Preserving Project-Based Section 8 within Tight Rental Markets in New England

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A Master's Project

By

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Abstract

In New England alone, 57,508 privately owned, affordable housing units, otherwise know as project-based Section 8, are at risk of converting to market rate housing by 2017. Even though community-based organizations and active residents, in conjunction with local governments, are utilizing federal and state preservation tools, these units are still at risk due to market pressures and administrative burdens.

With proper policy intervention, expired Section 8 contracts, and future expiring contracts, may sustain a reasonable level of affordability. This study assesses the on-going affordability of recently expired Section 8 units within New England. With a broader definition of affordability, scarce resources can be targeted to the diminishing project-based Section 8 stock and those who need it most – low and extremely low-income individuals and families.

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Introduction

Project-based Section 8 is a federal program that provides a subsidy for privately owned, affordable housing units. The subsidy is tied to the unit and not the tenant. Tenants pay 30% of their income towards rent and utilities and the Department of Housing and Urban Development (HUD) subsidizes property owners up to the difference between tenant rents and Fair Market Rent (FMR). FMR is determined by county and metropolitan area. FMR accounts for the number of units and bedroom size and includes the cost of both rent and utilities. Roughly 60% of the project-based Section 8 units (hereafter referred to as Section 8 units) also have HUD-insured mortgages (Section 221 (d) (3) or Section 236) in which HUD provides loans at below-market interest rate and interest subsidies, respectively (Achtenberg 2002). Rents must remain affordable during the term of the mortgage or Section 8 contract. Therefore these units provide a deeper subsidy to serve low and extremely low-income (people between 80% and 30% Area Median Income) and individuals and families.

Currently in New England, there are 125,390 active Section 8 units (U.S. Housing and Urban Development, Multifamily Assistance and Section 8 Contracts Database). Preserving Section 8 units in tight rental markets is a difficult task because of market pressures. In tight rental markets owners can or perceive they can charge rents higher than FMR. Many projects' HUD insured mortgages are reaching their expiration, and many owners of these projects are choosing to prepay their mortgages, thus shortening the term, and convert the projects to market-rate. Section 8 contracts, which range from 15 to 20 years, are also expiring and many owners are opting out of their contracts early or choosing to not renew them (Achtenberg 2002). Preserving Section 8 has been an issue since the mid 1990s when the HUD administration shifted away from creating and preserving Section 8 units to issuing Section 8 vouchers. Vouchers are portable with the tenant. Tenants pay 30% of their income towards rent and utilities and HUD subsidizes owners the remaining amount up to FMR. The scope of this study focuses assessing the on-going affordability of recently expired Section 8 units within New England.

In New England alone, 57,508 Section 8 units are at risk of being lost by 2017 (U.S. Housing and Urban Development, Multifamily Assistance and Section 8 Contracts Database). Even though community-based organizations and active residents, in conjunction with local governments, are utilizing federal and state tools to preserve subsidies, these units are still at risk due to market pressures and administrative burdens (Achtenberg 2002, U.S. Housing and Urban Development Office of Policy Development and Research 2006, and U.S. Government Accountability Office 2007). An example of an administrative burden would be HUD's lack of flexibility with its one-for-one replacement policy. The policy does not allow owners to reduce the total number of Section 8 units when their contract is under renewal. Owners also have concerns with HUD's Operating Cost Adjustment Factors (OCAF), which adjusts for changes in operating expenses on an annual basis. Many owners argue that HUD does not take into account differences in operating expenses across regions and the time OCAF was more often than not out of date when applied (U.S. Government Accountability Office 2007).

Those committed to preserving Section 8 are employing creative strategies by leveraging federal, state, and local preservation tools. Understanding who is involved in preservation strategies, what those strategies are, and what the outcomes are will help those who are trying to preserve Section 8 units. However, in order to gauge the level of policy concern, the affordability of the Section 8 units that have expired must be assessed. Determining the new level of affordability will help target scarce resources and preserve this decreasing housing stock.

Literature Review

Project-based Versus Tenant-based: A Case for Project-based

John M. Hartung and Jeffrey R. Henig's (1997) study examines the location of Section 8 voucher holders and Section 8 units in Washington D.C. and its surrounding suburbs. Their study suggests that Section 8 voucher holders are more widely dispersed across the Washington D.C. metropolitan area than Section 8 units. However, voucher holders that relocated to suburban neighborhoods were concentrated in neighborhoods where residents have a low education level and socioeconomic status. Consequently Hartung and Henig argue that locational choice is limited by the supply of affordable housing.

Victoria Basolo and Mai Thi Nguyen's (2005) study has similar findings. Basolo and Nguyen question if in Santa Ana, California Section 8 vouchers lead holders out of poverty and into better neighborhood conditions. Their multivariate analysis suggests that voucher holders who are minorities live in worse neighborhoods than voucher holders who are white. Moreover, their analysis suggests the voucher holder's choice, subject to rent and other factors, does not result in holders moving into better neighborhoods. Subhrajit Guhathakurta and Alvin H. Mushkatel (2000) examined concentration patterns of three different types of subsidized housing: Section 8 vouchers, Shelter Plus Care (a similar voucher program for mentally ill, homeless people), and project-based housing (including project-based Section 8) in Phoenix, Arizona. Their findings suggest that voucher holders are less concentrated than tenants of project-based housing, but voucher tenants and

Shelter Plus Care tenants are concentrated in similar neighborhoods. According to Guhathakurta and Mushkatel, their findings suggest that these two voucher programs are creating another concentration pattern of subsidized housing.

A comparable study by James DeFilippis and Elvin Wyly (2008) questions whether Section 8 vouchers in New York City give people of lower-income access to neighborhoods with lower poverty rates and access to more racially and economically integrated neighborhoods in the city as some policy-makers expect. DeFilippis and Wyly (2008) mapped the distribution of Section 8 units and compared those with voucher holders. Their findings suggest that the average voucher holder lives in a lower poverty and lower racially segregated neighborhood than residents living in Section 8 units. However, their multivariate analysis indicates that there is a stronger link between neighborhood poverty and vouchers than there is with Section 8 units. In addition, the multivariate analysis indicates that there is a stronger link between neighborhood racial segregation and vouchers than there is with Section 8 units. According to DeFilippis and Wyly (2008) the Section 8 voucher program does not produce better results for its residents than project-based Section 8. Also, their findings suggest that owners are opting out of project-based Section 8 just as their neighborhoods are improving. Therefore, if one of the goals of subsidized housing is to produce integrated neighborhoods, then residents of project-based Section 8 should stay put.

During the 1990s, the HUD administration shifted away from creating and preserving project-based Section 8 to funding portable Section 8 vouchers. These policy-makers thought that vouchers, in theory, would allow those who are lower-income to rent in neighborhoods of their choice, neighborhoods with better living conditions. However, studies such as the abovementioned suggest that vouchers do just that only in theory. In reality property owners or management companies are not required to except vouchers, and if they can or perceive they can charge rents higher than FMR then they will do so. The Section 8 voucher program does not address the primary low-income housing problem of today - low-income families' housing cost burden. The Section 8 voucher program does not assume the housing cost burden to reflect a limited supply of affordable units because, in theory, the program itself would then drive up rents and make the housing cost burden problem a problem for others (Grigsby and Bourassa 2003). DeFilippis and Wyly (2008) point out that as markets change and owners can charge higher rents neighborhoods begin to gentrify. Those who can afford these higher rents displace those who cannot and if the goal of policy-makers and affordable housing advocates is to promote racially and economically integrated neighborhoods then we should be preserving project-based Section 8.

Subprograms of Project-based Section 8

There are three main subprograms of project-based Section 8. The first and second are New Construction and Substantial Rehabilitation and the third is Loan Management Set-Aside. New Construction and Substantial Rehabilitation provided rent subsidies in new or significantly rehabilitated projects. The subsidy covered the difference between tenants' portion of the rent payment, which is 30% including utilities, and FMR. The contracts were for 20 to 40 years. There have been no new contracts have been issued since the 1990s, and only existing contracts have been renewed. With the Section 8 Loan

Management Set-Aside program HUD contracts with owners of HUD-insured projects experiencing financial problems. The goal of the program is to minimize defaults on HUD-insured projects by ensuring a reliable income stream. Like the New Construction and Substantial Rehabilitation programs, tenants pay 30% of their income towards rent and utilities and HUD subsidizes the difference up to FMR.

Property Disposition and Preservation are two other types of project-based Section 8. With Property Disposition, HUD forecloses on properties with HUD subsidized mortgages and Section 8 or sells HUD owned properties with project-based Section 8 assistance. The Section 8 Preservation program helped preserve properties' low-income status by providing project-based Section 8 subsidies, but there have been no new contracts issued for this program.

Methods to be Applied

The purpose of this study is to assess the affordability of Section 8 units that have recently expired within tight rental markets in New England. This study uses data collected from the America Community Survey 2011 one-year estimates and HUD's Multifamily Assistance and Section 8 Contracts Database and employs a descriptive analysis. The data collected from the American Community Survey for tight rental markets is presented, and data collected from HUD's Multifamily Assistance and Section 8 Contracts Database was aggregated, compared, and presented in order better gauge the level of policy concern of recently expired Section 8 units. (Bhattacherjee, 2012).

Analysis of Tight Rental Markets in New England

The Multifamily Assisted Housing Reform and Affordability Act (MAHRAA) defines a tight rental market as a market having 6% vacancy rate or less (Multifamily Assisted

Housing Reform and Affordability Act 1997). The America Community Survey 2011 one-year estimates for New England were downloaded. Note that there are not any municipalities listed for Vermont because the estimates include municipalities with a population of 65,000 or more. The 2011 estimates vacancy rates were sorted highest to lowest, and the municipalities that have a vacancy rate of 6% or less were used for this study. The tight rental markets, sorted by highest to lowest, are listed in the table below. One would think that Boston, MA and surrounding municipalities would have a tight rental market. However, a slowly recovering home ownership market is a contributing factor to surprises such as Lawrence, MA.

According to the National Low Income Housing Coalition (2012), the recession has only stalled rising housing costs, but has not resulted in access to affordable housing for low and extremely low-income families. Wages have fallen and the homeownership rate has dropped due to the recession. Prospective buyers are being cautious, and so the number of renters has increased. Low and extremely low-income families are now competing with higher income renters for the same housing stock. The National Low Income Housing Coalition's report "Housing Spotlight" gives an overview of tenants who live in project-based Section 8 and in other federally assisted housing. According to the report, 75% of tenants living in project-based Section 8 are female headed-households, and 63% are elderly or have a family member who is disabled. Almost half, 49%, of project-based Section 8 tenants are white, 33% are black, and 13% are Hispanic. And finally, almost all, 93%, of project-based section 8 tenants have an annual income less than $20,000. Demographic characteristics of each municipality will help gauge who would be most affected by the loss of Section 8 units.

Table 1. Tight Rental Markets in New England

	Rental Vacancy Rate
Newton, MA	1.3%
Cambridge, MA	2.0%
Cranston, RI	2.5%
Warwick, RI	3.0%
Nashua, NH	3.1%
Quincy, MA	3.2%
Lynn, MA	3.4%
Lawrence, MA	3.7%
Boston, MA	4.4%
Stamford, CT	4.5%
Manchester, NH	5.0%
Portland, ME	5.1%
Danbury, CT	5.3%
Springfield, MA	5.7%
Providence, RI	5.9%

2011 American Community Survey, U.S. Census Bureau

Table 2 shows Danbury, Stamford, and Connecticut demographics. Danbury and Stamford are more diverse with 25% and 24% Hispanic/Latino population than Connecticut with 13% Hispanic/Latino population. Danbury, Stamford, and Connecticut as a whole have similar population with high school degrees at 82%, 86%, and 88%, respectively. However, Stamford has more people with bachelor's degrees than Danbury and the state. Tellingly, Stamford also has the highest rental rate at 44% and the highest median value of owner-occupied units, $232,700 more than Danbury and $278,400 than Connecticut. This suggests that affordable housing is difficult to find for the Stamford's 44% renters.

Table 2. Tight Rental Markets' Demographics in Connecticut

	Danbury	Stamford	CT
Population	81,671	123,868	3,580,709
Under 5 yrs., percent	6.7%	6.8%	5.7%
Under 18 yrs., percent	21.1%	21.6%	22.9%
65 yrs. and over, percent	11.1%	13.1%	14.2%

Hispanic or Latino, percent	25.0%	23.8%	13.4%
White not Hispanic or Latino, percent	57.2%	53.3%	71.2%
White, percent	68.2%	65.0%	77.6%
Black, percent	7.2%	13.9%	10.1%
American Indian and Alaska Native, percent	0.4%	0.3%	0.3%
Asian, percent	6.8%	7.9%	3.8%
Native Hawaiian & Other Pacific Islander, percent	Z*	0.1%	0.0%
Persons reporting two or more races, percent	4.5%	3.2%	2.6%
Living in same house 1 yr. and over, percent	85.9%	85.3%	87.4%
Language other than English (age 5+), percent	38.7%	44.4%	20.6%
High school graduates (age 25+), percent	82.4%	86.2%	88.4%
Bachelor's degree or higher (age 25+), percent	30.7%	42.6%	35.2%
Homeownership rate	62.8%	56.5%	69.2%
Median value of owner-occupied housing units	$342,200	$574,900	$296,500
Housing units in multi-unit structures, percent	42.9%	55.2%	34.6%
Households	29,552	46,396	1,359,218
Persons per household	2.56	2.56	2.52
Median household income	$65,275	$75,579	$67,740
Persons below poverty level, percent	8.4%	11.1%	9.2%

* Higher than 0% but less than 0.1%
2011 American Community Survey, U.S. Census Bureau

Tables 3 and 4 compare Massachusetts' tight rental markets and the state as a whole. Lawrence has the highest population of Hispanics/Latinos at 74% and Quincy and Newton have the lowest at 3% and 4%. In conjunction with the highest population of Hispanics/Latinos, in Lawrence 75% of the population speak a language other than English. Newton and Cambridge have the most high school graduates at 96% and 94% and Lawrence has the least at 64%. In Massachusetts 89% of the population has a high school degree. Similarly, Newton and Cambridge have 73% and 72% of bachelor degrees, Lawrence has the least with 12%, and the state has 38% of bachelor degrees. Newton and, surprisingly Springfield have the highest homeownership rates, but Newton's median value of owner-occupied units is $692,000 compared to Springfield and the state at $155,500 and $352,300. Newton also has the highest median household income at $107,696. The demographics in Newton and Cambridge reinforce the rental vacancy rates of 1.3% and 2.0%.

Table 3. Tight Rental Markets' Demographics in Massachusetts

	Boston	Cam-bridge	Newton	Lawrence
Population	625,087	106,038	85,945	76,976
Under 5 yrs., percent	5.2%	4.3%	5.3%	8.4%
Under 18 yrs., percent	16.8%	11.4%	21.6%	29.0%
65 yrs. and over, percent	10.1%	9.5%	15.2%	8.6%
Hispanic or Latino, percent	17.5%	7.6%	4.1%	73.8%
White not Hispanic or Latino, percent	47.0%	62.1%	79.6%	20.5%
White, percent	53.9%	66.6%	82.3%	42.8%
Black, percent	24.4%	11.7%	2.5%	7.6%
American Indian and Alaska Native, percent	0.4%	0.2%	0.1%	1.3%
Asian, percent	8.9%	15.1%	11.5%	2.5%
Native Hawaiian & Other Pacific Islander, percent	Z	Z	Z	0.1%
Persons reporting two or more races, percent	3.9%	4.3%	2.4%	6.5%
Living in same house 1 yr. and over, percent	75.7%	72.4%	82.2%	81.3%
Language other than English (age 5+), percent	35.5%	31.4%	23.8%	74.9%
Highschool graduates (age 25+), percent	84.3%	94.1%	96.1%	64.3%
Bachelor's degree or higher (age 25+), percent	42.5%	72.1%	72.8%	11.6%
Homeownership rate	34.9%	35.8%	70.4%	34.8%
Median value of owner-occupied housing units	$395,200	$560,600	$692,000	$258,100
Housing units in multi-unit structures, percent	82.2%	84.5%	40.1%	74.2%
Households	245,857	46,244	29,337	26,397
Persons per household	2.28	2.03	2.52	2.82
Median household income	$50,684	$64,865	$107,696	$31,631
Persons below poverty level, percent	21.2%	15.0%	5.9%	26.5%

2011 American Community Survey, U.S. Census Bureau

Table 4. Tight Rental Markets' Demographics in Massachusetts Continued

	Lynn	Quincy	Spring-field	MA
Population	91,040	92,909	153,155	6,587,536
Under 5 yrs., percent	7.4%	5.4%	7.3%	5.6%
Under 18 yrs., percent	24.9%	16.6%	27.0%	21.7%
65 yrs. and over, percent	11.4%	15.1%	10.9%	13.8%
Hispanic or Latino, percent	32.1%	3.3%	38.8%	9.6%
White not Hispanic or Latino, percent	47.6%	65.5%	36.7%	76.1%
White, percent	57.6%	67.3%	51.8%	80.4%
Black, percent	12.8%	4.6%	22.3%	6.6%
American Indian and Alaska Native, percent	0.7%	0.2%	0.6%	0.3%

Asian, percent	7.0%	24.0%	2.4%	5.3%
Native Hawaiian & Other Pacific Islander, percent	0.1%	Z	0.1%	0.0%
Persons reporting two or more races, percent	5.0%	2.1%	4.7%	2.6%
Living in same house 1 yr. and over, percent	84.4%	81.1%	82.9%	86.1%
Language other than English (age 5+), percent	40.0%	31.1%	33.7%	21.0%
High school graduates (age 25+), percent	77.9%	86.9%	75.9%	88.7%
Bachelor's degree or higher (age 25+), percent	18.0%	38.0%	16.9%	38.3%
Homeownership rate	47.4%	49.4%	51.3%	64.0%
Median value of owner-occupied housing units	$283,600	$359,200	$155,500	$352,300
Housing units in multi-unit structures, percent	63.4%	62.2%	50.7%	41.7%
Households	34,096	40,600	56,229	2,512,552
Persons per household	2.6	2.21	2.59	2.48
Median household income	$43,200	$59,803	$34,628	$64,509
Persons below poverty level, percent	19.3%	9.8%	27.6%	10.5%

2011 American Community Survey, U.S. Census Bureau

Table 5 shows demographics for Portland and the state. In Portland, 84% of the population is white, 7% is black, and 4% is Asian. In Maine 94% of the population is white, 1% is black, and another 1% is Asian. Portland has a higher percentage people with high school degrees and bachelor degrees than the state. The state's homeownership rate is higher than Portland's, but the median value of owner-occupied housing units in Portland is $248,100 and the state's is $176,200. Portland, at 56%, has more than double the amount of multi-unit structures than the state. Portland and the state have a comparable median household income, but Portland's percentage of people living below the poverty line reaches almost 20% and the state's is around13%.

Table 5. Tight Rental Markets' Demographics in Maine

	Portland	ME
Population	66,363	1,328,188
Under 5 yrs., percent	5.4%	5.2%
Under 18 yrs., percent	17.1%	20.7%
65 yrs. and over, percent	12.6%	15.9%
Hispanic or Latino, percent	3.0%	1.3%
White not Hispanic or Latino, percent	83.6%	94.4%
White, percent	85.0%	95.2%
Black, percent	7.1%	1.2%
American Indian and Alaska Native, percent	0.5%	0.6%

Asian, percent	3.5%	1.0%
Native Hawaiian & Other Pacific Islander, percent	Z	0.0%
Persons reporting two or more races, percent	2.7%	1.6%
Living in same house 1 yr. and over, percent	75.8%	86.2%
Language other than English (age 5+), percent	14.1%	7.1%
High school graduates (age 25+), percent	91.3%	89.8%
Bachelor's degree or higher (age 25+), percent	43.2%	26.5%
Homeownership rate	45.9%	73.1%
Median value of owner-occupied housing units	$248,100	$176,200
Housing units in multi-unit structures, percent	55.5%	19.4%
Households	30,686	551,125
Persons per household	2.07	2.34
Median household income	$44,422	$46,933
Persons below poverty level, percent	17.5%	12.6%

2011 American Community Survey, U.S. Census Bureau

The table below shows demographics for Manchester, Nashua, and New Hampshire. Both Manchester and Nashua are more diverse than the state as a whole. Manchester's population is 8% Hispanic/Latino, 4% black, and 4% Asian. Nashua's population is 10% Hispanic/Latino, 3% black, and 7% Asian. The state is 92% white (not Hispanic/Latino). Manchester and Nashua also have a significantly higher percentage of people that speak another language other than English than the state. Manchester, Nashua, and the state have comparable populations with high school degrees, but Nashua and the state have a higher percentage of the population with bachelor degrees than Manchester. The state has a higher homeownership rate than Manchester and Nashua, which is also reflected in the state's low percentage of units in multi-unit structures. Manchester has the lowest median household income and the highest percentage of people living below the poverty line, and Nashua and the state are comparable.

Table 6. Tight Rental Markets' Demographics in New Hampshire

	Manchester	Nashua	NH
Population	109,830	86,704	1,318,194
Under 5 yrs., percent	6.7%	6.3%	5.3%
Under 18 yrs., percent	21.6%	22.1%	21.8%

65 yrs. and over, percent	11.8%	12.7%	13.5%
Hispanic or Latino, percent	8.1%	9.8%	2.8%
White not Hispanic or Latino, percent	82.0%	79.0%	92.3%
White, percent	86.1%	83.4%	93.9%
Black, percent	4.1%	2.7%	1.1%
American Indian and Alaska Native, percent	0.3%	0.3%	0.2%
Asian, percent	3.7%	6.5%	2.2%
Native Hawaiian & Other Pacific Islander, percent	0.1%	Z	0.0%
Persons reporting two or more races, percent	2.7%	2.5%	1.6%
Living in same house 1 yr. and over, percent	78.9%	84.1%	86.4%
Language other than English (age 5+), percent	18.8%	19.9%	8.0%
High school graduates (age 25+), percent	86.1%	89.8%	90.9%
Bachelor's degree or higher (age 25+), percent	25.3%	35.3%	32.9%
Homeownership rate	50.6%	60.2%	72.6%
Median value of owner-occupied housing units	$235,700	$262,100	$253,200
Housing units in multi-unit structures, percent	56.0%	45.5%	25.7%
Households	45,370	35,114	513,804
Persons per household	2.37	2.41	2.48
Median household income	$53,377	$65,476	$63,277
Persons below poverty level, percent	13.2%	7.3%	7.8%

2011 American Community Survey, U.S. Census Bureau

Table 7 shows demographics for Cranston, Providence, Warwick, and Rhode Island. Providence is the most diverse with 38% of the population being Hispanic/Latino, 50% white, and 16% black. Warwick is the least diverse with 90% of the population being white (not Hispanic/Latino). Almost half of Providence's population speaks another language other than English, and Cranston and the state are comparable at 21% and 20%. Warwick has the highest percentage of high school graduates at 90% and Providence has the least at 73%. However, all three municipalities and the state have about 30% of people with a bachelor's degree or higher. Warwick has the highest homeownership rate at 75% and the least amount of units in a multi-unit structure. Providence is the opposite with a 37% homeownership rate and the highest percentage of units in a multi-unit structure. Providence also has the lowest median household income at $36,925 and highest percentage of people living below the poverty line at 26%.

Table 7. Tight Rental Markets' Demographics in Rhode Island

	Cranston	Provid-ence	Warwick	RI
Population	80,392	178,053	82,361	1,051,302
Under 5 yrs., percent	5.0%	6.9%	4.7%	5.5%
Under 18 yrs., percent	20.4%	23.4%	19.1%	21.3%
65 yrs. and over, percent	15.3%	8.7%	17.1%	14.4%
Hispanic or Latino, percent	10.8%	38.1%	3.4%	12.4%
White not Hispanic or Latino, percent	77.2%	37.6%	90.8%	76.4%
White, percent	81.9%	49.8%	92.7%	81.4%
Black, percent	5.3%	16.0%	1.7%	5.7%
American Indian and Alaska Native, percent	0.3%	1.4%	0.3%	0.6%
Asian, percent	5.2%	6.4%	2.3%	2.9%
Native Hawaiian & Other Pacific Islander, percent	0.1%	0.1%	Z	0.1%
Persons reporting two or more races, percent	2.7%	6.5%	1.9%	3.3%
Living in same house 1 yr. and over, percent	88.1%	74.8%	90.9%	86.3%
Language other than English (age 5+), percent	21.2%	48.3%	6.7%	20.8%
High school graduates (age 25+), percent	85.2%	72.7%	89.9%	83.7%
Bachelor's degree or higher (age 25+), percent	29.7%	29.0%	29.0%	30.3%
Homeownership rate	67.9%	36.9%	74.7%	62.5%
Median value of owner-occupied housing units	$258,900	$243,600	$234,300	$279,300
Housing units in multi-unit structures, percent	37.1%	73.2%	24.2%	40.5%
Households	30,386	61,933	35,672	410,305
Persons per household	2.46	2.63	2.32	2.47
Median household income	$57,922	$36,925	$59,497	$54,902
Persons below poverty level, percent	8.4%	26.3%	7.6%	12.2%

2011 American Community Survey, U.S. Census Bureau

HUD's Multifamily Assistance and Section 8 Contracts Database, which was updated on September 6, 2012, was downloaded and the fifteen municipalities that have a vacancy rate of 6% or less were entered into a separate database. The HUD's FY 2012 Income Limits Documentation System was also downloaded. The Area Median Income (AMI) for each municipality was multiplied by 80% (low-income), 50% (very low-income), and 30% (extremely low-income) and then multiplied by 30%, the percentage of annual housing expenses (Housing and Community Development Act 1974), in order to calculate levels of affordability. The annual housing expense amount was divided by twelve to reach baseline rent amounts that are affordably for 80%, 50%, and 30% of the AMI for those fifteen municipalities.

HUD's Multifamily Assistance and Section 8 Contracts Database list the rent to FMR ratio. The ratio was converted into a decimal so it could be multiplied by the municipalities' FMR, which is included in the database, to calculate the projects' rents.

Based on HUD's Office of Policy Development and Research report "Multifamily: Properties: Opting In, Opting Out and Remaining Affordable", it is hypothesized that the majority of the Section 8 units that expired would have new rents affordable to renters who are 80% AMI but not 50% or 30% AMI. Information on the new rents of the expired Section 8 contracts was taken directly from the projects' management companies' websites and the companies themselves were contacted if information was not available online.

Limitations and Conditions

One of the limitations of this study is that there cannot be a direct comparison of the project-based Section 8 rents with the rents currently now because HUD does not keep track of rents charged at the time the units were part of the assisted stock. Another limitation is that the raw data downloaded from HUD's Multifamily Assistance and Section 8 Contracts Database is that the data is updated on a monthly basis and only gives a point in time perspective, not historical. Furthermore, the overall average ratio of gross contract rents to FMR was used for the database, accounting for the number of units and the FMR for bedroom size. FMR includes the cost of both rent and utilities. FMR is determined by county and metropolitan area, and if any project addresses were entered into the Multifamily Assistance and Section 8 Contracts database incorrectly, coupled with rents changing frequently, the affordability of the Section 8 units that have expired is subject to error.

Application

There is a resounding urgency in the literature and with affordable housing advocates about preserving project-based Section 8, but this study suggests that the diminishing housing stock may be more gradual than urgent. The table below shows that a small percentage of the Section 8 units in tight rental markets in New England and New England as whole have expired. However as previously mentioned, one limitation of this study is that the data, downloaded from HUD's Multifamily Assistance and Section 8 Contracts Database, is updated on a monthly basis and only gives a point in time perspective. Even though a small percentage of units have expired, tables 9, 10, and 11 suggest that as a unit's number of bedrooms increases, its availability of becomes scarcer and less affordable.

Table 8. Percentage of Expired Units by Municipality

	Percentage of Units
New England	4%
Danbury, CT	0%
Stamford, CT	1%
Boston, MA	6%
Cambridge, MA	10%
Lawrence, MA	7%
Lynn, MA	0%
Newton, MA	0%
Quincy, MA	0%
Springfield, MA	9%
Portland, ME	6%
Manchester, NH	9%
Nashua, NH	9%
Cranston, RI	0%

Multifamily Assistance and Section 8 Contracts Database, Department of Housing and Urban Development

In New England, 100% of studio and one-bedroom units were affordable for those who are 80% Area Median Income (AMI). However, 93% of two-bedroom units, 91% of three-bedroom units, and 42% of four-bedroom units were affordable for 80% AMI. Table 9 also shows in Boston 87% of two-bedroom units, 68% of three-bedroom units, and only 30% of four-bedroom units were affordable for 80% AMI. Similarly in Portland only 74% of two-bedroom units were affordable for 80% AMI.

Table 10 shows that in New England only 36% of studios, 47% of one-bedrooms, 7% of two- and three-bedrooms, and 17% of four-bedroom units are affordable for those who are 50% AMI. Only in Stamford, Cambridge, and Nashua (except the three-bedroom units in Nashua) were the Section 8 units affordable for 50% AMI. In Boston 29% of studios, 66% of one-bedrooms, 3% of two-bedrooms, and none of the three- and four-bedroom units. Interestingly, in Lawrence 100% of the one- and two-bedroom units were affordable for 80% AMI, but none of the same units were affordable for 50% AMI. Likewise in Springfield all of the units were affordable for 80% AMI, but only 33% of the one-bedroom and none of the two- and three-bedroom units were affordable for 50% AMI. In Portland, ME only 2% of the one-bedrooms and none of the two-bedroom units were affordable for 50% AMI. The one-bedroom units in Manchester were affordable for 80% AMI but none were for 50% AMI.

Table 11 shows very few units were affordable for those who are 30% AMI. In New England 36% of studios, 15% one-bedrooms, 5% two-bedrooms, and none of the three- and four-bedroom units were affordable. In Stamford, 100% of the two-bedroom units were affordable. In Cambridge, 100% of the studios, almost half of the one-bedrooms, and 100% of the two-bedrooms were affordable. In Springfield and Nashua 33% and 80%, respectively, of the one-bedrooms were affordable.

Table 9. Percentage of Units by Bedroom Size Affordable for 80% Area Median Income

	O BR	1 BR	2 BR	3 BR	4 BR
New England	100%	100%	93%	91%	42%
Stamford, CT			100%	100%	100%
Boston, MA	100%	100%	87%	68%	30%
Cambridge, MA	100%	100%	100%		
Lawrence, MA		100%	100%		
Springfield, MA		100%	100%	100%	
Portland, ME		100%	74%		
Manchester, NH		100%	0%		
Nashua, NH		100%	100%	100%	

Multifamily Assistance and Section 8 Contracts Database, Department of Housing and Urban Development

Table 10. Percentage of Units by Bedroom Size Affordable for 50% Area Median Income

	O BR	1 BR	2 BR	3 BR	4 BR
New England	36%	47%	7%	7%	17%
Stamford, CT			100%	100%	100%
Boston, MA	29%	66%	3%	0%	0%
Cambridge, MA	100%	100%	100%		
Lawrence, MA		0%	0%		
Springfield, MA		33%	0%	0%	
Portland, ME		2%	0%		
Manchester, NH		0%	0%		
Nashua, NH		100%	100%	0%	

Multifamily Assistance and Section 8 Contracts Database, Department of Housing and Urban Development

Table 11. Percentage of Units by Bedroom Size Affordable for 30% Area Median Income

	O BR	1 BR	2 BR	3 BR	4 BR
New England	36%	15%	5%	0%	0%
Stamford, CT			100%	0%	0%
Boston, MA	29%	0%	0%	0%	0%
Cambridge, MA	100%	43%	100%		
Lawrence, MA		0%	0%		
Springfield, MA		33%	0%	0%	
Portland, ME		0%	0%		
Manchester, NH		0%	0%		
Nashua, NH		80%	0%	0%	

Multifamily Assistance and Section 8 Contracts Database, Department of Housing and Urban Development

Findings of Expired Projects' New Rents

The tables below suggest that as units expire the new rents charged are less affordable than when the units were active in the Section 8 program. In New England 95% of the one-bedroom units and 82% of the three-bedroom units, which is 5% and 9% less of the three-bedroom, are now unaffordable for those who are 80% AMI. Also in New England, 39% of the one-bedrooms, 5% of the two-bedrooms, and 6% of the three-bedrooms, which is 8%, 2%, and 1% less, respectively, are now unaffordable for those who are 50% AMI. Lastly, 11% of studios and 1% of two-bedrooms are affordable for people who are 30% AMI. There is a 25% difference between studios that are now affordable. The new rents charged for expired units in Boston effect the affordability of New England as a whole. In Boston, 83% of the one-bedrooms and 21% of the three-bedrooms, or 17% and 47% less, are now unaffordable for 80% AMI. Of the one-bedroom units, 37% (29% less) are affordable for those who are 50% AMI, and now none of the studios (29% less) are affordable for those who are 30% AMI. In general, the tables suggest that expired units are less affordable. However, there are exceptions. The new rents charged for two-bedroom units in Manchester are now affordable for those who are 80% AMI.

Table 12. Percentage of Units by Bedroom Size Affordable for 80% Area Median Income

	O BR	1 BR	2 BR	3 BR	4 BR
New England	100%	95%	93%	82%	42%
Stamford, CT			100%	100%	100%
Boston, MA	100%	83%	87%	21%	30%
Cambridge, MA	100%	100%	100%		
Lawrence, MA		100%	100%		
Springfield, MA		100%	100%	100%	
Portland, ME		100%	74%		
Manchester, NH		100%	100%		
Nashua, NH		100%	100%	100%	

Multifamily Assistance and Section 8 Contracts Database, Department of Housing and Urban Development

Table 13. Percentage of Units by Bedroom Size Affordable for 50% Area Median Income

	O BR	1 BR	2 BR	3 BR	4 BR
New England	36%	39%	5%	6%	17%
Stamford, CT			100%	100%	100%
Boston, MA	29%	37%	3%	0%	0%
Cambridge, MA	100%	100%	100%		
Lawrence, MA		0%	0%		
Springfield, MA		33%	0%	0%	
Portland, ME		2%	0%		
Manchester, NH		0%	0%		
Nashua, NH		100%	0%	0%	

Multifamily Assistance and Section 8 Contracts Database, Department of Housing and Urban Development

Table 14. Percentage of Units by Bedroom Size Affordable for 30% Area Median Income

	O BR	1 BR	2 BR	3 BR	4 BR
New England	11%	15%	1%	0%	0%
Stamford, CT			100%	0%	0%
Boston, MA	0%	0%	0%	0%	0%
Cambridge, MA	100%	43%	0%		
Lawrence, MA		0%	0%		
Springfield, MA		33%	0%	0%	
Portland, ME		0%	0%		
Manchester, NH		0%	0%		
Nashua, NH		62%	0%	0%	

Multifamily Assistance and Section 8 Contracts Database, Department of Housing and Urban Development

Comparison of Expired Projects with Expiring Projects (Next Five Years)

The table below shows 38% of the Section 8 units in New England will expire in the next five years. The table also shows that more than half of the units will expire for nine of the municipalities listed. Tables 16, 17, and 18 mirror tables 9, 10, and 11. The tables show that as a unit's number of bedrooms increases, its availability of becomes scarcer and less affordable.

Table 15. Percentage of Active Units Expiring (Next Five Years) by Municipality

	Percentage of Units
New England	38%
Danbury, CT	60%

Stamford, CT	36%
Boston, MA	22%
Cambridge, MA	71%
Lawrence, MA	24%
Lynn, MA	19%
Newton, MA	61%
Quincy, MA	97%
Springfield, MA	33%
Portland, ME	52%
Manchester, NH	61%
Nashua, NH	62%
Cranston, RI	78%
Providence, RI	32%
Warwick, RI	79%

Multifamily Assistance and Section 8 Contracts Database, Department of Housing and Urban Development

Table 16. Percentage of Units by Bedroom Size Affordable for 80% Area Median Income

	O BR	1 BR	2 BR	3 BR	4 BR
New England	100%	99%	89%	67%	65%
Danbury, CT	100%	100%	100%	100%	100%
Stamford, CT	100%	100%	100%	100%	
Boston, MA	100%	97%	92%	79%	82%
Cambridge, MA	100%	100%	17%	19%	0%
Lawrence, MA	100%	100%	100%	100%	100%
Lynn, MA	100%	100%	100%	37%	
Newton, MA		100%	100%	0%	
Quincy, MA	100%	100%	100%		
Springfield, MA	100%	95%	100%	100%	89%
Portland, ME	100%	100%	100%	12%	0%
Manchester, NH	100%	100%	96%		0%
Nashua, NH	100%	100%	100%		
Cranston, RI		100%	100%	100%	
Providence, RI	100%	100%	100%	45%	22%
Warwick, RI		100%	100%		

Multifamily Assistance and Section 8 Contracts Database, Department of Housing and Urban Development

Table 17. Percentage of Units by Bedroom Size Affordable for 50% Area Median Income

	O BR	1 BR	2 BR	3 BR	4 BR
New England	86%	46%	13%	5%	4%
Danbury, CT	100%	100%	60%	72%	0%
Stamford, CT	69%	51%	89%	0%	
Boston, MA	56%	59%	16%	1%	0%
Cambridge, MA	100%	29%	13%	0%	0%
Lawrence, MA	100%	57%	82%	100%	100%

Lynn, MA	100%	54%	6%	0%	
Newton, MA		33%	33%	0%	
Quincy, MA	100%	89%	1%		
Springfield, MA	88%	71%	13%	0%	0%
Portland, ME	100%	20%	2%	0%	0%
Manchester, NH	100%	50%	0%		0%
Nashua, NH	100%	73%	7%		
Cranston, RI		12%	0%	0%	
Providence, RI	100%	28%	2%	0%	0%
Warwick, RI		17%	4%		

Multifamily Assistance and Section 8 Contracts Database, Department of Housing and Urban Development

Table 18. Percentage of Units by Bedroom Size Affordable for 30% Area Median Income

	O BR	1 BR	2 BR	3 BR	4 BR
New England	39%	7%	0%	0%	0%
Danbury, CT	100%	9%	0%	0%	0%
Stamford, CT	9%	0%	0%	0%	
Boston, MA	26%	18%	0%	0%	0%
Cambridge, MA	0%	0%	0%	0%	0%
Lawrence, MA	0%	16%	0%	0%	0%
Lynn, MA	31%	18%	0%	0%	
Newton, MA		10%	0%	0%	
Quincy, MA	90%	13%	0%		
Springfield, MA	0%	1%	0%	0%	0%
Portland, ME	0%	0%	0%	0%	0%
Manchester, NH	0%	0%	0%		0%
Nashua, NH	0%	40%	0%		
Cranston, RI		0%	0%	0%	
Providence, RI	0%	0%	0%	0%	0%
Warwick, RI		1%	0%		

Multifamily Assistance and Section 8 Contracts Database, Department of Housing and Urban Development

Of the expired units, 12% are New Construction, 4% are substantial Rehabilitation, and 13% are Loan Management Set-Aside. Also, of these projects, 40% have Section 236 as the primary financing and 7% have Section 202/811. The majority of the owners' (55%) of these projects are limited dividend, 19% are profit motivated, and 26% are non-profit. Of the units that are expiring in the next five years, 38% are New Construction, 15% are Substantial Rehabilitation, and 23% are Loan Management Set-Aside. Unlike the projects with expired units, only 9% of the projects with units that will be expiring have Section 236 as the primary financing and 21% have Section 202/811. Also unlike the projects with expired units, 41% have owners that are profit motivated and 36% of the owners are non-profits.

Recommendations for Preserving Project-based Section 8

The urgency for preserving project-based Section 8 may not be as urgent as affordable housing activists once thought. However, previously noted is this study's limitation that there cannot be a direct comparison of the project-based Section 8 rents charged with market rents charged currently because HUD does not keep track of rents charged at the time the units were part of the assisted stock. Also, HUD updates its Multifamily Assistance and Section 8 Contracts Database on a monthly basis and only gives a point in time perspective. A complete list of Section 8 projects that have expired was not available for this study. It would be pertinent for HUD keep track of the rents being charged at the time the units were part of the Section 8 program and to keep a complete list of expired contracts to fully assess the loss of Section 8 units.

One major finding of this study suggests that as units expire the new rents charged are less affordable than when the units were active in the Section 8 program. Another major finding is that as a unit's number of bedrooms increases, its availability of becomes scarcer and less affordable. So it is reasonable to determine that those who are extremely low-income and those with large families are most affected. People and organizations trying to preserve Section 8 should target resources to preserve units that address the financial and housing needs of the extremely low-income and those with large families. Those who are actively preserving such units are leveraging federal, state, and local preservation tools. These tools and how they can useful but incomplete are described below.

Federal, State, and Local Preservation Tools

Mark-Up-to-Market, a federal rule, provides incentives for owners to stay in the Section 8 program. Rents may be marked up to comparable market rents, which are capped at 150% of FMR but can be higher with a HUD waiver. The program is available to projects eligible for Section 221(d)(3) or Section 236 mortgage prepayments and only after the project's original pre- MAHRAA subsidy contract has expired. However, after the owner has renewed under MAHRAA, the owner may mark up rents at any time. Projects that have low- or moderate income use restrictions such as Emergency Low Income Housing Preservation Act (ELIHPA), Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA), and local zoning are ineligible (Achtenberg 2002).

Mark-Up-to-Market contract terms are a minimum of five years and a maximum of 20 years. Owners do not have to renew their contracts once the initial term expires. This provision limits the value of Mark-Up-to-Market as a 5 year preservation tool. Owners with Section 8 projects may receive unlimited distributions in the form of cash flow or for refinancing. Owners with projects that are only partially Section 8-assisted are allowed to increase Section 8 rents as a distribution in addition to the original allowable dividend. However, rents in any non-Section 8 units must remain unchanged. Therefore, the lower the percentage of Section 8 units, the less attractive Mark-Up-to-Market is (Achtenberg 2002).

Mark-Up-to-Budget allows nonprofits to mark Section 8 rents up to comparable market rents, which are capped at 150% FMR but can be higher with a HUD waiver. Mark-

Up-to-Budget can be used for acquisition if a nonprofit is the purchaser, or for capital repairs if a nonprofit is the current/ or prospective owner. The purpose of the program is to allow nonprofit owners and purchasers to support additional debt for acquisition or rehabilitation while preserving the Section 8 units. Like Mark-Up-to-Market, Mark-Up-to-Budget program is available to projects only after the project's original pre-MAHRAA subsidy contract has expired and after the owner has renewed under MAHRAA, the owner may mark up rents at any time. Unlike Mark-Up-to-Market, projects that have low- or moderate income use restrictions are eligible. There are many eligibility requirements of the nonprofit or its controlling general partner including having a 501(c) tax-exempt status and previous ownership and/or management experience with affordable multifamily housing (Achtenberg 2002).

Other tools at the state and local level can be utilized in preservation strategies. These include but are not limited to use restrictions such as zoning, eminent domain, right of first refusal which allows the local government (or its nonprofit designee) to match an offer if the owner sells, state or local revenues earmarked for preservation, and state housing finance agencies' refinancing programs. Notably, in Massachusetts state revenue bond programs and housing finance agencies' loan programs have been used in successfully preserving at-risk projects (Achtenberg 2002). Emily Achtenberg (2002) notes that using state and local tools alone, without funding, rarely results in permanent preservation, and rather is helpful for building a preservation strategy.

Conclusion

Project-based Section 8 is a program that provides a subsidy for privately owned, affordable housing units but 57,508 of those units are at risk of being lost by 2017 (U.S.

Housing and Urban Development, Multifamily Assistance and Section 8 Contracts Database). Preserving Section 8 in tight rental markets is a difficult task because of market pressures. In tight rental markets owners can or perceive they can charge rents higher than FMR. Preserving Section 8 has been an issue since the mid 1990s when HUD moved away from preserving project-based Section 8 to Section 8 vouchers.

There are those in government and community organizations trying to preserve Section 8 by creatively collaborating federal, state, and local tools. This study suggests that as units expire the new rents charged are less affordable than when the units were active in the Section 8 program. Also as a unit's number of bedrooms increases, its availability becomes scarcer and less affordable. Therefore, preservation efforts should concentrate on projects with units that address the financial and housing needs of the extremely low-income and those with large families. As the literature suggests, preserving this housing stock must take a multitude of strategies that are shaped by the federal, state, and local resources available.

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Appendix A: Table of Median Income of Tight Rental Markets in New England

Danbury CT $110,400*80% = $88,320 $88,320*30% = $26,496 $26,496/12 = $2,208 If rent > $2,208 = unaffordable for 80%	$110,400*50% = $55,200 $55,200*30 = $16,560 $16,560/12 = $1,380 If rent > $1,380 = unaffordable for 50%	$97,800*30% = $33,120 $33,120*30% = $9,936 $9,936/12 = $828 If rent > $828 = unaffordable for 30%
Stamford CT $128,400*80% = $102,720 $102,720*30% = $30,816 $30,816/12 = $2,568 If rent > $2,568 = unaffordable for 80%	$128,400*50% = $64,200 $64,200*30 = $19,260 $19,260/12 = $1,605 If rent > $1,605 = unaffordable for 50%	$128,400*30% = $38,520 $38,520*30% = $11,556 $11,556/12 = $963 If rent > $963= unaffordable for 30%
Portland ME $73,300*80% = $58,640 $58,640*30% = $17,592 $17,592/12 = $1,466 If rent > $1,466 = unaffordable for 80%	$73,300*50% = $36,650 $36,650*30 = $10,995 $10,995/12 = $916.25 If rent > $916.25 = unaffordable for 50%	$73,300*30% = $21,990 $21,990*30% = $6,597 $6,597/12 = $549.75 If rent > $549.75 = unaffordable for 30%
Boston, Cambridge, Newton, Lynn, and Quincy MA $97,800*80% = $78,240 $78,240*30% = $23,472 $23,472/12 = $1,956 If rent > $1,956 = unaffordable for 80%	$97,800*50% = $48,900 $48,900*30 = $14,670 $14,670/12 = $1,222.50 If rent > $1,222.50 = unaffordable for 50%	$97,800*30% = $29,340 $29,340*30% = $8,802 $8,802/12 = $733.50 If rent > $733.50= unaffordable for 30%
Lawrence MA $88,300*80% = $70,640 $70,640*30% = $21,192 $21,192/12 = $1,766 If rent > $1,766 = unaffordable for 80%	$88,300*50% = $44,150 $44,150*30 = $13,245 $13,245/12 = $1,103.75 If rent > $1,103.75 = unaffordable for 50%	$88,300*30% = $26,490 $26,490*30% = $7,947 $7,947/12 = $662.25 If rent >$662.25 = unaffordable for 30%
Springfield MA $70,200*80% = $56,160 $56,160*30% = $16,848 $16,848/12 = $1,404 If rent > $1,404 = unaffordable for 80%	$70,200*50% = $35,100 $35,100*30 = $10,530 $10,530/12 = $877.50 If rent > $877.50 = unaffordable for 50%	$70,200*30% = $21,060 $21,060*30% = $6,318 $6,318/12 = $526.50 If rent >$526.50 = unaffordable for 30%

Manchester NH

$77,000*80% = $61,600
$61,600*30% = $18,480
$18,480/12 = $1,540
If rent > $1,540 = unaffordable for 80%

$77,000*50% = $38,500
$38,500*30 = $11,550
$11,550/12 = $962.50
If rent > $962.50 = unaffordable for 50%

$77,000*30% = $23,100
$23,100*30% = $6,930
$6,930/12 = $577.50
If rent >$577.50 = unaffordable for 30%

Nashua NH

$94,000*80% = $75,200
$75,200*30% = $22,560
$22,560/12 = $1,880
If rent > $1,880 = unaffordable for 80%

$94,000*50% = $47,000
$47,000*30 = $14,100
$14,100/12 = $1,175
If rent > $1,175 = unaffordable for 50%

$94,000*30% = $28,200
$28,200*30% = $8,460
$8,460/12 = $705
If rent >$705 = unaffordable for 30%

Cranston, Providence, Warwick RI

$75,600*80% = $60,480
$60,480*30% = $18,144
$18,144/12 = $1,512
If rent > $1,512 = unaffordable for 80%

$75,600*50% = $37,800
$37,800*30 = $11,340
$11,340/12 = $945
If rent > $945 = unaffordable for 50%

$75,600*30% = $22,680
$22,680*30% = $6,804
$6,804/12 = $567
If rent >$567 = unaffordable for 30%