The impact of a housing allowance system in the city of Madison and Dane County, Wisconsin. July, 1977

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THE IMPACT OF A HOUSING ALLOWANCE SYSTEM

IN

THE CITY OF MADISON AND DANE COUNTY, WISCONSIN

PREPARED FOR

THE COMMITTEE FOR MORE AND BETTER

HOUSING IN MADISON

BY

URBAN RESEARCH ASSOCIATES

MADISON, WISCONSIN

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JULY, 1977

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NATURE OF ASSIGNMENT

This study was commissioned by the Committee For More and Better Housing in Madison who desired an analysis of the cost-benefit parameters associated with the institution of a rent voucher system in Dane County, Wisconsin. Further intent was to generate additional information on the nature and extent of present housing subsidies as well as background information on the current and expected future recipients of housing allowances in Madison. This information may be used to evaluate proposed rent voucher systems and as an aid in designing housing delivery systems in the Madison area.

TABLE OF CONTENTS

SUMMARY OF MAJOR FINDINGS

I A Demand-Side Housing Allowance Program (DSHAP) is the most equitable and the most effective means of bringing adequate housing to the most needy low-income groups. It is devoid of the poverty stigma that characterizes so many current welfare programs. It fosters the twin goals of improved housing quality and integration of low income groups into middle class neighborhoods.

II Some definite statements that can be made concerning a DSHAP in Madison are that such a program will:

1) Allow low income groups to pay a reasonable proportion of their incomes for rent. Instead of the current disheartening 50% rent-to-income ratio that characterizes Madison welfare, DSHAP recipients would pay only 25%.
2) Reduce the level of tenant/landlord tension, facilitate the payment of rent as a reasonable proportion of income, and act to reduce the number of nonpayment occurrences.
3) Markedly improve the quality of rental units by removing the rent level limit imposed by the income characteristics of the tenants. Some rent increase will definitely occur, but a large proportion of the increase will be funneled back into maintenance and capital improvement as owner/managers attempt to improve not only short-term revenue flow but also to ensure building appreciation, with substantial implications for the improvement of property tax revenue flows in deteriorating neighborhoods.

III A DSHAP cannot effectively operate to promote filtering without concomitant maintenance of supply-side programs designed to increase the supply of housing for low-income groups. The Madison housing market, however, is a blend of space competitive groups. At any point in time and area, the demand pressure upon rental housing is a function of this competiveness between groups in the market place. Given that most under-maintained rental housing stock is located within the central city area, a tight housing market may be created by competition between students, the elderly, and racial minorities, all of whom will have low income characteristics. The implementation of a demand allowance will markedly reduce demand pressure in the central city by the poor, the elderly and those of welfare as they are most likely to evidence a high income elasticity for space and move to the more expensive and now more available housing in the closest suburban ring. In Madison the remaining central city group would consist of students who are more willing to accept small and inexpensive quarters during their educational residence and who would then find the market for such housing much less restricted.

Overall, the demand side allowance may generate the following set of changes:

1) Increased filtering of low-income non-students to more expensive rental units located further from the central city
2) A lessening of demand pressure for low-rent housing in the central city and stabilization of rent levels there
3) An easing of the student housing situation as more students are able to substitute proximity and access to the University for more expensive and further-removed rental housing.

IV A DSHAP is typically <u>less expensive</u> than supply-side subsidies on a per household basis. Average annual allowance levels for the City of Madison are estimated at $1091 per family. In <u>total</u> expenditure a DSHAP would be <u>very expensive</u> amounting to an estimated 2.9 million dollars for the City of Madison and 1.5 million dollars for the balance of Dane County <u>annually</u>.

V <u>Administrative costs</u> for a DSHAP are substantially greater than other welfare programs. The allowance program requires inspection of housing units and publicization of the program. Administrative costs in the HUD Administrative Agency experiment amounted to approximately 21.5%

of total program costs. City of Madison welfare administrative costs account for about 24.2% of total expenditure while Dane County Social Service's AFDC program incurs an administrative cost of 3 - 5% of total program cost. Moreover a DSHAP overlays existing programs.

DSHAP TOTAL PROGRAM COST

City of Madison	\$3.657 million
Balance of Dane County	\$1.863 million
Dane County Total	\$5.654 million

VI A DSHAP will not solve the problem of disincentives for the welfare recipient, and in fact may increase the take-back rate on additional earnings. This means that a proposed DSHAP should be carefully integrated with present programs so as to minimize the disincentive effects. Failure to do so will increase the likelihood that the recipient will not seek employment, thereby increasing the length and level of payments, and will foster a continuance of the welfare psychology.

VII It is clear that in reality a DSHAP will disperse monetary benefits to both the low income family and the landlord. The amount of benefit which will eventually accrue to the respective recipients is closely tied to the housing supply characteristics of the area. In Madison, the availability of obtainable units in the closest suburban ring (as noted above) will be critical in determining the extent to which landlords benefit disproportionately.

VIII A DSHAP <u>will not</u> guarantee that rent payments will be made on time or even that they will be made at all. A DSHAP is tenant-oriented, and simply increases to a reasonable level the amount of subsidy available to the tenant for housing (See Recommendations).

IX Rent control effects are not discussed. Typical effects of rent control would act to hold the rent level relatively invariable, thus reducing the cost of standard housing in a DSHAP and reducing the number of individuals who will qualify at the .25 rent to income ratio. Secondly, maintenance of rental units can also be expected to deteriorate, thus increasing the cost and frequency of housing allowance inspection procedures.

X A DSHAP program will be approximately equivalent in cost to existing rent-subsidy programs while serving approximately four times as many recipients (Table 4-6). A DSHAP does not serve multiple needs--it is housing directed explicitly. A DSHAP will not reduce social service agency expenditures markedly. Rather, it will extend housing related support to a much larger group of residents.

1975 GRAND TOTAL ESTIMATED HOUSING SUPPORT COSTS IN MILLIONS

	DSHAP Program Cost	Existing Housing Related Expenditures	Grand Total Estimated Housing Support Costs
City of Madison	$3.657	$2.585	$6.242
Balance of Dane County	$1,863	$1.491	$3.354
Dane County Total	$5.654	$4.078	$9.732

Source: Table 5-12, Table 4-6

RECOMMENDATIONS

I The major recommendation of this study is that an organization representing apartment owners/managers in Madison begin immediately to establish an educational program for landlords designed to inform them of the available housing-related assistance programs and the procedures for enabling their tenants to take advantage of them. This educational recommendation is subject to the successful application of the following two recommendations.

II Nonpayment of rent by welfare tenants can be reduced substantially if the apartment owner/manager organization works to gain additional funding for the Dane County Social Service's Security Deposit Program. Currently funded at a low level, SDP provides some guarantee of rent payment and/or payment for damages should a tenant move without notice or damage the unit.

III The apartment owner/manager organization should work within the existing Dane County Social Service structure, and particularly the vendor-voucher/protective payee procedure to minimize the impact of rent defaults. The current participation in the protective payee procedure is about 2% of welfare recipients in the county, whereas a 10% statewide limit is specified before federal funding is lost. Thus a considerable increase in the number of participants utilizing this procedure would have minimal impact on state and local funding while providing considerable relief from the risk of continuing rent nonpayment.

IV Landlords should work within the existing social services to shorten the qualifying time period between actual nonpayment of rent and eligibility for protective payee status. Just recently modified to two months, only procedural impediments stand in the way of a one-month qualifying period.

V Those concerned with the provision of more and better housing in Madison should not place great reliance upon expeditious passage of a national Demand-Side Housing Allowance. The following page presents a brief recapitulation of recent legislative progress on housing-related appropriations that quickly emphasizes the futility of a-waiting major funding support.

VI At this stage in the development of housing-allowance programs there is a major role to be played by a national lobbying organization re-presenting the interests of apartment owners/managers. Current housing programs all limit the degree of interference by the agency in tenant/landlord relations to enforcement of fair housing laws and accountability of public funds. Direct payments to program participants only is still a continuing tradition. There is no legislatively determined vote for the landlord/owner/manager or for that matter, any prescribed procedure or recourse for the landlord faced with nonpayment. Now is the time for concerted effort to en-sure that the rights of owner/managers are specifically addressed in any proposed housing allowance legislation.

May 1976	Administration appropriations request	Senate-passed Bill	House Committee Bill
Sec. 8 new construction and rehabilitation	$850 million	$265 million	$255 million
Sec. 8 existing housing		$171 million	$241 million
Traditional public housing set-aside	-0-	$200 million for new construction of traditional public housing	At least $140 million for development of acquisition under the traditional public housing program
Public housing operating subsidy	$463.6 million	At least $575 million	No more than $75 million
Public housing modernization	$20 million for fiscal year 1977	$60 million for fiscal year 1977	$60 million per year for five years
Sec. 312 rehabilitation loans and grants	-0-	$150 million through fiscal year 1977	$100 million through fiscal year 1977
Sec. 701 comprehensive planning grants	$25 million	$100 million	$75 million
Sec. 202 construction loans for housing for the elderly and handicapped	$375 million out of existing $800 million authorization level	Increase authorization by $2.5 billion over next several years	Increase authorization by $2.5 billion over the next three yrs.
Sec. 235 homeownership	-0-	$200 million	-0-
Urban homesteading	-0-	$5 million	-0-

I. HOUSING ALLOWANCES AND SUBSIDIES: AN OVERVIEW

Introduction

Since the Housing Act of 1949 the United States has set as a goal the provision of "decent housing and a suitable living environment" for all of its citizens. Attempts to implement this goal on a practical level have been many and diverse. The programs can in general be broken into two groups: (1) supply side subsidies, and (2) demand side subsidies. While these two approaches have the same basic goal they differ in their theoretical background and implementation method. Prior to examining them in greater detail, an explanation of the concept of a subsidy may be helpful.

A subsidy is a negative tax; it lowers the price to a recipient of an economic good and thus changes output, according to supply and demand elasticities. Subsidies differ from cash welfare payments in that they imply a specific directionality, i.e., food stamps, rent vouchers, or medicare. Cash payments, on the other hand, can be used at the recipient's discretion.

The Theory of Supply Side Subsidies

The dominant approach in the past, supply side subsidies seek to improve housing by increasing the stock of new or high quality dwelling units as directly as possible. This typically takes the form of incentives to the private sector to stimulate new housing, or outright development by the public sector of such housing. In either case the ultimate target is the low income family that typically resides in substandard or dilapidated housing.

This type of assistance is designed to help low income groups acquire adequate housing in one of two ways. First, public housing is made available directly to this target group at a reduced rent. With better quality housing available at the same or lower cost than their existing housing, the low income family will be able to improve its housing status by moving to the public housing.

Second, by providing incentives for new housing that will be occupied by higher income groups who presently reside in adequate housing, the lower income groups will be able to improve their housing through what has been called the "filtering" process. That is, the lower income groups will be able to occupy the housing vacated by higher income groups as it becomes available at a lower cost.

Appendix A describes the range of governmental programs designed to implement supply-side subsidies.

The Theory of Demand-Side Subsidies

This approach holds that the main problem in housing is not one of quantity, but rather of quality. As Eugene Smolensky puts it:

> We appear to be on the downside of the long-swing in residential construction. The consequences of perpetually rising income for all segments of the society, along with a once-over decline in income inequality, require a shift of emphasis away from preoccupation with the mechanics of filtering down and toward the ongoing process of upgrading the housing stock.[1]

Additional analysis of the filtering process reveals that the low quality of housing is a function of the low income tenant's inability to pay enough rent to justify maintenance or improvement of the housing. Richard Muth employed multiple regression in a study of Chicago's South Side regarding substandard housing and concluded:

> This indicates that if anything, dwelling unit condition adjusts over time to change in the income level of its inhabitants rather than the reverse.

The theory is then that a housing allowance in the form of a rent voucher will give this low income group enough rent paying ability (demand) to justify ongoing maintenance of housing at an acceptable level by the owner.

Comparison of Demand and Supply Side Subsidies

It is somewhat difficult to generalize about subsidies due to the wide range of programs, but some advantages and disadvantages do emerge. Below is a discussion of some key areas of difference.

1. Cost

Supply side subsidies tend to be much more expensive than demand side subsidies on a per-unit basis. Due to the capital intensive nature of new housing and the high costs of land and construction, each unit carries a high initial cost. Often hidden costs in the form of fore-gone taxes are associated with these programs. Furthermore, this type of subsidy requires a long term commitment since the public agency is directly involved with mortgage amortization and ongoing management and maintenance. Demand side subsidies have a much shorter obligation period and have a lower per unit cost. The benefits can therefore be spread over a much larger population for the same cost.

2. Equity

The present supply side subsidies tend to be inequitable for at least two reasons. First, because of high costs they can serve only a small percentage of the families who need assistance, leaving the remainder with no assistance at all. Secondly, they are often "shallow" subsidies which reach low income families but not the very poor. A comprehensive demand side subsidy would eliminate both problems since all families below a specified level would be eligible.

3. Disincentives

There are two components to the disincentives present in current programs. The first has to do with location. Most current supply-side programs concentrate recipients into the same geographic area which then acquires the reputation of a "welfare" neighborhood. Aid then becomes unattractive to some who need assistance and reinforces the habits and mentality that accompany the low income lifestyle of those who do locate there.

Disincentive effects also accrue to landlords who, observing the high percentage of welfare recipients, become increasingly reluctant to make long term capital investment decisions or to maintain a high level of maintenance expenditure, thus reinforcing the unattractiveness of the neighborhood to the tenant population.

Secondly, there are disincentives in most housing programs that inhibit earning additional income. This problem is more serious when considered in the context of other welfare programs which are often "piggy backed" on top of housing subsidies. Professor Robert Lampman gave this hypothetical example which vividly illustrates the problem:

> Assume that the family of a nonworker benefits from a cash welfare income of $2,400, the level proposed by President Nixon. The family also has Medicaid, with an insurance value of $1,000, a housing allowance worth $1,000, a food stamp bonus worth $1,300 and a college scholarship from Uncle Sam worth $1,400. All in all the family is guaranteed cash or services or goods worth $7,000--so long as the family's income stays low enough. "Catch 22" of these guaranteed income schemes is that each program contains a benefits reduction rate, or tax, which cuts back the benefits as the family's regular income rises. Adding each of the programs up produces a combined tax rate of 150%.

This confiscatory rate means that the family would have to earn an amount substantially greater than $7,000 before it is really any better off than it would have been without the earnings.

This is a problem area for both supply and demand side subsidies. Any new program which will be added to the welfare recipient's benefits must carefully balance its "take back rate," the rate at which benefits are reduced per dollar of income, against the earnings disincentives of other programs. A single program, no matter how low the take back rate, can do little to offset the overall disincentive characteristics of all other programs. For this reason many economists advocate an income maintenance program in which disincentive effects are minimized through a relatively low take back rate that is based on the cumulative income impact of all other programs.

4. Abandonment

One problem with reliance on the filtering process inherent in supply side subsidies is that the end result of the cycle is an abandoned building. As a building drops in rental value and as successive tenants with lower rent paying ability inhabit the structure, expenditures on maintenance tend to decline markedly. This tendency is reinforced by rapid inflation in operating expenses and the characteristics of the rental housing market where rent levies for older housing are set in relation to the entire rental housing market, thus minimizing the discretionary pricing power of the landlord.

Under these circumstances a landlord faced with spiraling operating costs and tenants unable and unwilling to pay more for housing, will tend to undermaintain his building.

A demand side subsidy can ameliorate this condition by giving tenants the necessary rent paying ability to induce the landlord to maintain the building. This would follow logically because he would be in competition with other owners for the recipient's dollars, but could only qualify if his building was of acceptable quality. Moreover since the aid is tied to housing consumption, the landlord is assured of a secure flow of rental receipts, again presupposing that the tenant's perception of the unit's maintenance level is at least as high as could be obtained with a similar rent outlay at another location.

5. Consumer Choice and Mobility

This is an area of clear advantage for the demand side subsidy. Public housing does not offer the recipient any opportunity to choose a location or a style of residence. The recipient is limited to the units that are available and then only if one can be successfully obtained. A housing allowance on the other hand offers the family locational mobility as well as the ability to exercise choice in selecting a type or style of residence.

These advantages are important for a number of reasons. In addition to increased satisfaction on the part of the recipient, this type of allowance fosters increased integration into middle-class society and exposure to its value system. Thus, employment may be more readily obtained if the family can locate in close proximity to job opportunities. The stigma of forced residence in declining and low income neighborhoods is removed. Finally, movement into better neighborhoods may promote more socially desirable attitudes through association with higher income families.

Market Imperfections

Lest the demand side subsidy start to sound like a panacea it should be pointed out that not only are there potential problem areas inherent in a housing allowance program but there are a number of housing problems that exist independently of any subsidy program. This section will examine some imperfections that exist in the market place. These are considered here because public interference in the market place draws much of its justification from the inability of the free market to deal with these imperfections. They have proven to be largely insoluable by efforts to date and are believed to limit the resources flowing into private housing for lower income families.

1. Discrimination

Racial discrimination still exists in the United States and discrimination in the housing market is a strong component force.

Anthony Pascal used multiple regression analysis in 1970 to show that economic forces alone could not adequately explain the observed housing segregation patterns in Chicago. Other forces that operate to hold minorities (and low income groups in general) in the central city include exclusionary zoning policies by suburbs and the local autonomy regarding land use decisions in the central cities. Suburban areas maintain their character and high income levels by passing zoning ordinances which effectively prevent in-migration by lower income families. Their motivation is both fiscal and social, since this policy has tax advantages in addition to the underlying desires to prevent integration and/or to preserve neighborhood amenities.

Furthermore, local housing authorities in the past have tended to place public housing projects in slum or minority dominated areas. Since urban renewal efforts by their nature are also in these areas, the overall effect of current programs has been to intensify this minority segregation.

The ramifications of this trend are serious for central cities. Fiscally, a gradual erosion of the tax base occurs as the higher income families leave the city. At the same time the percentage of residents who need assistance rises. The city is then faced with trying to raise more tax money from a smaller tax base and lower income groups. Not only is this inequitable, but it has a profound effect on the state of the housing market. In the face of rising taxes and operating expenses that cannot be entirely passed through to low income tenants, the landlord typically chooses to undermaintain the building.

To complete this destructive cycle we must consider the changes in sources of personal income and the prospects of employment for central city residents. John F. Lain in studies of Chicago and Detroit found significant job losses due to increased distance from employment. This distance imposes high travel costs which prevent or deter employment. When this is added to other employment problems such as under-education, low skill, or active job discrimination, the result is commonly a reinforcement of dependency upon welfare subsistence and continued deterioration of the housing stock.

2. External effects

Davis and Whinston examine the effect of externalities on the urban housing market.[3] Because the real estate commodity is immobile, it is strongly affected by external forces imposed by the neighborhood in which it is located. These neighborhood effects are often beyond the control of the property owner and are thus "external" to the management of his property.

Adjacent property owners may be induced to undermaintain their holdings due to what has been called the "prisoner's dilemma." The following example shows the problem of this sort of interdependency between two adjacent property owners, Smith and Jones:

> 1. If both owners invest in redeveloping their properties, both can earn a rate of return which makes the additional investment worthwhile. Each benefits from the fact that the other has made improvements, because tenants are willing to pay higher rents for an apartment in an improved neighborhood than in an unimproved one.
>
> 2. Owner Smith can obtain higher rents even if he does not undertake redevelopment, provided that his neighbor Jones does redevelop. Smith's rate of return may even be higher in this case than it would be if he redeveloped too, because he can obtain higher rents without investing any additional capital.
>
> 3. If neither of the owners redevelops, both will continue to earn a rate of return lower than they could obtain if both had redeveloped, as in the first case.
>
> 4. Finally, if Smith were to redevelop his property while Jones did not, Smith's rate of return might actually

drop below what it would be if neither he nor Jones undertook redevelopment, as in the third case.

For the sake of illustration, Davis and Whinston assign hypothetical rates of return to the four cases as follows:

Alternative Cases	Rate of Return Earned by: Smith	Jones
1. Both invest in redevelopment	7%	7%
2. Jones invests, Smith does not	10	3
3. Neither invests in redevelopment	4	4
4. Smith invests, Jones does not	3	10

It is clear that society benefits most in the first case, where both owners invest in redevelopment. But Davis and Whinston use arguments from game theory (the logic of "the prisoner's dilemma" situation) to show that the actual outcome may well be case 3, where neither property is redeveloped. The argument runs as follows. First examine Smith's situation. When deciding whether to invest in redevelopment he has to consider two possibilities--first, that Jones also redevelops and, second, that Jones does not. When he looks at these two possibilities, he sees that in either case he is best off not investing. In the first situation, he can earn 10 percent by not investing (case 2) but only 7 percent by investing (case 1). In the second situation he can earn 4 percent by not investing (case 3) but only 3 percent by investing (case 4). His rational decision is not to invest. Moreover, since Jones as an individual owner is logically in the same position as Smith, each decides not to invest, and no redevelopment occurs, even though such redevelopment would be socially optimal. Here, then, is a case of "market failure" attributable to interdependencies.

3. Site Assembly

A second market imperfection cited by Davis and Whinston has to do with site assembly. Due to the diffused nature of real estate ownership, it is difficult to assemble large parcels of land under one owner at a reasonable cost, particularly inside a city. This fact may prevent redevelopment of an area or development on a large enough scale to include socially desirable amenities. It can be seen that normal land use succession may therefore be inhibited causing prolonged life of substandard or dilapidated housing.

This problem was one of the original justifications for urban renewal legislation which allowed the government to assembly larger sites by use of eminent domain powers. However, while urban renewal solved the problem of site assembly, it brought with it many others.

Potential Problems of a Housing Allowance Subsidy

Not surprisingly a housing allowance program possesses several areas of potential difficulty as well as several shortcomings in dealing with the real-life housing market. This section will look at some of these areas and suggest possible remedies.

1. Definition of standard housing

There is no general agreement as to what constitutes "standard housing." Furthermore, standards that do exist in the form of building codes vary greatly between regions. Bureau of Census standards deal only with two areas--plumbing and overcrowding.

2. Enforcement of standards

Since public funding is involved, the public interest will not be served unless the recipients actually occupy standard units. This will require an inspection procedure.

3. Landlord-tenant relations

This type of subsidy leaves the recipient with the task of locating suitable housing and negotiating a lease and terms with the landlord. This is likely to prove difficult and potentially costly for the inexperienced. Therefore, some advice or counseling is desirable for those who qualify for the allowance.

4. Fraud or collusion

Any government program is subject to the fraudulent acts and schemes of its citizen participants and government administrators, and this one is no exception. Possibilities include a black market in rent vouchers, artifically high rents, or "kick-backs" and undoubtedly many others. This is a cause for public concern and must be dealt with by some method of checking.

5. Cut-off levels

The setting of cut-off levels is an area of difficulty and potential inequity. This is particularly true if the cut-off is rigid rather than gradual. It is felt that a suitably designed sliding scale would be effective in dealing with this problem area.

The foregoing problem areas are mechanical in nature and are best dealt with through a sound administrative program. Abt associates in Cambridge, Massachusetts have recently concluded a study of housing allowance administrative experiments which identify 14 areas of administrative concern. It is felt that the above problems can be effectively handled by such an administrative plan, but that it will be costly. Cost estimates have been included in later sections of this study and will be dealt with there.

Another problem area is more theoretical in nature and perhaps more serious. It centers on the interactions between price, supply, and demand. The market reaction to an increase in demand for housing is dependent upon the supply elasticities; this can be illustrated graphically as follows. If the supply elasticity is low (Fig. 1), then increased demand will be reflected more than proportionately by increased prices (rents). If the supply elasticity is high, the increased demand will result in proportionately greater supply (Fig. 2).

This means that the supply characteristics of the intended region are critical in determining the market reaction to the program. However, the real estate process is a slow one, and therefore market reaction can be expected to be delayed. This situation is not expected to be aided

ILLUSTRATION OF THE EFFECT OF SUPPLY ELASTICITY ON BID RENTS AND THE QUANTITY OF RENTAL HOUSING.

Fig. 2

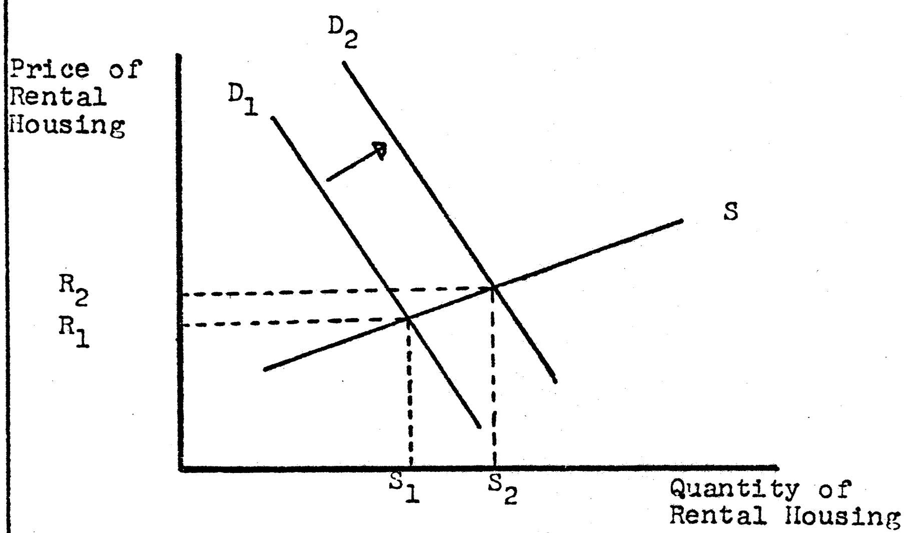
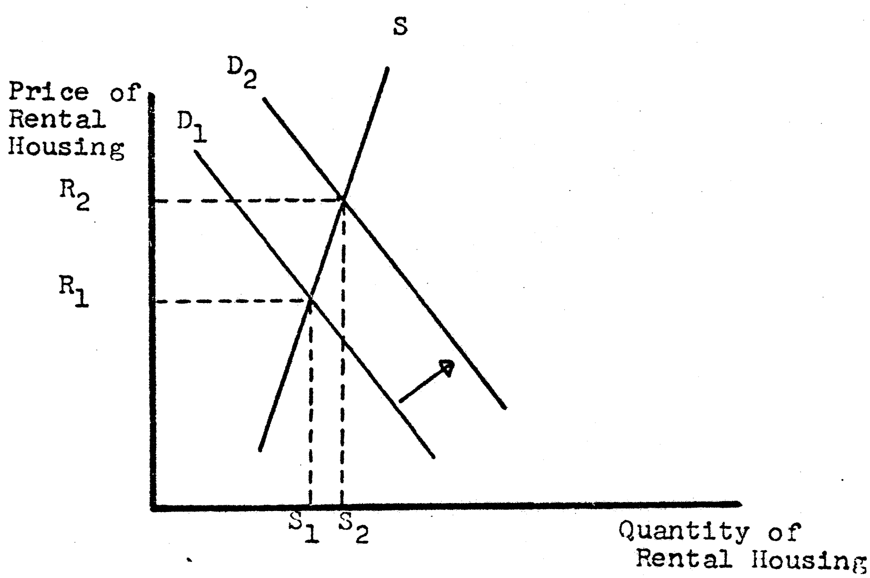


Fig. 1



by the fact that congress has been somewhat capricious in its handling of housing programs. Investors may take a "wait and see" attitude.

There are other considerations in the supply characteristics as well. The amount of substandard housing available, the financial climate of the region and country as a whole, and the cost of construction are all important components of the eventual result of such a program.

It is not surprising given the complexity of the problem, its far reaching impact, and the multiplicity of present programs that the housing allowance concept is under critical examination. The U. S. Department of Housing and Urban Development has instituted at Congress' direction a comprehensive experiment called "The Housing Allowance Program" to assess the concept. Some of the results of this effort will be examined in section II.

Conclusions

This section has explored the theories behind existing and contemplated housing programs, and looked at some of the problems within these programs as well as those in the housing market. The demand-side subsidy in the form of a housing allowance has some distinct advantages over current programs. Briefly these include:

1) a more equitable program which reaches the lowest income groups;
2) an expenditure per unit of housing delivered to a qualified recipient that is much lower than supply side subsidiaries;
3) a greater level of satisfaction to recipients because of greater freedom of choice, improved mobility, and reduction of the public housing stigma;
4) a marked improvement in the quality of rental housing by providing incentives to maintain housing at the lower end of the spectrum at a standard level and to bring substandard housing up to this standard level.

Overall, this type of subsidy offers the opportunity to deal with market imperfections in an economically justifiable manner and hopefully with more success than current and past programs. In particular, it is expected to foster improved integration of low income groups into middle-class housing. While it can hardly be expected to end discrimination, it does make this group more desirable as tenants, and gives them the opportunity to relocate. Problems of site assembly and externalities are also approached with a different perspective. Instead of assembling large sites and bulldozing existing buildings, this method would encourage existing owners to utilize the present structures by bringing them up to an acceptable level. Similarly, externalities are only allowed to operate above this level since expected return would fall to zero if they were to fall below this standard.

The proposed allowance system has several areas of weakness. First of all its impact on the housing market is not clearly predictable. It is not certain that production of new units will be accomplished particularly in the short term, and rehabilitation or upgrading of existing units is dependent upon the present state of the housing stock both quantitatively and qualitatively. Secondly, since it is expected that demand side allowances would be "piggy-backed" onto present programs, the current problem of disincentives is not dealt with and may in fact be intensified. Finally, while per unit cost is relatively low, its greater eligibility makes the total transfer cost quite substantial and the administrative costs must be added to the transfer costs. Taken together this means that the cost of this program will be high.

II EXPERIMENTAL HOUSING ALLOWANCE PROGRAMS

Introduction

The previous section attempted to outline the current state of theory related to housing subsidies at the general level. This section will examine some of the experimental demand side subsidies that have been implemented by the Department of Housing and Urban Development in an effort to begin to bring the application of this theory down to the individual city or site level.

The Experimental Housing Allowance Program (EHAP) consists of three related elements each addressing a set of research and policy issues:

1. The demand (consumer) experiment to analyze the use of housing allowances by approximately 1,250 families in each of two metropolitan areas of more than 500,000 population.

2. The supply (market) experiment to analyze the housing market effects of offering housing allowances to some six to nine thousand families in each of two metropolitan areas of less than 250,000 population.

3. The Administrative Agency (management) Experiment to evaluate the different ways of administering an allowance program. In this phase of the experiment eight different public agencies serve up to 900 families each.

All three phases of the experiment are examined here, with the last phase utilized in Section IV of this report which deals with implementation of a housing allowance in Madison, Wisconsin.

The first two phases of the experiment have only recently been instituted and are to be of five and ten year durations respectively. Therefore, conclusions as to the results of these experiments are not possible. This discussion is intended to inform the reader as to the experiments' areas of concern and the methodology employed.

The Supply (Market) Experiment

This phase of the EHAP investigation is of particular interest to the Madison study because of the similarity of the region investigated (Green Bay, Wisconsin) and the questions addressed. Unfortunately, since it was instituted in June of 1974 and will last until 1984, results are scanty. A second site, South Bend, Indiana, which did not begin enrollment until December of 1974 and is less applicable to the Madison SMSA, will not be examined in any detail.

This phase of the experiment is being carried out by the Rand Corporation of Santa Monica, California. Their assignment is to provide reliable and credible answers to four clusters of questions about the effects of a national housing allowance program:

1. Supply responsiveness. How will the suppliers of housing services--landlords, developers, and homeowners--react when allowance recipients attempt to increase their housing consumption? Specifically, what mix of price increases and housing improvements will result? How long will these responses take to work themselves out to a steady state? How will the responses differ by market sector?

2. Behavior of market intermediaries and indirect suppliers. How will mortgage lenders, insurance companies, and real estate brokers respond to an allowance program? Will their policies help or hinder the attempts of allowance recipients to obtain better housing and those of landlords to improve their properties? What happens to the availability, price, and quality of building services and of repair and remodeling services? What seem to be the reasons for changes in institutional or industrial policies?

3. Residential mobility and neighborhood change. In their attempts to find better housing (or better neighborhoods), will many allowance recipients relocate within the metropolitan area? What factors influence their decisions to move or to stay? What types of neighborhoods will the movers seek and succeed in entering? Do moves by allowance recipients set in motion a chain of moves by nonrecipients--either into neighborhoods vacated by recipients or out of neighborhoods into which recipients have moved?

4. Effects on nonparticipants. How will households not receiving housing allowances--particularly those whose incomes are within or just above the range of eligibility--be affected by the program? Specifically, will the increased housing demands of allowance recipients cause an increase in housing prices for nonrecipients? Whether or not such price increases occur, will nonrecipients perceive personal hardships or benefits from the program? How will they perceive and react to allowance-stimulated neighborhood changes?

Even given the uncertain theoretical answers to these questions and the complexity of real world interdependencies, these questions are of primary importance in any decision regarding implementation of such an allowance. It is certain that each region would react differently to the program depending on the unique characteristics of its housing market and the nature of the subsidy offered.

The Green Bay subsidy is offered to renters and homeowners who qualify under eligibility limits which include both income and assets. The assistance amount takes into account the number of persons per family, income, and a standard cost of adequate housing (calculated for the Green Bay area). Similar techniques were used in the projection for Madison and will be described in more detail in that section.

It is recommended that this program be monitored closely for additional results prior to active implementation of a housing allowance in Madison.

The Demand (Consumer) Experiment

The purpose of this phase is to examine the reactions of participants to different terms or forms of a housing allowance. These alternatives include different allowances (cash grants versus rent certificates), different methods of calculating the allowance (percentage of actual rent versus a percentage of income), and different definitions of standard housing (rent or value level vs. quality level).

The demand experiment is being run in two metropolitan areas: Pittsburgh, Pennsylvania, and Phoenix, Arizona. These two SMSAs have been selected to provide a contrast in urban housing conditions. The participants were selected by random sampling which reflects not only population characteristics (income, age, race, and family size), but also the location of initial residence. In addition, the sample contains appropriate control groups that do not receive a housing allowance.

This phase of the experiment is expected to be concluded and a report issued by the end of 1976. Considering the relevance of these alternatives it is expected that these results should also be significant to a Madison application of a housing allowance.

Administrative Agency Costs of a Housing Allowance Program

The costs of administering a housing allowance program will be estimated using data and criteria generated by the Department of Housing and Urban Development (HUD) Administrative Agency Experiment (AAE). This experiment is one of three being conducted by HUD to test the viability of a housing allowance program. The AAE is designed to examine the administrative procedures that local agencies may use in operating a housing allowance program. In the AAE, HUD contracted with eight public agencies to operate limited-scale housing allowance programs over a three-year period. The AAE research analysts used data about the participants and the agencies to compare the costs and effects of alternative administrative policies.

After analyzing the performance of the eight public agencies over a two year period the following major findings were reported (detailed explanation of the AAE results is available in Appendix B):

1. The median cost of bringing a family into the program (intake) was $253, including indirect costs. Once a family was in the program, the median costs of providing payments and other services for one year (maintenance) was $205.

2. Based on aggregate AAE experience, the average yearly cost of providing a family with decent, safe, and sanitary housing was $1,225. This includes average

annual allowance payments of $969, the median annual costs of $205 to maintain the family in the program, and one-fifth of the median intake cost, or $51. This aggregate data suggests an annual amortized administrative cost of $256 per family.

3. Direct costs for intake and maintenance varied substantially across sites, partially as a result of the administrative procedures chosen. This variation suggests a major opportunity for policy impact on costs. An estimate of administrative costs that combined the lowest observed costs from various agencies is 50 percent lower than an estimate based on the median experience.

4. Indirect costs--including items such as management, record-keeping, and office space--amounted to 163 percent of direct costs (median rate for two years). The rate varied widely among agencies and over different time periods.

5. Scale of operations, particularly as measured by the number of agency staff, seems to have substantially influenced indirect costs; where staffs were smaller, the indirect cost rate was higher.

6. Several administrative functions were found to offer particularly good opportunities for reducing costs by using alternative policies. Three were intake functions: publicizing the program (outreach), providing services to enrollees, and inspection of enrollees' units. Together, these three functions accounted for 62 percent of direct intake costs.

7. One maintenance function was especially important: providing continuing services to allowance recipients. This function alone accounted for 46 percent of the direct costs for maintaining families in the program.

8. About one-third of intake costs in the AAE went to deal with families who never became allowance recipients. To the extent that the number of prerecipient dropouts can be influenced by policy or management actions, attrition control is another opportunity for influencing total administrative costs.

9. Program phase is an important determinant of administrative costs. Using an estimation procedure that simulated the first year of the AAE (a buildup period in which most activity was devoted to bringing in new

families and most families had only a fraction of a year of payments) the resulting administrative cost estimate per recipient year of payment was \$852. Adjusting the procedure to simulate a steady state, in which new recipients are admitted only to replace those who drop out, the estimate was \$276. Thus, agency costs in a buildup period can be expected to be much greater than those in an ongoing operation.

Two different procedures (as mentioned in points 2 and 9 above) used AAE experience to estimate an average administrative cost of serving a family for one year in a housing allowance program. The two estimates were \$256 and \$276 per year, assuming that the average family stays in the program for five years and intake costs are amortized over that period. For the purpose of this analysis, the average figure of \$266 is assumed to be an appropriate planning estimate consistent with the AAE experience.

Based on an average annual allowance payment of \$969, administrative costs constitute an average of 21.5% of overall program costs.

These average figures will be utilized in subsequent sections to obtain a measure of the costs of administration for a similar program in Madison.

III. CITY OF MADISON POPULATION DATA AND TRENDS

Introduction

In this section we begin to narrow the focus of the study to the special characteristics of the Madison housing market. Throughout the analysis substantial use is made of 1970 and 1975 Bureau of the Census reports for the City of Madison. Dane County tracts are utilized only to the extent that they are adjacent to the city tracts. Consequently estimates of housing allowance costs apply only to the Madison area. The census tracts included in the analysis which follows are presented in Appendix Table C-8b.

The 1970 Madison Population Base

Total population figures by tract for 1970 are presented in Appendix Table C-1. For our purposes we are concerned with a specific subset of the population, namely, households defined as husband-wife family, other family, and those individuals over 65 years of age. Appendix Tables C-2 and C-3 display the 1970 population base in these categories by income range. This base can be further refined by tenure classification and income as displayed in Appendix Tables C-4 and C-5. Other tables of interest display Gross Rent as a Percent of Income (c-6) and Household Size and Income (C-7a and b). With this base we begin a description of population trends and the determination of the specific groups to which a demand allowance would be directed.

Madison Population Trends

It is generally well known that the City of Madison's population has declined in the period 1970-75 after enjoying a decade or more of growth. There is, however, substantial variation in this decline by tract, by age group and by area within the city. Choosing only those tracts for which data is available for most of the period 1960-1975 (see Appendix Table C-3), it is possible to observe marked differences in patterns of change in this period. Figure 3-1 displays trend variables in four categories:

1) Total population
2) Less than 18 years of age
3) 18-24 years of age
4) 65 years of age and over

Figure 3-1

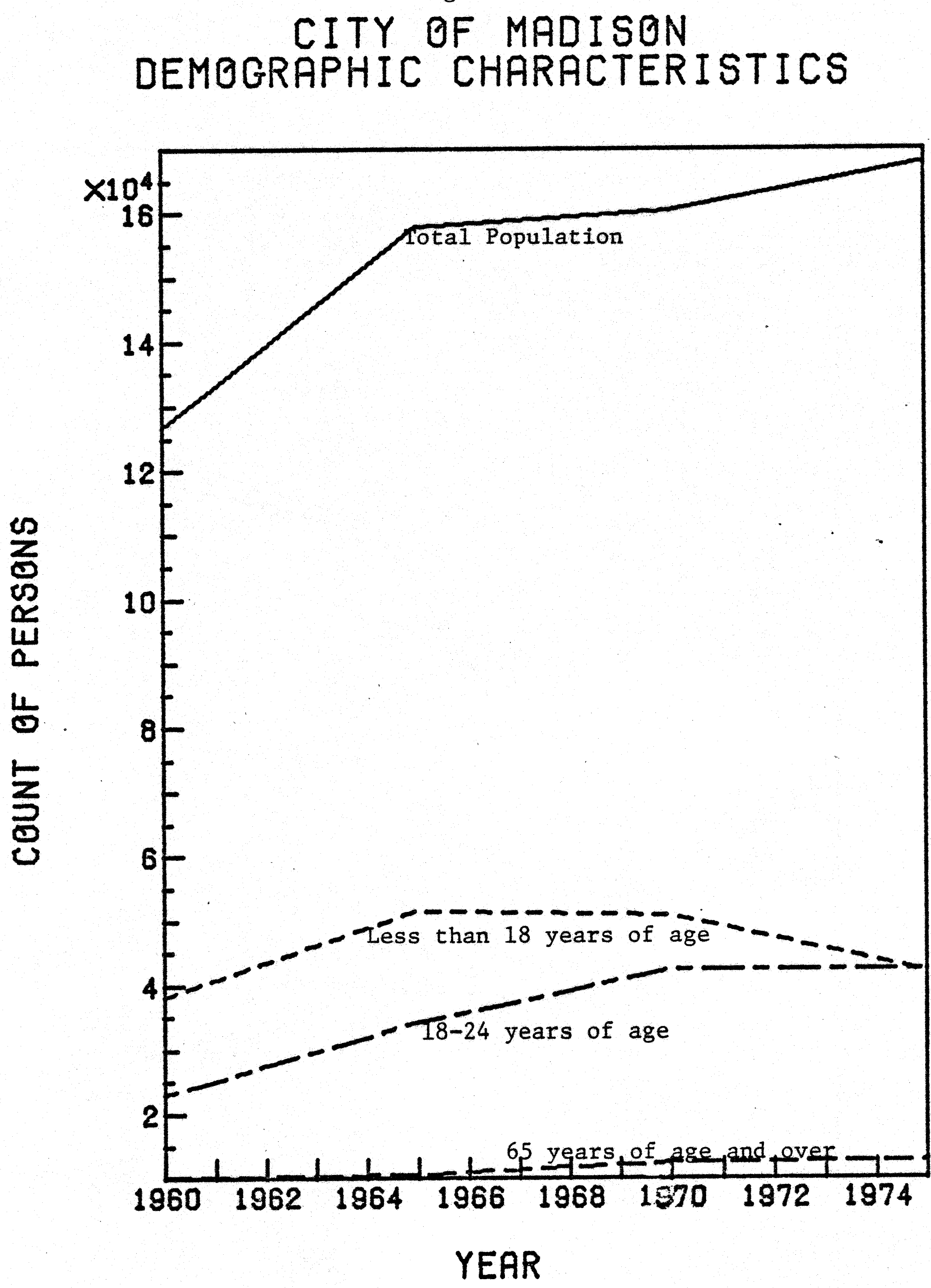

CITY OF MADISON
DEMOGRAPHIC CHARACTERISTICS
×10⁴
16
14
12
10
8
6
4
2
COUNT OF PERSONS
Total Population
Less than 18 years of age
18-24 years of age
65 years of age and over
1960
1962
1964
1966
1968
1970
1972
1974
YEAR

Figure 3-2

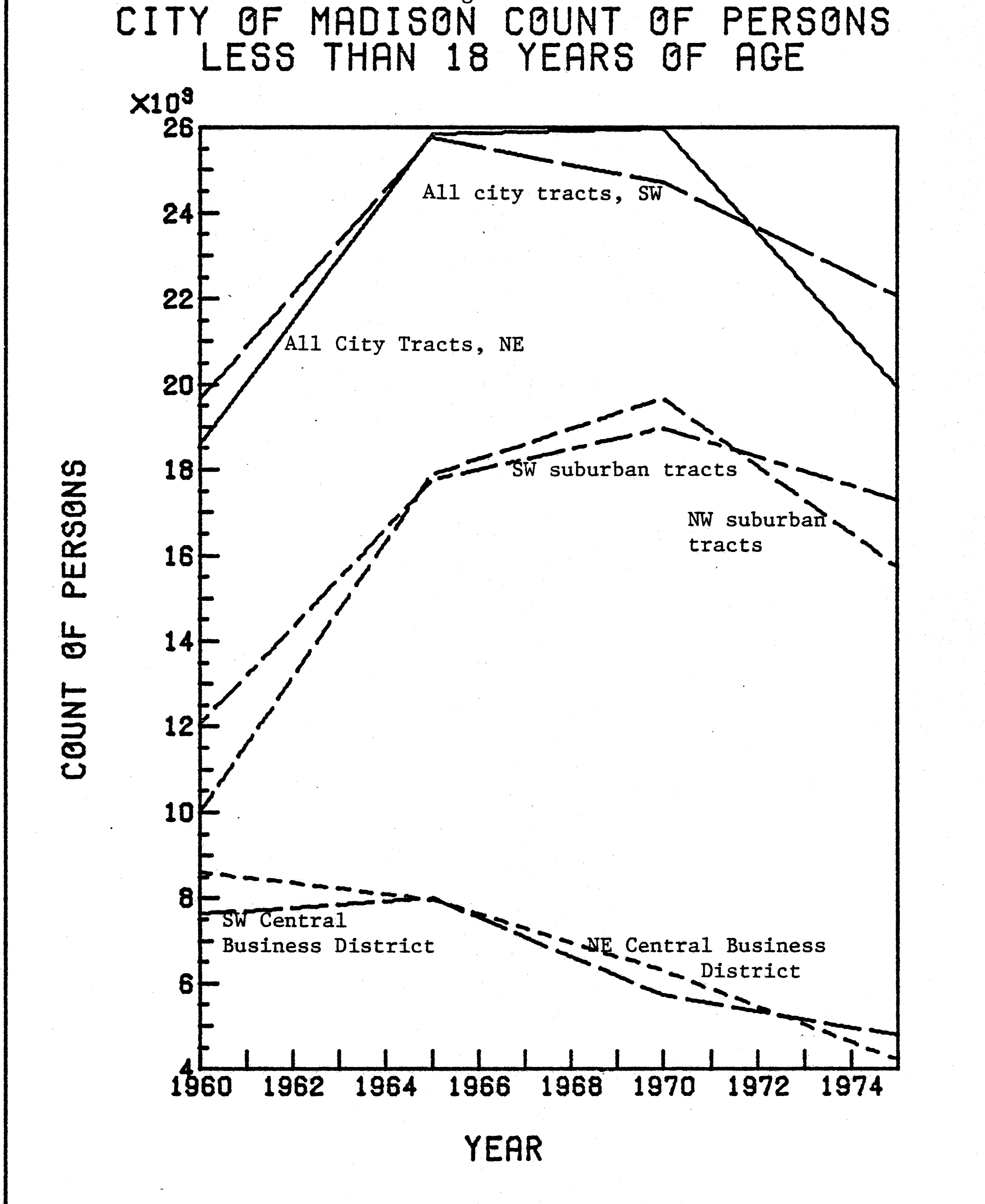
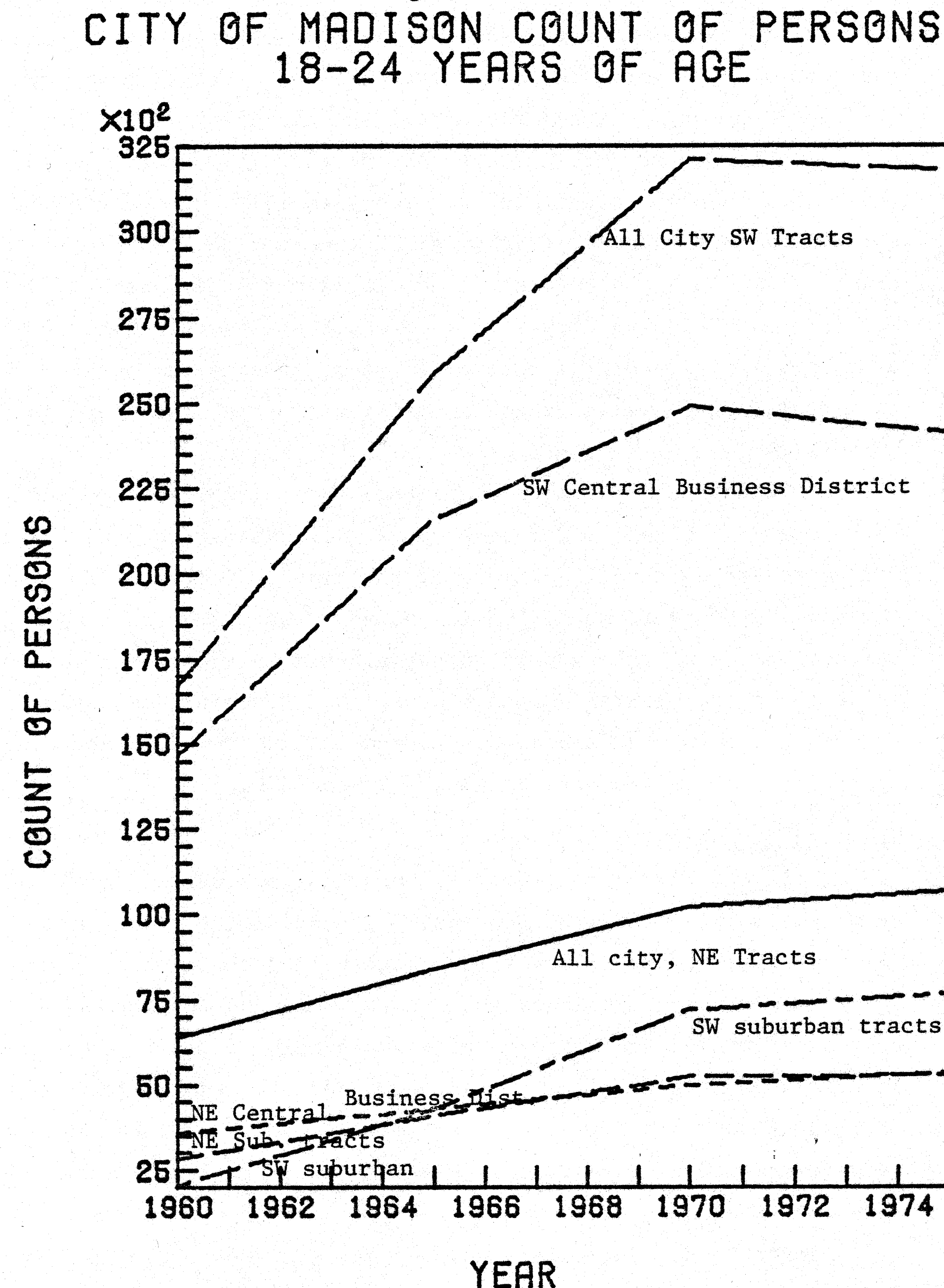

CITY OF MADISON COUNT OF PERSONS
LESS THAN 18 YEARS OF AGE
×10³
26
24
22
20
18
16
14
12
10
8
6
4
COUNT OF PERSONS
1960
1962
1964
1966
1968
1970
1972
1974
YEAR
All city tracts, SW
All City Tracts, NE
SW suburban tracts
NW suburban tracts
SW Central Business District
NE Central Business District

Figure 3-3


CITY OF MADISON COUNT OF PERSONS
18-24 YEARS OF AGE
×10²
325
300
275
250
225
200
175
150
125
100
75
50
25
COUNT OF PERSONS
1960
1962
1964
1966
1968
1970
1972
1974
YEAR
All City SW Tracts
SW Central Business District
All city, NE Tracts
SW suburban tracts
NE Central Business Dist
NE Sub. tracts
SW suburban

Other than the increase in total population (caused by tract selection procedures) the only categories exhibiting some population growth in 1970-75 are the 18-24 group (2.1%), the over 65 group (4.4%) and two categories not shown: the 14-17 group (3.6%) and the 25-44 group (8.0%).

The substantial decline in the less than 18 category is illustrated spatially in Figure 3-2. All sectors of the city share to some degree the overall decline attributed primarily to shifting age cohorts over time.

The age category in which most UW students fall is displayed in Figure 3-3. In four sectors of the city a modest increase is apparent. Only in the southwest city (CBD and suburb) is a small decline obvious--as much a function of the loss of low cost housing through demolition as it is the increasing rents characteristic of this area close to the university.

The changing population characteristics of the final group is depicted in Figure 3-4. There is probably no significant difference between the Northeast and Southwest portions of the city in that both exhibit roughly the same trend over the period indicated. What is notable is the increasing attractiveness of the suburbs to the elderly at the expense of residential location in the Central Business District. Certainly a housing allowance system that gives additional housing purchasing power to the elderly can be expected to hasten their exodus from the CBD.

Updating the 1970 Census Base

It should be apparent from the previous discussion and the above graphical display that the population groups of importance are the volatile 18-30 student group, the over 65 category, and the broad 30-64 group.

At this point a primary goal is to limit the population under study to those families and primary individuals most likely to be participants under a housing allowance program. Appendix Tables C-2 and C-4 are modified to yield income and age categories for all families and that portion of the primary individual estimated to be over 65 years of age. The results are displayed in Table 3-5.

Recent Census Bureau analysis of the Madison population (Appendix Table C-9) serves as the basis for updating the 1970 population estimate resulting in a 1975 population estimate by income and age (Table 3-6).

Figure 3-4

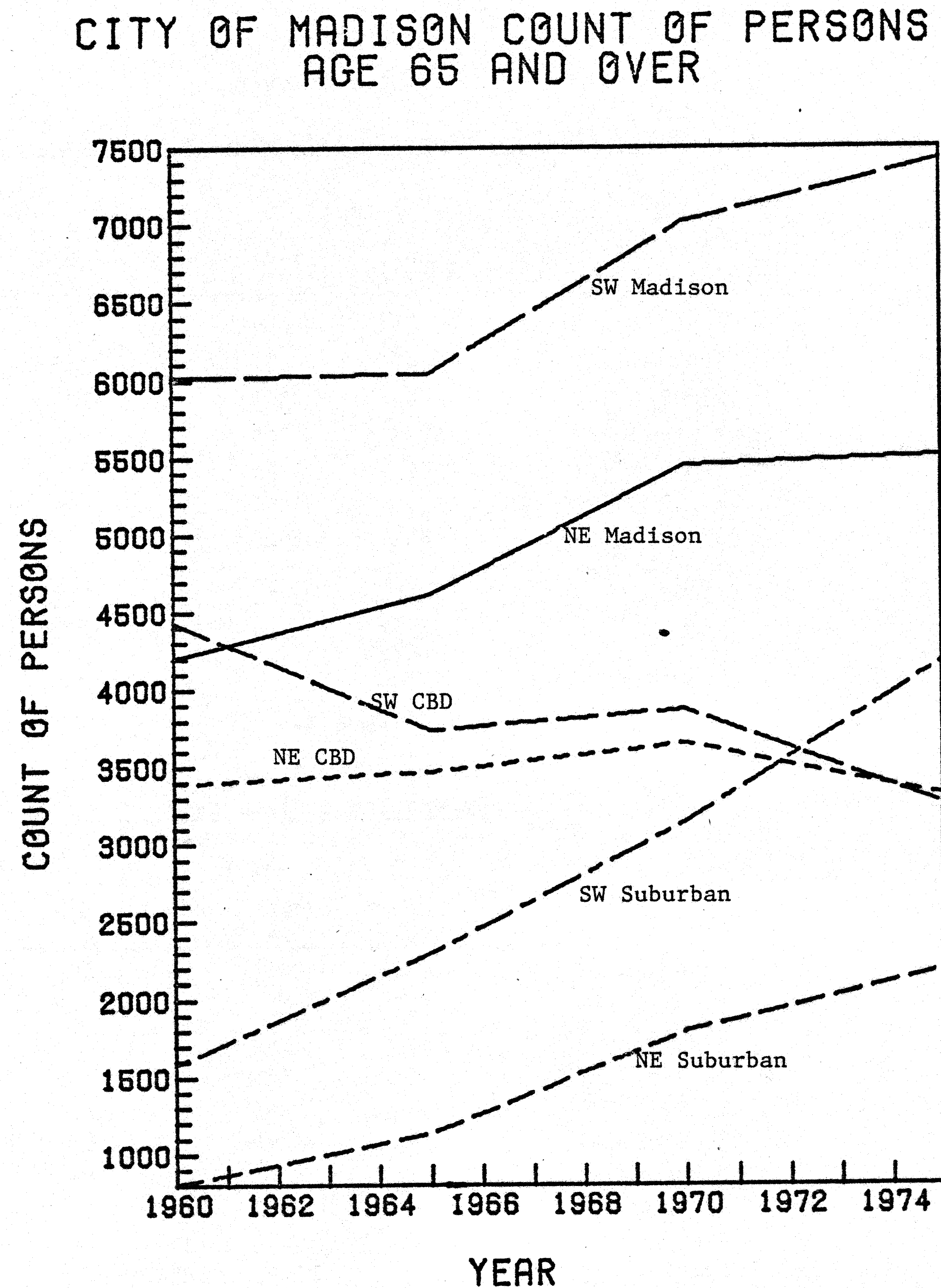

CITY OF MADISON COUNT OF PERSONS AGE 65 AND OVER
7500
7000
6500
6000
5500
5000
4500
4000
3500
3000
2500
2000
1500
1000
COUNT OF PERSONS
SW Madison
NE Madison
SW CBD
NE CBD
SW Suburban
NE Suburban
1960
1962
1964
1966
1968
1970
1972
1974
YEAR

TABLE 3-5

City of Madison

1970 All Family and Individuals over 65 Years of Age

Income Levels	Under 30 Yrs	30-44 Yrs	45-64 Yrs	65+ Yrs	Total
	Age Groupings				
Less than $ 2000	512	297	207	474	1490
$2000-$2999	497	112	148	464	1221
$3000-$4999	1486	362	267	1279	3394
$5000-$6999	1842	723	682	864	4111
$7000-$9999	3567	2225	1680	843	8315
$10000-$14999	3512	5957	4151	698	14318
$15000-$24999	882	3629	4702	528	9741
Greater than $25000	92	1071	1956	179	3298
Total	12390	14376	13793	5329	45888

TABLE 3-6

City of Madison

1975 All Family and Individuals over 65 Years of Age*

Income Levels	Under 30 Yrs	30-40 Yrs	45-64 Yrs	65+ Yrs	Total
	Age Groupings				
Less than $2000	538	312	204	495	1549
$2000-$ 2999	522	118	146	484	1270
$3000-$ 4999	1560	380	263	1335	3538
$5000-$ 6999	1934	759	671	902	4266
$7000-$ 9999	3745	2336	1653	880	8614
$10000-$14999	3689	6254	4085	729	14757
$15000-$24999	926	3810	4627	551	9914
Greater than $25000	97	1124	1923	187	3331
Total	13011	15093	13572	5563	47239

*Urban Research Associates Estimate

With this updated base we are in a position to estimate the expected level of expenditure necessary to support a housing allowance program in Madison.

IV. A HOUSING ALLOWANCE PROGRAM IN MADISON: EXPENDITURE AND ADMINISTRATIVE COSTS

Introduction

In the pages that follow we develop and apply the criteria for a housing allowance program to the Madison area. Two levels of estimates are shown:

1) A general estimate based on mean income and rent levels updated to 1975 and disaggregated to the individual census tract.
2) An estimate based on the inclusion or exclusion of various demographic groups with two qualifying income levels.

The Estimation Method

Throughout this section the general method of the Rand-conducted HUD Experimental Housing Allowance Program is used as the basis for estimation. HUD accepted many of the important features of the Rand proposal including:

1) The use of income, family size, and the local cost of standard housing as primary factors determining assistance need;
2) assistance to both renters and homeowners who qualify;
3) direct payments to participants rather than landlords or mortgage holders;
4) a housing quality standard for allowance recipients; and
5) minimization of direct relationships between agency and landlords whose tenants participate.

Two of these features relate directly to a continuing institutional rule that allowance recipients shall exercise control over the disbursal of funds even when earmarked for specific needs such as housing. This orientation and the role of the Committee will be discussed in a later section in more detail.

A. Income Limits for Eligibility

The basic principle of eligibility is that assistance should be available in all households whose income from other souces does not enable them to afford the market price of housing that meets a specified standard of adequacy. Rand follows the requirements of Sec. 23 of the U.S. Housing Act of 1937 utilizing a formula where a household may continue to participate as long as its income is less than four times a standard annual cost of housing including utilities. We adopt this criteria in the analysis that follows.*

Adjusted income is computed as total household income minus a series of percentages and absolute deductions based on age, extraordinary medical expenses, unusual occupational expenses, child care costs, dependents, alimony, and asset value. These deductions are not made in the current study. Instead the mean income per tract is utilized as the measure of adjusted income. These mean income levels for 1970 and 1975 are displayed in Table 4-1. Similar mean income levels are utilized for each census tract.

TABLE 4-1

1970 and 1975 Mean Income and Median Rent Levels

	Mean Income		Median Rent	
	1970	1975*	1970	1975**
Dane County	$12742	16772	$137	$180
Madison	12779	15814	135	178
Balance of Dane County	12692	18259	141	185

*Updated from 1970 using the ratio of effective buying income (EBI) to mean family income. EBI is derived from the Survey of Current Buying Power.

**Updated from 1970 using the consumer price index for housing in Milwaukee.

B. The Standard Cost of Adequate Housing

In the Rand Study initial values for the standard cost of housing were based on housing market data gathered locally. Table 4-2 displays the results of a market survey of nearly 10,000 housing units in Green Bay, Wisconsin. Since a comparable survey does not exist for Madison, the median rent per tract is used as the base for estimating purposes. Updating to

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*The formula takes the following form:

$$Y_a = 4R^* - 480 \text{ where}$$

Y_a^* = maximum annual adjusted income for an eligible household

R^* = standard annual cost of housing meeting specified standards.

1975 median rent levels was accomplished by computing the change in the Milwaukee Consumer Price Index for housing over the 1970-75 time period. These values are also presented in Table 4-1.

TABLE 4-2

Housing Cost Standards in the Experimental Housing Allowance Program; Green Bay

Number of Persons	Number of Bedrooms	Standard Cost of Adequate Housing	
		Monthly	Annually
1	0	$100	$1200
2	1	125	1500
3	2	155	1860
4	2	155	1860
5	3	170	2040
6	3	170	2040
7	4	190	2280
8	4	190	2280

C. Amount of Assistance

One of the characteristics of housing allowance programs is that they are designed to fit into the existing structure of public assistance programs which include social security, unemployment compensation and welfare without providing windfalls to their beneficiaries. The Rand formula provides for housing assistance equal to the difference between the standard cost of adequate housing and a specified percentage of the adjusted income of the assisted household. The term "housing gap" is used to describe this family of allowance formulas.* A household with no income would be entitled to the full allowance equal to the standard cost of housing.

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*The general form of these formulas is

$$A = R^* - B\,Y_a \text{ where}$$

A = amount of allowance entitlement;

R^* = standard cost of adequate housing;

Y_a = adjusted income.

In this analysis the formula used throughout $A = R^* - .25\,Y_a$ implying that the allowance entitlement decreased at the rate of 25 cents per dollar of additional income.

Typically a household has some level of income or public assistance support and these sources of income reduce the amount of housing allowance support. In general the "gap" between the standard cost of housing and 25% of the participants' adjusted income equals the amount of housing allowance support.

D. Participation Rates

The final requirement before a rough estimate of the expenditure level for a housing allowance program in Madison can be made is the degree of participation by eligible households. Using estimates derived by HUD and reported in the Rand studies we arrive at Table 4-3 which specifies the participation rates used for the Madison estimate.

TABLE 4-3

Participation Rates Used in Estimating
Program Size and Cost

Annual Total Income Before Assistance	Participants as a % of Eligible Renter Households	
	1 Person	2 + Persons
Under $4000	80	95
$4000-4999	60	75
$5000-5999	40	55
$6000-6999	30	45
$7000-9999	20	35

The Madison Housing Allowance Expenditure Pattern

Tables 4-4 and 4-5 and Appendix Tables D-1 through D-4 contain estimates of participation and allowance payments for aggregate areas and selected census tracts by income group for the study area. Figures are shown where appropriate for both 1970 and 1975. Both sets of estimates have been derived from 1970 census data via Urban Research Associates methodology which is fully described in Appendix D.

The housing allowance program format which is used to derive the estimates relies on a 25% median gross rent to income ratio. Alternative estimates are provided for an allowance program which includes only renter households. Single individuals under 65 are excluded from the allowance

TABLE 4-4

1970 Estimates of Total Allowance Payments by Income Group: Renter-Households[1]

Monthly and Annually[2] - In Thousands

Area	Less than $1000	$1000-$1999	$2000-$2999	$3000-3999	$4000-$4999	$5000-5999	Total Cost
Dane County Total	$54.3 ($652)	$48.0 ($576)	$61.2 ($735)	$61.3 ($736)	$32.9 ($395)	$15.4 ($185)	$273.2 ($3278)
City of Madison	$34.1 ($409)	$26.9 ($323)	$40.1 ($481)	$41.6 ($499)	$21.9 ($262)	$ 9.6 ($115)	$174.1 ($2090)
Balance of Dane County	$18.5 ($222)	$18.5 ($222)	$19.8 ($238)	$19.0 ($228)	$10.5 ($126)	$ 5.5 ($66)	$ 91.8 ($1102)

TABLE 4-5

1975 Estimates of Total Allowance Payments by Income Group: Renter-Households[1]

Monthly and Annually[2] - In Thousands

Area	Less than $1000	$1000-$1999	$2000-2999	$3000-3999	$4000-4999	$5000-5999	Total Cost
Dane County Total	$72,9 ($868)	$63.9 ($767)	$83.5 ($1002)	$86.2 ($1035)	$49.0 ($588)	$26.7 ($320)	$381.5 ($4579)
City of Madison	$45.4 ($544)	$36.0 ($432)	$54.6 ($655)	$58.3 ($700)	$33.1 ($397)	$17.3 ($208)	$244.6 ($2935)
Balance of Dane County	$24.6 ($295)	$24.7 ($296)	$27.0 ($324)	$26.5 ($318)	$15.5 ($186)	$ 9.3 ($111)	$127.5 ($1530)

[1] See Table 4-3 for participation rates.

[2] Annual figures are in parentheses.

program and unadjusted family income before taxes is used as the basis for eligibility. Moreover, since families with incomes greater than $6000 would generally receive less than $10 per month in subsidy, this figure has been utilized as the program cut-off point.

The Effect of Current Housing Support Programs

The total housing allowance program cost presented in Table 4-5 can now be compared with existing housing support expenditures by a variety of social service agencies. The primary agencies to be discussed are:

1. Dane County Social Services (DCSS)
2. Madison Department of Public Welfare (MDPW)
3. The federal Supplementary Security Income Program (SSI)

Each of the above agencies and their programs are discussed in general in Section VI and in detail in Appendix F.

For the purposes of comparison, estimates of the level of housing support services are presented in Table 4-6 with supporting detail for each agency in Appendix G. Examination of Table 4-6 immediately reveals the close correspondence between estimated housing allowance program expenditures and existing program expenditures by the social service agencies of Dane County. Such an occurrence should not be viewed as unusual because a housing allowance program is designed to reach exactly the same pool of low income residents as existing welfare programs. It is not surprising to find close parallels between the criteria for rent subsidies followed by existing agencies and that utilized by the proposed demand-side allowance program.

What is surprising, in evaluating Table 4-6, is the extent to which aggregate estimates of this type are capable of hiding errors both potential and real. The following is a partial and incomplete listing of these errors:

1) Although actual and proposed expenditures are close, a DSHAP system will reach a greater number of participants than existing housing support programs. From our analysis, the 1974 DCSS expenditure in Madison went to approximately 1089 recipients, while the participation rate for the proposed DSHAP will serve 4716 individuals and family groups (Table 5-8).

TABLE 4-6

1975 Comparisons of Total Allowance Payments and Existing Program Expenditures by Income Group

Renter-Households, Annual Values in Thousands of Dollars

	Income Ranges		
	Less than $3,999	$4,000-$5,999	Total Cost, Incomes Less than $6,000
I. Dane County Total			
Total Housing Allowance Estimate	$3,672	$908	$4,580
Dane Co. Social Service Existing Programs	1,901	897	2,798
Madison Dept. of Public Welfare	427	0	427
Supplementary Security Income (SSI)	853	0	853
Total Existing Program Expenditures	$3,181	$897	$4,078
Grand Total Housing Program Cost	$6,853	$1,805	$8,658
II. City of Madison			
Total Housing Allowance Estimate	$2,331	$605	$2,936
Dane Co. Social Service Existing Programs	1,186	560	1,746
Madison Dept. of Public Welfare	427	0	427
Supplementary Security Income (SSI)	412	0	412
Total Existing Program Expenditures	$2,025	$ 560	$2,585
Grand Total Housing Program Cost	$4,356	$1,165	$5,521
III. Balance of Dane County			
Total Housing Allowance Estimate	$1,233	$297	$1,530
Dane Co. Social Service Existing Programs	714	337	1,051
Supplementary Security Income (SSI)	440	0	440
Total Existing Program Expenditures	$1,154	$337	$1,491
Grand Total Housing Program Cost	$2,387	$634	$3,021

2) The method of estimation for existing expenditures is critically hampered by a lack of statistically reliable data from the social service agencies. Income estimates, age groups served, case load size, average grant, all are suspect. A new computer system promises improvement by obtaining socio-economic data directly from application forms.
3) The proposed DSHAP is housing-oriented only, providing a rent allowance not on the basis of overall stated need, but on the differential between income and rent as a percent of income. Currently the social agencies have little idea of the amount of overall income directed to rent and must rely on outdated surveys to obtain even the most elementary recipient information. The social service agency's concern is much broader than that of a DSHAP. It is likely that existing expenditure estimates in Table 4-6 are too high because of an inability to obtain accurate rent/income proportions.
4) It should be recognized that a DSHAP program is designed to augment the existing rent-paying capability of those within specific income categories. It provides only a part of the total rent. In contrast, social service agencies in Madison serve those with very low incomes and most if not all of the support income received will be allocated to rent.
5) Finally, the level of participation under existing programs is 100 percent. Stated differently, almost all those with low incomes, or other poverty characteristics, are participating in the current housing subsidy programs. In contrast, a DSHAP is open to low income groups on the basis of annual income levels and is designed to supplement existing programs. The participation rate is expected to be much lower because of this supplementary feature.

In view of the program and data assumptions listed above and in the preceding sections, the grand total housing program costs displayed in Table 4-6 are additive in structure composed of existing housing support expenditures and estimated housing allowance expenditures.

Efforts to view the existing expenditures as somehow subtractive from the proposed DSHAP cost should be discouraged. DSHAP costs are based on census data that include welfare or housing subsidy income. Therefore, DSHAP estimates are based on the existing level of social service expenditures and are additive to that level of housing support, not subtractive.

V. ALTERNATIVE HOUSING ALLOWANCE ESTIMATION THE IMPACT OF DIFFERING AGE AND INCOME GROUPS

Introduction

The previous section provided a first approximation of the total program costs of a housing allowance program in the Madison area. In this section we attempt to disaggregate the population into its component age groups to determine the relative impact on total program costs of including or excluding differing income or age categories.

Concern has been expressed that participation by certain age groups will be far in excess of their relative share of the population, thus depriving other more needy groups of funding under a partially funded housing allowance program. The purpose of this section is to more specifically define participation by these groups which are here defined to be:

1) That portion of the 18-24 age group comprised of college students, without full-time employment, married (or in other ways forming a predominantly student household) and living in a rented private apartment.
2) That portion of the over 65 age group consisting of married households or single individuals who do not reside in public housing where the level of subsidization would not allow participation in a housing allowance program.

The 18-24 Age Group

The starting point for the analysis is Table 3-6 which displays income and age groups updated to 1975. The under-30 component is estimated to comprise 13,011 family groups. The task here is to delineate the student married apartment renter portion of this total.

Fortunately, a recently completed campus student population survey gives us a starting point. Table 5-1 displays the result of a sample of 790 students conducted by the UW Survey Research Center. Student apartment renters comprise more than 50% of the sample and are highlighted in subsequent tables. Median rent for married student apartment renters was calculated from Table 5-2. Using mid-point values for the rent ranges results in a median rent value of $171 for the married student apartment renter category.

TABLE 5-1

Type of Student Housing, 1976

		Number	Percentage
1.	University dorm or apartment	185	23.4%
2.	Cooperative unit	28	3.5
3.	Private apartment	408	51.6
4.	Single room	26	3.4
5.	Fraternity or sorority	30	3.8
6.	Private home	111	14.1
7.	Other	2	.2
		790	100.0

TABLE 5-2

UW Student Survey Results, 1976

Percentage Responses by Monthly Rent and Occupant Group

	All Students	Apartment Total	Renters Married	Room Renters
Less than $50	3.6%	0.7%	1.3%	20.8%
$ 50 - $ 99	46.0	43.0	3.8	70.9
$100 - $149	26.3	27.8	23.1	8.4
$150 - $199	15.1	21.6	50.0	0.0
$200 - $249	4.3	5.4	17.9	0.0
$250 - $299	2.1	1.2	2.6	0.0
$300 and over	2.5	.2	1.3	0.0
Control totals*	99.9	99.9	100.0	100.1

*Totals vary from 100 due to computer rounding procedures.

TABLE 5-3

Student Housing Survey, 1976

Percentage Responses by Income Levels and Occupant Group

Income	All Students	Apartment Renters Total	Married	Room Renters
Less than $1000	7.1%	3.6%	1.3%	9.1%
$ 1,000- 1,999	11.1	7.5	0.0	13.6
$ 2,000- 2,999	21.1	20.2	1.3	18.2
$ 3,000- 3,999	19.1	21.3	8.0	27.3
$ 4,000- 4,999	10.3	11.3	5.3	13.6
$ 5,000- 5,999	6.6	8.8	4.0	4.5
$ 6,000- 6,999	4.5	6.6	9.3	0.0
$ 7,000- 7,999	4.8	5.5	14.7	9.1
$ 8,000- 8,999	3.1	3.9	14.7	0.0
$ 9,000- 9,999	1.9	2.2	8.0	4.5
$10,000- 14,999	6.1	6.1	21.3	0.0
$15,000- 19,999	1.9	1.7	8.0	0.0
More than $20,000	2.0	1.5	4.0	0.0
Control totals*	99.6	100.2	99.9	99.9

*Totals vary from 100 because of computer rounding procedures.

TABLE 5-4

Student Housing Survey, 1976

Percentage Response by Income Level and Age Group

Income Level	Less than 24 Years of Age	25 Years of Age and Over	All Ages
Less than $1,000	2.8%	0.0%	1.3%
$ 1,000 - $ 1,999	0.0	0.0	0.0
$ 2,000 - 2,999	2.8	0.0	1.3
$ 3,000 - $ 3,999	11.1	5.1	8.0
$ 4,000 - 4,999	5.6	5.1	5.3
$ 5,000 - $ 5,999	8.3	0.0	4.0
$ 6,000 - $ 6,999	5.6	12.8	9.3
$ 7,000 - $ 7,999	22.2	7.7	14.7
$ 8,000 - $ 8,999	16.7	12.8	14.7
$ 9,000 - $ 9,999	0.0	15.4	8.0
$ 10,000 - $14,999	19.4	23.1	21.3
$ 15,000 - $19,999	2.8	12.8	8.0
More than $20,000	2.8	5.1	4.0
Control Total*	100.1%	99.9%	99.9%
Number in Sub-sample	36	39	75
Median Income	$7,622	$10,771	$9,560

*Totals vary from 100 due to computer rounding procedures.

TABLE 5-5

Student Housing Survey 1976

Percentage Responses by Complaint Type and Occupant Group

	All Students	Apartment Total	Renters Married	Room Renters
1. Parking	4.6%	3.3%	4.3%	.0%
2. Repairs	32.7	37.7	39.1	50.0
3. Damages	1.6	1.3	0.0	0.0
4. Security Deposit	1.2	1.3	0.0	0.0
5. Summer Rental	2.5	3.9	0.0	0.0
6. Noise and Disturbance	27.0	19.5	30.4	25.0
7. Lack of Privacy	14.6	11.7	4.3	12.5
8. Rent Payment	5.4	7.8	8.7	0.0
9. More Tenants than Agreed	1.6	1.3	0.0	12.5
10. Insects or Rodents	2.5	3.2	0.0	0.0
11. Lack of Heat or Insulation	2.0	1.9	0.0	0.0
12. Poor Furnishings	1.7	1.9	0.0	0.0
13. Pets	1.2	1.9	0.0	0.0
14. Lease Difficulties	1.2	1.9	8.7	0.0
15. Landlord Gone	0.7	1.3	4.3	0.0
Control Totals*	100.5	99.9	99.8	100.0

*Totals may vary from 100 because of computer rounding procedures.

Tables 5-3 and 5-4 handle the income question at two levels. The first displays income ranges for a variety of student categories and yields a median annual income of $9560 for married apartment renters. Table 5-4 further breaks down the married student population by age groupings and reveals a median income of $7622 for those married apartment renters under 24 years of age and a median income of $10,771 for those over 25 years of age. All of the above statistics are utilized to form a composite picture of married student and private apartment renters and their participation in a housing allowance program.

The final table (5-5) is included as a point of interest only. It displays the frequency with which certain complaints occur among the student population.

The Over 65 Age Group

While statistics for the elderly are much less readily available, original survey work again provides the basis for estimates of income distributions. Our task is to remove the over 65 public housing component of the elderly income distribution. Utilizing survey results by Jim DeLisle of the U.W. Real Estate and Urban Land Economics Department results in the following distributions.

TABLE 5-6

Rent and Income Distribution for Public Housing Residents
Over 65 Years of Age - 1975

Income Distribution		Rent Paid Prior to Public Housing Residence	
Income Range	% of Respondents	Monthly Rent Levels	% of Respondents
Under $1000	0.0%	Less than $50	17.0%
$1000 to $1999	18.0	$50 - 74	28.0
$2000 to $2999	59.0	$75 - 99	17.0
$3000 to $3999	9.0	$100 - 124	6.0
$4000 to $4999	9.0	$125 - 150	33.0
$8000 to $8999	5.0		
median = $2890		median = $91	

Source: Jim DeLisle, U.S. Real Estate and Urban Land Economics Department

Incorporating the ranges of Tables 5-4 and 5-6 into Table 3-6 and utilizing Appendix Tables E-1 and E-2 we arrive at an estimate of median incomes displayed in Table 5-7.

The calculation of median income and median rent allows the application of the formula utilized in Section IV for the calculation of the level of housing allowance expenditures required by each of these age groups. Table 5-8 presents the 1975 estimated participation rates followed by Tables 5-9 and 5-10a which display average and total allowance payments. Table 5-10b displays the expenditure estimates of existing social programs directed towards housing for both owner and renter-occupied dwellings. Statistics are derived from tables referenced in Appendix G.

Table 5-10c presents an estimate of the net costs of a housing allowance program, the result of subtracting the existing housing support expenditures of Table 5-10b from the total housing allowance program estimates of Table 5-10a. Notice, however, that a number of sources of error exist. First, the results of this section relate to both owners and renters. Thus the estimates of housing allowance program costs are markedly higher than in Section 4. This section should be used for sensitivity comparisons only.

Secondly, the rate of participation of those welfare recipients covered by existing programs is 100%. A more accurate comparison would reduce the effect of Table 5-10b by some unknown amount to capture the effect of reduced levels of participation.

The goal of presenting this alternative allowance estimation procedure was to determine how sensitive the program might be to different participation criteria. Allowing only income levels less than $7000 annually results in an annual cost of 5.45 million. By restricting the entrant level of those under $5000 the program would require an annual expenditure of 4.208 million or a reduction of 22.8%, a considerable saving.

Component demographic groups also have markedly different impacts on the expenditure levels required. Table 5-11 presents, in percentage terms, the components of Table 5-10. The table indicates quickly that students and the elderly account for less than 35% of total program expenditures.

TABLE 5-7

Median Incomes within Income Ranges

Income Range	1970 All Population Gps. All Hslds.	1970 All Population Gps. Renters	1975 All Population Gps. All Hslds.	1975 All Population Gps. Renters	1976 Married Student Apt. Renters	1975 Over 65-Families and Individuals Non-Public Housing Residents All Hslds.	1975 Over 65-Families and Individuals Non-Public Housing Residents Renters
Under $5,000	$2990	$2952	$3700	$3563	$3521	$3767	$3559
Under $7,000	$3319	$3791	$4726	$4667	$4739	$4793	$4329
Median Rent	$135		$173		$ 147	$99	

TABLE 5-8

1975 Estimates of Participation[1] in a Housing Allowance Program by Special Population Subgroups

City of Madison	All Population Groups		Married Student Apartment Renter	Over 65 Married & Ind.Hshld. Non-Public Housing	
	All Hslds.	Renter-Hslds.		All Hslds.	Renter
Under 5000	5060	3438	473	935	748
Under 7000	6940	4716	706	1166	870

[1]The following participation rates were developed by averaging Rand Corporation rates by income ranges: renders under $5000 = 85%, $5000 to $7000 = 50%; homeowners under $5000 = 70%, $5000 = 70%, $5000 to $7000 = 35%.

TABLE 5-9

1975 Estimates of Average Allowance Payments--Monthly & Annually--In Dollars

City of Madison	All Population Groups		Married Student Renters	Over 65 Married & Indiv. Households	
	All Hslds.	Renter-Hslds.		All Hslds.	Renter-Hslds.
Under $5,000	$101 ($1,212)	$102 ($1,224	$105 ($1,260)	$100 ($1,200)	$104 ($1,248)
Under $7,000	$80 ($960)	$81 ($972)	$79 ($948)	$78 ($936)	$89 ($1,068)

TABLE 5-10a

1975 Estimates of Total Allowance Paymsnts--Monthly & Annually--In Thousands of Dollars

City of Madison	All Population Groups		Married Student Renters	Over 65 Married & Indiv. Households	
	All Hslds.	Renter-Hslds.		All Hslds.	Renter-Hslds.
Under $5,000	$511.1 ($6,133)	$350.7 ($4,208)	$49.7 ($596)	$93.5 ($1,122)	$77.8 ($934)
Under $7,000	$661.5 ($7,938)	$454.2 ($5,450)	$68.1 ($817)	$111.5 ($1,338)	$88.7 ($1,064)

TABLE 5-10b

Estimates of 1975 Annual Housing Support Expenditures, Current Programs
Three Major Social Service Agencies By Income and Recipient Group (in 000's)

	All Population Groups			Over 65 Married & Individs.	
City of Madison	All Hslds.	Renter-Hslds.	Married Student Renters	All Hslds.	Renter Hslds.
Under $5,000					
DCSS	$2,036	$1,746	$20	$204	$175
MDPW	475	427	10	48	43
SSI	453	412	20	157	131
TOTAL	$2,964	$2,585	$50	$409	$349
Under $7,000					
DCSS	$2,372	$2,035	$20	$237	$204
MDPW	475	427	10	47	43
SSI	453	412	20	158	131
TOTAL	$3,300	$2,874	$50	$442	$378

TABLE 5-10c

1975 Grand Total Estimates of Annual Housing Support Program Expenditures (in 000's)

	All Population Groups			Over 65 Married & Ind. Hslds.	
City of Madison	All Hslds.	Renter-Hslds.	Married Student Renters	All Hslds.	Renter-Hslds.
Under $5,000	$9,097	$6,793	$646	$1,531	$1,283
Under $7,000	$11,238	$8,324	$867	$1,780	$1,442

TABLE 5-11

Percentage Program Elements = Renter-Households Total Annual Housing Allowance Payments

City of Madison	All Population Groups	Married Student Renters	Over 65 Married & Ind. Hslds. Non-Public Hsing.
Under $5000	100.0	14.2%	22.2%
Under $7000	100	15.0%	19.5%

It is the broad middle group comprised of low income families, under-employed households, AFDC recipients and short-term welfare recipients that would account for two-thirds of program expenditures initially. It is, of course, true that if the elderly age group continues to increase relative to the rest of the population that it will increase its proportionate share of the total allowance expenditure.

Total Program Cost Estimation

From the results of the previously discussed HUD Administrative Agency Experiment, an average of $226 in administrative cost was required to support an average annual allowance payment of $969. Using these averages the ratio of administrative costs to expenditure on an annual average basis is .2745. Instead of applying this ratio to Madison, the average of $266 based on a 5-year program amortization was utilized per participating household.

TABLE 5-12

Total DSHAP Cost Estimation: 1975

	Total Participants	Payments in 1000's	Average Annual Payment	Average Admin. Cost	Average Program per Participant	Total Program Cost 1000's
Dane County Total	4047	$4,579	$1,131	$266	$1,397	$5,654
City of Madison	2713	2,935	1,082	266	1,348	3,657
Balance of Dane County	1253	1,530	1,221	266	1,487	1,863

Total Program Costs are calculated by adding average administrative cost to the average annual payment per participant as displayed in Table 5-12. Total Program Costs for the City of Madison as estimated for a single year's operation of the housing allowance in Madison comes to $3,657,000 with the Balance of Dane County accounting for an additional $1,863,000.

A difference exists between the average annual allowance payment calculated for the Administrative Agency Experiment and that calculated for the City of Madison. The difference amounts to $113 per recipient per year or $330,986 in total program costs. It should be remembered that the AAE results are based on averages with average annual payments above and below the mean. The choice of another lower standard cost of housing other than median census tract values inflated by the CPI for housing between 1970 and 1975 could well result in lower average annual payments. Nevertheless, the fact that City of Madison figures calculated by an entirely different procedure result in averages only 11% different than the average of the AAE programs is viewed as partial verifications of the validity of the procedure used above.

VI. EXISTING HOUSING RELATED PROGRAMS IN MADISON

Introduction

The following section provides an overview of the agencies, federal, state, and local, involved in the provision of housing services to specific population groups in the Madison area. The services provided by these agencies are described with special emphasis on housing activities. The agencies and activities covered include:

1) Dane County Social Services
2) Madison Department of Public Welfare
3) The Social Security Administration
4) Madison Department of Housing and Community Development
5) Federally-Subsidized Housing Projects

In addition, Appendix F contains a substantially more detailed description of Dane County Social Services and its housing-related programs.

Dane County Social Services

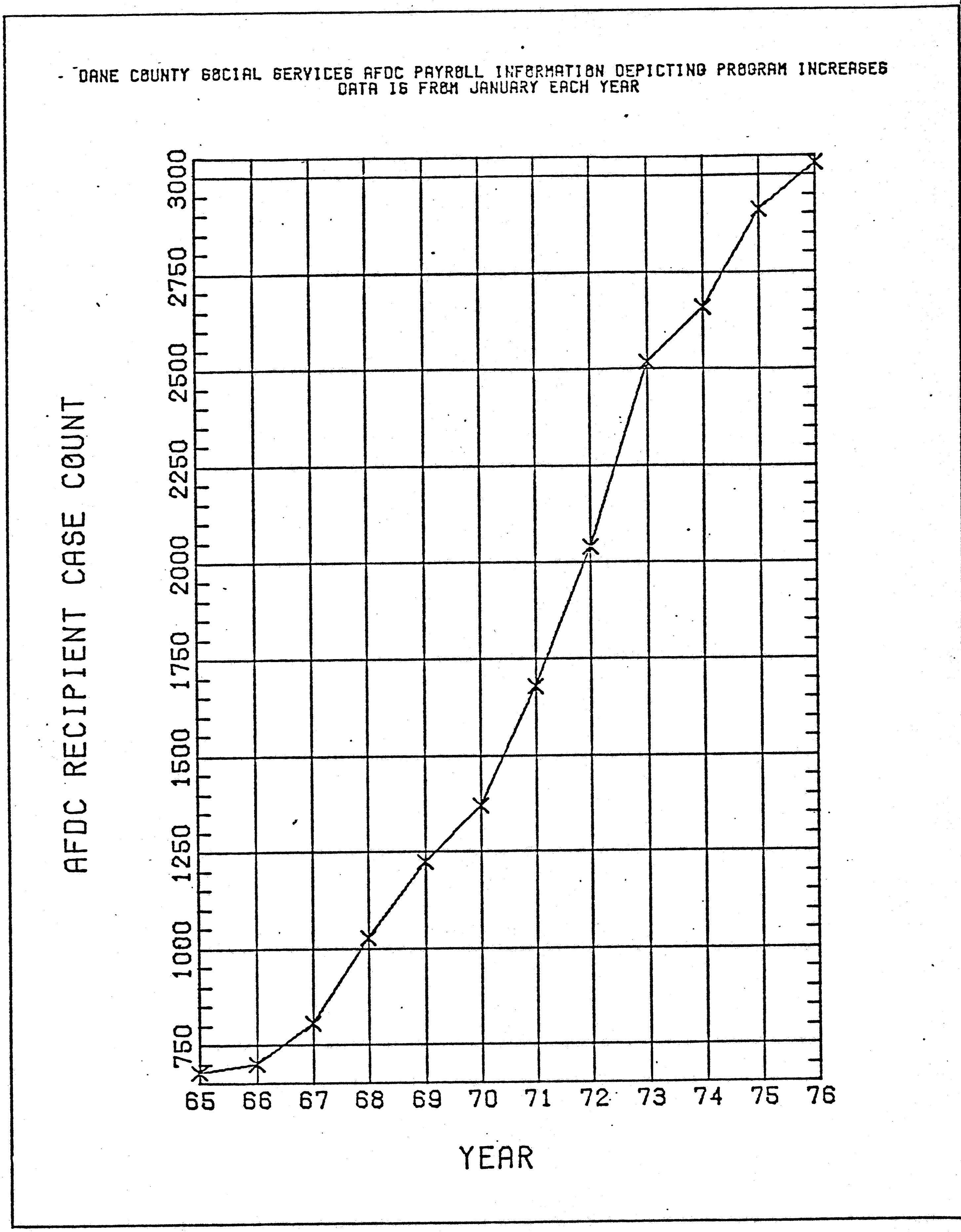
PRIMARY HOUSING RELATED PROGRAM:
AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC)

Group Served:	Families with children (under 18 years of age) deprived of parental support or care by reason of death, continued absence, incapacitation, unemployment of the father, or if the step-father has not adopted the stepchild(ren).
Number Served in Madison:	2,200 (approximate).
Need Criteria:	When applicant has insufficient income or resources to meet basic maintenance needs such as food, clothing, shelter, etc., a money payment is determined by budgeting these needs.
Maximum Monthly Payment:	$419 for a family of four ($424 as of July 1, 1976).
Maximum Assets Allowed:	Homestead, $1,500 cash, one car.
Work Incentive:	$30 plus 1/3 of additional earnings and job-related expenses.
Auxiliary Benefits:	Food stamps, medical assistance, job training.
Who Finances:	75% federal, 25% state.

General Description

The Dane County Department of Social Services (DCSS) provides income maintenance and social services to Dane County residents as prescribed and regulated by state and federal regulations and administrative rules. Income maintenance services are comprised of Aid to Families with Dependent Children (AFDC), Medical Assistance (MA), and the Food Stamp Program.

Aid to Families with Dependent Children provides financial assistance for food, clothing, and shelter to families meeting eligibility criteria defined by state and federal regulation. Intake, eligibility determination and redetermination, Work Incentive Program (WIN) registration and Food Stamp Program certification and recertification are functions involved in providing AFDC to more than 3,000 families each month. During the first six months of 1975, nearly 11,000 people were served by the AFDC program.


DANE COUNTY SOCIAL SERVICES AFDC PAYROLL INFORMATION DEPICTING PROGRAM INCREASES
DATA IS FROM JANUARY EACH YEAR
AFDC RECIPIENT CASE COUNT
750
1000
1250
1500
1750
2000
2250
2500
2750
3000
65
66
67
68
69
70
71
72
73
74
75
76
YEAR

The Medical Assistance component provides for the comprehensive medical needs of low income or medically indigent elderly, blind, and totally disabled persons as well as for families with dependent children to the extent of more than 13,000 cases per month. Eligibility determination and periodic recertification in accordance with state and federal guidelines are required.

The federally mandated Food Stamp Program functions under the direction of the USDA which prescribes eligibility criteria and participation levels. DCSS staff certifies initial and continuing eligibility of food stamp applicants: 6,034 during the first six months of 1975. Monthly food stamp issuance is also provided for more than 2,700 households participating in the program.

Another major area of responsibility is providing social services to Dane County residents, an area of need which has increased 32.5% from January, 1974 to July, 1975. Current socioeconomic trends indicate a continuation, if not escalation, of the numbers of people in need of DCSS-provided social services, the majority of which are mandated by state and federal law.

DCSS Housing-Related Programs

This section will briefly describe DCSS programs which are relevant to current low income rental housing and landlord-tenant relationships. These include the AFDC program, the DCSS Security Deposits Program, as well as several other smaller programs.

A. Aid to Families with Dependent Children (AFDC)

Aid to Families with Dependent Children provides financial assistance for food, clothing, and shelter to families meeting eligibility criteria defined by state and federal regulation. The following discussion describes eligibility and need determination criteria and payment procedures, with emphasis on housing-related areas. There are currently over 3,000 AFDC recipients in Dane County, with approximately 2,200 of these residing in the City of Madison.

Payment of Aids--The Social Security Act provides for money payments to the eligible payee in the AFDC case. Such payments are made by check payable to the recipient, other allowable payee relative or the judicially-appointed legal representative, with no agency-imposed restriction on the use of funds by the individual.

The provision that assistance shall be in the form of money payments is one of the provisions in the Social Security Act that is designed to carry out the principle that financial aid comes to needy persons as a right if they meet eligibility requirements. The right carries with it the individual's freedom to manage his or her affairs. In keeping with this philosophy, a recipient of aid does not, just because s/he is in need, lose the capacity to select how and when, or whether, each need is to be met. DCSS computes the amount of the grant and the recipient determines how it is to be spent.

The exceptions to the restrictive money payment principle are the Protective and Vendor/Voucher Payment procedures. The purposes of these procedures are to:

1. Assure that the child(ren) eligible for AFDC receives the benefit of the AFDC payment.
2. Provide within specific requirements a method of dealing with cases of money mismanagement in the AFDC program.
3. Teach those who are receiving AFDC payments and are having money management problems discretionary expenditure practices in the best interest of the child(ren) in the case.

A protective payment is a money payment to a person (protective payee) interested and concerned for the welfare of the recipients in a case and designated by the agency as the receiver of the aid recipient's total or partial monthly check. One DCSS staff person currently acts as the protective payee for most of the recipients involved. DCSS is currently in the process of contracting this service to Madison Consumer Credit Counseling, 315 West Gorham Street, Madison. The protective payee is responsible for: 1) paying the recipient's monthly bills; 2) providing for the recipient's monthly needs; or 3) assisting the recipient to dispense the money wisely.

A vendor payment is a method of payment made to a specific individual or business in order to purchase specific services or material. A voucher payment has an additional step. A voucher is prepared on behalf of a recipient to purchase services or merchandise. The voucher may be a specific vendor designated or it may be written so the recipient can negotiate the voucher with a vendor of his choice.

In Dane County, a recipient can be placed under protective payee status if he or she is two months or more behind in rental payments and the landlord agrees to allow the recipient to remain in his unit.

Total or partial protective payments and/or vendor/voucher payments are subject to federal matching funds up to 10% per month of the number of AFDC recipients not participating in these special payment procedures. A recipient in an AFDC case is a caretaker relative and/or the children whose needs are included in the grant. (A case with a mother and four children has five recipients.)

Due to the potential loss of the 75% federal matching grant, the state is reluctant to go beyond the 10% limit. In practice, this is not a problem because many counties have a low participation rate in the program, and the 10% is figured as a statewide average. Although no specific figures are available, this statewide average is estimated to be between 5 and 8%.

The decision on the extent to which this program is used is made at the county agency level. A county agency can conceivably exceed the 10% limit in its own county as long as the statewide average stays below 10%. In the past, Milwaukee County has done so, although currently slightly less than 10% of its recipients are under protective or vendor/voucher payment programs. Dane County's participation rates have been much lower. For example, in June, 1976, Dane County Social Services had 10 recipients for which vouchered payments were made and 45 recipients were under protective payment status. This amounts to less than 2% of the number of nonparticipants. Thus, the potential exists for the expansion of protective payee and vendor/voucher payments in Dane County.

B. DCSS Security Deposit Program

In March, 1975, $20,000 in revenue sharing funds was made available to DCSS Housing Services to be used for a Security Deposit Program for eligible AFDC recipients who had been tenants in good standing with their previous landlord (i.e., rent paid in full, given legal notive, and done no damage greater than $25 to their previous rental unit).

If an individual approved for a deposit moves out without notice, doesn't pay the rent up in full, or does damage to the rental unit, the landlord contacts Housing Services. Contact must be made within 30 days of when the tenant moves out. The landlord relates the problem and the recipient is contacted. If the claim is for rent and there is no dispute, the claim is submitted for payment. If the claim is made because the tenant did not give notice, claim payment is based on the number of days the rental unit is vacant. If the claim is made for damages, an inspection is made of the rental unit and payment is made on the basis of damage severity.

For 1976, the Security Deposit Program has been funded by an additional $12,000 of revenue sharing funds with $1,000.00 available each month on a first-come, first-served basis. Also available is money returned to the general fund when a recipient moves and a claim is not made for the deposit money held. Currently all of these funds are being used each month.

C. Other Housing-Related Programs

Dane County Social Services also provides several other programs and housing-related services designed to aid public assistance recipients and low-income persons in Dane County. These include a low-income rental location service, a program to assist in landlord-tenant difficulties, a housing inspection service, and others. Most of these programs involve services only and not the disbursement of financial aids. Elaboration of this and other programs is contained in Appendix F.

General Relief

MADISON DEPARTMENT OF PUBLIC WELFARE: GENERAL RELIEF PROGRAM	
Group Served:	Persons 18-65 years of age (under 18 if married or previously married). The majority of recipients are in the 21-30 year age bracket.
Number Served in Madison:	10,375 (1975).
Need Criteria:	No income or insufficient income to meet basic living needs.
Maximum Monthly Payment:	The difference between a "standard budget" and total available family income.
Maximum Assets Allowed:	All assets must be used for basic needs. A car of reasonable value is allowed.
Work Incentive:	Weekly registration at the Wisconsin State Employment Service. In addition, a recipient must make at least five job applications each week.
Auxiliary Benefits:	Food stamps, medical assistance.
Who Finances:	100% local property taxes.

General relief for persons living within the City of Madison is administered by the City of Madison, Department of Public Welfare, located at 351 W. Wilson Street. The Madison City Welfare Department administers a general assistance program under the authority of Chapter 49 of the State Statutes. General Relief is designed to meet the basic needs of those persons who cannot meet their immediate needs due to lack of or insufficient income. Assistance levels are determined based on need and consist of allotments for food, shelter, personal needs, household expenses, laundry and medical care. Most general relief clients receive aid for a relatively short period of time, usually about three months. In 1975, the Madison Public Welfare Department served 10,370 clients with a total budget amounting to $1,584,680. All funding of general assistance is generated by local property taxes. The following is a budget for Madison's Welfare Department. It should be noted that the state has no supervisory responsibility for or authority regarding the eligibility requirements or for the amount of relief to be granted. This administrative responsibility rests on the public officials or public agencies designated to administer general relief in the locality.

In order to receive relief a person must reside within the city limits of Madison and have no income or insufficient income to cover their basic needs according to standards set forth by the welfare board:

1) A person must be without immediate resources and without the ability to borrow the necessary funds.

2) A person must be between the ages of 18 and 65 and not be covered by any other federal, state, or local assistance program.

3) An eligible person must not be enrolled in a post-high school education program and must be available for and willing to work or medically able to do so.

Madison Welfare Department 1976 Budget

Description	1974 Actual	1975 Actual	1976 Budget
Administration	$ -	$ -	$ 75,000
Information and Referral	68,157	68,240	-
Determining Eligibility	53,624	72,870	48,620
Assistance to Residents	456,554	800,790	-
Assistance to Nonresidents	332,097	447,800	-
Emergency Aid	71,938	90,490	-
Accounting	-	-	49,210
Social Services	-	50,000	1,371,300
Nonresident Determination	-	-	40,550
Total	$982,370	$1,530,190	$1,584,680
Less Interagency Billing	265,879	440,000	570,000
Net Total	$716,491	$1,090,190	$1,014,680

Note: The services provided by the Welfare Department have been redefined for 1976.

4) A person receiving general relief assistance must be registered with the State Employment Service and make at least five job applications each week.

An applicant eligible for assistance will be allotted funds or purchase orders based on the individual's needs. If an applicant has income, the amount of assistance is determined by figuring an assistance budget and subtracting from it any income the person might have. The budget is used as a gauge to determine the needs of a family or a single individual. It is not to be interpreted as a flat allowance to which a client is entitled. After the budget is totaled, any income or a total of all income in the family is subtracted showing the amount of the budgetary deficit which is the amount of relief to which the client is entitled.

General Relief: Housing Allowances

Shelter allowances are variable depending on the current market, size of family and services provided. The current (1975) rental assistance level available to a client with no other income is $100 for a single person and $150 for a family. Payment of rent is by voucher and is made directly to the landlord, owner of the property. The welfare department encourages its clients to share facilities and the rental assistance payment schedule is as follows:

Maximum Rental Allowances (including heat and utilities)

Number of Household	Family Case	Single living alone	Single ... living in group situation	
			Unit Max.	Client Share
1	---	$100		
2	$150		$150	$75
3	150		195	65
4	150		240	60
5	150		275	55
6	150		300	50

Since general assistance cases are often short-term in nature, rental policies must be flexible. The department may pay the ongoing rental costs of an applicant on a temporary basis so that the recipient may have adequate time to move to less expensive accommodations. A building inspection is required on all rental units occupied by general relief clients. For family cases seeking housing or rental units with excessive rent (which would contribute to further dependency), the client is advised to apply for low-cost housing through the Madison Housing Authority.

The Madison Welfare Department does not make cash security deposits. When a security deposit for rent is requested, the landlord is given a written guarantee for a specified amount to cover losses incurred during the time period the individual is receiving assistance from the department. The amount of the security deposit cannot exceed one-half of one month's rent.

A welfare recipient is required to obtain his own living quarters. An attempt is made to keep rental cost to a minimum. Therefore, single persons are encouraged to find rooms with cooking privileges, as opposed to light housekeeping rooms or apartments. Hotel space is utilized usually on an emergency basis and is discouraged as a permanent arrangement. When rent for shelter is considered excessive, the client is not allowed to supplement the difference. All income must be used toward the basic budgetary needs and would not include the amount of the excessive rent.

In 1975, the Madison Welfare Department made $475,000 in housing payments with approximately 90% of those payments being used for payment of apartment rent.

Supplemental Security Income (SSI)

THE SOCIAL SECURITY ADMINISTRATION:
THE SUPPLEMENTAL SECURITY INCOME PROGRAM

Group Served:	Blind, Disabled, Aged (65 or over)	
Number Served in Madison:	2,342 (approximate)	
Need Criteria:	Aged, Blind, or Permanently Disabled with income below $157 a month, $236.60 for a couple	
Maximum Monthly Payment:	$234	$351
Maximum Assets Allowed:	One Person	Couple
	$ 1,500 cash	$ 2,250 cash
	$25,000 home	$25,000 home
	$ 1,200 auto	$ 1,200 auto
	$ 1,500 ins.	$ 1,500 ins. each
	$ 1,500 household goods or personal effects	
Work Incentive:	$65 plus half of additional earnings	
Auxiliary Benefits:	Medicaid, social and rehabilitation services, may retain $20 of unearned income	
Who Finances:	U.S. and State of Wisconsin	

The Supplemental Security Income Program is a federal income maintenance program for the aged, blind, and disabled supplemented by state funds. Effective January 1974, it replaced the former Federal-State assistance programs for the aged, blind, and disabled in the fifty states. It is the first federally administered cash assistance program in the country.

Through monthly payments, the program provides a base income for eligible persons who have little or no income resources. The basic federal supplemental security income payment level is $157.50 a month for an individual and $266.60 a month for a couple. States are required to supplement the federal payments to recipients when necessary to maintain the level of assistance received under the former state plans. The Wisconsin supplement raises the basic SSI benefits to $234 for an individual living alone and $234 for a couple. These payment levels will be automatically increased in the future as the cost of living rises. These payments, in most cases, supplement income available from other sources, including social security benefits.

The SSI program operates under a Federal-State partnership, which allocates to each level of government those functions it is best able to perform. On the national level, the federal government administers the program through the Social Security Administration. It determines the eligibility of applicants, makes the basic payments to recipients, and maintains a master record of beneficiaries. On the local level, the states, in addition to supplementing the federal payments, provide medicaid and social and rehabilitation services. Under the SSI program, uniform national eligibility requirements replace the multiplicity of requirements in the former federal-state assistance programs for the aged, blind, and disabled.

In addition, the program offers a way to provide financial assistance while maintaining the personal dignity of those who receive payments. People can retain their own homes and receive payments because there are no lien requirements on homes. Recipients also may obtain personal property, including a car if the value is reasonable.

A. Eligibility Requirements

The SSI program covers people 65 or over, the blind and disabled of any age including disabled children. To be eligible, a blind person must have vision no better than 20/200 even with glasses or tunnel vision. A disabled person must have a physical or mental impairment which prevents that person from doing any substantial work and which is expected to last at least 12 months or result in death. The basic conditions of eligibility are specified levels of income and resources.

Payments are made only to people who live in one of the 50 states or the District of Columbia and are citizens of the U.S. or aliens legally admitted for permanent residence. Eligible disabled persons must accept vocational rehabilitation and disabled addicts and alcoholics must accept treatment.

B. Assets

An individual may have assets of up to $1,500, a couple may have resources up to $2,250. Not all resources are counted. A home with a market value of $25,000 or less is not counted. Personal effects or household goods with a total market value of $1,500 or less are not counted. Neither is a car which has a retail value of $1,200 or less or which is used for transportation to a job or to a place for regular treatment of a specific medical problem. Also excluded are property essential to self-support and life insurance policies with a total face value of $1,500 or less per person.

C. Income

An individual is eligible if his income is less than $157.50 a month, or less than $236.60 a month for a couple. If a couple has been separated for over 6 months, each person is treated as an individual.

The following income is not included in determining the amount of income:

1. $20 a month of earned or unearned income such as social security benefit, annuities, rent, interest, etc.
2. $65 a month of earned income (wages and/or net earning from self employment) plus one-half of earned income over $65 (or over $85 if there is no earned income).
3. A series of other minor incomes.

D. Processing Claims

For aged claimants, the Madison Social Security Administration office takes applications, obtains and evaluates documentation needed for identity, income and resources and determines eligibility. It also determines if a representative payee is needed and, if so, appoints one. If a claimant is eligible for an emergency advance payment, the social security office authorizes it. The process differs soemwhat for disabled and blind people because of the need for formal medical determinations of eligibility. The social security office can determine whether the applicant is currently receiving social security disability benefits. If so, it may immediately authorize payment without referral to the state for a further medical review.

Even though the Social Security Administration runs the federal program, SSI income is not the same as social security. The money to make SSI income payments comes from the general funds of the U.S. Treasury. A person who gets a social security check can also receive a supplemental security income check, if eligible for both. However, since SSI payments can be reduced by other income, the applicant must, if advised by the Social Security Administration, apply for any other money benefits due him. The Social Security Administration works with recipients and helps them get any other benefits for which they are eligible.

Public Housing in Madison

Responsibility for public housing rests with the Madison Department of Housing and Community Development. This agency supplies the staff for the Madison Housing Authority (MHA) and the Madison Redevelopment Authority (MRA). With the approval of both Authorities, the Director and Deputy Director of the Department also serves as Executive Director and Deputy Director, respectively, of both Authorities. The Director is also the Secretary of the newly-created Housing Finance Committee, which is responsible for housing rehabilitation loans under the City funded Neighborhood Housing Service Program. In addition, the Department provides services directly to the Mayor and Common Council and other city agencies.

The underlying purpose of MHA is to provide satisfactory housing to families and elderly persons of low income, in housing either owned or leased by the Madison Housing Authority. MHA is a corporate entity and as such owns and manages 652 units of low rent housing, and leases approximately 90 privately owned apartments and homes, which in turn are subleased to low income tenants.

The following lists the units, size of unit, date of construction and type of tenant served by the Madison Housing Authority.

Elderly		Family	
Braxton (1965)	60	Wright St. (1965)	36
Tenney Park (1968)	40	Webb-Rethki (1965)	36
Romnes (1968)	168	Baird-Fisher (1965)	28
Brittingham (1976)	164	Truax Apts.	
Total	432	Section 10(c)	80
		Unsubsidized	40
		Total	220
Section 23	50	Section 23	40
Section 8 (approx.)	40	Section 8 (approx.)	52
TOTAL ELDERLY	522	Total	312

Section 23 units will be converted to the Section 8 program when that program is implemented. There is currently a waiting list of about 100 for the family units. After the Brittingham project is full, it is estimated that there will be a waiting list of about 90 for the elderly housing units.

Income limits for eligibility for these projects are as follows:

Family Size	Old Limits	New Limits*
Single person	$4,000	$5,000
2	4,800	5,900
4	6,000	7,000

*These are effective June 1 subject to HUD approval.

Madison's federally aided urban renewal program does not currently involve any projects in the implementation stage. Responsibility for this program is vested in the Madison Redevelopment Authority, a seven member board of Commissioners. The 1976 budget shows the MRA with a budget of $9,310. The MRA is a separate and distinct public body exercising public powers determined to be necessary for public purposes, including taking title to real and personal property in its own name and leasing or selling real property for use in accordance with approved urban renewal plans. The urban renewal program is intended to provide land for public and private redevelopment financed with public funds and carried out under state and federal law.

Madison Housing Authority operates with a budget of $509,240 which MHA funds from four sources:

1. Federal funds under such programs as Community Development Block Grants and HUD section 23 and section 8.
2. Mortgage revenue bonds.
3. Promissory notes.
4. Direct appropriations by the Madison Common Council.

MHA has been spotlighted in past years for its limited role in the supply of low income housing. This has been attributed to the tight money market and lack of support from the federal government and MHA has begun to look closer to home for funds. 1975 saw the establishment of a city-funded rehabilitation program as well as the approval by the Common Council of $1.5 million for rehabilitation and construction of 50 single family dwellings to be sold or leased by MHA.

1975 saw the construction of 164 elderly housing units on the Triangle (Brittingham) with 1976 budgetary plans calling for another 110 units there for low income and elderly persons, plus 20 units for the handicapped. These plus the addition of 92 units of scattered site housing (Section 8) portends a larger role for MHA in the future provision of low income housing in Madison.

Federally-Subsidized Housing Projects

There are currently 859 units of federally-subsidized housing units in the City of Madison. This includes 373 units built under the

Madison Department of Housing and
Urban Development 1976 Budget

Description	1974 Actual	1975 Budget	1976 Budget
City/Housing Rehabilitation	$117,852	-	$102,950
Madison Housing Authority	369,839	$435,090	509,240
Madison Redevelopment Authority	64,384	14,390	9,310
Neighborhood Housing	79,330	169,100	131,190
Program Development	-	127,290	79,000
Total	$631,405	$745,870	$831,690
Less inter-agency billing	391,218	388,050	482,910
Net total	240,187	357,820	348,780

Madison Housing Authority 1976 Budget

Description	1974 Actual	1975 Budget	1976 Budget
Permanent Salaries	$249,042	$265,580	$324,350
Other Salaries			
Overtime Salaries	-	3,300	3,670
Employee Benefits	50,550	61,300	77,390
Materials and Supplies	-	17,690	18,650
Purchased Services	70,247	74,710	71,000
Inter-Agency Charges	-	12,510	12,880
Fixed Assets	-	-	1,300
Total	$369,839	$435,090	$509,240
Less Inter-agency Billing	329,839	363,270	467,910
Net Total	40,000	71,820	41,330

Section 221(d)(3) Program and 486 units built under the Section 236 Program. Characteristics of these housing subsidy programs are as follows:

A. Section 221(d)(3)

The Section 221 (d)(3) below market interest rate program was added to the Housing Act in 1961. Its purpose was to reduce rental costs by means of an interest rate subsidy given to new units built for middle and lower middle income families. Funds were made available at below-market rates of interest to limited profit corporations, cooperatives and other nonprofit sponsors. The Department of Housing and Urban Development (HUD) administered the program, regulated rent levels while establishing income limits for admission that varied geographically but generally limited admittance to families that were below the local median income level.

The program subsidizes a 40-year mortgage loan at 3 percent interest made initially by a bank or other private lender. The mortgage was then immediately sold at par to the Federal National Mortgage Association (FNMA) and since 1968 to the Government National Mortgage Associations (GNMA). The benefit to the project equaled the difference between money costs at 3 percent and the market rate. However, the direct subsidy cost to the government was the difference between 3 percent and the rate at which the government borrowed to subsidize GNMA.

After the Section 235 and 236 subsidy provisions were enacted in 1968, the Section 221(d)(3) program was phased out. There was considerable opposition to the Section 221(d)(3) program. A principal factor in the opposition was that the program was a relatively "shallow" subsidy program. Even though it was capable of serving the lower middle income group, it did not push rents down far enough to reach the poor. Another factor that contributed to the demise of the program was that it could not be calibrated to the income levels of individual families but was, in effect, passed on as a proportion reduction in the rents of all tenants. Another reason is that given the bureaucratic delays and difficulties in building under such a program, its incentives were inadequate to sustain a high degree of participation.

B. Section 236

The Section 236 program was set up under the 1968 Housing Act replacing the old Section 221(d)(3) program. Section 236 provided assistance to rental and cooperative housing for lower income families. Limited-dividend and nonprofit sponsors of housing were provided federal funds to meet interest costs of privately financed mortgages in excess of the rate of 1 percent per annum. In return for this subsidy, the sponsors were required to pass the savings realized from this subsidy on to their tenants. The tenant pays either the basic rental charge or 25% of his adjusted monthly income, whichever is greater. A study of Madison shows a majority of tenants residing in 236 projects pay substantially more than 25% of their income for rent. Section 236 basic rents are figured by calculating the required market rent and then adjusting this rent by the allowable periodic payment. However, the effective rental cannot exceed the fair market rental that would be charged if the project received no assistance.

C. Eligibility Requirements for the 236 Program

Theoretical income limits are $3,500 to $11,340 adjusted family income. Adjusted family income is defined as family income not in excess of 135 percent of the limits prescribed for admission to the local public housing. Income includes income from all sources for all adult family members. Excluded from the income calculations are:

1. 5 percent of total family income for social security and similar deductions.
2. All overtime payment which is discontinued.
3. Temporary income of person other than the head of the household.
4. Other temporary income likely to be discontinued.

A $300 deduction is allowed for each family member under 21 years of age living in the units other than the tenant and his wife.

Other restrictions which limit eligibility are:

1. Two or more persons related by blood or operation of law.
2. Single persons at least 62 years of age.
3. Handicapped persons.
4. No more than 10 percent of the tenants may be single and under 62 years of age.

D. Subsidized Projects in Madison

The following information describes Madison subsidized housing projects, including rental and vacancy rates. The information describing the Kennedy Heights project includes a considerably wider range of descriptive categories and is meant to highlight some of the problems currently being experienced by owners of subsidized projects.

Kennedy Heights

Number of Units: 104

Unit Types: 24-2 bedroom, 80-3 bedroom

Rental Rates: To July 1, 1976; $141.50 base for two bedrooms
152.00 base for three bedroom

Effective July 1, 1976: $152.00 base for two bedroom
171.00 base for three bedroom

Vacancy Rate: 3%

Rent' Non-Payment Rate: 2.7%

Annual Turnover Rate: 33%

Number of Tenants Receiving AFDC Assistance: 33 (32.7%)

Percentage of Income Paid for Rent by AFDC Recipients: 34-87% (average: 48.5%)

Percentage of Income Paid for Rent by Wage Earners: 19-54% (average 28.7%)

Total Tenant Income Range: $2,544-11,546 (gross)

Number of Tenants on AFDC Protective Payee status: 3

Project Income Limits:

Family Size	Section 236 Adjusted Income	Section 8 Gross Income
2	$ 9,600	$10,300
3	10,800	11,600
4	12,000	12,900
5	12,750	13,700
6	13,500	14,500

Annual Gross Income, Based on pre-July, 1976 Rent Increase: $186,662

Income Minus 3 Percent Deduction for Vacancies: $181,700

1976 Projected Costs:

	Cost	Percent of Net Income	Cost Per Unit Per Month
Maintenance, Services on-site staff	$36,637	20.2	$29.50
Utilities and Insurance	35,500	19.5	28.40
Management	13,625	7.5	10.90
Administrative (phone, resident newsletter, community center, damage costs, uncollected rent, etc.)	7,475	4.0	5.90
Taxes (personal and property)	44,350	24.4	35.50
Mortgage Interest and Insurance	39,240	21.6	31.40
Reserve and Replacement Fund	6,240	3.4	4.10
Total	$183,067	100.7	$145.70

These costs do not include the mortgage principle payment $10,000) and a return to owners (approximately $10,000 per year). The rent increase will add $21,129 to the gross income of the project, which will approximately cover the principle payment and return to owners. In May, 1976 it was necessary for the owners to add approximately $11,000 to the project budget to cover unpaid bills. Currently 80 percent of the tenants pay 25 percent or more of their income for rent. Forty-five percent of the tenants pay 25-40 percent of their income for rent. Thirty-five percent pay 41 percent or more of their income for rent.

A SUMMARY OF SUBSIDIZED HOUSING PROJECTS IN MADISON

Project	Number of Units	Rental Rates	Security Deposit	Vacancy Rate	Rent Non-Payment	Last Rent Hike
		bedrooms				
Wexford Ridge	246	1-$119.50 2-$145.00 3-$188.00	$100-150	47% (new)	NA	NA
Packers-Northport	280	1-$ 98 (Avg.) 2-$122 " 3-$140 "	1 month's rent	8%	NA	June 1975
Glendale Village	93	1-$107.00 2-$130.00 3-$146.00	1 month's rent	none	none	1971
Bayview	102	2-$136.00 3-154.00	$100	none	$15,000 outstanding during last 15 years	1973
Bram Hill	34	2-$135.00 3-$162.00	$100	none	2%	NA