103-104). In reality this is not possible because there are always transaction costs and parties are never fully informed. Nevertheless, there are some examples which prove that the Coase Theorem does work in real life in certain cases. Another problem concerning the Coase Theorem is that sometimes it isn't considered fair. As in the farmer and rancher example; the farmer whose crop is damaged by the cattle isn't compensated for his loss and is even paying to avoid further damage in the future. The victim is paying the injurer to stop doing something that is considered wrong in the first place. This is conflicting with most people's sense of social justice. Nevertheless, in an economic perspective, the Coasian approach to the problem of the farmer and rancher is the most effective one, because wealth is maximized in either way regardless the assignment of the initial right. If there was a Pigovian solution to the farmer and rancher's problem and the rancher didn't have the right to stray his cattle, than he had to compensate the farmers' loss. But if the rancher had the initial right to let his cattle stray, the rancher has no liability to compensate the farmer for any damage. In the Coasian approach to this situation, there is no difference in outcome regardless the way the rights where assigned, because the outcome of the bargaining

#### BOX 2.1: The example of the rancher and the farmer

The best way to illustrate Coase's argument is in the context of his rancher-farmer example. Suppose a farmer and rancher occupy adjoining parcels of land, and cattle from the rancher's herd occasionally stray onto the farmer's land, damaging his crops. Assume that the number of acres cultivates by the farmer is fixed, but the rancher's herd can vary. Suppose that the marginal benefit to the rancher of additional steer is \$3.50. Thus, the joint value of ranching and farming is maximized at a herd size of three. This is true because, for each steer up to three, the increment in profit from ranching exceeds the additional cost in terms of crop damage. A single individual who owned both the ranch and the farm would therefore choose a herd of three because he would internalize both the benefit of additional steers and the damage to crops. With separate owners, however, we would expect the rancher to ignore the crop damage and expand his herd to four (the maximum possible size). This provides the basis for government intervention to force the farmer's loss. But consider there is no government intervention and the rancher is not legally responsible for the farmer's loss.

In the absence of liability, the rancher can add the forth steer for a profit of \$3.50, while ignoring the additional \$4 in damages that the farmer must bear. Suppose, however, that the farmer and the rancher can bargain, and the farmer offers to pay the rancher, say \$3.75 not to add the forth steer. The rancher will accept the offer because it yields a greater profit than he would have earned from the steer, and the farmer is better off because he saves the damage of \$4 by spending \$3.75. Further deals are not possible because the marginal damages from the first thee steers are less than their value in ranching. The herd thus ends up at the efficient size of three, even through the rancher is not required to pay for the farmers damage.

Herd size	Total damage (\$)	Marginal damage (\$)
1	1	1
2	3	2
3	6	3
4	10	4

(Source: Miceli, 2004, p. 7 & 168)

process will always be the same and will therefore lead to the most efficient situation (Miceli, 2004, p. 170). Therefore the Coase Theorem states that when property rights are well-defined and transaction costs are low, the allocation of resources will be efficient regardless of the initial assignment of property rights. In a case where there are more individuals and therefore bargaining is difficult and transactions are high, the Coase Theorem is not likely to work. Yet, the Coase Theorem shows that there is an alternative to the Pigovian view and that negative externalities can be solved without government regulation, but through market structuring.

### **2.3 The corollary formulation of the Coase Theorem**

As stated above, the Coase Theorem can be considered unrealistic because of the fact that transaction costs are never zero and therefore the Coase Theorem is only applicable in very special cases and therefore more theoretically interesting. Nevertheless, that isn't necessarily true. The Coase Theorem, if properly understood, is extremely versatile and fruitful, even for planning research. Instead of seeing transactions costs as a primary condition, it can better be seen as an instrument for modeling reality (Lai & Hung, 2008, p. 208). In this way, some corollary formulations can be formulated based on the invariant and optimality theorem by Stigler, who generalized the main ideas of Coase in the "Problem of Social Cost", encapsulated by Coase in the example of the rancher and the farmer (as seen in box 2.1) into the so-called invariant and optimality theses of the Coase Theorem. The invariant version of the Coase Theorem, according to the Stigler-Cheung formulation, is that the way rights and liabilities are assigned will not affect the outcome of resource allocation if transaction costs are zero and property rights are clearly defined. In other words, institutional design does not affect the pattern of resource allocation given zero transaction costs and clearly delineated property rights (Lai, Yung & Ho, 2007, p. 226). The optimality theorem states: 'given zero transaction costs and clearly defined property rights, resource allocation would always be Pareto efficient' (Lai & Hung, 2008, p. 208). Nevertheless, transaction costs are never zero.

The two deductions of the Coase Theorem are the base of three corollary formulations, namely the corollary formulation of the invariant theorem (CIT), the corollary formulation of the optimality theory (COT) and the extended corollary of the optimality theorem (COTE) (Lai & Hung, 2008). The corollary formulation of the invariant theorem (CIT) is: 'where transaction cost is not zero or property rights are unclear or poorly defined the assignment of rights and liabilities would affect resource allocation. The corollary formulation of the optimality theory (COT) would be 'where transaction cost is not zero or property rights are unclear or poorly defined, resource allocation would not be Pareto efficient'. The latter formulation, based on the economic believe that economic choices are made by rational beings seeking to reduce costs, can even be extended (COTE) to 'where transaction cost is not zero or property rights are unclear or poorly defined, certain resource allocation would increase (decrease) efficiency by reducing (increasing) transaction costs. This latter formulation is the motif to assign and reassign property rights to reduce transaction costs at a societal level (Lai & Hung, 2008, p. 209).

Lai & Hung (2008) put the corollary formulations into a matrix. A deduction of their matrix is shown in figure 2.2. They identified four exogenous variables that influence the assignment of rights, namely the law, governance of institutions, means of coordination and contractual agreements. These four variables all influence the determined variable of resource allocation, which consist of inputs (resources), outputs (goods and services) and externalities, of which the first two types can be analyzed by the dimensions of quality, quantity and price. Externalities are not determined by these

dimensions, but can be determined by other quantifiable measures (Lai & Hung, 2008, p. 209). In this research, this deduction of the corollary formulations of the Coase Theorem will be applied.

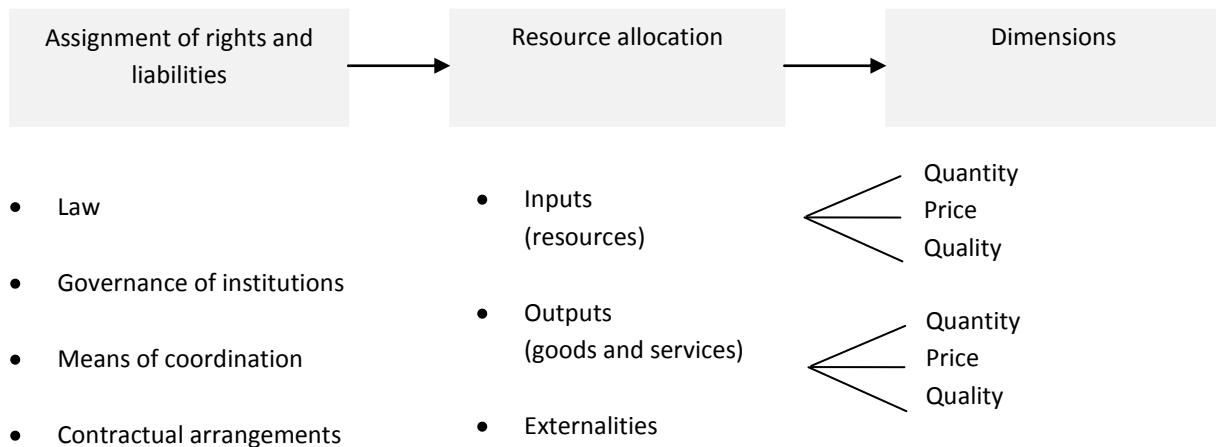


Figure 2.2: Application of (corollary of) Coase Theorem to empirical planning research (based on Lai & Hung, 2008).

## 2.4 Criticism of the Law and economics approach

Although the law and economics approach is a very tested and a widely spread approach, there is still criticism. Some criticism can be traced back to the norms and values on which the law and economics approach is based on. For example, one argument is that a foundational assumption is that the primal agent of economic action is a ‘homo economicus’, the self-interested, competitive, rational, utility-maximizing actor. This model comes under challenge as failing to account for the capacity of individuals to exhibit egalitarian altruism, to seek and achieve social solidarity, and to give their loyalty to hierarchical organizations (Brion, 1999, p. 1048). Nevertheless, Coase uses this rational thinking human being to bargain for the most efficient solution. If the bargainer isn’t as rational as presumed, this has an effect on the outcome of the bargaining processes.

Another basic assumption posits that individual action in a free market will, with minimal administrative cost, continuously move resources to the highest valuing users, thereby achieving an efficient allocation of resources to production. The appeal to an efficiency criterion comes under critique on the ground that there is no unique efficiency point; instead, there are different efficiency points corresponding to different patterns in the distribution of wealth. The proposition that individual action in a free market tends toward efficiency is challenged on the grounds that, because of inevitable distortions, the market instead yields a path-dependent stream of suboptimal goods and services (Eastman, 1996i in: Brion, 1999, p. 1049).

As already discussed earlier, an efficient solution doesn’t have to be the ‘right’ solution or the most beneficial solution. It may be typically beneficial to protect lives, family relations, and various aspects of autonomy as well. Hence, contrary to occasional usage in law and economics, we wish to include considerations that do not typically have price tags (Hardin, 1992, p. 339). The most efficient solution which provides the most wealth, can feel like social injustice, because the wealth generated isn’t properly distributed. Maximizing wealth doesn’t have to mean that (economic) welfare has to increase. Wealth is strictly monetary, while welfare is not (Hardin, 1992, p. 345). For example, the Housing Choice Voucher Program could be generating a lot of wealth, but if this wealth isn’t evenly spread out, the program can be considered as unjust and therefore lose support which undermines

the effectiveness of the voucher program. Thus, an increase in wealth doesn't automatically mean the level of prosperity and living standards of people rise.

## 2.5 The Law and economics approach applied in this research

In this research, the corollary of the Coase Theorem will be tested to analyze the efficiency and effectiveness of the market approach of the United States to affordable housing, thus the voucher program. As set out in paragraph 2.3 and especially in figure 2.2, the corollary of the Coase Theorem can be set out in a matrix, which deduction consists of four types of assignments of rights and liabilities, three types of resource allocation and the dimensions, quantity, price and quality. This deduction of the matrix by Lai & Hung (2008) will be used in this research.

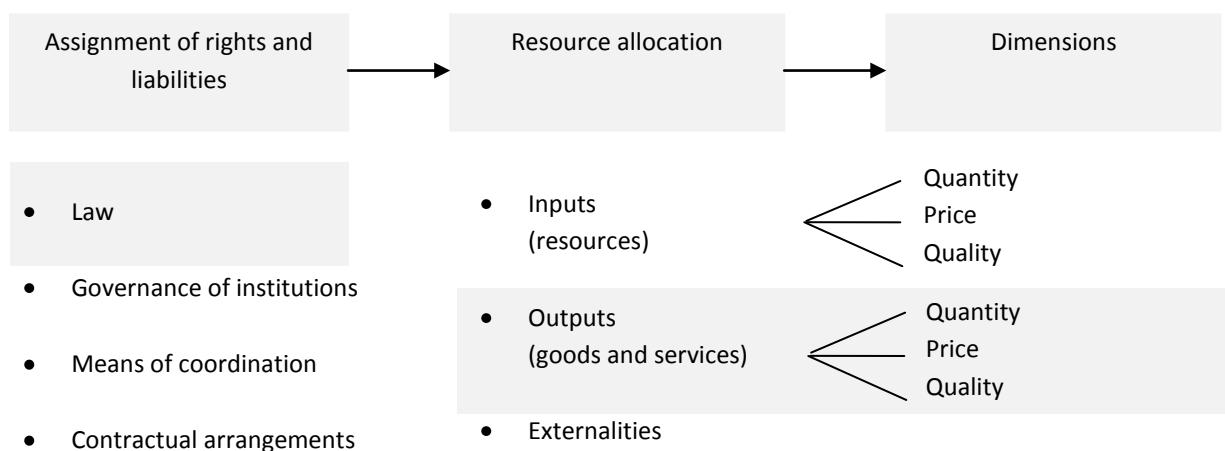


Figure 2.3: Application of (corollary of) Coase Theorem to empirical planning research (Lai & Hung, 2008). The grey boxes indicate the main focus in this research.

In this research the main focus will be on the exogenous variable 'law', and the determined variable 'outputs (goods and services)' and its dimension quantity, price and quality (see figure 2.3). In this research this 'law' is Section 8 of the Housing Act of 1937 which states that 'for the purpose of aiding low-income families in obtaining a decent place to live and of promoting economically mixed housing, assistance payments may be made with respect to existing housing in accordance with the provisions of this section (42 U.S.C. § 1437f). This Section 8 law forms the basis of the Housing Choice Voucher Program. The outputs (goods and services) in this case is housing that becomes affordable for low-income households because of the Housing Choice Voucher Program. The affordable houses will be analyzed by the dimensions quantity, price and quality. The operationalization of these dimensions will be set out in chapter 3.

The Law and economics approach and especially the corollary of the Coase Theorem will be used in this research to analyze if the voucher program does efficiently maximize wealth. The main purpose of this research is to see if the Housing Choice Voucher Program could solve the problems or elements of this approach that the Dutch approach to affordable housing faces. Nevertheless, there has to be considered that there are different approaches to law. Because the American law and legal institutions are fundamentally different from the European and Dutch law and legal institutions, there cannot be a one-to-one translation of the voucher program to the Dutch case. Differences in the law and legal systems need to be considered in this research. Next to that there also has to be

taken into account that the Law and economics approach is not a universal theory which explains all aspects of the law. Law is not always efficient, and efficient law doesn't solve all problems (Van den Bergh, 1991, p. 25). A highly efficient voucher program doesn't necessarily mean that it's the best approach to solve the problem of a shortage of affordable housing, because other approaches may be considered better options because of non-legal aspects. Nevertheless, the Law and Economics approach gives a great tool to research the Housing Choice Voucher Program and its effects on the availability, affordability and accessibility of housing for low-income households.

## CHAPTER 3. METHODOLOGICAL FRAMEWORK

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In the former chapter the law and economics approach and the way this approach will be used in this research has been set out. In this chapter the research methodology and the cases central in this research will be introduced.

### 3.1 Operationalization

As already set out in the former chapter, the corollary of the Coase Theorem will be used to analyze the Housing Choice Voucher Program. To analyze the voucher program and therefore the output of the Section 8 of the Housing Act of 1937, the quantity, quality and price of the affordable houses available to low-income households because of this program will be researched. Next to that, externalities that influence the voucher program and externalities of the program will also be analyzed in this research. This analysis will be able to give us a view on the overall positive and negative aspects of the Housing Choice Voucher Program and the Section 8 of the Housing Act of 1937 law and its effect on the availability, affordability and accessibility of housing for low-income households. The operationalization of these three dimensions will be set out in this subparagraph.

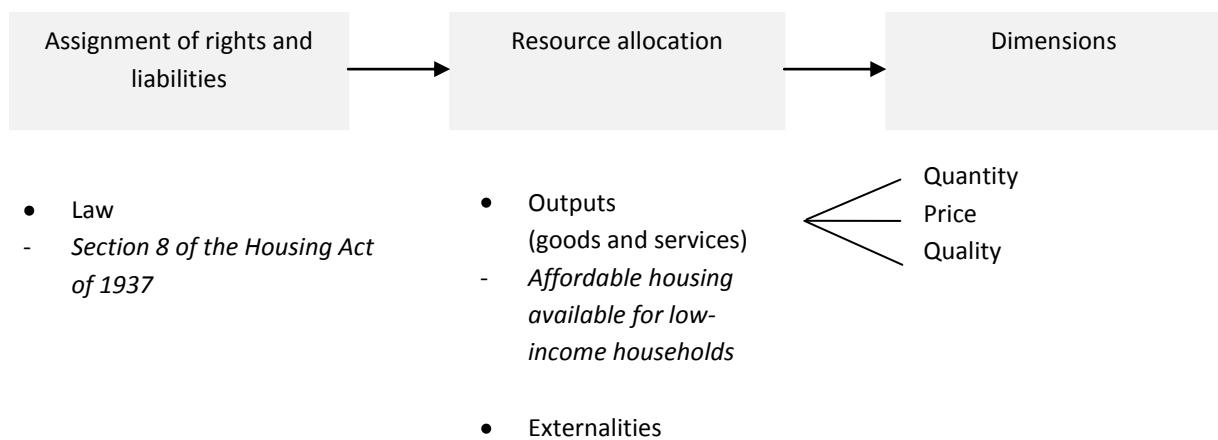


Figure 3.1: Operationalization of the corollary of the Coase Theorem

#### 3.1.1 Price

The first dimension that will be analyzed is price. The price dimension of the voucher program holds several aspects. The first aspect of this dimension is of course the price or rent of the housing for voucher holders and the financial benefits for the voucher holder. The second aspect of this dimension that will be analyzed are the costs to implement and maintain the voucher program. A final aspect of this dimension is the financial benefits generated by the voucher program. These benefits can be defined as the income generated by providers or developers of affordable housing.

#### 3.1.2 Quantity

The second dimension that will be analyzed is quantity. The quantity dimension of the voucher program holds several aspects. The first aspect of this dimension is the quantity of the vouchers available for eligible households and the demand for a voucher. The second aspect of this dimension

is the quantity of houses available for voucher program households. A final aspect of this dimension is the quantity of suitable housing for special need households. Examples of these types of households are elderly and disabled households.

### **3.1.3 Quality**

The final dimension that will be analyzed is quality. The quality dimension of the voucher program holds several aspects. The first aspect that will be analyzed is the overall quality of the houses and neighborhoods where the voucher program houses are located. The second aspect will be the time it takes for eligible households to get a voucher and to find a home with it. The final aspect of this dimension will be the degree of flow-through of voucher holders. This will be done to see if the voucher program helps household to become more financially self-sufficient and that households eventually get off the program.

Table 3.1 Aspects of the dimensions price, quantity and quality

Price	Quantity	Quality
Price of housing for voucher holders and financial benefits for the voucher holder	Quantity of vouchers available and the demand for a voucher	Overall quality of voucher housing and neighborhoods
Costs of implementing the voucher program	Quantity of housing available for voucher holders	Time it takes to get a voucher and find a home
Financial benefits generated by the voucher program by landlords and developers	Quantity of suitable housing for special voucher holders	Degree of flow-through of voucher holders. Enhancement of financial self-sufficiency

### **3.1.4 Externalities**

Externalities can have a great influence on the success of the voucher. For example, if voucher holders suppress non-voucher holders on the market, this can be considered as a negative external effect of the program. An example of an externality that influences the program is the perception of neighbors, landlords and voucher holders of the program and discrimination. When landlords don't like the program or the voucher holders because of a negative perception of the program, this will make it more difficult for voucher holders to find a place to live with their voucher.

## **3.2 Research methodology**

In this research a case study will be conducted in the state of Wisconsin. In this case study, three levels will be analyzed, namely the city, county and state level. These case levels will be used to get an insight in the effects of the voucher program on affordability of housing. The case used in this research is the Madison and Dane County area. These case areas will be further introduced in paragraph 3.3. In this paragraph, the case study research methodology applied in this research and the experts that will be interviewed in the United States will be set out.

### **3.2.1 Case study research**

Case study research is a research method commonly used by researchers to analyze a phenomenon and all its aspects in its real-life context (Saunders et al., 2011, p. 122). The scope of a case study according to Yin (2003, p. 13-14) is that a

*case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. The case study method is a method used because the researcher deliberately wanted to cover contextual conditions, believing that they might be highly pertinent to the phenomenon of study. The case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis.*

The positive aspect of case study research is that case study research offers the possibility to get an integral image of the research subject. Next to that, case studies don't need as much structuring in advance as an experiment or a survey, which makes case studies much more flexible and finally, the results case studies are commonly more accepted than results of quantitative survey or complicated experiment because people relate more to the results and therefore will easier accept the outcomes of the research (Verschuren & Doorewaard, 2007, p. 190).

Although the case study is a distinctive form of empirical inquiry, there are some negative sides to it. Many research investigators disdain the strategy and it has been seen as a less desirable form of inquiry than either experiments or surveys (Yin, 2003, p. 10). This is because the researcher needs to be very thorough and avoid observer bias. Nevertheless, observer bias can also be a problem in the other types of research methods named above. A second common concern about case studies is that they provide little basis for scientific generalization. Yet, case studies are in fact generalizable but to theoretical propositions, not to populations or universes. Case study research is therefore a tool to expand and generalize theories for analytic generalization to generalize a particular set of result to some broader theory, instead of statistical generalization (Yin, 2003).

In this research, observer bias doesn't have to form a problem because of the distance between the researcher and the research topic. Nevertheless, observer bias shall always be considered and avoided. The flexibility of the case study method is also a positive aspect in this research but the most important aspect of the case study method which is important for this research is that it provides an integral insight in the voucher program and how this program manifests itself in the case area. Because of this, the practice of this particular type of market approach to affordable housing can be analyzed in all its positive or negative aspects. This makes the case study research method an excellent tool to work with in this research.

In all researches the internal and external validity is important to be able to generalize results. In this research, internal validity will be enhanced by source triangulation. This practically means multiple experts will be interviewed to get a good insight in what effects the voucher program has in the case area. The experts that will be interviewed in this research will be set out in subparagraph 3.2.2. The external validity will be enhanced by using, besides the information from the expert interviews, also information from literature from researched on the Housing Choice Voucher Program as well in the case area as in the United States in general.

### **3.2.2 Expert interviews in the United States**

In this research, experts on the means of the voucher program will be interviewed to get an insight into the working of the program and its pros and cons. These experts are the following:

- Public Housing Authorities (PHA's)

Program administration of the Section 8 voucher program in the United States is by designated Public Housing Authorities (PHA's). Public Housing Authorities are "nested" so that all locations within a state are covered by one public housing authority. In most states, like Wisconsin, cities and counties have their own public housing authorities. Then, states themselves have public housing authorities to cover areas of the state which have neither a city nor a county public housing authority. In this way, the entire state is covered by one and only one PHA.

In this research the PHA's of the city of Madison will be contacted. Next to that, the PHA's of the Dane county will be contacted and the PHA that issues the vouchers for areas that aren't able to administer their own program, namely WHEDA, the Wisconsin Housing and Economic Development Authority, will be interviewed. The means of these interviews are to get an insight into how the designation of voucher's take place, how many vouchers are designated and to what people, where these people rent their home's and from whom they rent.

- U.S. Department of Housing and Urban Development (HUD)

The allocation of vouchers comes from the Federal agency: The U.S. Department of Housing and Urban Development (HUD) directly to Public Housing Authorities by formula. HUD basically divides the vouchers and assists the PHA's. HUD pays the PHA an administration fee to cover costs of running the program, including accepting and reviewing applications, recertifying eligibility, and inspecting the rental units (HUD, n.d.). In this research HUD will be interviewed to get some information on budgets, the allocation of vouchers and their view on the voucher program and the PHA's.

- Interest groups

"Title VIII of the Civil Rights Act of 1968 (Fair Housing Act), as amended, prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), and handicap (disability)" (HUD, n.d.3). HUD operates two grant programs that provides funding to state and local agencies that enforce fair housing laws that are substantially equivalent to the Fair Housing Act. These two programs are the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP). FHAP agencies are primarily concerned with investigating and enforcing discrimination complaints. FHPs also investigate and enforce discrimination complaints and provide education and outreach services, including public service announcements, meetings, newsletters, websites, pamphlets, and training courses (HUD, n.d.1 & HUD, n.d.2 ).

In this research, organizations that are concerned with fair housing in Madison and Dane county will be interviewed. This will be done to get an insight in the problems of the voucher program and what kind of problems voucher holders face.

- Providers of affordable housing

In this research, people that rent houses to voucher holders or their representative will be interviewed to get an insight in why they rent housing to voucher holders, what pros and cons there are for landlords that rent to voucher holders and what types of housing they rent to voucher holders and where these houses are located. An expert of the landlord association of landlords in Madison and Dane county will be interviewed in this research.

- Experts

In this research several scientific experts of the Housing Choice Voucher Program will be interviewed and will be asked general questions about the voucher program, its pros and cons and possible improvements.

In total 10 interviews will be conducted in this research. For every type of expert, a different interview guide will be made. The interview guides used in this research can be found in appendix B. An overview of all the interviewed actors can be found in appendix A.

### *3.2.3. Transcription of the interviews*

The conducted interviews will be transcribed with help of the transcription software Atlas TI. The conducted interviews will be thoroughly analyzed and the information in these transcripts will be divided and coded according to the three dimensions discussed earlier, namely price (P), quantity (Qt) and quality (Q) and their sub dimensions (P1, P2, P3, Qt1, Qt2, Qt3 and Q1, Q2, Q3). Externalities and other important information that can't be classified in any of the three dimensions price, quantity and quality will be coded with an 'E' (externality) and 'O' (context variables and other). A schematic overview of the codes is presented in table 3.2.

Table 3.2 The codes of the dimensions and sub dimensions

Price (P)	Quantity (Qt)	Quality (Q)
Price of housing for voucher Holders and financial benefits for the voucher holder (P1)	Quantity of vouchers available and the demand for a voucher (Qt1)	Overall quality of voucher housing and neighborhoods (Q1)
Costs of implementing the voucher program (P2)	Quantity of housing available for voucher holders (Qt2)	Time it takes to get a voucher and find a home (Q2)
Financial benefits generated by the voucher program by landlords and developers (P3)	Quantity of suitable housing for special voucher holders (Qt3)	Degree of flow-through of voucher holders. Enhancement of financial self-sufficiency(Q3)
Externalities (E) Context variables and other (O)		

### **3.3 Case area**

The type of leveling of the case areas is chosen by the way the voucher program and the Public Housing Agencies (PHA's) who are responsible for the program administration is set up, as been explained in subparagraph 3.2.2. With this type of leveling of cases, all the different types of areas within the state are covered. In this way a general conclusion about the voucher program and its effects on different types of areas can be analyzed. Nevertheless, not the entire state will be analyzed. The different levels and the cases within these levels will be further set out in the following subparagraph. The Madison area, consisting of the city of Madison and the Dane County will be the main case in this research. The case area is displayed in figure 3.3.

#### *3.3.1 The Madison and Dane County case area*

Madison is the capital of the U.S. state of Wisconsin and the county seat of Dane County. As of the 2010 census, Madison had a population of 233,209 making it the second largest city in Wisconsin, after Milwaukee, and the 81st largest in the United States. The Dane county has a population of 488,073 and is the most populous county after Milwaukee County (United States Census bureau,

2010a&b). Madison is located in the center of Dane County in south-central Wisconsin, 77 miles (124 km) west of Milwaukee and 122 miles (196 km) northwest of Chicago. The city completely surrounds the smaller Town of Madison, the City of Monona, and the villages of Maple Bluff and Shorewood Hills. Madison shares borders with its largest suburb, Sun Prairie, and three other communities, Middleton, McFarland and Fitchburg. The city's boundaries also approach the villages of Verona, Cottage Grove, DeForest, and Waunakee. The city has a total area of 243.54 km<sup>2</sup>, of which 198.89 km<sup>2</sup> is land and 44.65 km<sup>2</sup> is water (United States Census bureau, 2010c).

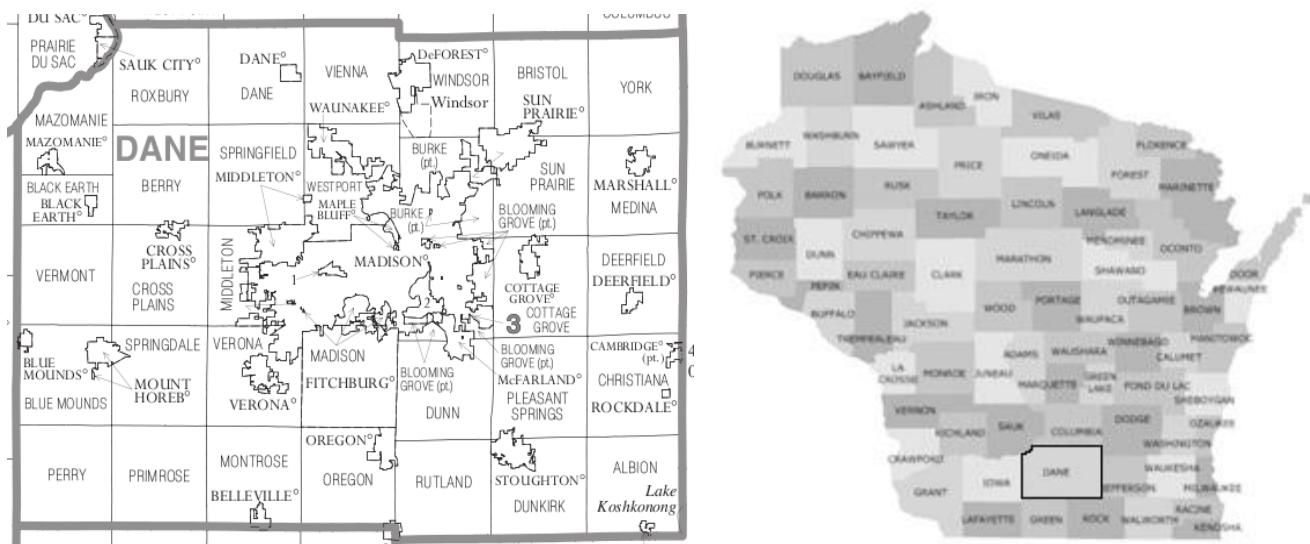


Figure 3.2: Case area map

On the left a map of Dane County and Madison, on the right, Wisconsin county map with Dane County in the black outlines.

Madison city politics remain dominated by activists of liberal and progressive ideologies. In 1992, a local third party, Progressive Dane, was founded. Recently enacted city policies supported in the Progressive Dane platform have included an inclusionary zoning ordinance, later abandoned by the mayor and a majority of the city council, and a city minimum wage. The party holds several seats on the Madison City Council and Dane County Board of Supervisors, and is aligned variously with the Democratic and Green parties. City voters have supported the Democratic Party in national elections in the last half-century, and a liberal and progressive majority is generally elected to the city council. Detractors often refer to Madison as "The People's Republic of Madison" or the "Left Coast of Wisconsin". For American standards, the city can be considered a very liberal and progressive 'left' city, which can be explained by the socialistic ideologies of the Scandinavian and German ancestry of Madison's inhabitants and the presence of the University of Wisconsin (United States Census bureau, 2011).

### 3.3.2 Wisconsin

Wisconsin is a state located in the north-central part of the United States, in the Midwest and Great Lakes Regions. It is bordered by the state of Minnesota to the west, Iowa to the southwest, Illinois to the south, Lake Michigan to the east, Michigan to the northeast and Lake Superior to the north. Wisconsin is the 23<sup>rd</sup> state by total area and the 20<sup>th</sup> most populous of the 50 states of United States of America. The state capital is Madison, and its largest city is Milwaukee, located on the western

shore of Lake Michigan. The state consists of 72 counties and has a population of 5,726,398 inhabitants (United States Census Bureau, 2012). Wisconsin is known as "America's Dairyland" because it is one of the nation's leading dairy producers and its rural characteristics.

Some rural areas that aren't covered by the city and county PHA's are covered by WHEDA, the Wisconsin Housing and Economic Development Authority, an organization that issues the vouchers for these rural areas that aren't able to run their own voucher program. The way the voucher program in this areas works will also be considered in this research.

In this chapter the methodological framework and all its aspects have been set out. The operationalization of the corollary of the Coase Theorem has been defined, the pros and cons of case study research have been set out and the cases have been introduced. In the next chapter, the Housing Choice Voucher Program, the American approach to affordable housing, will be set out.

## CHAPTER 4. AFFORDABLE HOUSING IN THE U.S.: THE VOUCHER PROGRAM

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As already explained in the introduction, the United States of America has a very different approach to affordable housing. The largest housing subsidy program for low-income households is the Housing Choice Voucher Program, mostly known as “Section 8”, as in reference to the section of housing law in which this program is established. Nevertheless, there are many more programs that subsidize housing for low-income households in other ways. A short introduction in how affordable housing for low-income households is organized in the United States and how the Housing Choice Voucher Program works will be set out in this chapter.

### 4.1 Affordable Housing in the United States

The federal government of the United States provides various programs, tax-reductions and subsidies for housing. Not only for low-income households but also for homeowners and investors in rental-housing. Excluding tax expenditures, the federal government provides subsidies for low-income households in three basic ways. First, supporting the constructing and operation of specific housing developments. Second providing states and localities with funds to develop their housing program and finally helping renters pay for privately owned housing (Schwartz, 2010, p. 7).

The first form of assistance, known as supply-side or project-based subsidies, includes public housing, one of oldest low-income housing programs established in 1937. The latter form of federal housing subsidy consists of block grants that fund housing programs crafted by state and local governments. The last form of subsidy was designed in the mid-1970s and is the main topic of this research, namely the Housing Choice Voucher Program. A program that enables voucher holders to chose their own house and rent it in the private market. This program is now the most dominant form of low-income housing assistance in the United States with almost 2.2 million units out of 7.1 million low-income households who receive some form of rental assistance. The second largest category, accounting for almost 1.8 million units is privately owned housing with project-based federal subsidies and the third largest category is public housing with 1.2 million units (Schwartz, 2010, p. 7). The three categories of housing programs for low-income households, namely public housing, project-based federal subsidy and the Housing Choice Voucher Program will be set out in the next sub-paragraphs. Next to federal housing programs that are specifically designed to create affordable housing, there are also other programs that contribute to the supply of affordable housing, even though these programs aren't necessarily federal housing programs. These other types of programs that aren't federal housing programs but do contribute to the supply and affordability of housing for low-income households will be briefly set out in paragraph 5.5.

#### 4.1.1 Public Housing

The Public Housing Program originated in 1937 in one of the last major pieces of legislation passed during the New Deal. The program was established to subsidize local governments in building housing for those temporarily unemployed and also in providing construction jobs for unemployed urban labor during the Great Depression (Quigley, 2008). The legislation authorized local public housing authorities (PHA's) to issue bonds to finance the development costs of public housing. The federal government was to pay the interest and principal on these bonds. The cost of operating public housing was to be covered by tenant rental payments (Schwartz, 2010, p. 126). This system worked well until the 1960s when operating costs increased faster because of aging housing stock

than tenants' incomes. Since rent rolls were fixed at 25-30% of the tenant's income, project managers who chose to serve households with the lowest incomes faced budgetary problems (Schwartz, 2010). Because of these problems eventually the voucher program was introduced.

In the past 25 years, far more resources have gone to the preservation and redevelopment of public housing than to the expansion of the program. The stock of public housing reached its peak of 1.4 million units in 1994 and by 2008 stock had declined by 19% for a loss of nearly 270,000 units. Only 5% of the public housing stock as of 2003 was built after 1985, and most of that replaced older buildings that had been torn down (Schwartz, 2010, p. 126).

#### *4.1.2 Project-based federal subsidy*

For about 20 years, from the early 1960s to the early 1980s, the federal government financed the development of more than 1 million low- and moderate-income rental housing units owned by private entities. Unlike public housing, this type of housing is owned by for-profit or in lesser degree non-profit organizations and funding for this type of housing extend for only a finite period of time. Afterwards, the housing may be converted to market-rate occupancy. The main goal when establishing this program was to provide a home for households with a to high income for public housing but not enough income to secure standard housing in the private market. Next to that, the intention was to forge partnerships with the private sector by creating incentives to produce affordable housing for lower income families (Schwartz, 2010, p. 157).

Nevertheless, these programs did not last long and most of these types of programs haven't produced housing in decades. Main reasons were that operating the buildings with low rent incomes wasn't always possible and subsidizing the built of low income buildings meant that every family, regardless of their income received the same amount of subsidy which resulted in these housing being more affordable for households with a higher income than a lower income and therefore these programs missed their goal (Schwartz, 2010, p. 175).

#### *4.1.3 The Housing Choice Voucher Program*

The private sector was first induced to build, manage and provide rental dwellings for low-income tenants in the 1960s, but it was not until 1974 that the subsidy provided to deserving tenants was separated from the cost of supplying newly constructed housing. The 'Housing and Community Development Act' of 1974 meant the birth of the Housing Choice Voucher Program and renamed the 'Housing Choice Voucher Program' in 1998, a program that became one of the largest and eventually most important way of support for low-income households in the United States (Schwartz, 2010). Under this program, a qualifying household receives a voucher which pays the difference between 30% of the tenant's income and the 'fair market rent', a maximum rent rate based on the median rent charged for recently leased apartments (Schwartz, 2010, p. 178). Throughout the years some changes are introduced to the voucher program. Nevertheless the use of the program has only increased ever since and is until today the largest subsidy program for low-income households. A broad set out of the Housing Choice Voucher Program will be presented in the following paragraph.

### **4.2 How the Housing Choice Voucher Program works**

The Housing Choice Voucher Program is a different approach to affordable housing than other American subsidy programs. The main difference with other subsidy programs is that subsidy or assistance from the Housing Choice Voucher Program is not bound to a specific building but can be used by voucher holders to obtain housing that already exists in the private market (Schwartz, 2010,

p. 177). In this subparagraph, the main basics about the Housing Choice Voucher Program and how this program works will be set out.

#### 4.2.1 Vouchers

The Housing Choice Voucher Program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing (U.S. Department of Housing and Urban Development, n.d.).

There are two types of vouchers, namely project-based vouchers, which means that the use of the voucher is limited to a specific apartment complex, and tenant-based assistance, which means voucher holders can rent any house in the private market that meets the requirements set by the PHA (Schwartz, 2010). The most common type of voucher is the tenant-based voucher. Project-based vouchers can only be used by agencies up to 20% of all vouchers and these vouchers can only be used at a designated housing development. An agency may use these project-based vouchers, for example, to support construction or rehabilitation of affordable housing, to ensure that affordable housing is available to voucher holders even when housing markets are tight, or to provide supportive housing to people with mental or physical disabilities (Center on Budget and Policy Priorities, 2009, p. 5). Next to these two types of vouchers, there are also homeownership vouchers, which help homeowners to pay their mortgage and other ongoing homeownership costs. This type of voucher is mostly used to help voucher holders to make the step towards homeownership (Center on Budget and Policy Priorities, 2009).

Eligibility of a household for a housing voucher is determined by the PHA based on the total annual gross income and family size and is limited to US citizens and specified categories of non-citizens who have eligible immigration status. In general, the family's income may not exceed 50% of the median income for the county or metropolitan area in which the family chooses to live. By law, a PHA must provide 75 percent of its voucher to applicants whose incomes do not exceed 30 percent of the area median income (U.S. Department of Housing and Urban Development, n.d.).

#### 4.2.2 Distribution of vouchers

The voucher program is administered at the federal level by the Department of Housing and Urban Development (HUD). At the local level, the program is run by approximately 2,400 local, state, and regional housing agencies, known collectively as public housing agencies (PHAs) or Community Development Authorities (CDAs) (Center on Budget and Policy Priorities, 2009). These latter authorities check if households are eligible for a voucher and help them to find housing when they receive a voucher. They check the quality of the housing and they pay the landlords the vouchers part of the rent.

Housing vouchers are not an entitlement benefit. Because of funding limitations, only one in

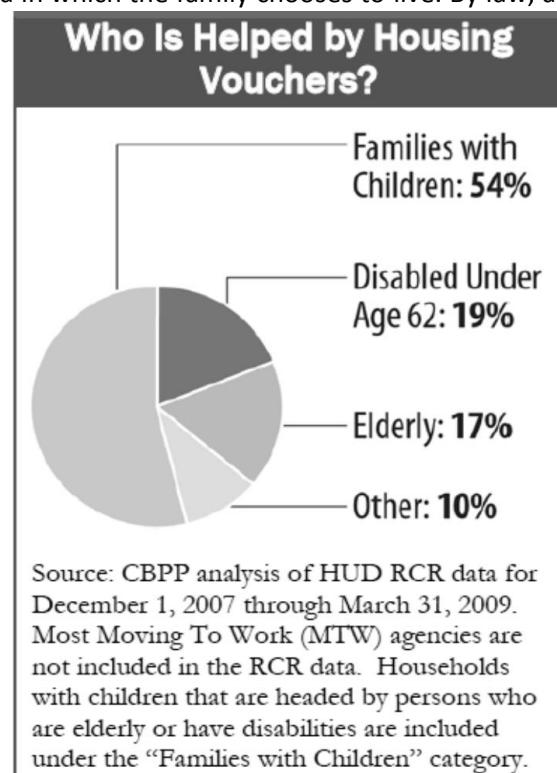


Figure 4.3: Who is helped by housing vouchers?  
Source: Center on Budget and Policy Priorities, 2009

four households that are eligible for vouchers receive any form of federal housing assistance. Most areas have long and growing waiting lists for vouchers, and a 2004 study found that 40 percent of the housing agencies examined had closed their waiting lists to new applicants because the lists had become so long. Housing agencies are required to ensure that 75% of households newly admitted to the voucher program each year have incomes at or below 30% of the area median. This means that a family of three could earn about \$18,700 a year in 2009, which is close to the poverty line. The targeting requirement is only applied when families are first admitted to the voucher program (Center on Budget and Policy Priorities, 2009). People who do receive voucher assistance are mostly families with children, disabled households and elderly people (see figure 4.1).

#### *4.2.3 Renting a home with a voucher*

Voucher holders are allowed to rent any home that is available and with a rent that is below the Fair Market Rent (FMR) of the area they rent their home. The FMR for an area is set by HUD and is calculated annually for more than 2,600 housing markets. In most areas, the FMR is set at an amount sufficient to pay rent and utility costs for 40 percent of the recently rented units in the area, excluding new units. In a small number of metropolitan areas where HUD has determined that this FMR is insufficient to enable voucher holders to rent housing outside a few low-cost neighborhoods, HUD sets the fair market rent at the 50th percentile instead (Center on Budget and Policy Priorities, 2009).

When a household receives a voucher, it has a limited amount of time to find a home. Nevertheless, some families are not able to use their vouchers within the allowed time period, for reasons such as a shortage of moderately priced housing and the reluctance of some landlords to accept vouchers. If this occurs, the family loses the voucher and the housing agency awards it to a different family. Studies have found that the proportion of voucher holders who are able to use their vouchers, known as the success rate, fell from 81% in the early 1990s to 69% in 2000. This decline appears to have reflected the tight housing markets in many areas at the time of the latter survey (Center on Budget and Policy Priorities, 2009).

San Francisco, CA	1,658	Austin-San Marcos, TX	912
Nassau-Suffolk, NY	1,584	Dallas, TX	905
Orange County, CA	1,546	Norfolk-VA Beach-Newport News, VA-NC	904
San Diego, CA	1,418	Denver, Colorado	891
Los Angeles-Long Beach, CA	1,361	Atlanta, GA	878
Boston, MA-NH	1,345	Phoenix-Mesa, AZ	877
San Jose, CA	1,338	Minneapolis-St.Paul, MN-WI	873
New York, NY	1,313	Houston, TX	866
Fort Lauderdale, FL	1,313	Milwaukee-Waukesha, WI	839
Oakland, CA	1,295	Fort Worth-Arlington, TX	838
Washington, DC-MD-VA-WV	1,288	Detroit, MI	809
Bergen-Passaic, NJ	1,249	Portland-Vancouver-OR-WA	809
Newark, NJ	1,213	Salt Lake City-Ogden, UT	802
Miami, FL	1,156	San Antonio, TX	792
Riverside-San Bernardino, CA	1,125	Kansas City, MO-KS	791
Baltimore, MD	1,037	Nashville, TN	761
New Orleans, LA	1,030	Charlotte-Gastonia-Rock Hill, NC-SC	757
Sacramento, CA	1,022	Indianapolis, IN	745
Hartford, CT	1,021	Columbus, OH	740
Las Vegas, NV-AZ	1,013	St. Louis, MO-IL	737
Philadelphia, PA-NJ	1,005	Cincinnati, OH-KY-IN	733
Chicago, IL	1,004	Buffalo-Niagara Falls, NY	723
Seattle-Bellevue-Everett, WA	987	Pittsburgh, PA	710
Orlando, FL	985	Greensboro-Winston-Salem-High Pt., NC	699
Tampa-St. Petersburg-Clearwater, FL	945	Cleveland-Lorain-Elyria, OH	694
Mean	1007	Minimum	694
Median	929	Maximum	1,658

Figure 4.4: Fair Market Rents 2009 (Two-Bedroom Apartment) 50 Largest Metropolitan Areas  
Source: Schwartz, 2010 (p. 179)

Once a family finds a unit, the housing agency must inspect the unit to determine that it meets the voucher program's housing quality standards. In addition, the agency must certify that the rent is reasonable, which means that it is consistent with market rents for similar units in the local area. The agency then signs a contract with the landlord and makes monthly subsidy payments directly to the landlord. The landlord and the family also sign a lease agreement. Landlords are under no obligation to rent to families with vouchers, although landlords who receive Low-Income Housing Tax Credits or some other federal subsidies are forbidden to discriminate against a family because it has a voucher (Center on Budget and Policy Priorities, 2009).

#### **4.3 Costs of affordable housing**

Although most people probably associate housing policy with public housing and rental subsidies, most of all housing subsidy goes to tax benefits for homeowners. Whereas about 7 million low-income renters benefited from federal housing subsidies in 2008, nearly 155 million homeowners took mortgage interest deductions on their federal income taxes. Federal expenditure for direct housing assistance totaled less than \$40.2 billion in 2008. However, mortgage-interest deductions and other homeowners' tax benefits exceeded \$171 billion. The lion's share of these tax benefits go to households with incomes above \$100,000 (Schwartz, 2010, p. 7). In the Netherlands figures and numbers are quite the same. In 2010 1.1 million households received rental subsidy, costing the government €2.4 million (about \$3 million) (Van den Brakel & Moonen, 2010, p. 1). The same year 7.2 million households took mortgage interest deductions on their taxes, costing government over €10 million (\$12.5 million), of which almost half went to households with an income above €81,000 (\$101,250) a year (Centraal Bureau voor de statistiek, 2010).

Nevertheless, the need for housing assistance is great. HUD's most recent analysis of Census data indicates that in 2005, 6.5 million low-income renter households that did not receive housing assistance had severe housing problems, which means they either paid more than half of their income for rent and utilities or lived in severely substandard rental housing. This number increased by 20 percent between 2001 and 2005. High housing-cost burdens contribute to housing instability and homelessness, which in turn have cascading effects on the well-being of children and other family members. Working families are among those who struggle the most to afford housing. A majority of the low-income families without housing assistance who face severe housing problems (excluding those who get Social Security) are working families (Center on Budget and Policy Priorities, 2009).

#### **4.4 Support for the Housing Choice Voucher Program**

Housing vouchers were the subject of intense debate in housing policy circle during the first 10 years of the Section 8 program. Advocates claimed that vouchers were far more cost effective than project-based subsidies and that they gave recipients more freedom of choice. Opponents feared that vouchers would exert inflationary pressure on local housing markets and fail to provide decent-quality housing (Apgar 1989; Hartman 1975; National Low Income Housing Coalition 2005b; Report of the President's Commission on Housing 1982; Weicher 1999 in: Schwartz, 2010, p. 205).

Nevertheless, the Housing Choice Voucher Program has received longstanding bipartisan support. For example, the Bush Administration noted in its fiscal year 2008 budget documents that "based on an assessment of the [voucher] program, this is one of the Department's and the Federal Government's most effective programs" and that the program "has been recognized as a cost effective means for delivering decent, safe, and sanitary housing to low-income families." The

bipartisan, congressionally chartered Millennial Housing Commission strongly endorsed the voucher program in its 2002 report, describing the program as “flexible, cost-effective, and successful in its mission” and calling for a substantial increase in the number of vouchers (Center on Budget and Policy Priorities, 2009, p. 8).

Although highly appreciated in politics, the program has become of its growing costs a political liability. In 2008, tenant based rental assistance accounted for 40.4% of HUD’s budget. Because of this, the Bush administration attempted to curtail the growth of the voucher program through a series of budgetary and administrative measures that made it more difficult to renew vouchers and discouraged landlords from accepting voucher recipients. As a result, the number of vouchers in use decreased by about 150,000 from 2004 to 2006 (Schwartz, 2010, p. 207) and even now budgetary cuts are been made that make it difficult for PHA’s to provide their service (R. Dicke, personal communication, September 27<sup>th</sup>, 2012).

#### **4.5 Other housing programs**

Next to the federal housing programs like the Housing Choice Voucher Program, there are also other programs that contribute to the supply and affordability of housing for low-income households. Examples of these are tax-exempt multifamily bonds, the HOME Investment Partnership Program and the Low-Income Housing Tax Credit, also known as the Section 42 program (Schwartz, 2010, p. 8). These programs differ from the programs discussed above because they do not originate from housing policy or they aren’t programs on the federal level. For example, the HOME Investment Partnership Program, which is a federal block grant program, gives state and local governments wide latitude in choosing how the funds may be spent on housing programs and projects for low-income households (Schwartz, 2010, p. 215). The tax-exempt multifamily housing bonds, which are generally issued by state housing finance agencies, exempt interest on bonds from federal income tax which investors can use to built multifamily rental housing (Schwartz, 2010, p. 220). One program that will be briefly analyzed in this research in The Low-Income Housing Tax Credit, also known as the Section 42 program. This program originates from the Internal Revenue Code and provides financial incentives to invest in low-income rental housing. This program will be further set out in the next subparagraph.

##### *4.5.1 The Low-Income Housing Tax Credit*

The single largest subsidy for low-income rental housing is not a federal housing program but an item in the Internal Revenue Code. Established by the Tax Reform Act of 1986, the Low-Income Housing Tax Credit (LIHTC) provides financial incentives to invest in low-income rental housing because the program allows investors to reduce their federal income taxes by \$1 for every dollar of tax credit received. Through 2006, the tax credit has helped fund the development of more than 1.6 million housing units and now accommodates more households than public housing (Schwartz, 2010, p. 103). Where the Section 8 Housing Choice Voucher Program can be typified as a demand side approach to affordable housing, the low-income housing tax credit, mostly known as the Section 42 program, is the American supply side approach. The Section 42 program programs differs from the Section 8 program that even though in both programs households must be income and program eligible, the rent a households will pay in the Section 42 program is capped at a fixed amount. In contrast, in the Housing Choice Voucher Program the rent amount paid by the resident is based on the income of the voucher holder. Rents for these units are determined by HUD based on the median county income and the number of bedrooms per each unit. From this gross rent amount, a

predetermined amount for utilities is then subtracted to determine a net rent amount per each unit size.

#### *4.5.2 Non-financial approaches to affordable housing*

Housing policy is not limited to subsidy programs and tax incentives. It also affects how housing is financed, developed, rented and sold. Housing policy is also concerned with the institutions, regulations and practices that shape the availability of housing for low-income households (Schwartz, 2010, p. 8). An example of a regulatory approach to create affordable housing is inclusionary zoning. Inclusionary zoning required or encourages developers to designate a portion of the housing they produce for low- or moderate income households. This approach is appealing because of its ability to increase the supply of affordable housing as well as to promote economic diversity within affluent communities, enabling lower income households to reside in areas with very little affordable housing. This type of zoning can take on many different forms, including voluntary inducements and mandatory requirements. Inclusionary zoning can be carried out in many ways like building-permits approval processes and negotiated agreements with individual developers, but is often specified in local zoning and land-use ordinances. Localities also differ widely in the amount of affordable housing they require private developers to build, the incomes of the targeted populations, and the length of time that units must remain affordable (Schwartz, 2010, p. 224).

In this chapter a wide range of housing programs have been seen out, and like every program, the Housing Choice Voucher Program has its own advantages and disadvantages to provide affordable housing for low-income households. In the next chapter the Housing Choice Voucher Program in the Madison area and in general will be analyzed in terms of price, quantity, quality and externalities.

## CHAPTER 5. ANALYSIS OF THE HOUSING CHOICE VOUCHER PROGRAM

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In the previous chapter the American approach to affordable housing and especially the Housing Choice Voucher Program have been set out. In this chapter the effects, advantages and disadvantages of the Housing Choice Voucher Program in the case areas Madison and Dane County will be analyzed. This will be done according to the four concepts introduced in the theoretical framework, namely price, quantity, quality, externalities and their sub dimensions. Context variables that influence the voucher program and other information that is important for this research but is not related to the Housing Choice Voucher Program will be analyzed in the paragraph 'context variables and other' (see table 5.1). In the final paragraph of this chapter the highlights of this analysis will be summarized before presenting the conclusion in the final chapter of this research.

Table 5.1 The dimensions and sub dimensions in this analysis and their codes

Price (P)	Quantity (Qt)	Quality (Q)
Price of housing for voucher Holders and financial benefits for the voucher holder (P1)	Quantity of vouchers available and the demand for a voucher (Qt1)	Overall quality of voucher housing and neighborhoods (Q1)
Costs of implementing the voucher program (P2)	Quantity of housing available for voucher holders (Qt2)	Time it takes to find a home with a voucher (Q2)
Financial benefits generated by the voucher program by landlords and developers (P3)	Quantity of suitable housing for special voucher holders (Qt3)	Degree of flow-through of voucher holders. Enhancement of financial self-sufficiency(Q3)
Externalities (E) Context variables and other (O)		

In the analysis, general and case-related information linked to the sub dimensions will be researched. This will be done to get a good overview of the effects, advantages and disadvantages of the Housing Choice Voucher Program as well on a general level as in the case areas. The information on case level is gained by interviewing ten experts on the Housing Choice Voucher Program in Madison and Dane County. These ten experts where experts from the Housing Authorities in Madison (CDA) and Dane County (DCHA), the apartment association of South Central Wisconsin (AASCW) which represent the landlords, the U.S. Department of Housing and Urban Development (HUD) which is concerned with the implementation on federal level, the Wisconsin Housing and Economic Development Authority (WHEDA), which manages the Housing Choice Voucher Program in rural parts of the state of Wisconsin, the Fair Housing Center of Greater Madison and the Tenant Resource Center (TRC), which are involved with the rights of tenants and landlords, two experts from the University of Wisconsin and the former mayor of the city of Madison. The information on general level is gained by a literature study.

### 5.1 The dimension price (P)

The dimension 'price' will be analyzed through three sub dimensions, namely the price of housing that voucher holders rent (P1), the costs of implementing the Housing Choice Voucher Program (P2) and the financial benefits generated by the Housing Choice Voucher Program by landlords and developers (P3).

### *5.1.1 The price of housing and financial benefits for the voucher holder (P1)*

In this first sub paragraph the price of housing for voucher holders and the financial benefits for the voucher holder will be analyzed. With this analysis we will be able to say what voucher holders pay for their housing, how much housing subsidy they receive and what type of income these voucher holders have.

The amount of rent that voucher holders are able to spend with their voucher is bound by the fair market rent (FMR). As already explained in chapter four, the FMR for an area is set by HUD and is calculated annually for more than 2,600 housing markets. In most areas, the FMR is set at an amount sufficient to pay rent and utility costs for 40 percent of the recently rented units in the area, excluding new units. In a small number of metropolitan areas where HUD has determined the FMR is insufficient to enable voucher holders to rent housing outside a few low-cost neighborhoods, HUD sets the fair market rent at the 50th percentile instead (Center on Budget and Policy Priorities, 2009). In Madison and Dane County, the FMR for a one-bedroom apartment was \$614 per month, and up to \$1,366 per month for a four-bedroom unit (U.S. Department of Housing and Urban Development, 2012b, see table 5.2).

**Final FY 2013 FMRs By Unit Bedrooms**

	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
Final FY 2013 FMR	\$614	\$734	\$889	\$1,226	\$1,366

NOTE: All information here applies to the entirety of the Madison, WI HUD Metro FMR Area.

Table 5.2: Fair Market Rent in the case areas Madison and Dane County  
Source: U.S. Department of Housing and Urban Development (2012b)

Although the FMR gets calculated every year and it's customized for every region housing market, it is still hard for voucher holders to find something within the rent range that is acceptable (L. Bastian, personal communication, October 30<sup>th</sup>, 2012). In a tight rental market where vacancy rates are low like the ones in Madison and Dane County the FMR isn't sufficient, especially when landlords can easily find a non-Section 8 tenant because of the high demand for rental housing (D. Ginger, personal communication, October 18<sup>th</sup>, 2012). Nevertheless, when voucher holders do get a voucher and find a place to live, the financial benefit of the voucher program is substantial.

First of all, voucher holders financially benefit from the program because they will only pay 30% of their income and therefore their disposable income will grow. In the case areas Madison and Dane County, the income limit for households to be eligible for a voucher was a maximum income of \$45,100 for a one person household per year up to \$85,050 for a eight person household (U.S. Department of Housing and Urban Development, 2012a, see table 5.3). An indirect financial benefit for the voucher holder is that he will be able to acquire a qualitative better house or that he will be paying less for the same quality unit the voucher holder already lived in (K. Paulsen, personal communication, October 26<sup>th</sup>, 2012). In the Madison case, the average assistance per voucher holder was about \$600 dollar per month (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012). The law does allow participants to spend more than 30% of their income on housing if they wish to, but no more than 40% (Schwartz, 2010, p. 180).

**Madison, WI HUD Metro FMR Area**

FY 2013 Income Limit Area	Median Income	FY 2013 Income Limit Category	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Madison, WI HUD Metro FMR Area	\$80,900	Very Low (50%) Income Limits	\$28,350	\$32,400	\$36,450	\$40,450	\$43,700	\$46,950	\$50,200	\$53,400
		Extremely Low (30%) Income Limits	\$17,000	\$19,400	\$21,850	\$24,250	\$26,200	\$28,150	\$30,100	\$32,050
		Low (80%) Income Limits	\$45,100	\$51,550	\$58,000	\$64,400	\$69,600	\$74,750	\$79,900	\$85,050

NOTE: Madison, WI HUD Metro FMR Area contains Dane County, WI.

Table 5.3: Income limits for voucher eligibility in the case areas Madison and Dane County  
Source: U.S. Department of Housing and Urban Development (2012a)

Yet, even though voucher holders are allowed to spend more of their income on rent, it isn't always a good idea, especially if the place isn't energy efficient and the voucher holder will have to pay a lot for the utilities (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012). This because there is an average amount for utilities accounted for in the FMR. Nevertheless, although in some cases the voucher holder is allowed to spend a larger percentage of their income on housing, the rules are still in such a way applied that some voucher holders aren't able to pick places they could afford, because the test is applied to their adjusted income, rather than their actual income, something that can be disadvantageous for some voucher holders like disabled people (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012).

#### *5.1.2 Costs of implementing the Housing Choice Voucher Program (P2)*

In this second subparagraph the costs of implementing the Housing Choice Voucher Program will be analyzed. With the analysis of the cost of the program, we will be able to say something about the efficiency of the program.

As already stated in chapter four, the Housing Choice Voucher Program is one of the largest housing subsidy programs in the United States, with a Federal expenditure for direct housing assistance totaled about \$40.2 billion in 2008 (Schwartz, 2010, p. 7). The Housing Choice Voucher Program is generally considered as a quite efficient tool to provide affordable housing for low-income households, because the government doesn't have to manage and exploit housing itself. It only provides funding for low-income households to find a house in the free market, so the voucher program doesn't have a high degree of overhead costs (K. Paulsen, personal communication, October 26<sup>th</sup>, 2012). Although the program is generally quite efficient, most of all interviewed experts stated that the program is seriously underfunded. Housing authorities aren't able to help all households that are eligible for a voucher and households can be waiting for years to receive a voucher. This problem of waiting lists will be further set out in sub paragraph 5.2.1. But, although underfunding is a problem and more funds would be helpful to be able to help more families, it are hard budget times now and getting more funding for the voucher program is very unlikely (D. Ginger, personal communication, October 18<sup>th</sup>, 2012).

Yet, although the program is considered an efficient program, the voucher program could be more efficient, as it is one of the most regulated programs that the U.S. Department of Housing and Urban Development has (HUD, personal communication, October 29<sup>th</sup>, 2012). Because of this regulation, the administrative burden for housing authorities is high. For example, housing authorities have to check the income of voucher holders every year, although for a lot of voucher holders, like elderly or disabled households who have a fixed income, this income hardly ever changes. This administrative burden can be high for smaller agencies that are set under the same type of requirements as large agencies (HUD, personal communication, October 29<sup>th</sup>, 2012). The

flexibility of the program also makes it a hard program to manage and to optimize the use of the budget. One of the reasons for this is that housing authorities aren't allowed to spend more than their budget, the so-called funding cap. Because of the flexibility of the program, they have to create some room in their budget. For example, if the income of voucher holders changes, the payment for the voucher and therefore the expenses of the housing authority change and with that extra room within their budget they can manage those fluctuations without going over their budget. This flexibility and differences in payments to voucher holders is also the reason why housing authorities are likely to reach their funding cap before they reach the maximum amount of voucher they were allocated to issue. This flexibility within the voucher program makes it difficult for housing authorities to balance and maximize their funds (HUD, personal communication, October 29<sup>th</sup>, 2012).

Insufficient funding was also a problem in the case areas and housing authorities tended to reach their funding cap before issuing all their allocated vouchers (HUD, personal communication, October 29<sup>th</sup>, 2012). One problem that arose of this was that, because of the fact that housing authorities receive a fee per voucher they issue, they missed out on income to manage the program. Next to that, there were some serious budget cuts that cut back the funding to administrate the program even further (R. Dicke, personal communication, September 25<sup>th</sup>, 2012). Also HUD was considered by the experts in the case area to be a very bureaucratic organization which, despite its one intention to deregulate and lower administrative burden, had an opposite effect due to complicated rules and procedures (D. Cièslewizs, personal communication, September 27<sup>th</sup>, 2012).

Yet, the voucher program is a very effective public policy instrument. In a quantitative study of the cost and benefits of the program, based on Wisconsin data, it showed that the Housing Choice Voucher Program is quite an effective public policy instrument, which is able to pass a social-benefit cost test (R. Haveman, personal communication, November 2<sup>nd</sup>, 2012). Based on data and calculations from the Center for Budget and Policy Priorities, the estimated average taxpayer cost per authorized voucher for Wisconsin in 2008 was \$4,262. This number is a weighted average of the estimated cost per voucher calculated by CBPP for each housing authority in Wisconsin, including the Wisconsin Housing and Economic Development Authority (WHEDA) (Carlson et al., 2011, p. 235). Although this may seem very high, the benefits of the voucher program definitely outweigh the costs of the program, but more on that in the next sub paragraph.

#### *5.1.3 Financial benefits generated by the Housing Choice Voucher Program (P3)*

In this subparagraph the financial benefits generated by the Housing Choice Voucher Program will be analyzed. In this sub dimension, the benefits generated by housing providers and other actors will be analyzed. Benefits that aren't necessarily financial, but could be expressed in a financial way, will also be analyzed.

Because of the size of the program and the amount of money that is involved, there are definitely some benefits generated by the voucher program. Besides the voucher holder, housing suppliers generate financial benefits because of the program, and are, although this isn't the case for all landlords, quite keen on the program. Some reasons for that are that first of all, landlords are certain they will receive at least a portion of their rent check every month (K. Paulsen, personal communication, October 26<sup>th</sup>, 2012). This is the case because the housing subsidy from the program always gets paid directly to the landlord, and not to the voucher holder. So, even if the voucher holder doesn't pay his rent, the landlord will still receive the part of the rent check that the housing authority will pay him. In rental market where vacancy rates are high the voucher program can also be beneficial for housing providers, because landlords are certain they will generate income when they

accept a voucher holder. If they wait for a regular tenant they could miss out on income for the period of time that they aren't able to rent the place (D. Ginger, personal communication, October 18<sup>th</sup>, 2012). In some areas, landlords depend on the funding they receive through the voucher program (HUD, personal communication, October 29<sup>th</sup>, 2012). This advantage is also the case for project-based vouchers. If a developer ties a couple of project-based vouchers to his building, he has a guaranteed income for a couple of years.

When it comes to financial benefits in general, the flexible nature of the voucher program, coupled with several features of its design, results in a program that has the potential to produce a wide variety of social benefits (Carlson et al., 2011, p. 234). In table 5.1, an overview of all the program benefits, program costs and the net benefit of the program for the participant and society is shown. The estimates are presented on a per-voucher recipient case basis and are designed to value the social benefits and costs resulting from recipient behaviors and outcomes that occur in the first year of voucher receipt (Carlson et al., 2011, p. 235). Many of the estimates in this research done by Carlson et al., are based on data from the state Wisconsin. The diversity of Wisconsin coupled with the fact that the demographic profile of voucher recipients in Wisconsin is similar to the demographic profile of voucher recipients nationally suggests that the results may yield a reliable estimate of the national benefits and costs of the program. However, to the extent that other conditions, such as the rental and labor markets, may affect the benefits and costs of the Section 8 program, it cannot be stated unequivocally that the estimates represent national benefits and costs (Carlson, 2011, p. 237). As you can see in figure 5.1, the net benefits of the program for participants are \$9,066 per year, with a minimum and maximum estimate of respectively \$5,369 and \$17,553. All net benefit estimates for nonparticipants, on the other hand, are negative. The mean, minimum, and maximum estimates are -\$7,197, -\$15,465, and -\$695. Yet, the overall level of social net benefits is not as clear-cut. As figure 5.1 indicates, the mean estimate of the societal net benefits is \$1,869. However, the relatively large standard deviation of \$2,760 indicates that there is a fair amount of uncertainty associated with this estimate. Next to that, the minimum and maximum estimates of net benefits are -\$8,387 and \$15,354 (Carlson, 2011, p. 250). Taken as a whole, it seems likely that the voucher program meets the efficiency standard of positive net benefits, but such a conclusion cannot be stated with absolute

	Participants	Nonparticipants (incl. govt)	Society
<b>Program benefits</b>			
1. Value of housing subsidy	\$4,264 (\$273)	0	\$4,264 (\$273)
2. Security value of housing voucher	\$110 (\$25)	0	\$110 (\$25)
3. Value to recipients of increased public program benefits (welfare, EITC, food stamps, public health care, subsidized child care)	\$817* (\$119)	\$400 (\$100)	\$1,217** (\$155)
4. Benefits of improved child educational outcomes	\$3,626 (\$1,513)	\$1,209 (\$504)	\$4,834 (\$2,017)
5. Value of improved child health	\$383 (\$140)	0	\$383 (\$140)
6. Value of reduced crime and substance abuse	\$37 (\$18)	\$37 (\$18)	\$74 (\$36)
<i>Total benefits of the program</i>	<i>\$9,326</i> <i>(\$1,549)</i>	<i>\$1,646</i> <i>(\$514)</i>	<i>\$10,882</i> <i>(\$2,048)</i>
<b>Program costs</b>			
7. Tax-related costs of voucher provision—financial and excess burden	0	\$6,619 (\$275)	\$6,619 (\$275)
8. Tax-related costs of increased voucher recipient public program benefits—financial and excess burden	0	\$1,055 (\$130)	\$1,055 (\$130)
9. Welfare effects from labor market responses of voucher recipients	\$170 (\$69)	0	\$170 (\$69)
10. Origin/destination neighborhood effects	0	\$1,168 (\$1,824)	\$1,168 (\$1,824)
<i>Total costs of the program</i>	<i>\$170</i> <i>(\$69)</i>	<i>\$8,843</i> <i>(\$1,856)</i>	<i>\$9,012</i> <i>(\$1,858)</i>
<b>Net benefits of the program (benefits minus costs)</b>	<b>\$9,066</b> <b>(\$1,551)</b>	<b>-\$7,197</b> <b>(\$1,926)</b>	<b>\$1,869</b> <b>(\$2,760)</b>

*Note:* 0 indicates no effect. Standard deviations of benefit and cost estimates in parentheses below mean values produced by Monte Carlo simulation.

\* This is the sum of W-2, food stamps, and child care benefits.

\*\* This is the sum of W-2, food stamps, and child care benefits, plus assigned public goods benefits.

Figure 5.5: First year per-case benefit and costs of the Section 8 voucher program

Source: Carlson et. Al, 2011, p. 235

certainty, although it could be argued that there are definitely social benefits generated by the program.

When it comes to the dimension price in general, a final remark can be made. Something that is considered very positive about the program is that it harnesses the power of private and capital markets and that it fully benefits the existing market (K. Paulsen, personal communication, October 26<sup>th</sup>, 2012). The downside of this is that it is subject to problems on the market (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012). Yet, the voucher program is probably the best type of structure to provide affordable housing for low-income households in a economy and a political system such as the one of the United States (K. Paulsen, personal communication, October 26<sup>th</sup>, 2012).

## **5.2 The dimension quantity (Qt)**

The dimension 'quantity' will be analyzed through the following three sub dimensions: the quantity of vouchers available and the demand for a voucher (Qt1), the quantity of housing available for voucher holders (Qt2) and the quantity of suitable housing available for voucher holders with special needs (Qt3).

### *5.2.1 Quantity of available vouchers and the demand for a voucher (Qt1)*

In this sub dimension the quantity of available vouchers and the demand for a voucher will be analyzed. With the analysis of this sub dimension we'll be able to see if people who need the assistance of the voucher program are able to get that assistance they need and therefore if the voucher program is an effective tool to provide affordable housing for low-income households.

The case area Dane County has an allocation of 1210 vouchers, of which 969 vouchers are issued (R. Dicke, personal communication, September 25<sup>th</sup>, 2012). In the case area Madison 1600 vouchers are allocated (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012) and WHEDA, who covers the program in 40 of the 72 counties in Wisconsin and covers a lot of rural areas, administers about 1300 vouchers (D. Ginger, personal communication, October 18<sup>th</sup>, 2012). Yet, all these vouchers aren't near enough to cover the need for this type of housing assistance. An estimate of only 25% of all eligible voucher households receives a voucher (K. Paulsen, personal communication, October 26<sup>th</sup>, 2012). Households who are waiting for a voucher live with friends and family, are homeless or pay way more than 30% of their income on housing prior to receiving a voucher (B. Konkel, personal communication, October 10<sup>th</sup>, 2012). There is definitely a greater need for the housing assistance than there are vouchers available.

In general, it takes a long time for an eligible household to get a voucher. Most housing authorities have long or even closed waiting lists and people can wait years to get an opportunity (HUD, personal communication, October 29<sup>th</sup>, 2012). Also in the case areas Madison and Dane County eligible household could be waiting for several years to get a voucher, and waiting lists were closed. For instance, Dane County closed their waiting list in 1997 with over 600 eligible households on it and issued only 8 vouchers in the last two years (R. Dicke, personal communication, September 25<sup>th</sup>, 2012). In Madison, the waiting list is closed since 2007 and the last time the housing authority opened the waiting list for new applications, 2000 households entered the lottery to get placed on the waiting list, which only 1000 where able of (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012). In rural areas, it is kind of location dependent if there are waiting lists, but the vast majority of all local areas do have waiting lists in the state of Wisconsin (D. Ginger, personal communication, October 18<sup>th</sup>, 2012). It is important to state that project-based vouchers are served a different

waiting list and that these vouchers 'replace' tenant-based vouchers. In the Madison case the housing authority attached 138 of their 1600 vouchers to buildings, and those vouchers have a separate waiting list. When household move out of the project-based voucher unit after a year, they are entitled to receive a tenant-based voucher. Every year households are coming out of those 138 units and they have to receive a tenant-based voucher, which obviously has an effect on the regular waiting list (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012).

Another important factor that influences the available vouchers is the funding cap. Like already explained in subparagraph 5.2.2, this funding cap means that a housing authority is not allowed to spend more than their budget. If a housing authority has an allocation of a certain number of vouchers but the housing authority hits this funding cap before they have issued all their vouchers, they can issue less than the vouchers they were allocated. So, if a housing authority has a lot of voucher holders with almost no income or large households that spends more on rent and therefore receive more housing subsidy, the housing authority is likely to issue less vouchers than they are allocated for. A negative side effect of this issue is that housing authorities get an administration fee per voucher, and if not all vouchers that are allocated get issued, they will miss out on a considerable amount of their budget that is needed to administer and run the program (R. Dicke, personal communication, September 25<sup>th</sup>, 2012).

### *5.2.2 Quantity of housing available for voucher holders (Qt2)*

In this subparagraph the quantity of housing available for voucher holders will be analyzed. With the analysis of this sub dimension we will be able to say if voucher holders are actually able to find a suitable house with their voucher. The rate of people with vouchers who are able to find a home is generally called the success rate. The success rate demonstrated the percentage of voucher holders who are able to rent a home with their voucher. This success rate changes over time and is influenced by a couple of factors, which will be analyzed in this sub paragraph.

An important factor that influences this rate of success is the status of the housing market. If vacancy rates are low and the market is tight, it is hard for voucher holders to find housing. A national study showed that in tight markets, where vacancy rates were 2% or less, the success rate was 61% compared to 80% in loose markets where the vacancy rate was above 10% (Schwartz, 2010, p. 183). This means that in tight markets only 6 out of every 10 voucher recipients are able to actually use their voucher. The other 4 voucher recipients lose their voucher if they don't find a place to live within the period of time set to find a home and are back on the waiting list again (R. Dicke, personal communication, September 25<sup>th</sup>, 2012). In the Madison case vacancy rates are as low as 2% and the market could be typified as tight to very tight (B. Konkel, personal communication, October 10<sup>th</sup>, 2012). Yet, vacancy rates in Wisconsin differ regionally. In some parts the vacancy rate is close to zero although in other parts the vacancy rate is a lot higher (D. Ginger, personal communication, October 18<sup>th</sup>, 2012). Besides the low vacancy rate which can be of significant influence on the success rate, other factors play an important part too. One of them is the voucher holders housing history. Although voucher holders get screened before entering the Housing Choice Voucher Program, it's possible that they do not qualify to rent certain houses because they are still going to meet the same qualifying information as any other tenant (N. Jensen, personal communication, October 11<sup>th</sup>, 2012). Registered sex offenders, drug violators or people who are convicted for violent crime in the last three years can't apply for a voucher (R. Dicke, personal communication, September 25<sup>th</sup>, 2012), but people with poor housing references, poor credit history, no adequate income to pay the rest of the costs for their households or criminal records are able to get a voucher, but they can't always get a

house. So, program eligibility doesn't automatically mean housing suitability (N. Jensen, personal communication, October 11<sup>th</sup>, 2012).

Yet, there are some factors that have a positive influence on success rates, and one of those factors is ordinances that prohibit landlords from discriminating on Section 8 assistance. The presence of anti discrimination laws affected the probability of success in the voucher program and the probability of success was more than 12% higher in places that prohibited landlords from discriminating against prospective tenants on the basis of source of income or receipt of Section 8 (Schwartz, 2010, p. 183). In the case areas Madison and Dane County an anti-discrimination ordinance based on Section 8 was established a few of years ago (B. Konkel, personal communication, October 17<sup>th</sup>, 2012). Nevertheless, ordinances like the one established in Madison and Dane County doesn't always have to work. It is really depending on how much the local community wants to actively pursue the ordinance. Next to that landlords can still discriminate on poor credit history which often is the case with voucher holders. So there are definitely ways for a landlord to keep voucher holders out of their apartments, especially in a tight rental market where other renters are easily found. Yet, it is still helpful to have a law like it (L. Bastian, personal communication, October 30<sup>th</sup>, 2012).

Another factor that has a positive influence on success rates and is linked to the discrimination issue is education. Landlords recruitment and tenant training provided by the housing authority have a positive effect on the success rate of the voucher program (Finkel & Buron, 2001). A special contact person at the housing authority who is concerned with landlord relations also has a positive effect, so that when something goes wrong between the voucher holder and the landlord, the landlords can get in touch with this person and this person will try to help and solve the problem (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012). These kind of measures help to provide a bond of trust between the landlords and the housing authorities with as result more participation of housing providers and therefore more choice for the voucher holders (N. Jensen, personal communication, October 10<sup>th</sup>, 2012).

A factor that according to research doesn't have a significantly determining effect on the success rate on national level is demographic characteristics. Black, Whites and Hispanics were about equally successful in leasing apartments with Section 8 vouchers. Even gender was not a significant factor in determining success (Schwartz, 2010, p. 183). Nevertheless, although discrimination may play not a significant part, it still has a great influence on renting homes in general. In the case areas there wasn't a significant discrimination problem based on the voucher assistance, partially because of the ordinance that prohibited discrimination based on Section 8. Not based on the Section 8 alone, families, often disabled people, or people of color are the most discriminated (B. Konkel, personal communication, October 17<sup>th</sup>, 2012).

All of the factors named above influence the success rate and therefore a part of the success of the voucher program. But even if success rates were as high as 100%, that would not be enough to help all low-income households. The gap of affordable housing is estimated on 19000 units in Dane County (B. Konkel, personal communication, October 17<sup>th</sup>, 2012). Although the voucher program is a program of a significant size, it doesn't contribute to the supply of affordable housing, because it helps households obtain housing that is already built (K. Paulsen, personal communication, October 26<sup>th</sup>, 2012). A program that does have a significant influence on the availability of affordable housing is Section 42, but this program will be further analyzed in sub paragraph 5.5.1.

### *5.2.3 Quantity of suitable housing available for special voucher holders (Qt3)*

In this subparagraph the quantity of suitable housing available for special voucher holders will be analyzed. With this analysis we will be able to see if the voucher program also works for people who have special needs when it comes to housing, like elderly and disabled households who need custom homes, but also large families who need more space to live.

On national level the success rate of these special voucher holders is significantly lower than those of other voucher holders. The kind of voucher holders that can be considered as a special voucher holder are first of all large households with five or more members. This kind of voucher holder is less likely to succeed in leasing an apartment with a voucher than smaller households. The reduced probability of success is about 7%. Another group that was less successful to succeed are elderly households. The success rate for nondisabled households headed by persons of 62 or older was 14% lower than that of younger households. The success rate of disabled households wasn't significantly lower than that of not disabled voucher holders (Schwartz, 2010, p. 184-186).

In the case areas Madison and Dane County, large families also had a hard time finding a home. One of the reasons for that was that most apartments in the case areas are 1, 2 or 3 bedroom apartments. Apartments with more than 3 bedrooms aren't that much available (D. Cieslewicz, personal communication, September 27<sup>th</sup>, 2012). Yet, housing authorities require the large family to find an apartment with a certain amount of space per person, and therefore a certain amount of bedrooms. But because there is a lack of that kind of property that larger families need, this influences the success rate of this special kind of voucher holder.

Although elderly nationwide have a hard time finding a place to live, this doesn't seem the case in Madison and Dane County. In Madison, more than half of all voucher holders are senior citizens or people with disabilities (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012). They do find housing because there are a lot of properties especially for elderly households available (N. Jensen, personal communication, October 10<sup>th</sup>, 2012). Disabled households don't have that much trouble finding a place to live also, although there are always some problems, but these problems doesn't necessarily have to be linked to the possessions of a voucher, and are more general for all disabled households that want to find a place to live. Furthermore, it is expected that it will only become much easier for disabled and elderly people to find housing with their voucher, because new buildings are built with the design standards that make them more accessible for these households (D. Cieslewicz, personal communication, September 27<sup>th</sup>, 2012). For excising property there are funds for physical modification that make it possible for landlords to transfer a unit into an accessible unit for disabled households. Nevertheless, there is not enough housing for this group of people (D. Ginger, personal communication, October 18<sup>th</sup>, 2012). Yet the latter can also be caused by a tight rental market, and perhaps therefore landlords are less willing to convert their housing, because there are enough renters out there that want to rent to place without the hassle of doing any physical modification.

While voucher holders with special needs do require extra services, most of the interviewed experts thought a supply side approach, where housing would be built by the community or the government for these special groups, isn't necessarily a better approach. One of the reasons for that opinion was that because of the voucher program voucher holders are still able to choose their own home in their own neighborhood. The choice and freedom that the voucher program gives to these groups can't be created with a supply side approach. Next to that, the voucher program helps disabled and elderly people to live in their community for as long as possible. So for disabled and elderly households who are able to live relatively independent and need minimal help, the voucher

program can really benefit (HUD, personal communication, October 29<sup>th</sup>, 2012). Yet, the voucher program is not a good tool for people who can't live independently or shouldn't live independently. Because, except a few exceptions, the voucher itself doesn't come along with case management services, which these people often do need (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012). Finally there has to be considered that, although it isn't easy for households with special needs to find suitable housing with a voucher, it isn't stated that these groups have a less difficult time finding a home without a voucher. For example, even though success rates for large families are less than those of regular voucher holders, the success rate might be higher than low-income or regular large families without a voucher.

### 5.3 The dimension quality (Q)

The dimension 'quality' will be analyzed through three sub dimensions, namely the overall quality of the housing available for voucher holders and the quality of the neighborhoods where the voucher holders find rent their houses (Q1), the time it takes for an eligible household with a voucher to find a home that meets their needs (Q2) and the degree of flow-through of voucher holders in the program (Q3).

#### 5.3.1 The quality of housing and the neighborhood (Q1)

The first sub dimension is an important measure because it shows if the goals of the Housing Choice Voucher Program actually are met and that voucher holders do find qualitative better housing in a qualitative better neighborhood. The importance of deconcentration of poverty comes from the problems of the previous approach to affordable housing, public housing. Public housing tend to be large scale apartment housing and because of this approach, low-income households got concentrated and pockets of poverty, crime and violence arose in these buildings. A 'famous' example of these problems with public housing is the Cabrini-Green project in Chicago (see box 5.1). Because of these problems with public housing the Housing Choice Voucher Program got introduced to avoid concentration of poverty and crime and to deconcentrate low-income households and blend them in into the neighborhood. An important side effect of deconcentration and the portability aspect of the voucher, is that voucher holders are able to settle in qualitative better neighborhoods, and so have access to better schools and public transportation.

#### BOX 5.1:The Cabrini-Green projects, Chicago

Despite the initial high hopes of urban planners and some of the original residents, public housing high-rises have fallen out of favor in the United States because of their squalid conditions, high levels of crime, and long-term concentrated poverty. The Cabrini-Green complex is distinctive for several reasons. At its peak, Cabrini-Green was home to 15,000 people living in 3,500 apartments (Miller, 2008, p. 951). Cabrini has a notorious reputation because of high crime levels and squalid physical conditions. The deplorable situation at Cabrini-Green was highlighted in 1981 by the decision of Chicago Mayor Jane Byrne to move into one of the high-rises for several weeks. In 1970, Cabrini-Green received particular press and police attention when two patrolmen were shot and killed on its grounds. In the fall of 1992, seven-year-old Dantrell Davis was felled by a sniper's bullet as he walked past one of the Cabrini-Green high-rises on his way to elementary school. By the following spring, mayor Vincent Lane was discussing means to redevelop Cabrini-Green. (Bennett, 1998, p. 108). Over the years, gang violence and neglect created terrible conditions for the residents, and the name "Cabrini-Green" became synonymous with the problems associated with public housing in the United States. The last of the buildings of Cabrini-Green was demolished in March 2011. The CHA, Chicago Housing Authority, became the icon of the presumably failed social experiment known as public housing (Bennett, 1998, p. 107).



Nevertheless, deconcentration is not always the case with the Voucher Program and it differs from place to place if voucher holders live scattered among the city or town or if they live in some specific neighborhoods. There are a couple of factors that influence this dispersion. One factor that influences this dispersion of voucher holders is of course the availability of rental units in a neighborhood that voucher holders can afford with their voucher. If a neighborhood consists of only homeownership homes or expensive rental units, no voucher holder will be able to live in that neighborhood (N. Jensen, personal communication, October 10<sup>th</sup>, 2012). Another factor that influences the dispersion of voucher holders is of course the preferences of the voucher holder itself (N. Jensen, personal communication, October 10<sup>th</sup>, 2012). Even though not all neighborhoods are 'available' for voucher holders, in Dane county it seemed that voucher holder do live in qualitative better neighborhoods than what would be the case if the households didn't have a voucher (R. Dicke, personal communication, September 25<sup>th</sup>, 2012) and in Madison, for the last seven years the standards for deconcentration set by HUD have been met and voucher holders live scattered among the available rental units (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012). But, in the neighborhoods where there is a high percentage of voucher holders, problems with other residents can occur, although these are sometimes more of a perceptual kind. An example of these problems of concentration in the case areas was the Meadowood neighborhood in Madison, but this will be further set out in subparagraph 5.4.

An important side note of this deconcentration strategy of the voucher program is that it is a goal that can only be met with the tenant-based voucher. The project-base voucher has lost its portability and therefore has a counterproductive effect on deconcentration (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012). That counterproductive effect is also one of the main reasons why housing authorities are allowed to only make a small percentage of their voucher project-based voucher. Next to that, tenants that live in a project-based voucher rental unit can get a tenant-based voucher after one year. Nevertheless, the project-based voucher can have a positive effect on the quality of the neighborhood where these voucher holders live, because project-based voucher are usually stuck to new buildings that are mixed-income. Overall, in the research performed by Haveman and others it showed a significant difference and voucher holders did move to qualitative better neighborhoods, although that difference wasn't earth shaking (R. Haveman, personal communication, November 2<sup>nd</sup>, 2012).

The quality of housing that voucher holders can inhabit tends to be better with the voucher than without, and that has a couple of reasons. The first reason is that because of the voucher, voucher holders are able to spend more on housing, and therefore can rent better housing. Yet, the quality of housing that voucher holders can rent is still not super high (K. Paulsen, personal communication, October 26<sup>th</sup>, 2012). Another reason of that better quality can be explained by the fact that all housing that voucher holders rent, has to be inspected by the housing authority. In Madison, this inspection is done before the lease can be signed and once a year after the unit is inhabited by the voucher holder (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012). This inspection is much more severe than that of a normal building code inspection and these inspections have to make sure that the voucher holder occupies decent, safe and sanitary housing. The inspections are supposed to induce higher quality housing. If the unit fails the inspection, the landlord has to fix the problems within a month. In the worst case, tenants have to move out and housing authorities don't do any business with that landlord again. Yet, this almost never happens, and in all the years of the program it only happened three times in the Madison (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012). However, although this inspection has to secure the quality of

the unit, it is going to vary from city to city how rigorous city inspections are (K. Paulsen, personal communication, October 26<sup>th</sup>, 2012).

### *5.3.2 Time it takes to find a home with a voucher (Q2)*

The second sub dimension of the dimension quality is ‘the time it takes to find a home with a voucher’. This sub dimension can tell something about how hard it is to find a house for the voucher holder and if they can actually use their voucher to find a better place to live.

Once the voucher gets issued, the voucher holder has 60 days to find a home within the rent limit and with a acceptable quality standard to live. If they can't find a home within those 60 days, HUD

Year	National Success Rate in Large Metropolitan PHAs <sup>1</sup>	Success Rate Excluding New York City and City of Los Angeles	Success Rate in New York City	Success Rate in City of Los Angeles
1985 to 1987	68%	74%	33%	72%
1993	81%	86%	62%	NA
2000	69%	71%	57%	47%

Figure 5.2: National estimates of success rates in large metropolitan-area PHAs over time

Source: Finkel & Buron, 2001

requires the housing authority to give the voucher holder an automatic extension of another 60 days to find a home, which gives the voucher holder a total of 120 days to find a place to rent (R. Dicke, personal communication, September 25<sup>th</sup>, 2012). Nevertheless, to find housing within these 120 days is a lot more difficult than it seems, and there are several reasons for that. The first thing that has to be bear in mind is that within those 120 days and before the housing authority signs the lease with the landlord, the unit has to be inspected by the housing authority and the quality has to be up with the norms that are set by the housing authority, as already explained above in sub paragraph 5.3.1. If that isn't the case, the lease can't be signed (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012). Also, before a lease is signed by the landlord, the landlord checks the housing record and the rental references of the voucher holder, which are sometimes quite poor because of problems with paying rent in the past or other types of problems. These issues make it hard for voucher holders to, besides finding a rental house that's within their budget, to also find a landlord who is willing to rent a house to them (HUD, personal communication, October 29<sup>th</sup>, 2012). If vacancy rates are low, it can be an extra struggle to find a home within these 120 days, as is already explained in subparagraph 5.2.2. In the case areas of this research, the recent success rates were not available, but finding a house with a voucher definitely isn't easy. Yet, these problems are not new. The national success rate varied large throughout the existence of the program. In 1979, five years after introducing the program, about 50% of all households succeeded in finding housing that qualified. By the mid-1980s (1985 to 1987), the national success rate had increased to 68%; by 1993, it stood at 81% and in the last study conducted in 2000, the national success rate had decreased to 69% (Finkel & Buron, 2001, p. II, see figure 5.2). In the case area Madison, a slightly different trend occurred. From the 10 vouchers that where issued in the '90ties, only 3 households where able to find a place to live. This success rate changes over the years, but although there aren't any recent statistics, it definitely gets harder for voucher holders to find a house in Madison (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012).

### *5.3.3 Degree of flow-through of voucher holders in the program (Q3)*

The final sub dimension of the dimension quality contains the degree of flow-through of voucher holders in the Housing Choice Voucher Program. This sub dimension is important because it tells something about the effect the program has on the financial self-sufficiency of the voucher holders

and if voucher holders are able to use the assistance to improve their own financial status and therefore only stay on the program for a limited period of time instead of a lifetime.

The degree of flow-through in the Housing Choice Voucher Program is limited and people who are on the program tend to stay on it for a long period of time. There are a couple of explanations for this, although it is very important in this case to make a distinction between voucher holders that are able to get off the program, and voucher holders who are not able to get off the program. An example of the latter group is disabled and elderly voucher holders. In these groups it is unlikely that they will be able to change their financial position, because they can't work anymore or are already retired. Groups that could change their financial position are voucher holders with children.

One of the main reasons why people tend to stay on the program is that at this moment, there is no time restriction on the use of the program (R. Dicke, personal communication, September 25<sup>th</sup>, 2012). People who are eligible for a voucher because of their income, stay eligible for as long as their financial status doesn't change. Unfortunately there is a tendency for some people to, once they get a voucher, determine that it is going to be the way of life (R. Dicke, personal communication, September 25<sup>th</sup>, 2012). There isn't a strong incentive for a voucher holder to change their financial status. A dollar of extra income would mean that a voucher household would lose 30 cent of that dollar on loss of housing subsidy. That is an effective tax rate, much higher than Mitt Romney's (K. Paulsen, personal communication, October 26<sup>th</sup>, 2012).

Next to that, the voucher program is seen solely as a housing assistance program. Although a problem with paying rent has to deal with multiple other factors, the voucher program doesn't get combined with any form of job assistance or job training. Although households get financial support by paying their rent, they still pay 30% of their income which leaves little space for education. Nevertheless, there are programs that try to increase the financial self-sufficiency of voucher holders, like the family self-sufficiency programs (FSS program). Family self-sufficiency (FSS) is a HUD program that encourages communities to develop local strategies to help voucher families obtain employment that will lead to economic independence and self-sufficiency. Housing authorities work with welfare agencies, schools, businesses, and other local partners to develop a comprehensive program that gives participating FSS family members the skills and experience to enable them to obtain employment that pays a living wage (HUD, n.d.). In Dane County, the housing authority recently started a FSS program. In the period of time the voucher holder participates in the FSS program, any increase in income and therefore loss in housing subsidy is put in escrow. When the voucher holder graduates after a couple of years of the program, the voucher holder gets this money and is able to use it for a down-payment on a house. The idea behind the FSS program is to empower people to improve their education and their employment so they have a vehicle off the program and to give a message to voucher holders that vouchers aren't forever (R. Dicke, personal communication, September 25<sup>th</sup>, 2012). The housing subsidy that these graduates of the FSS program don't need any more could be used to fund vouchers for other families. Nevertheless, there is no restriction on the use of the money in escrow and participants don't lose their eligibility after graduation, so there is no guarantee that voucher holders will get off the program. On the other hand, coordinating these programs does cost money and it boils down to the ability to administer a program like that, which can be hard for small communities with limited funding capacity. Yet, there have been success stories of people who got off the program thanks to programs like the FSS (HUD, personal communication, October 29<sup>th</sup>, 2012).

Whether there are put time limits or a FSS program to the voucher program, an important factor that has to be held in mind is that most of the voucher holders, at least in the case area Madison, are elderly or disabled, and therefore are unlikely to ever get off the program. Next to that a lot of voucher holders have a very low income, and therefore it is, with or without the help of the FSS program, very unlikely that home ownership is a viable proposition for these households (K. Paulsen, personal communication, October 26<sup>th</sup>, 2012). But, better coordination between the voucher program and other kind of services would be beneficial, although it needs to be realized that there will always be a certain number of folks that will always going to be on the public assistance program and we just need to accept that (D. Cieslewicz, personal communication, September 27<sup>th</sup>, 2012).

When it comes to the dimension quality in general, one very important aspect of the voucher program is the choice component it has. The voucher program gives low-income households the ability to choose where to live. The program gives the freedom to choose a home that appeals to the voucher holder instead of getting an assigned unit in public housing (B. Konkel, personal communication, October 17<sup>th</sup>, 2012). The choice component of the Housing Choice Voucher Program is considered by the experts interviewed in this research to be very beneficial and to be something that makes the program different from the other types of housing assistance programs.

#### **5.4 Externalities (E)**

In this paragraph the externalities of the Housing Choice Voucher Program will be analyzed. These effects are NIMBYism and perception (subparagraph 5.4.1) and the effects on housing in general (subparagraph 5.4.2).

##### *5.4.1 NIMBYism and perception*

In this subparagraph one important externality of the program namely NIMBYism (Not In My BackYard), or maybe even more correct in this research NIMNism (Not in My Neighborhood), and the perception of non-voucher holders of the Housing Choice Voucher Program will be analyzed.

There is a form of NIMNism that hangs around the voucher program which is mainly caused by a wrong perception of the program. People feel that because of the voucher program the neighborhood is deteriorating, just because voucher holders in the street would have old cars (D. Cieslewicz, September 27<sup>th</sup>, 2012). Also the perception about voucher holders and who they are is often wrong because of cultural issues related to that perception. For instance, in the case areas Madison about 70% of all voucher holders are white elderly. Yet, people assume female headed black households to be the main voucher program participants (K. Paulsen, personal communication, October 26<sup>th</sup>, 2012). But because there is a perception that Section 8 is being predominantly a program used by people of color, which is not the case at least on a national level, people are not pleased to have voucher holders in their neighborhood. This very mixed perception that uses stereotypes and in part racial biases is very dangerous, and can have negative effects when it comes to the program and the choices voucher holders make of where to rent (L. Bastian, personal communication, October 30th, 2012). An example of this is the Meadowood neighborhood in Madison. David Blaska blames in an opinion piece in the Wisconsin State Journal voucher holders for the departure of stores and families and the strong deterioration of the neighborhood (2012). The problem is that there is a cultural gulf between these groups in the neighborhood. The middle class consisting of white homeowners who are living in a neighborhood for 20-30 years and wanting a

quiet peaceful neighborhood class with largely afro-American folks, many from Chicago, with urban backgrounds. Both have different cultural expectations and therefore, even if there is no crime and there are really no bad actors, the cultural clash can really be a problem (D. Cieslewicz, September 27<sup>th</sup>, 2012). Next to that, even though problems of deterioration sometimes arise in neighborhoods where Section 8 voucher holders are well presented, it is not always the voucher holder that causes the trouble. More often it is the landlord that isn't reinvesting in his properties (D. Cieslewicz, personal communication, September 27<sup>th</sup>, 2012). In other occasions when there are problems in a neighborhood residents blame what they think are voucher holders, even that most of time the people who cause the problem aren't voucher holders at all (HUD, personal communication, October 29<sup>th</sup>, 2012). Finally, when it comes to deterioration it has to be considered that even though there might be a case of depresses housing values, it also has to be evaluated what happened to the housing values in the neighborhood from which the family departed (R. Haveman, personal communication, November 2<sup>nd</sup>, 2012). Yet, not all people stand negative against the presence of voucher holders in their neighborhood, like Jackie Captain who wrote as response on Blaska's opinion that to create a good, friendly community, people have to treat all members of the neighborhood as equals and ask them to join in the fight to make their city, neighborhood and community the best place possible (October 9th, 2012). Nevertheless, perception and deep rooted cultural issues aren't things that can be changed in a day, although often neighborhood projects and stricter supervision of the landlord can help.

#### *5.4.2 Effects on housing in general*

In this final sub paragraph the effect of the Housing Choice Voucher Program on housing in general will be analyzed.

It is discussed by some economists that the voucher program in certain cases drives up the rent of housing, which makes housing for households with a low-income and no voucher less accessible. In a tight rental market where there is less supply vouchers holders would maybe outcompete non voucher holding households for lower priced units (K. Paulsen, personal communication, October 26<sup>th</sup>, 2012). In a study of the effects of the voucher program on rents of low-income housing the main finding was that low-income households in metropolitan areas with more vouchers have experienced faster rent increases than those where vouchers are less abundant. In the 90 biggest metropolitan areas, vouchers have raised rents by 16% on average, a large effect consistent with low supply elasticity in the low quality rental housing market (Susin, 2002). Next to that, there are landlords that kind of specialize in vouchers because of the program advantages like the guaranteed rent check. In some urban areas landlords will look at what the housing authority is willing to pay and then raise the rent (HUD, personal communication, October 29<sup>th</sup>, 2012). Nevertheless, as already mentioned earlier in this analysis, there are always landlords that don't prefer voucher holders. So, even though there maybe some suppression on the lower end in metropolitan areas with a lot of vouchers, it is debatable whether this is the case in the case areas, which are not metropolitan and where a high percentage of voucher holders are elderly and therefore live in specialized housing.

#### **5.5 Context variables and other (O)**

In this paragraph, some final analysis will be done of factors that influence the effects of the Housing Choice Voucher Program. These context variables are macroeconomic and demographic influences and borders and zoning, which will be set out in subparagraph 5.5.1 and 5.5.2. Another important

factor that did play a significant part in the affordability of housing in the case areas is The Low-Income Housing Tax Credit, also known as the Section 42 program. The effects of this program in the case areas on affordable housing will briefly be analyzed in sub paragraph 5.5.3.

### *5.5.1 Macroeconomic and demographic influences*

Macroeconomics also influences the effect of the voucher program on the affordability and accessibility of housing for low-income households. Some examples of that will be analyzed in this sub paragraph.

One important macroeconomic change that influences the effect of the voucher program in the recent years is the economic crisis and especially the foreclosure crisis in 2008. Because of this crisis a lot of people came out of homeowners into the rental market (T. Conrad, personal communication, October 2<sup>nd</sup>, 2012). Therefore, the vacancy rate went down and it became a lot harder for voucher holders to find housing (R. Dicke, personal communication, September 25<sup>th</sup>, 2012). Another effect of the crisis that impacted the voucher program was the increase in voucher holders because of job loss or loss in income, which made them eligible for a voucher. For example, when the General Motors factory in Janesville, Wisconsin, closed in 2008, within a couple of months more than 2000 workers lost their job and because of that the costs of the voucher program in that area almost doubled in that period of time (HUD, personal communication, October 29<sup>th</sup>, 2012).

Another issue that influences the voucher program is the aging of the population in the upcoming years. Although a high percentage of all voucher holders in the case areas is already elderly, it is expected that this number will only grow because of a change in population structure. Therefore there will be more permanent voucher holders and without any changes in budget, at a certain sense this will mean that in the next 20 years the elderly are competing with poor families with children for limited dollars (K. Paulsen, personal communication, October 26<sup>th</sup>, 2012).

### *5.5.2 Borders and zoning*

Another dimension that also influences the effect of the voucher program on affordability and accessibility of housing for low-income households is borders and zoning. These two effects will be analyzed in this chapter.

First of all borders of the jurisdiction of the housing authorities have an effects on the voucher program. While the voucher has a portability component stuck to it and therefore voucher holders can use their voucher in other places, this is not as easy as it seems. The portability feature of Section 8 vouchers allows voucher holders to move to a rental unit of their choice, including one located outside the jurisdiction of the housing authority that initially issued the voucher, as long as there is a housing authority administering a program for the jurisdiction where the unit is located. A housing authority has the statutory option of restricting portability for up to one year if the family is receiving the voucher for the first time and does not have a legal domicile in the housing authority's jurisdiction at the time of the application (Konkoly, 2008, p. 170). Next to that, HUD regulations allow a housing authority to deny portability moves at its discretion if it does not have sufficient funding for continued assistance. In a 2005 notice, HUD explained that this provision may be applicable in instances where a participant wishes to move to a higher cost area, defined as an area where a higher subsidy amount will be paid for a family because of higher payment standard amounts or 'more generous' subsidy standards. HUD further stated that before denying the tenant's request to move, the housing authority has a duty to communicate with the receiving housing authority to see if it is willing to absorb the family, which means the other housing authority will issue the voucher and

will pay for the family. If the receiving housing authority is willing to absorb the family, the initial housing authority does not have any grounds to deny the portability move, although not all housing authorities will easily absorb voucher holders, because of waiting lists and small budget (Konkoly, 2008, p. 173).

Because the portability of the voucher is quite restricted, this can be disadvantageous, especially because moving the voucher to another jurisdiction doesn't mean the voucher holder will actually move miles away. In the case area of this research there are two PHA's, one of the city of Madison, and of Dane County, although there aren't any physical boundaries between both and Dane County is kind of a 'donut' around Madison, there is a jurisdictional boundary. This practically means it isn't easy for a voucher holder to move with their voucher from Madison to Dane County, even though that would mean the tenant would move just a couple of blocks away. So boundaries can be very artificial (B. Konkel, personal communication, October 17<sup>th</sup>, 2012). The problem with such artificial boundaries is that it will limit the choice of the voucher holder.

Although zoning in the United States is different from zoning in the Netherlands, it definitely has an effect on the program. For example, if neighborhood only consists of high end rental or home ownership homes, no voucher holder will be able to live in such neighborhood. In neighborhoods where there is a lot of older rental or multifamily housing, there will be more voucher holders. This is the case because of the fact that these houses tend to have lower rents and therefore are more affordable for voucher holders. Therefore it would be better for the effect of the voucher program and the deconcentration of voucher holders in the neighborhood if local governments were able to, just like in the Netherlands, determine in zoning whether in an area comes a certain amount of housing that is affordable.

### *5.5.3 The Low-Income Housing Tax Credit, the Section 42 program*

In the case areas Madison and Dane County WHEDA is responsible for managing the Section 42 program. With a budget of 12 million dollar of the tax credit authority WHEDA develops about 800 to a 1000 affordable units per year. The Section 42 program is very popular and there is a lot of demand for it. In 2011, WHEDA had a 12 million budget for the program and had about 15 billion worth of application (D. Ginger, personal communication, October 18<sup>th</sup>, 2012). This high demand increased in the last couple of years due to the financial crisis which made banks hesitant to lend money. Even though developers lose a part of their income because of the capped rent, because of the tax reduction they are still able to make the numbers work, which resulted in affordable units which wouldn't have been available for lower income families before the crisis (D. Ginger, personal communication, October 18<sup>th</sup>, 2012). Because of this approach high quality units can become available for households with a lower income. This is because of the fact that the units are built according to the standard of the market rate units in that building. The affordable units that are developed because of the Section 42 program are typically set aside for 30 years. Next to that, because only a portion of the building gets set aside for affordable housing, it helps to create mixed-income buildings (D. Ginger, personal communication, October 18<sup>th</sup>, 2012). But, although this approach manages to create high quality affordable housing, rents are often still too high for low-income households. An affordable unit might cost \$500 a month, which is quite affordable, but not for the people with a very low income. Because the Section 42 program doesn't reach as deep as the Section 8 program, the Section 42 program is therefore more designed for the working poor (D. Ginger, personal communication, October 18<sup>th</sup>, 2012). In some cases, project-based vouchers are stuck to Section 42 units to make the units affordable for low-income households. But, this approach

kind of double funds a unit to make it affordable, which makes one unit more affordable for one household, instead of making two units affordable and this results in less options for people in affordable housing (B. Konkel, personal communication, October 17<sup>th</sup>, 2012). Yet, it has to be considered that only 25% of all vouchers are allowed to become project-based vouchers so this will not happen a lot, but still, because of such an approach, less households can be helped to find an affordable place to live.

## **5.6 Overview analysis**

In this chapter the Housing Choice Voucher Program has been analyzed in terms of price, quantity and quality. Next to that, externalities and context variables and other important information has been analyzed. In this final paragraph the most important findings of the analysis of the voucher program will be summarized.

The analysis of the dimension price showed that the Housing Choice Voucher Program is a 'deep' subsidy plan. Because the amount of subsidy and the way the term 'affordable' has been put down in policy as 30% of the income of a household. The subsidy can easily be adjusted to any change in the income of the voucher holder and the voucher holder's needs. Next to that, because of the FMR what gets established every year, the amount of subsidy received by voucher holders can be adjusted to the regional circumstances of the housing market. The voucher program can be considered an efficient tool to provide affordable housing. Because the government doesn't have to manage and exploit housing itself, the program doesn't have a high degree of overhead costs. Still, there is a large administrative burden because of all the inspections, which has a negative effect on the efficiency of the program. Also, budgets are tight which results in long waiting lists for eligible low-income households. The program generates financial benefits for voucher holders and is considered very efficient. Besides the voucher holder, developers and providers of housing to voucher holders also benefit from the program. In terms of costs and benefits, it could be argued that there are definitely social benefits generated by the program. When it comes to the dimension price in general, the program harnesses the power of private and capital markets and fully benefits the existing market.

The analysis of the dimension quantity showed that even though a lot of vouchers were issued in the case areas, it isn't nearly enough to help all low-income households. From all eligible households only 25% receives a voucher. Because of the lack of vouchers, eligible households can be waiting on a waiting list for years, and often waiting lists are closed. If voucher holders are able to get a voucher, they are not always able to get housing, because of low vacancy rates or the voucher holder's poor housing history. Things that positively influence the success rates are ordinances that prohibit landlords to discriminate on Section 8 assistance and the education of landlords about the voucher program has a positive effect. But even if success rates are high, there will not be enough affordable housing for all low-income households and even though the voucher program is a program of significant size, it doesn't contribute to the supply of affordable housing, because it helps households obtain housing that is already built. Special voucher holders that have more trouble with finding suitable affordable housing with their voucher on a national level are large families and elderly households and in the case areas large families and disabled voucher holders. Nevertheless, the voucher program gives the special voucher holder the choice to live where they want to live and to live in their own neighborhood for as long as possible. So the voucher program is a good tool for voucher holders with special needs that are capable of living independently. For people who can't

live on their own or need some extra case management, a supply side approach is considered to be better.

The analysis of the dimension quality showed that voucher holders do tend to live in qualitative better neighborhoods, although the deconcentration of voucher holders is dependent on the dispersion of available rental units among the city. Next to that, voucher holders tended to live in qualitative better housing, this because they are able to spend more on rent, but also because rental units have to be inspected by the housing authority before the voucher holder can move in. Finding a home with a voucher can be tough, especially in tight rental markets. Throughout the years the success rates changes but the last years they have been declining on a national level. The voucher program doesn't enhance the financial self-sufficiency of voucher holders and there are voucher holders that, even though they could get off the program, never will. The Family self-sufficiency (FSS) program is a program that gives participants the skills and experience to enable them to obtain employment that pays a living wage and therefore become financially independent. There are some success stories, but administering these programs do costs time and resources. When it comes to quality in general, the choice component of the program was considered to be a very positive aspect.

Finally, the dimension externalities showed that there are a couple of factors that influence the effect of the voucher program, namely NIMBYism and the perception of the program, which results in more difficulties for voucher holders to find housing. Next to that, the effect the voucher program has on housing has been analyzed, and it showed that low-income households in metropolitan areas with more vouchers have experienced faster rent increases than those where vouchers are less abundant. The context variables that influence the voucher program are borders and zoning and macroeconomic and demographic changes. Also, the section 42 program is an important program to provide affordable housing in the case areas.

An overview of the most important conclusions of the analysis is presented in table 5.4.

Price (P)	Quantity (Qt)	Quality (Q)
Price of housing for voucher Holders and financial benefits for the voucher holder (P1)	Quantity of vouchers available and the demand for a voucher (Qt1)	Overall quality of voucher housing and neighborhoods (Q1)
<ul style="list-style-type: none"> <li>• Deep subsidy plan</li> <li>• Fair market rent (FMR)</li> </ul>	<ul style="list-style-type: none"> <li>• Not enough vouchers, only 25% of eligible households receive voucher</li> <li>• Long waiting lists</li> </ul>	<ul style="list-style-type: none"> <li>• Voucher holders live in better neighborhoods and housing</li> <li>• Deconcentration depends on dispersion of available rental units among the city</li> </ul>
Costs of implementing the voucher program (P2)	Quantity of housing available for voucher holders (Qt2)	<p>Time it takes to find a home with a voucher (Q2)</p> <ul style="list-style-type: none"> <li>• Takes a long time in tight rental markets</li> </ul>

Financial benefits generated by the voucher program by landlords and developers (P3)	Quantity of suitable housing for special voucher holders (Qt3)	Degree of flow-through of voucher holders. Enhancement of financial self-sufficiency(Q3)
<ul style="list-style-type: none"> <li>Landlords and developers benefit</li> </ul>	<ul style="list-style-type: none"> <li>On national level: large families and elderly households have trouble finding a home</li> <li>On case level: large families and disabled families have trouble finding a home</li> <li>Special voucher holders are able to live where they want to live and stay in their own neighborhood</li> </ul>	<ul style="list-style-type: none"> <li>Doesn't enhance financial self-sufficiency</li> <li>FSS program does help to make voucher holders self-sufficient, but managing program costs money and time</li> </ul>
Price in general	Quantity in general	Quality in general
<ul style="list-style-type: none"> <li>Program fully benefits the existing market</li> </ul>	-	<ul style="list-style-type: none"> <li>Choice</li> </ul>
Externalities (E)	Context variables and other (O)	
<ul style="list-style-type: none"> <li>NIMBYism and bad perception of the program result in more trouble for voucher holder finding a home</li> <li>In metropolitan areas faster rent increases for low-income households because of the program</li> </ul>	<ul style="list-style-type: none"> <li>Influenced by borders and zoning, like artificial boundaries between housing authorities</li> <li>Influenced by macroeconomic and demographic changes like the economic crisis</li> </ul>	

Table 5.4: Overview of the analysis

### 5.6.1 Generalizability of the analysis

In this chapter an analysis of the voucher program in the case areas Madison and Dane County has been made. Yet, are the results of this analysis generalizable? As already discussed in chapter 3, the method used in this research is the case study method. Although this approach is a great tool to provide broad and in depth information about a particular case, results however are not always generalizable to other populations. This is also the case in this research. The reason for this is that, although Madison and Dane County are case areas of a respectable size, they are not large enough to be able to represent the entire United States. But still, even if that was the case and even if the entire state of Wisconsin was the case area in this research, it's still questionable whether the results could represent those of all states. First of all, even though the Housing Choice Voucher Program is a federal housing program, all federal states are able to give their own 'twist' to the program. For example, local governments decide to reserve additional budget for the program for education of landlords, this can have, as we have seen in the analysis, a positive effect on the voucher program. On a state and local level governments are able to choose how to support the program, and a lot of that is based on the cultural, political and economical properties of the state. The state Wisconsin isn't the state of Tennessee, and Madison is an entirely different city than Milwaukee. These differences have a significant effect on the Housing Choice Voucher Program and its ability to make housing affordable for low-income households.

Still, the conclusions of the analysis of the Housing Choice Voucher Program in these case areas do give a good image of the effects of the program. Next to that, because of the cultural properties of the case areas as already set out in chapter three, which comes close to the nature of the Dutch, the case areas do provide a good insight in whether a program like the voucher program or some aspects of the voucher program could work in the Netherlands and help to solve the problems Dutch affordable housing faces, which is the main goal of this research.

In the previous paragraphs the dimensions price, quantity and quality and their sub dimensions and the dimensions externalities and context variables and other have been analyzed to see what the effects, advantages and disadvantages of the Housing Choice Voucher Program are when it comes to affordable housing. In this overall analysis it is important to notice that a lot of these sub dimensions are connected with other sub dimensions. Yet, all the sub dimensions on their own are of great influence on the effect of the Housing Choice Voucher Program and therefore on the affordability and availability of affordable housing for low-income households. In the next chapter, which will be the final chapter of this research, a conclusion and the answer to the main question of this research will be presented.

## CHAPTER 6. CONCLUSION

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In the previous chapter the Housing Choice Voucher Program has been thoroughly analyzed in terms of price, quantity, quality and externalities. In this last chapter an answer on the main question in this research will be presented.

### 6.1 Recap of the research

As stated in the introduction of this research, the Netherlands face problems in their approach to affordable housing for low income households. Although a large percentage of all housing is 'social' and therefore affordable for low and modest income households, it is not uncommon for households to wait several years to get an affordable house. The two most important reasons for that is the problem of 'skewed housing' that occurs due to the lack of income limits when people have already moved in to the social housing and the new rules imposed by the European government that causes immobility on the housing market because household with a modest income aren't able to find suitable housing outside the social housing sector and therefore stay in the 'social' unit, even though their income is too high for these units.

In this research the Housing Choice Voucher Program has been analyzed in terms of price, quantity, quality and externalities. This analysis has been done to see what effects the Housing Choice Voucher Program has on the availability, affordability and accessibility of housing for low-income households and if an approach like the Housing Choice Voucher Program could solve these problems in the Netherlands. Nevertheless, even if the Housing Choice Voucher Program approach could help solving these problems, a one to one translation of the program to the Dutch case will not be as simple as it may seem. The main reason for that is the fact that the United States and the Netherlands have two fundamentally different systems of law and to different political and social and administrative systems. Still, if changing the way affordable housing is organized within the set context could be possible, there is always an element of path-dependency which makes it hard to transit to an entirely different approach. To be able to do that, a policy window should be provided, but perhaps the current economic crisis and the problems within housing in the Netherlands and the cooperative housing corporations because of this crisis could provide the opportunity to change directions. Nevertheless, even that is not the case, some important elements of the Housing Choice Voucher Program could be introduced to solve or manage the problems of Dutch social housing. These aspects will be set out in paragraph 6.3.

### 6.2 Conclusion

In chapter 5, the Housing Choice Voucher Program has been thoroughly analyzed with the dimensions price, quantity, quality and their sub dimensions and the dimensions externalities and context variables and other. All the strong and weak aspects of the Housing Choice Voucher Program that came out of this analysis are presented the following matrix (table 6.1).

As you can see in the matrix, the Housing Choice Voucher Program is a program with a lot of strong aspects. Especially in the dimension price the strong aspects rule. The voucher program can be considered a very efficient tool to provide affordable housing for low-income households. Yet, there are also a lot of weak aspects to the program. One of the main problems of the program is that it

doesn't help as many low-income households as it should. The overall analysis of the voucher program and this matrix will be used to give an answer the main question in this research.

Price (P)		Quantity (Qt)		Quality (Q)	
Price of housing for voucher Holders and financial benefits for the voucher holder (P1)		Quantity of vouchers available and the demand for a voucher (Qt1)		Overall quality of voucher housing and neighborhoods (Q1)	
STRONG ASPECTS	WEAK ASPECTS	STRONG ASPECTS	WEAK ASPECTS	STRONG ASPECTS	WEAK ASPECTS
Deep subsidy plan	-	-	Not enough vouchers, only 25% of eligible households receive voucher  Long waiting lists	Voucher holders live in better neighborhoods and housing	Deconcentration depends on dispersion of available rental units among the city
Costs of implementing the voucher program (P2)		Quantity of housing available for voucher holders (Qt2)		Time it takes to find a home with a voucher (Q2)	
STRONG ASPECTS	WEAK ASPECTS	STRONG ASPECTS	WEAK ASPECTS	STRONG ASPECTS	WEAK ASPECTS
Efficient tool  Social benefits generated	Large administrative burden  Tight budget	Success rates positively influences are anti-discrimination ordinances and education of landlords	Success rates low because of low vacancy rates and poor housing history  Voucher program doesn't contribute to supply	-	Takes a long time in tight rental markets
Financial benefits generated by the voucher program by landlords and developers (P3)		Quantity of suitable housing for special voucher holders (Qt3)		Degree of flow-through of voucher holders. Enhancement of financial self-sufficiency(Q3)	
STRONG ASPECTS	WEAK ASPECTS	STRONG ASPECTS	WEAK ASPECTS	STRONG ASPECTS	WEAK ASPECTS
Landlords and developers benefit	-	Special voucher holders are able to live where they want to live and stay in their own neighborhood	On national level: large families and elderly households have trouble finding a home  On case level: large families and disabled families have trouble finding a home	FSS program does help to make voucher holders self-sufficient, but managing program costs money and time	Doesn't enhance financial self-sufficiency

Price in general		Quantity in general		Quality in general	
STRONG ASPECTS	WEAK ASPECTS	STRONG ASPECTS	WEAK ASPECTS	STRONG ASPECTS	WEAK ASPECTS
Program fully benefits the existing market	-	-	-	Choice	-
Externalities (E)		Context variables and other (O)			
STRONG ASPECTS	WEAK ASPECTS	STRONG ASPECTS	WEAK ASPECTS		
-	NIMBYism and bad perception of the program result in more trouble for voucher holder finding a home  In metropolitan areas faster rent increases for low-income households because of the program	-	Influenced by borders and zoning, like artificial boundaries between housing authorities  Influenced by macroeconomic and demographic changes like the economic crisis		

Table 6.1: Strong and weak aspects of the Housing Choice Voucher Program

The main question in this research is:

*What effects does the Housing Choice Voucher Program have on the affordability, availability and accessibility of housing for low-income households?*

The answer to the main question will be as followed. When it comes to availability, the Housing Choice Voucher Program doesn't have an effect on the availability of affordable housing. Although the voucher program is one of the biggest federal housing programs for low-income households in the United States, it doesn't contribute to the supply of affordable housing, because it helps households obtain housing that is already built. Because the Housing Choice Voucher Program doesn't generate housing, the supply of affordable housing and therefore the availability of it for low-income households doesn't increase. Yet, the Section 42 program does generate high quality affordable housing, and in this way the Section 42 programs completes the Section 8 program in providing affordable housing, although this type of housing is generally inaccessible for low-income households. When it comes to affordability, the Housing Choice Voucher Program is an excellent tool to provide affordable housing to low-income households, because it is a deep subsidy plan and the subsidy gets adjusted to the individual needs of the voucher holder. Yet, the accessibility of the program is another story. Even though the program is considered efficient, because of a lack of funding, not all people who are eligible for a voucher are able to receive one. Low-income

households can be waiting for years to get a voucher due to waiting lists mainly caused by lack of funding of the program.

The goal of this research was:

*To explore a different kind of approach to affordable housing, namely the Housing Choice Voucher Program in the United States of America, and its effects on the availability, affordability and accessibility of housing for low-income households to see if such an approach could solve the problems of the Dutch approach to affordable housing.*

The problems presented in the introduction were skewed housing and moderate income families that weren't able to find an affordable home because of new regulations imposed by the European government. Some solutions to these problems are presented in the following subparagraphs.

#### *6.2.1 The problem of skewed housing*

When it comes to the problem of skewed housing the voucher program approach would definitely be a solution. Skewed housing can't be possible because of the individual approach of the program. Through inspections the income of the voucher holders gets checked every year and the amount of housing subsidy gets adjusted to changes in their income. Skewed housing therefore is something uncommon to the program. Because the subsidy isn't attached to a house, households are able to keep living in their house even when their income increases. Instead of the housing authority to pay a part of their rent, they will pay the market rent on their own. Downside of this individual approach is that it is questionable if it gives households the incentive to improve their financial self-sustainability, although it is also the question if these households are able of doing that in the first place. Yet, there are programs like the family self-sufficiency program that try to improve the financial self-sufficiency of voucher holders so they can eventually get off the program. Still, there are types of households that have a voucher but never will get off the program, because they are not able to improve their financial status, like elderly and disabled households. Even though their financial status will never improve, they also will never become a 'skewed household'.

#### *6.2.3 The problem of moderate income households*

The problem of the immobile housing market and the problem of households with a moderate income in the Netherlands that find they are between a rock and a hard place because of European legislation is something that could be solved with the Housing Choice Voucher Program if income limits of this program are high enough to support this income group. If these limits aren't high enough, households with a moderate income will not be directly helped with the voucher program. Yet, an important condition for this program is that there is a free housing market that has a very differentiated supply of rental houses in different price ranges, and when that is the case, moderate incomes will be able to find a house that they can afford. However, this free housing market is also one of the reasons why a program like the Housing Choice Voucher Program can't easily be implemented in the Netherlands. Because there has been created a large sub rental market which is dominated by the cooperative housing corporations introducing the voucher program in the Netherlands could be bad for the availability of affordable rental houses. This is because the free rental market is small. Next to that, if the submarket would become a free market, the lack of competition because of limited providers in the market could cause rents to rise disproportionately. Introducing a voucher kind of approach to the Dutch market would therefore take a long path of reforms. Yet,

changing the way the Dutch provide extra housing subsidy to low-income households could be changed. Instead of providing one amount of housing subsidy for all household that are beneath a certain income limit, this housing subsidy could be more adjusted to the actual income of households. It could also be beneficial to unlink the housing subsidy to the maximum rent level of houses from cooperative housing corporations so that low-income households that are on a waiting list and have to find a place in the free market can be compensated for a part of the rent. Next to that, introducing regional differences like the voucher program has could be beneficial to cope with difference in housing markets and therefore differences in rent levels.

### **6.3 Introducing the Housing Choice Voucher Program in the Netherlands**

Although the Housing Choice Voucher Program is a good program and could be able to solve some of the problems that the Dutch approach to affordable housing faces, the overall approach of the Housing Choice Voucher Program isn't superior to the Dutch approach. By creating a submarket instead of using the existing market it might not harness all the power the free market has, but on the other hand, it protects the affordable market from all the undesirable effects of the free market as well. Because there are special providers like the cooperative housing corporations concerned with creating and building affordable housing for low-income households, it is clear whose responsibility it is to provide affordable housing for these people. This approach has resulted in a tremendous affordable housing stock, which is not the case with the Housing Choice Voucher Program. Because the voucher program is subject to the 'goodwill' of providers and landlords, there isn't any certainty that it provides in the needs of low-income households. Especially when it comes to those of special households who might have different needs than that of the general public.

When it comes to the question whether, from a market structuring perspective, it is better to create a submarket for affordable housing like in the Netherlands or reallocating property rights within the existing market like in the United States, it is hard to say. Its answer depends on the many variables like administrative, cultural, economical en political aspects of the country or even region where the market is allocated. As already said in the analysis, the Housing Choice Voucher Program is considered by experts interviewed in this research to be the best possible way to organize affordable for low-income households within the existing context of the United States.

Nevertheless, in the last year it has shown that things do have to change in the Dutch approach to affordable housing, and introducing some aspects of the Housing Choice Voucher Program would not be a bad idea at all. First of all, a deep-subsidy approach like the Housing Choice Voucher Program could help to ban out skewed housing. Next to that, a more regional approach to rent limits instead of a fixed rent for the entire country, which is possible according to the fair market rent aspect of the voucher program, could help to induce the supply of affordable housing in tight rental markets like in the Randstad, where it is more expensive for cooperative housing corporations to built new housing than in other rural parts of the Netherlands.

### **6.4 Reflection on theory and methodology**

The theory used in this research, namely the corollary of the Coase Theorem and especially the matrix of Lai & Hung (2008) turned out to be a good theory to use. The dimensions price, quantity and quality managed to capture most of the important information that came out of the expert interviews. When it comes to the idea of market structuring and whether a theory like the Coase Theorem or corollary of the Coase Theorem is applicable in actual cases, I believe it does. In this research the corollary of the Coase Theorem and especially the assumption that the way in which

property rights are defined does matter was tested. In this research the reallocation of property rights basically meant that low-income households are able, because of the voucher program, to receive means to gain property rights. The property right would be the right to use a good, which in this case would be a rental house. Although low-income households were given the means to obtain housing, their right to obtain housing wasn't legally established by Section 8 of the Housing Act of 1937. Overall, landlords are allowed to refuse voucher holders. But, because of a local ordinance in Madison and Dane County landlords aren't. So, in the case areas the voucher holders property right to use a good is legally established in an ordinance. The analyses showed that legally establishing this right does have a positive effect on the success rate of the voucher program because more voucher holders are able to obtain housing. Therefore, from a theoretical stand it could be said that the way in which property rights are defined does matter, because when voucher holders do have the right to obtain housing, they are more likely to find an affordable place to live. Nevertheless, as also seen in the analyses, this is only the case when rights are respected and such ordinances are actively pursued.

Still, the Coase Theorem isn't a perfect theory and as already said in chapter 2; maximum wealth doesn't automatically mean maximum wellbeing. Wealth is strictly monetary, while welfare is not. Not all consideration of voucher holders includes price tags, and being able to live in a high quality home and in a nice neighborhood might cost a certain price, but perhaps the effect that the voucher program has for these people is priceless. I believe that it is important that when a research is conducted where these non-monetary components matter and distinguished a program from other programs that these components can be analyzed thoroughly as well. The Coase Theorem focuses on efficiency as the ultimate measure of a good allocation of resources. Yet, the most efficient approach isn't automatically the best or most desirable approach to provide affordable housing.

When it comes to methodology, the case study research method turned out to be a helpful tool to research all the component of the Housing Choice Voucher Program. It gave me the freedom to broadly analyze the research subject and go deep into it when needed. On a personal note I learned that doing a case study research in a strange environment can be helpful to really form a picture of the research subject and give good insights in all of its aspects. Yet, it's also easy to get deceived by interviewed experts with alternate motives that sometimes want to form a prettier picture than it actually is. Source triangulation therefore is vital to produce a reliable piece of research. Yet, in terms of validity, I do believe I delivered a good and reliable piece of research. Because of using different types of information (expert interviews, literature study) and crosschecking information between interviewed experts, source triangulation has been applied in this research. Still, there is a lot more research needed to see what effects the Housing Choice Voucher Program has on a larger scale and if a program like the voucher program could actually be implemented, or at least parts of it, in the Netherlands. Yet, my personal opinion is that we could definitely learn something from the Housing Choice Voucher Program and that implementing some components from the program would definitely make affordable housing more affordable for those households who actually need this kind of support.

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## **APPENDIX**

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Appendix A: interview list

Appendix B1: interview guide EXPERTS

Appendix B2: interview guide FAIR HOUSING

Appendix B3: interview guide HOUSING AUTHORITIES

Appendix B4: interview guide HUD

Appendix B5: interview guide LANDLORD ASSOCIATION

Appendix B6: interview guide WHEDA

## **APPENDIX A: INTERVIEW LIST**

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### **DCHA - Dane County Housing Authority**

*Robert Dicke, Executive director*

Tuesday September 25<sup>th</sup>, 2012

The DCHA administers the housing choice voucher program for Dane county, outside the city of Madison.

### **Former mayor of Madison**

*Dave Cieslewicz*

Thursday September 27<sup>th</sup>, 2012

Mayor of the city of Madison from 2003 to 2011. In that capacity he oversaw all the operations, which included Madison's public housing operations. Before his term as the mayor of Madison Mr. Cieslewicz served on the Dane County Board of Supervisors, where he was one of the commissioners that oversaw the housing programs.

### **CDA- Community Development Authority of Madison**

*Tom Conrad, Section 8 Program Manager*

Tuesday October 2<sup>nd</sup>, 2012

The CDA of Madison was created in 1972 in order to operates or administers the Housing Choice Voucher Program within the city of the Madison.

### **AASCW - Apartment Association of South Central Wisconsin**

*Nancy Jensen, executive director*

Thursday October 11<sup>th</sup>, 2012

The AASCW is the trade association of investment property owners, and has private members and public members. The AASCW represents the interest of the housing providers in Madison and Dane County, but also other counties in the South Central part of Wisconsin are represented by this organization.

### **TRC - Tenant Resource Center**

*Brenda Konkel, executive director*

Wednesday October 17<sup>th</sup>, 2012

The Tenant Resource Center (TRC) is concerned with providing tenants and landlord information about their rights and responsibilities. The TRC runs a couple of programs, like a mediation program and the housing helpdesk, where they help people who are looking for housing and particular affordable housing.

**WHEDA - Wisconsin Housing and Economic Development Authority**

*David Ginger, Assistant manager – Multifamily Housing*

Thursday October 18<sup>th</sup>, 2012

WHEDA, The Wisconsin Housing and Economic Development Authority administers vouchers for many geographical areas in the state, especially in those areas where the local housing authorities doesn't have the staff or capacity to administer their own program, which is mostly in rural parts of the state Wisconsin. Next to that, WHEDA administers the section 42 program.

**Professor Urban and Regional Planning department of UW Madison**

*Kurt Paulsen*

Thursday October 26<sup>th</sup>, 2012

Professor Kurt Paulsen is attached to the department of Urban and Regional Planning of UW Madison. He teaches a graduate class in housing and public policy.

**HUD - U.S. Department of Housing and Urban Development**

*Two HUD employees (anonymous)*

Monday October 29<sup>nd</sup>, 2012

The United States Department of Housing and Urban Development (HUD) is concerned with the implementation of federal housing policies. HUD oversees all the public housing programs and related program in the state of Wisconsin. HUD monitors the program and makes sure the housing authorities are following regulatory and statutory requirements. Next to that HUD provides technical assistance and guidance to the Housing authorities that administer the programs for them.

**Fair Housing Center of Greater Madison**

*Laurel Bastian, Program Services Coordinator*

Tuesday October 30<sup>th</sup>, 2012

The Fair Housing Center of Greater Madison is an enforcement body for civil right legislation around housing. The Fair Housing Center enforces the fair housing law on federal, state, or local levels. The center is the only entity in the state that does covert investigations of housing discrimination.

**Professor Emeritus of Public Affairs and Economics, La Follette school of public affairs UW Madison**

*Robert Haveman*

Friday November 2<sup>nd</sup>, 2012

Professor Robert Haveman is a retired professor of the economics department and in the LeFollette school of public policy. He researched social policies, and especially policies that involve income transfer programs and welfare type of programs. One of his studies concerned a cost-benefit analysis of the section 8 program.

## APPENDIX B1: INTERVIEW GUIDE EXPERTS

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My name is Naomi Heijnen, I'm an urban planning master student from the Netherlands. I'm here to research the American approach to affordable housing for low-income households and especially the Housing Choice Voucher Program, or commonly known as section 8. The main goal of this research is to analyze if a different market approach to affordable housing, like the Housing Choice Voucher Program in the United States, could be considered an option to better arrange the market of affordable housing in the Netherlands.

- \* Can I record this interview?
- \* Can I quote you with attribution or do you prefer to be quoted anonymously?

### QUESTIONS

- I. What is your relation and your organizations relation to the Housing Choice Voucher Program?
- II. Do you think the Housing Choice Voucher Program is a good instrument to provide affordable housing for low income households? And why?
  - \*price: efficient
  - \*quantity: sufficient housing
  - \*quality: good quality housing in good neighborhoods
- III. Do you think the Housing Choice Voucher Program also works well for low-income household with special needs (elderly, disabled, large households)?
  - \*project based housing better option?
- IV. What do you think are the best and weaker aspects of the Housing Choice Voucher Program?
  - \*prospects for Voucher Holders
  - \*area
  - \*waiting list
  - \*assistance
- V. What do you think are the effects of the Housing Choice Voucher Program on housing in general?
- VI. If you could change something about the Housing Choice Voucher Program, what would you change?
- VII. Do you have some final remarks?

End:

- \*Ask for landlords
  - \*Ask for businesscard
- Voucher Program = Section 8 = Subsidized Rental assistance

## APPENDIX B2: INTERVIEW GUIDE FAIR HOUSING

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My name is Naomi Heijnen, I'm an urban planning master student from the Netherlands. I'm here to research the American approach to affordable housing for low-income households and especially the Housing Choice Voucher Program, or commonly known as section 8. The main goal of this research is to analyze if a different market approach to affordable housing, like the Housing Choice Voucher Program in the United States, could be considered an option to better arrange the market of affordable housing in the Netherlands.

- \* Can I record this interview?
- \* Can I quote you with attribution or do you prefer to be quoted anonymously?

### QUESTIONS

- I. What is your relation and your organizations relation to the Housing Choice Voucher Program?
- II. What are the most common types of problems voucher holders face when they want to rent a house and what does your organization do?
- III. What are the most common types of problems voucher holders face when they already rent a house and what does your organization do?
- IV. Is discrimination (age, sex, gender, race) a big problem for certain households by finding a suitable house?  
\* what types of households
- V. Do you think the Housing Choice Voucher Program is a good instrument to provide affordable housing for low income households in terms of fair housing? And why?
- VI. What do you think are the best and weaker aspects of the Housing Choice Voucher Program?
- VII. If you could change something about the Housing Choice Voucher Program, what would you change?
- VIII. Do you have some final remarks?

End:

\*Ask for businesscard

## APPENDIX B3: INTERVIEW GUIDE HOUSING AUTHORITIES

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My name is Naomi Heijnen, I'm an urban planning master student from the Netherlands. I'm here to research the American approach to affordable housing for low-income households and especially the Housing Choice Voucher Program, or commonly known as section 8. The main goal of this research is to analyze if a different market approach to affordable housing, like the Housing Choice Voucher Program in the United States, could be considered an option to better arrange the market of affordable housing in the Netherlands.

- \* Can I record this interview?
- \* Can I quote you with attribution or do you prefer to be quoted anonymously?

### QUESTIONS

- I. What is your relation and your organizations relation to the Housing Choice Voucher Program?
- II. Do you think the Housing Choice Voucher Program is a good instrument to provide affordable housing for low income households? And why?
  - \*price: efficient
  - \*quantity: enough housing
  - \*quality: good quality housing in good neighborhoods
- III. Do you think the Housing Choice Voucher Program also works well for low-income household with special needs (elderly, handicapped, large households)?
  - \*project based housing better option?
- IV. What do you think are the best and weaker aspects of the Housing Choice Voucher Program?
  - \*prospects for Voucher Holders
  - \*area
  - \*waiting list
  - \*assistance
- V. If you could change something about the Housing Choice Voucher Program, what would you change?
- VI. Do you have some final remarks?

End:

- \*Ask for landlords
  - \*Ask for businesscard
- Voucher Program = Section 8 = Subsidized Rental assistance

## APPENDIX B4: INTERVIEW GUIDE HUD

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My name is Naomi Heijnen, I'm an urban planning master student from the Netherlands. I'm here to research the American approach to affordable housing for low-income households and especially the Housing Choice Voucher Program, or commonly known as section 8. The main goal of this research is to analyze if a different market approach to affordable housing, like the Housing Choice Voucher Program in the United States, could be considered an option to better arrange the market of affordable housing in the Netherlands.

- \* Can I record this interview?
- \* Can I quote you with attribution or do you prefer to be quoted anonymously?

### QUESTIONS

I. What is your relation and your organizations relation to the Housing Choice Voucher Program?

II. Do you think the Housing Choice Voucher Program is a good instrument to provide affordable housing for low income households? And why?

- \*price: efficient
- \*quantity: sufficient housing
- \*quality: good quality housing in good neighborhoods

III. Do you think the Housing Choice Voucher Program also works well for low-income household with special needs (elderly, handicapped, large households)?

- \*project based housing better option?

IV. Do you think the voucher program gets implemented well, or could there be some changes in the policy implementation that could make it more efficient and effective?

- \* housing authorities → difference between city, county or rural area authority
- \* number of housing authorities
- \* allocation of vouchers

V. What do you think are the best and weaker aspects of the Housing Choice Voucher Program?

- \*prospects for voucher holders
- \* tight markets
- \*area
- \*waiting list
- \*assistance

VI. If you could change something about the Housing Choice Voucher Program, what would you change?

VII. Do you have some final remarks?

End:

- \*Ask for businesscard

## APPENDIX B5: LANDLORD ASSOCIATION

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My name is Naomi Heijnen, I'm an urban planning master student from the Netherlands. I'm here to research the American approach to affordable housing for low-income households and especially the Housing Choice Voucher Program, or commonly known as section 8. The main goal of this research is to analyze if a different market approach to affordable housing, like the Housing Choice Voucher Program in the United States, could be considered an option to better arrange the market of affordable housing in the Netherlands.

- \* Can I record this interview?
- \* Can I quote you with attribution or do you prefer to be quoted anonymously?

### QUESTIONS

I. What is your relation and your organizations relation to the Housing Choice Voucher Program?

#### **Voucher holders:**

II. Do landlords often rent their houses to Voucher holders? If so, to what type of households do they mostly rent their housing to and for what reasons?

- \* family households, single households, households with special needs, elderly or handicapped households

III. Is it easier to rent certain types of housing or housing in a certain area to Voucher holders than non Voucher holders or vice versa?

- \* neighborhoods issues
- \* quality of housing

IV. Do landlords sometimes deny Voucher holders to rent a house? If so, for what reasons?

V. What are the most positive and negative aspects of lending homes to Voucher holders?

#### **Voucher Program:**

VI. What do you think are the best and weaker aspects of the Housing Choice Voucher Program?

- \* in general
- \* assistance of PHA, role of PHA in process

VII. If you could change something about the Housing Choice Voucher Program, what would you change?

VIII. Do you have some final remarks?

End:

\*Ask for businesscard

## APPENDIX B6: WHEDA

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My name is Naomi Heijnen, I'm an urban planning master student from the Netherlands. I'm here to research the American approach to affordable housing for low-income households and especially the Housing Choice Voucher Program, or commonly known as section 8. The main goal of this research is to analyze if a different market approach to affordable housing, like the Housing Choice Voucher Program in the United States, could be considered an option to better arrange the market of affordable housing in the Netherlands.

- \* Can I record this interview?
- \* Can I quote you with attribution or do you prefer to be quoted anonymously?

### QUESTIONS

#### Section 8

I. What is your relation and your organizations relation to the Housing Choice Voucher Program?

- \* what type of areas (no CDA, so what else)

II. Do you think the Housing Choice Voucher Program is a good instrument to provide affordable housing for low income households (in these areas)? And why?

- \*price: efficient
- \*quantity: enough housing
- \*quality: good quality housing in good neighborhoods

III. Do you think the Housing Choice Voucher Program also works well for low-income household with special needs (elderly, handicapped, large households)?

IV. What do you think are the best and weaker aspects of the Housing Choice Voucher Program?

- \*prospects for Voucher Holders
- \*area
- \*waiting list
- \*assistance

#### Other programs

V. What other types of assistance or projects does WHEDA offer to provide affordable housing for low-income households?

VI. Are these programs more effective in providing affordable housing or do they more assist programs like the Voucher Program?

VII. If you could change something about the Housing Choice Voucher Program or the way affordable housing is provided, what would you change?

VIII. Do you have some final remarks?

### **Dutch housing**

In the Netherlands there is a different approach to affordable housing for low-income households. Instead of helping low-income households with paying a fair market rent like with the Voucher Program, cooperative housing corporations build and provide housing for low-income households and charge rents whose limit is set by the government.

This long tradition of ‘social housing’ (as it is called in the Netherlands) has led to it being 31.9 percentage of all housing in the Netherlands. Even though a large amount of all housing gets built and provided for low-income households, there are still long waiting list to qualify for a house because a large amount of housing is occupied by non low-income households. Because of the waiting lists, low-income households have a hard time finding suitable and affordable housing in the Netherlands.