

housing shortage is thereby placed upon a select group of landlords.¹⁹⁷

As we enter a new decade, we are faced with the dilemma of resolving this inequitable situation while providing affordable, decent, safe, and sanitary housing for low- and moderate-income tenants. Both the interest of the landlord in his right to income from his property and the equally important right of the tenant to security in his home must be recognized. Expansion of rent and good cause eviction controls¹⁹⁸ on a statewide basis is a viable solution provided that a landlord's right to a fair return on his investment is assured. Development of a long-term solution to the housing dilemma must also include expansion in the areas of public housing and relocation subsidies.

IV. PUBLIC HOUSING: THE EXPERIMENTAL HOUSING ALLOWANCE PROGRAM

Passage of the Federal Housing Act of 1937¹⁹⁹ committed this country to the goal of providing decent, safe, and sanitary dwellings for low-income families.²⁰⁰ Throughout the years, Congress has considered and enacted various housing programs that have sought to improve the quality and increase the supply of low- and moderate-income housing.²⁰¹ A major component of the federal housing effort

197. For an informative discussion of the pros and cons of rent control, see BRENNER & FRANKLIN, *supra* note 151.

198. California and Florida have enacted good cause eviction statutes that protect tenants of mobile home parks. See CAL. CIVIL CODE §§ 798.55-.86 (Deering Supp. 1981); FLA. STAT. ANN. § 83.759 (West Supp. 1980).

199. Act of Sept. 1, 1937, ch. 896, 50 Stat. 88.

200. The national policy of the federal government as applied to public housing is to promote:

the general welfare of the Nation by employing its funds and credit . . . to assist the several states and their political subdivisions to alleviate present and recurring unemployment and to remedy the unsafe and insanitary [sic] housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of low income, in rural or urban communities, that are injurious to the health, safety, and morals of the citizens of the Nation.

Id. § 1.

201. See Housing and Rent Act of 1949, ch. 41, 63 Stat. 18; Housing Act of 1950, ch. 94, 64 Stat. 48; Housing Act of 1954, ch. 649, 68 Stat. 590; Housing Act of 1961, Pub. L. No. 87-70, 75 Stat. 149; Housing and Urban Development Act of 1964, Pub. L. No. 88-560, 78 Stat. 769; Housing and Urban Development Act of 1965, Pub. L. No. 89-117, 79 Stat. 451. See also Catz, *Historical and Political Background of Federal*

consists of public housing programs. These programs use government subsidies to encourage rehabilitation of existing substandard structures or construction of new units. Once these dwellings become fit for habitation, they are allocated to low-income families selected from a pool of eligible applicants.²⁰²

The advisability of tying housing subsidies to individual structures, as opposed to directly aiding the families in need, has been debated for years.²⁰³ Advocates for direct consumer subsidies, sometimes called "rent certificates" or "housing allowances," stress the simplicity of administering direct subsidies and argue that such a program would enhance housing opportunities for the poor.²⁰⁴ These positive attributes of the housing allowance concept were seriously discussed prior to passage of the Housing Act of 1937,²⁰⁵ during the Taft Sub-

Public Housing Programs, 50 NOTRE DAME LAW. 25 (1973); Mulvhill, *Problems in the Management of Public Housing*, 35 TEMP. L.Q. 163 (1962); Risenfeld & Eastlund, *Public Aid to Housing and Land Development*, 34 MINN. L. REV. 610 (1950).

202. The present-day operation of the Housing Act is illustrative of the traditional method for allocating housing. Under the terms of the conventional public housing program:

income limits for occupancy and rents shall be fixed by the public housing agency and approved by the Secretary. The rental for any dwelling unit shall not exceed one-fourth of the family's income as defined by the Secretary. . . . At least 20 per centum of the dwelling units in any project placed under annual contributions contracts . . . shall be occupied by very low-income families.

42 U.S.C. § 1437(a) (1976).

The § 8 program, *id.* § 1437f, has many similarities to a housing allowance approach. Under this program, a local housing authority enters into an annual contributions contract (ACC) with HUD, that allocates a specified subsidy to the local housing authority on an annual basis. *Id.* § 1437f(b). The local agency then invites low-income households to apply for Certificates of Family Participation. When a family has established its eligibility and is issued a certificate, it can enter the private rental market and locate a landlord who is willing to participate in the program by renting a unit at or below the established Fair Market Rent. 24 C.F.R. § 882.103 (1980). After the signing of a lease, the local housing authority and landlord enter into a Housing Assistance Payments Contract, under which the housing authority promises to pay the difference between the family's rental obligation and the agreed rent for the unit. 42 U.S.C. § 1437f(f) (1976). The institution of the § 8 program has been called "a very small drop in the large bucket of housing deprivation in the United States." Whitman, *Federal Housing Assistance for the Poor: Old Problems and New Directions*, 9 URB. LAW 1, 57 (1977).

203. See notes 205-07 and accompanying text *infra*.

204. See, e.g., F. DELEEUW, *THE HOUSING ALLOWANCE APPROACH* (UI No. 10020, 1971); Mattox, *Rent Allowances*, 28 J. HOUS. 482 (1971); Solomon & Fenton, *The Nation's First Experience with Housing Allowances: The Kansas City Demonstration*, 50 LAND ECON. 213, 215 (1974).

205. See generally *Amendments to the National Housing Act: Hearing on H.R. 8520*

committee hearings on post-war housing policy in 1944,²⁰⁶ and during the congressional deliberations on the Housing Act of 1949.²⁰⁷ In each instance the idea was rejected.

In 1965, Congress enacted the rent supplement program²⁰⁸ that provided income-related subsidies to residents of privately-owned housing units. Although the subsidies remained linked to the dwelling, the rent supplement program resembled a housing allowance in that it relied upon the private market to supply low- and moderate-income housing.²⁰⁹

In the same year, Congress enacted the section 23 leased housing program.²¹⁰ This program had even greater similarities to a housing allowance. Local housing authorities leased "modest but adequate" privately-owned housing, that was then sublet to eligible applicants.²¹¹ The difference between the cost of the rent and a formula determination of what the family could afford comprised the government subsidy.²¹²

Before the House Comm. on Banking and Currency, 74th Cong., 1st & 2d Sess. (1937). See also Amendments to the National Housing Act: Hearing on S. 3055 Before the Senate Committee on Banking and Currency, 75th Cong., 1st & 2d Sess. (1937).

206. *See generally Hearings of the Special Committee on Postwar Economic Policy and Planning before the Senate Subcomm. on Housing and Urban Development, 79th Cong., 1st Sess. (1944-1945).*

207. *See generally The Housing Act of 1949: Hearings on H.R. 4009 before the House Comm. on Banking and Currency, 81st Cong., 1st Sess. (1949).*

208. The program was created by § 101 of the Housing and Urban Development Act of 1965, Pub. L. No. 89-117, 79 Stat. 451 (codified at 12 U.S.C. § 1701(s) (1976)).

209. Due to early opposition to the program and its general lack of funding, the rent supplement program was never extensively used. *See Beckham, The Experimental Housing Allowance Program*, 30 J. Hous. 12, 13 (1973).

210. Section 23 of the Housing and Urban Development Act of 1965, Pub. L. No. 89-117, 79 Stat. 455 (1965).

211. *Id.* § 23(a)(1).

212. The annual contribution under this Act for a project of a public housing agency for low-rent housing in private accommodations . . . shall not exceed the amount of the fixed annual contribution which would be established under this Act for a newly constructed project by such public housing agency designed to accommodate the comparable number, sizes, and kind of families.

Id. § 23(e). This formula of the § 23 program prevented its participants from letting "luxury" apartments and then partially paying the rent with government subsidies. Compare this early approach with the current rent ceiling of the § 8 program:

The maximum monthly rent shall not exceed by more than 10 per centum the fair market rental established by the Secretary . . . for existing or newly constructed rental dwelling units of various sizes and types in the market area suitable for occupancy by persons assisted under this section. . . .

The section 23 program differed from a housing allowance program in that the subsidy was directly attached to the dwelling. Additionally, the housing authority handled landlord-tenant negotiations.²¹³ The primary advantage of this program was its abil-

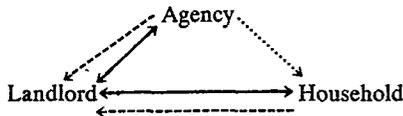
42 U.S.C. § 1437f(c)(1) (1976).

A conventional housing allowance program would not have a ceiling of this sort. While at some point, the mathematics of a housing allowance would preclude the participation of a household renting a high-priced apartment, *see* note 233 *infra*, the opportunity to choose housing from within a reasonable price range gives the housing allowance approach added attractiveness over the § 8 program. *See* P. ZAIS, J. GOEDERT, & J. TRUTKO, *MODIFYING SECTION 8: IMPLICATIONS FROM EXPERIMENTS WITH HOUSING ALLOWANCES 5-28* (1979) [hereinafter cited as *MODIFYING SECTION 8*].

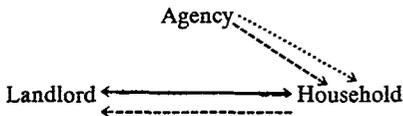
213. The diagrams below describe the legal relationships of the landlord, household, and housing authority in the § 23 and § 8 programs, the housing allowance program (EHAP), and the private market.



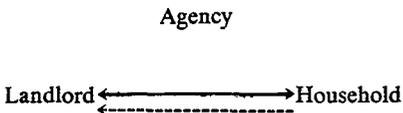
Section 8 Existing Housing Program



Housing Allowance (EHAP)



Private Market



ity to utilize the existing housing supply in a broad range of neighborhoods.

In 1968, the President's Committee on Urban Housing (the Kaiser Committee)²¹⁴ acknowledged that the housing allowance concept provided an efficient method of adjusting the supply of housing to meet the needs of low-income households. Noting the theoretical problems of such a program, the Kaiser Committee nevertheless recommended the implementation of a housing allowance program on an experimental basis.²¹⁵

Congress responded with the enactment of the Experimental Housing Allowance Program (EHAP),²¹⁶ a research program designed to test the feasibility of a housing allowance program on a national scale. For decades, the housing allowance debate had divided along purely partisan lines.²¹⁷ The sole objective of EHAP was to provide

See MODIFYING SECTION 8, *supra* note 214, at 39.

Key

- _____ Contract
 - Payment
 - Eligibility Certification
-

214. President Johnson assigned the committee the task of finding "a way to harness the productive power of America . . . to provide the basic necessities of a decent home and healthy surroundings for every American family. . . ." REPORT OF THE PRESIDENT'S COMMITTEE ON URBAN HOUSING: A DECENT HOME I (1968).

215. The committee was reluctant to recommend a full-scale program because of its fears of housing inflation and because there was an immediate need for new construction that was best met by project subsidies. *Id.* at 71.

216. Sections 501 and 504 of the Housing and Urban Development Act of 1970 Public Law 91-609 (codified at 12 U.S.C. § 1701z-3 (a-g) (1976)), authorized implementation of the EHAP.

Prior to Congressional action, the Model City Agencies conducted housing allowance experiments on a very limited scale in Kansas City, Missouri and Wilmington, Delaware. For a review of the Kansas City experience, see Kushner & Keating, *The Kansas City Housing Allowance Experience: Subsidies for the Real Estate Industry and Palliatives for the Poor*, 7 URB. LAW. 239 (1975) [hereinafter cited as Kushner & Keating]; Mattox, *Rent Allowances*, 28 J. HOUS. 482 (1971); Solomon & Fenton, *The Nation's First Experience with Housing Allowances: The Kansas City Demonstration*, 50 LAND ECON. 213 (1974).

217. Since most of the discussion prior to the EHAP was purely conjectural, the analysis often reveals little more than the political biases of the authors. See, e.g., Hartman & Keating, *The Housing Allowance Delusion*, 44 SOC. POLICY 31 (1974) [hereinafter cited as Hartman & Keating]. For a review of the usual assumptions that proved to be incorrect, see U.S. DEP'T OF HOUSING AND URBAN DEVELOPMENT, A

empirical facts to either support or refute alleged advantages and objections.

The data collected from EHAP has recently become available.²¹⁸ This section will review the results and analyze the implications for public housing. Typical objections to the housing allowance concept will first be reviewed in order to put the analysis in proper perspective.

A. *The Criticism*

Proponents of the housing allowance strategy argue that by increasing the purchasing power and, thereby, the economic leverage of the poor, landlords would be induced to build more standard housing. Advocates also argue that allowing participants their choice of housing will avoid public controversy over the location of subsidized projects and optimize consumer satisfaction.²¹⁹ Criticism of the housing allowance approach falls into three specific categories.

1. Rent Inflation

Critics claim that a housing allowance program ignores the fact that many urban areas have a shortage of decent, modestly priced housing. They argue that since housing supply is inelastic on a short term basis, the increased demand occasioned by an allowance subsidy may lead to rent inflation. As a result, a housing allowance program could have a devastating effect on households not quite poor enough to meet the income guidelines. Thus, some housing experts believe that housing allowances will benefit landlords far more than low-income families.²²⁰

2. Perpetuation of Slum Housing

Opponents argue that in addition to inflating rents, a housing allowance program could promote the marketability of substandard

SUMMARY REPORT OF THE CURRENT FINDINGS OF THE EXPERIMENTAL HOUSING ALLOWANCE PROGRAM 7-8 (1978).

218. U.S. DEP'T OF HOUSING AND URBAN DEVELOPMENT, EXPERIMENTAL HOUSING ALLOWANCE PROGRAM: A 1979 REPORT OF FINDINGS [hereinafter cited as 1979 REPORT].

219. *See, e.g.*, REPORT OF THE PRESIDENT'S COMMITTEE ON URBAN HOUSING: A DECENT HOME 71 (1968).

220. *See, e.g.*, Hartman & Keating, *supra* note 217, at 40; DeLeeuw & Ekanem, *The Supply of Rental Housing*, 61 AM. ECON. REV. 806, 817 (1971).

housing. When a seller's market prevails, landlords may attempt to capture the additional consumer income by making only minimal repairs. The additional allowance income would also encourage landlords to keep low quality dwellings on the market, that otherwise might have been abandoned and demolished.²²¹

Some experts also believe that a housing allowance program would accelerate the deterioration of urban neighborhoods. The theory suggests that housing allowance recipients will provide ready buyers for houses in "soft" markets, or neighborhoods showing the first signs of blight. Thus, an influx of housing allowance purchasers would be likely to encourage blockbusting and white flight. In sum, a housing allowance program may lead to the disruption of urban housing markets.²²²

3. Market Imperfections

The housing allowance concept assumes that by supplementing housing income, participants will have the economic leverage to demand better quality housing and be able to select from a larger variety of housing. These goals of consumer autonomy are undercut in localities where either the landlord legally dominates the landlord-tenant relationship, or pervasive housing discrimination exists. If, for example, a black household is denied access to a white housing market, landlords are effectively shielded from competition and the household's choices are correspondingly limited. Under these conditions, a housing allowance program would fail to ameliorate the market imperfections of housing discrimination and tenant abuse.²²³

B. *The Experiment*

Congress intended to resolve these economic doubts through EHAP.²²⁴ The Department of Housing and Urban Development (HUD) divided the experiment into three projects, each designed to isolate specific economic factors.

The Demand Experiment was conducted over a three year period in the Pittsburgh and Phoenix metropolitan areas.²²⁵ This project

221. See generally Kushner & Keating, *supra* note 216, at 243-345.

222. See, e.g., *id.* at 245-253.

223. See, e.g., Hartman & Keating, *supra* note 217, at 36.

224. 12 U.S.C. § 1701z-3(a)-(g) (1976).

225. HUD surveyed approximately 50,000 families from which it selected a repre-

sought to measure consumer response to housing allowances. More specifically, it measured the rates of participation among eligible households and attempted to categorize successful participants. It also provided data on the effects allowance subsidies have on participant mobility and calculated the portion of allowance payments used for housing.²²⁶

HUD obtained statistics by comparing the types of housing chosen by families on a constrained payment plan with the housing chosen by families on an unconstrained plan. Families on a constrained payment plan were required to locate dwellings meeting minimum housing code standards while those on the unconstrained plan could rent or buy housing of any quality.²²⁷ A major premise of EHAP was that no household should receive allowance payments unless it resided in a dwelling meeting EHAP standards.²²⁸ The Demand Ex-

sentative group of participants. Between the two sites, approximately 2,400 families eventually received some form of a housing allowance. 1979 REPORT, *supra* note 218, at 4.

226. *Id.* at 33-50.

227. The EHAP housing standard is very much like a conventional housing code: each dwelling is required to have certain amenities such as adequate plumbing, kitchen facilities, light, and electrical outlets before it can pass inspection. 1979 REPORT, *supra* note 218, at 103-05. Unfortunately, the criteria for the housing standard varied slightly from project to project. It was not thought, however, that the discrepancy adversely affected the EHAP results. See J. VELENZA, PROGRAM HOUSING STANDARDS IN THE EXPERIMENTAL HOUSING ALLOWANCE PROGRAM: ANALYZING DIFFERENCES IN THE DEMAND AND SUPPLY EXPERIMENTS 5-10 (1977).

228. Perhaps the primary objective of a housing allowance program is that, through private consumer selection, housing will be obtained that is of higher quality than the consumer's previous nonsubsidized dwelling. Clearly, if the allowance payment were not conditioned upon the household living in a minimum quality dwelling, the program would in practical terms be little more than an income or welfare supplement program. Welfare supplement programs have been especially problematical in theory and application. See, e.g., D. MOYNIHAN, THE POLITICS OF A GUARANTEED INCOME: THE NIXON ADMINISTRATION AND THE FAMILY ASSISTANCE PLAN (1973).

A housing allowance program need not inexorably be constrained. Great Britain has instituted an allowance program that provides payments for families residing in dwellings of any quality. See generally J. TRUTKO, O. HETZEL, & A. YATES, A COMPARISON OF THE EXPERIMENTAL HOUSING ALLOWANCE PROGRAM AND GREAT BRITAIN'S RENT ALLOWANCE PROGRAM (1978).

A persuasive argument can be made, however, that a minimum housing standard should apply irrespective of the family's personal preferences. The theory suggests that since a standard dwelling has negative external effects on its neighboring structures and would therefore drive down the real estate values of a neighborhood, a federal housing allowance program could impose certain obligations on participants to prevent neighborhood blight. See Whitman, *Federal Housing Assistance for the Poor: Old Problems and New Directions*, 9 URB. LAW. 1, 38 (1977). Thus, although

periment was situated in Pittsburgh and Phoenix in order to provide comparable data from an older, slowly growing Eastern city with that of a new, rapidly expanding Southwestern city.

The Supply Experiment, conducted in Brown County, Wisconsin and St. Joseph County, Indiana accumulated data on many of the same issues. The mechanics of the program, however, differed in important ways. This experiment marked the first instance in the history of public housing that enrollment was open to all eligible families, including renters and homeowners.²²⁹ The allowance payment equalled the difference between the cost of modest, standard housing and twenty-five percent of the family's preallowance income.²³⁰ The payments were constrained²³¹ and cancelled if the

consumer preference is the hallmark of an allowance program, that personal choice should not be allowed to be exercised at the expense of nonparticipating households.

229. 1979 REPORT, *supra* note 218, at 5. Of course, in the conventional public housing program, nearly everyone is allowed to apply. Only a select few, however, qualify for assistance. See note 202 and accompanying text *supra*. In the Supply Experiment, every household which located or repaired a structure in order to meet the housing standard automatically received an allowance.

230. Two payment formulas were used. The allowance subsidy which is based upon the difference between rent paid and one-fourth of the household's income seems generally favored by housing analysts. This formula, known as the "housing gap formula," is calculated to provide an allowance equal to the difference between the market rent for an adequate unit of appropriate size and percentage of the household's income. The formula is as follows:

$$P = C^* - bY,$$

Where:

- P = Allowance payment
- C* = Estimate of market rent of adequate housing
- b = The rate at which the allowance is reduced as income increased (usually 25% in EHAP)
- Y = Program-defined income

1979 REPORT, *supra* note 218, at 85.

The Demand Experiment tested the application of the "percentage of rent formula." This formula calculates the allowance amount as a fraction of the rent paid by an eligible household. Though an upper limit on the rent may be set, the formula encourages households to locate modestly priced housing since their own housing expenditures will increase in proportion to the increase in total rent. The percentage of rent formula gives the household greater independence in choosing housing but may, in the long run, be a more expensive subsidy than the housing gap formula. The percentage of rent allowance is computed as follows:

units fell below the program's quality standards. Brown County, Wisconsin was selected because it is representative of a relatively tight housing market in a growing urban center with a small minority population. St. Joseph County, Indiana represents a declining central city with a large minority population surrounded by white suburbs.²³²

The Administrative Agency Experiment gathered information regarding the cost of administering and delivering housing allowances. Disbursed at eight locations throughout the country,²³³ agencies experimented with different methods of selecting participants, inspecting units, subsidizing families, and providing other services related to a housing allowance program.²³⁴ The Administrative Agency Experiment primarily tested the hypothesis that a housing allowance project should be less costly to operate than conventional public housing.

C. *The Results*

The results of EHAP are quite startling. They reveal that a national housing allowance program would have a negligible impact on housing and rental prices.²³⁵ Furthermore, racial discrimination in housing was not a major obstacle to successful operation of the program.²³⁶ EHAP data also indicates that participants generally in-

$$P = aR \text{ for } R \leq C^*/a;$$

$$P = C^* \text{ for } R \geq C^*/a$$

Where:

P = Allowance payment

R = Rent paid by household

a = Percentage of rent paid by government

C* = Maximum payment allowed

Id.

231. See note 227 and accompanying text *supra*.

232. 1979 REPORT, *supra* note 218, at 5-6.

233. The projects were located at: Salem, Oregon; Springfield, Massachusetts; Peoria, Illinois; San Bernardino, California; Bismarck, North Dakota; Jacksonville, Florida; Durham, North Carolina; and Tulsa, Oklahoma. *Id.* at 62.

234. *Id.* at 62-75.

235. *Id.* at 55-61.

236. *Id.* at 47, 49. According to the participants surveyed, racial discrimination in housing ranked behind discrimination against children, the participant's source of income, and marital status. Whereas over a third of the households did report some

creased their spending on housing. This allowed them to obtain better quality housing or to move to safer, more sanitary neighborhoods.²³⁷

Each positive aspect of EHAP, however, is countered by a negative trade-off. Many eligible participants would not or could not successfully meet nonfinancial EHAP requirements.²³⁸ Many participants responded to the requirement that they locate minimum standard housing or rehabilitate their existing dwelling by dropping out of the program.²³⁹ Thus, housing demand remained largely unaffected and rent inflation did not occur. Additionally, although housing discrimination may not have been widely reported, the results of EHAP indicate that a housing allowance will do almost nothing to promote racial or economic integration.²⁴⁰

The allowance payments did induce families to spend more on housing, but the increase was not in proportion to the subsidy received. For many participants, the allowance payments were simply viewed as a general income supplement.²⁴¹ An income supplement of this variety would cost approximately \$7.4 billion per year if instituted nationwide.²⁴²

HUD officials forecast that while approximately twenty percent of the country's households are income-eligible for a housing allowance program, only fifty percent of eligible renters and thirty percent of eligible homeowners would participate.²⁴³ This is because many participants are either unwilling or unable to locate housing that meets program standards.

There are several reasons why a substantial number of EHAP applicants failed to locate adequate housing. First, many applicants were satisfied with their existing dwellings and neighborhood. Many

type of housing discrimination, the fact that the allowance program allowed the families to seek housing elsewhere mitigated these practices.

237. *Id.* at 35-40.

238. *Id.* at 23-32.

239. Nearly a third of the households not meeting the housing quality requirement did not even bother to search. *Id.* at 46.

240. *Id.* at 47.

241. *Id.* at 38.

242. *Id.* at 75. This sum is comparable to that spent for public housing programs. In 1976, \$7.5 billion was spent to provide public housing. See *Department of Housing and Urban Development Budget Outlays*, [1976] 3 Hous. & Dev. Rep. (BNA) 841.

243. 1979 REPORT, *supra* note 218, at 23.

felt that the allowance payments did not provide sufficient compensation to justify sacrificing proximity to schools, work, relatives, and friends.²⁴⁴ Others cited bureaucratic red tape, the minimal amount of money offered, and a reluctance to take money from the government as reasons for dropping out of the program.²⁴⁵

Perhaps the most significant factor that kept participation down was the EHAP requirement that a participant's dwelling meet a minimum housing standard.²⁴⁶ This requirement resulted in a breakdown of applicants into two classes: those already living in acceptable housing who immediately qualified for the allowance, and those living in unacceptable housing who had to repair or relocate in order to qualify. Statistics show that families living in low standard housing were most likely to fail the program.²⁴⁷

Mobility of the applicants also had a direct bearing on their successful participation in the program. Renters participated at higher rates than homeowners.²⁴⁸ Younger groups participated at higher

244. In the metropolitan areas of Pittsburgh and Phoenix, over 72% were satisfied with both their unit and neighborhood. *Id.* at 46.

245. *Id.*

246. After analyzing the EHAP results, HUD officials concluded that tying household requirements to allowance payments caused a 20-26% decrease in renters' participation. *Id.* at 23. While this analysis underlies the theme of the HUD report, it should be contrasted with the results of the housing allowance program conducted in Great Britain.

In 1972, the British Parliament passed the Housing Finance Act that established a Rent Allowance Program for low-income private rental tenants. The Rent Allowance Program and EHAP operate similarly. The programs differ, however, in that in Great Britain participants are not required to reside in apartments meeting a minimum housing standard. Despite the lenient requirements of the Rent Allowance Program, only 40-50% of the eligible households participate in the program. This rate of participation closely tracks the figures of the EHAP. *See* note 243 and accompanying text *supra*. Moreover, the reasons given for nonparticipation—lack of program awareness, perceptions of ineligibility, program stigma—are identical in both programs once the housing standard requirement is excluded from the analysis. *See* J. TRUTKO, O. HETZEL, & A. YATES, A COMPARISON OF THE EXPERIMENTAL HOUSING ALLOWANCE PROGRAM AND GREAT BRITAIN'S RENT ALLOWANCE PROGRAM vii-xii (1978).

Since EHAP shows that most eligible participants will refuse to locate adequate housing, and the British experience further discloses that participation will not increase when there is no housing requirement whatsoever, severe doubts must be raised as to whether a federal program can be devised that will receive enough popular support to provide "decent, safe, and sanitary" dwellings for the citizens of the nation. 1979 REPORT, *supra* note 218, at 8-9.

247. *Id.*

248. *Id.* at 21.

rates than the elderly,²⁴⁹ and people living in the Southwest (who seem to have a greater propensity to move) fared better than Northeasterners.²⁵⁰

The results of EHAP disclose that the social market effects resulting from a housing allowance program should be minimal. The number of participants who moved was approximately equal to the number who could have been expected to move had they not received allowance payments.²⁵¹ Those families who did move tended to follow the racial and ethnic demographic patterns of the open market.²⁵²

The housing allowance program did not have a noticeable economic impact. For example, it did not persuade landlords and developers to engage in major rehabilitation or new construction.²⁵³ EHAP, therefore, suggests that a housing allowance program would have little effect on the absolute number of decent housing units available in a market. It would seem, however, that an allowance program should significantly improve overall housing quality.

EHAP documented a number of instances where the allowance induced renters and homeowners to make minor repairs on their dwellings.²⁵⁴ Most dwellings had only one or two defects and were often repaired by the occupants themselves with low out-of-pocket expense. HUD analysts note that housing improvements need not be expensive to significantly improve the welfare of inhabitants.²⁵⁵

By explicitly earmarking allowance payments for home improvements, it appears that the recipient will allocate a portion of the allowance for those expenses.²⁵⁶ In a majority of the cases, however, most of the allowance was not spent on rehabilitation of the structure.²⁵⁷ This should not be surprising in view of the fact that the average rent burden of an EHAP household was about forty percent

249. *Id.* at 18-21.

250. *Id.* Regional differences in household mobility were documented in the MICHIGAN PANEL SURVEY OF INCOME DYNAMICS (SID) (1974), reproduced in 1979 REPORT, *supra* note 218, at 43.

251. *Id.* at 44.

252. *Id.* at 50.

253. *Id.* at 61.

254. *Id.* at 58.

255. *Id.* at 61.

256. *Id.* at 34.

257. *Id.* at 39.

of income and many rents exceeded the fifty percent mark.²⁵⁸ Undeniably, the housing allowance payment was viewed by its recipients as a rental subsidy.²⁵⁹

D. Conclusion

If the housing allowance approach is to be taken seriously, it is important to realistically portray its benefits and burdens. EHAP clearly demonstrates that a housing allowance optimizes consumer choice and independence while minimizing governmental interference in the private market.

A restrictive view must be taken, however, as to the possible broader social goals of a housing allowance program. An allowance program will not serve to readjust the imbalance of economic and legal power between landlords and tenants. Nor will it ameliorate the existing racial segregation in cities. Nevertheless, these conclusions should not obliterate the fact that a housing allowance program would improve the living conditions of its participants and create new housing opportunities. An allowance program would effectuate these goals by placing a premium on self-reliance rather than on the usual governmental intermediation.

A look at the primary constituency of a housing allowance program—young, economically mobile homeowners living in the “open” housing markets of the Midwest and West—indicates that the housing allowance debate will once again divide along partisan lines. It would seem, though, that the housing allowance approach offers opportunities to those families who have not heretofore fit the public housing mold. If the concept were proposed as a supplement to, rather than a replacement for, conventional public housing programs, then it could well become a politically and economically feasible public housing strategy.

V. GOVERNMENTAL RELOCATION ASSISTANCE PROGRAMS

Owning property in the inner city has once again become attractive to middle- and upper-income persons. Close proximity to downtown activities, minimal fuel costs, and the desire to live in a traditional neighborhood setting have enticed the affluent to purchase homes in

258. *Id.*

259. *Id.* at 38-39.