

METROPOLITAN PLANNING COUNCIL



Key Findings from the Regional Rental Market Analysis Increasing Access to the Rental Market through Housing Choice Vouchers

INTRODUCTION

In November, 1999, the Metropolitan Planning Council published *For Rent: Housing Options in the Chicago Region*, prepared by the University of Illinois at Chicago, the Urban Institute, and Applied Real Estate Analysis, Inc., which summarizes seven technical research reports and provides new information about the rental housing market in the six-county region, including demographic data, rent levels and vacancy rates, and qualitative information from focus groups and interviews. *For Rent* provides baseline information necessary to craft innovative policies, programs, and investment strategies for the region's rental housing market. This is one of a series of briefing papers presenting highlights from the Regional Rental Market Analysis focused on particular geographic areas and subjects of interest.

BACKGROUND

The Housing Choice Voucher program is a federally-funded tenant-based subsidy program administered by local housing authorities to increase tenant access to the private rental housing market. Previously referred to as "Section 8," the program was restructured in October, 1999 to allow greater opportunity for apartment seekers through improved service coordination and more flexible policies. For instance, vouchers are valid nationwide, allowing a family to move outside the jurisdiction of the particular housing authority that issued the voucher. To be eligible for the program, a household must earn below 50% of the Area Median Income. (In the Chicago region in 1999, a family of four with an annual income of less than \$30,000 is eligible. In some cases, families earning up to \$45,000 may be eligible.) Fourteen public housing authorities and three other agencies administer tenant-based assistance in the six-county Chicago region. Eligible households can apply to be added to waiting lists maintained by the housing authorities.

DEMAND FOR HOUSING ASSISTANCE

- While 38,000 of the region's 1,024,000 apartments are affordable to households earning less than 30% of the Area Median Income (which is \$20,000 for a family of four), close to 200,000 households are seeking those units. A Housing Choice Voucher provides a family with greater purchasing power, effectively enabling the family to access more expensive units in a competitive market.
- In the Chicago region, 37.5% of all renter households (between 357,000 and 410,000) pay more than 30% of their income for rent. Over 110,000 households pay more than 50% of their income for rent.
- More than 500,000 regional households qualify for Housing Choice Vouchers.
- Currently, there are approximately 60,000 households across the region on waiting lists for Housing Choice Vouchers.
- Most applicants on the waiting lists are female and, with the exception of Lake County, most are African-American. Roughly 50% receive income from employment and 50% receive Temporary Assistance to Needy Families (TANF).
- Between 264,000 and 395,000 entry-level workers earning less than \$30,000 cannot afford to pay more than \$750 per month for rent, but in many parts of the region this does not cover the cost of a two-bedroom unit.
- 67,000 households receiving TANF do not receive any form of housing subsidy and may face income fluctuation as they transition from welfare to work, increasing the risk of paying more than 30% of their income toward rent.

HOW DOES THE PROGRAM WORK?

A household awarded a Housing Choice Voucher looks for an available apartment in a building where the property owner or manager agrees to participate in the program. The unit must meet minimum Housing Quality Standards (HQS) established by the U.S. Department of Housing and Urban Development (HUD). The local housing authority makes housing assistance payments directly to the property owner on behalf of the voucher holder. The maximum subsidy is based on a payment standard established by the housing authority. A household may choose to live in a unit costing more than the payment standard if they pay that excess, in addition to the "total tenant payment," which is based on approximately 30% of income. The total cost born by the tenant (rent plus utilities) cannot exceed 40% of the family's monthly adjusted income.

Payment standards are set by the housing authority at between 80 and 110% of the HUD-determined "fair market rent" (FMR), which is set at the 40th percentile of rents in the region. For example, the 1999 FMR for the Chicago region is \$737 for a two-bedroom apartment. ("Exception rents" have been granted for some higher cost areas.) For example, family with an income of \$400 per month would pay 30%, or \$120, toward rent and HUD would pay the remainder, up to \$617 per month.

Fair Market Rent Levels for the Chicago region, 1999 and 2000

YEAR	STUDIO	ONE BEDROOM	TWO BEDROOM	THREE BEDROOM	FOUR BEDROOM
1999	\$516	\$619	\$737	\$922	\$1,031
2000	\$533	\$640	\$762	\$953	\$1,066

SUPPLY OF HOUSING CHOICE VOUCHERS

- In the Chicago region, Housing Choice Vouchers currently provide housing for about 41,000 households. Approximately 25,000 are in Chicago (administered by CHAC, Inc.), about 11,000 are in suburban Cook County, 2,000 are in each of DuPage and Lake Counties, and the remainder are in other areas, including Aurora, Joliet, Park Forest, Waukegan, Maywood, Elgin, Oak Park, North Chicago, McHenry County, and Cicero.
- Across the region, more households use Housing Choice Vouchers (41,000) than live in public housing (approximately 30,000).
- Each housing authority maintains a waiting list, all of which are currently closed except that administered by the Lake County Housing Authority.
- Approximately 3,500 vouchers become available each year through normal turnover.
- Additional vouchers have been allocated by HUD to assist the Chicago Housing Authority (CHA) in relocating public housing residents and to assist TANF recipients on public housing authority waiting lists in Cook, Lake and DuPage Counties where the need for housing is critical for those seeking employment. To ensure success, counseling on housing options and supportive services will be provided to households participating in both initiatives.

OTHER FACTORS AFFECTING THE PROGRAM-EXPERIENCES, ATTITUDES, AND PERSPECTIVES

The Regional Rental Market Analysis gathered qualitative information related to people's perceptions and experiences through focus groups and interviews with renters and property owners and managers. While these discussions cannot be viewed as statistically representative of the general population, they do generate common themes and in-depth data, and thus are useful to understand the perspectives shaping the housing market.

OWNER AND MANAGER CONCERNS

While many property owners and managers who had direct experience with the program praised the prompt, reliable payments and stable, long-term tenants, others with and without direct experience listed numerous concerns about participating. They expressed:

- Concern about loss of control over their property.
- Fear of being forced to deal with “difficult people” who will be rougher on the apartment.
- Hesitation about their inability to select and evict tenants.
- An unwillingness to deal with a bureaucracy that does not return phone calls and requires excessive paperwork.
- Concern about losing income due to the time spent waiting for an inspection, as well as fear that their units would be reviewed by subjective inspectors.
- Apprehension about losing market rate tenants, driven away by subsidized tenants.

Participants were encouraged to openly share their attitudes and experiences: some fears and concerns may be more perception than reality. Education and outreach can play an important role in correcting misperceptions. Indeed, participants who had attended property management courses were able to correct some of the misperceptions reported by others in the discussion group.

OWNER AND MANAGER RECOMMENDATIONS

When invited to provide recommendations to improve the program and encourage their participation, owners and managers suggested:

- More rigorous screening of applicants.
- Simplified inspections.
- Higher Fair Market Rent levels.
- Incentives for property owners/managers to participate, such as a one-time signing bonus for accepting each new tenant or a property tax credit.
- Greater involvement on the part of the HCV administrator to resolve problems.
- Increased tenant counseling and supportive services.
- Outreach to the property management industry and to the general public.
- Dramatically revamping the program into a two-party subsidy, in which payment is provided to the renter household so that the government is not directly involved.

RENTER CONCERNS

Renters also provided insights regarding their objections to the Housing Choice Voucher program, including:

- Lack of time to search for a unit.
- Discrimination on the part of owners and managers - renters had experienced or expected to encounter discrimination based on race, family, and HCV participation. In addition, CHA residents felt they were stereotyped as problem tenants.
- Problems reaching the program administrator staff by phone.
- Difficulty getting extensions for additional search time.
- Delays in inspections.
- General difficulty understanding the program: many focus group participants did not understand how to conduct a housing search, how the lease and inspection processes work, or how their share of rent is calculated. Among the CHA families, a common rumor reported was that this subsidy would only be good for one year. (Congress annually reauthorizes Housing Choice Vouchers.)

Again, while some fears and concerns may be more perception than reality, these misperceptions underscore the value of outreach and education.

RENTER RECOMMENDATIONS

To improve the program, renters suggested that they would benefit from:

- An up-to-date list of available apartments and participating landlords.
- More assistance finding units.
- Additional time to search for a unit.
- Ongoing assistance and connection to social services, including information about the community.
- Help with the move.
- Security deposit assistance.

CONTINUING USES FOR THE DATA

The Regional Rental Market Analysis was designed to provide updated information so that a variety of stakeholders, from government officials and community leaders to housing providers and tenant advocates, will be able to make informed decisions and better serve the region's housing needs. It has given new momentum to various initiative, both regionally and locally. These efforts include consolidated planning processes, effective subsidy policies, and investment and development strategies.

Many initiatives using this data are already underway:

- CHAC, the HCV administrator for the CHA, has set payment standards at 110 % of HUD's FMR throughout the city and has established exception rents in various other neighborhoods.
- Families relocating from the CHA receive housing counseling, financial assistance with the security deposit, and physical assistance with the move (as required by the Uniform Relocation Act).
- The MetroLinks welfare-to-work program also offers participating families housing mobility counseling as well as other services.
- The City of Chicago, in conjunction with the Metropolitan Tenants Organization and the Chicagoland Apartment Association, has initiated a RentsRight program to educate both renters and owners/managers about their respective rights and responsibilities.

FOR MORE INFORMATION OR DISCUSSION

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