Expanding the Toolbox: Promising Approaches for Increasing Geographic Choice

STEPHEN NORMAN AND SARAH OPPENHEIMER
King County Housing Authority

Despite growing evidence regarding the importance of neighborhood quality for child and family well-being, residents in federally subsidized housing continue to be concentrated in high-poverty areas. Presently less than 10 percent of the 1.7 million families with children that receive federally subsidized housing assistance reside in low-poverty neighborhoods (see Table 1).\(^1\)\(^,\)\(^2\) This pattern reinforces historic patterns of racial and economic segregation and plays an important role in perpetuating intergenerational poverty.\(^3\) Federal housing assistance programs designed to provide affordable, quality housing to extremely low-income individuals\(^4\) offer a critical and unique opportunity to facilitate broader neighborhood options rather than reinforce racial and economic segregation.

This article speaks to how federal housing subsidies can be used, from a practitioner’s perspective, to provide families with broader neighborhood choice. Informed by growing national evidence on the effects of neighborhood quality on life outcomes, King County Housing Authority (KCHA) has built concerted efforts to increase neighborhood options for its program participants. We first review tenant-based mobility approaches that have been a focus of national conversations to date, and around which KCHA has built several initiatives. We then discuss site-based affordability approaches, a group of less known but equally important strategies that have been implemented by KCHA to complement mobility approaches. Through a combination of these efforts, over 31 percent of KCHA’s federally subsidized households with children currently reside in low-poverty areas (see Table 1).

We base this discussion on the premise that different markets require different approaches. A single strategy for expanding neighborhood options cannot be applied to all places. Rather, housing investment strategies — both tenant- and site-based — should be understood as a broad, varied, and growing set of tools that should be deployed based on local markets and conditions. This paper outlines the toolkit of options currently being used in King County, Washington, and identifies additional work that is called for.
Table 1. Federally Subsidized Households with Children by Area Poverty Rate, KCHA and Nationally

<table>
<thead>
<tr>
<th>Census Tract Poverty</th>
<th>Tenant-based Vouchers</th>
<th>Site-based Units</th>
<th>Public Housing</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>KCHA</td>
<td>U.S.</td>
<td>KCHA (Project-based Vouchers)</td>
<td>U.S. (Project-based Rental Assistance)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>KCHA</td>
<td>U.S.</td>
</tr>
<tr>
<td>&lt; 10%</td>
<td>30.3%</td>
<td>12.9%</td>
<td>55.1%</td>
<td>5.7%</td>
</tr>
<tr>
<td>10%-20%</td>
<td>38.4%</td>
<td>28.1%</td>
<td>26.2%</td>
<td>22.4%</td>
</tr>
<tr>
<td>≥ 20%</td>
<td>31.3%</td>
<td>59.0%</td>
<td>18.7%</td>
<td>71.9%</td>
</tr>
<tr>
<td>N</td>
<td>4,654</td>
<td>986,014</td>
<td>550</td>
<td>328,406</td>
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as we refine our understanding of promising and sustainable strategies for expanding housing choice and neighborhood quality for low-income families.

**Intersections Between Neighborhood Quality and Life Outcomes**

Over the last decade, there has been growing evidence on the critical intersections between neighborhood quality and education, health, employment, and other domains. For Public Housing Authorities (PHAs), this research has provided greater certainty that the investments necessary to provide access to high-quality neighborhoods can effectively shape children’s later educational and economic success, and has re-energized conversations on both expanded geographic choice and place-based investments.

As much as the work by Chetty and colleagues has sparked renewed momentum in mobility conversations, their evidence also highlights the need for PHAs to redouble efforts to improve the neighborhoods where the majority of poor children already live. Policymakers, practitioners, and academics cannot assume a dichotomy between broadening geographic choice (the focus of the present paper) and investing in poor neighborhoods through place-based initiatives. Rather, a focus on both of these approaches is necessary.

In determining the balance between mobility- and place-based initiatives, KCHA views the region’s housing market and demographic patterns through a long-term lens — looking not just at current conditions but also at the likely evolution of markets and communities based upon population growth, sub-market economic trends, and other development factors. This approach yields three general neighborhood categories:
1 Neighborhoods already classified as high-opportunity (typically high-cost/low-poverty areas);

2 Neighborhoods expected to become opportunity areas through natural market processes and where displacement of existing low-income households will become an increasing issue;\(^8\) and

3 Neighborhoods where historic disinvestment and long-standing patterns, or a new influx of the region’s poor, have created high concentrations of poverty and low opportunity.

The mobility and site-based strategies discussed in this article are particularly appropriate for the first and second neighborhood types. KCHA has employed place-based strategies that are largely outside the scope of this paper to invest in the third neighborhood category.\(^9\)

**King County Housing Authority: A Regional Perspective on Broadening Housing Choice**

KCHA serves the metropolitan area surrounding Seattle, a jurisdiction spanning 38 suburban cities and towns that reflect a wide diversity of neighborhood conditions and economic opportunities. The east side of the County’s urban/suburban core includes Bellevue, Redmond, Kirkland, and other cities at the epicenter of recent technology booms. In contrast, cities in the south of the County have experienced acute and growing suburban poverty.\(^10\) School statistics provide a telling marker of neighborhood differences: across the 19 school districts in King County, subsidized meal rates range from a low of 3 percent on Mercer Island to a high of 75 percent in Tukwila (see Fig. 1, Panel A).

King County is home to nearly 2.1 million residents.\(^11\) With only 653,000 people living within the City of Seattle, the bulk of King County’s population now resides in low-density suburban communities south and east of Seattle. Between 1990 and 2015, King County’s population increased by 36 percent, compared to a national increase of 29 percent.\(^12\)

Along with this rapid population growth, King County has experienced rapid economic expansion, especially during the recovery period from the Great Recession. By 2015, median annual household income had grown to $75,302,\(^13\) an increase of over 41 percent since 2000; among peer counties, only New York experienced more rapid income growth during this period.\(^14\) Such increases, while positive for the region, mask growing disparities, with a broadening gap between upper and lower income quintiles. These economic disparities align with racial and ethnic patterns in King County, wherein persons of color are overrepresented in lower-income communities,
and indicate increasing concentrations of poor minorities, including refugee and emigrant populations, in South King County in particular.\textsuperscript{15}

Economic prosperity, job creation, and population growth are presently driving significant rent growth in King County.\textsuperscript{16} Between 2012 and 2016, the two-bedroom 40\textsuperscript{th} percentile rent — the HUD Fair Market Rent (FMR) — in King County increased by 27 percent. Rent growth has held steady across both low- and high-cost markets in the region, and vacancy rates have dropped below 3 percent.\textsuperscript{17} As a result, the number of shelter-burdened, unstably housed, and homeless households is rising significantly.\textsuperscript{18}

\textit{Serving Vulnerable Families in Low-Poverty, High-Opportunity Areas}

KCHA is the largest affordable housing provider for low-income families in the region. In 2016, KCHA supported 15,461 extremely low-income households through federal subsidy programs that included tenant-based vouchers (10,893), project-based vouchers (2,285), and public housing units (2,283).\textsuperscript{19,20} Households receiving these federal housing subsidies represent a particularly vulnerable group. They include 14,742 children, over half of whom were residing in single-parent households. Median household income in 2016 was just $11,858 annually. Reflecting local admission preferences and dedicated supportive housing partnerships, over half of entering households in 2016 had experienced recent homelessness prior to program admittance.

KCHA has participated in the Moving to Work (MTW) program since 2003, and is currently one of only 39 PHAs in the country that benefit from the flexibility provided by this program.\textsuperscript{21} The MTW program provides participating PHAs with their Housing Choice Voucher (HCV) and Public Housing funding as a block grant and allows the waiver of many of HUD’s program rules in order to design approaches tailored to local market conditions.

Despite serving an extremely vulnerable population, KCHA has been relatively successful in supporting families in moving to and remaining in low-poverty, high opportunity communities. As noted in Table 1, the proportion of extremely low-income households with children living in low-poverty neighborhoods (31.2 percent) is more than three times the national figure. This difference is most pronounced for families in Public Housing where the proportion of KCHA residents in low-poverty areas is six times greater compared to national numbers. A significant proportion of all KCHA residents using PBVs also reside in low-poverty areas.

These results suggest that the strategies described below have been successful in supporting families in accessing and retaining housing in low-poverty markets. However, these numbers are also a reflection of King County’s comparatively low regional poverty rate,\textsuperscript{22} which has pushed KCHA to consider more than just poverty
Part 5: What Would It Take for Housing Subsidies to Overcome Affordability Barriers to Inclusion in All Neighborhoods?

Figure 1. King County Free and Reduced Meal (FARM) Rates and Opportunity Rankings
Panel A. King County School Districts FARM Rates (2016)

Kirwan rankings — Puget Sound Regional Council.

FREE AND REDUCED MEAL RATE, %

3–10%
10.1–20%
20.1–30%
30.1–40%
40.1–50%
50.1–60%
60.1–70%
70.1–80%
80.1–90%

Seattle 36%
Mercer Island 3%
Vashon Island 22%

Enumclaw 31%
Renton 52%
Auburn 53%
Federal Way 59%

Renton 52%
Bellevue 18%
Issaquah 8%
Tahoma 13%

Renton 52%
Bellevue 18%
Issaquah 8%
Tahoma 13%

Enumclaw 31%
Renton 52%
Auburn 53%
Federal Way 59%

Renton 52%
Bellevue 18%
Issaquah 8%
Tahoma 13%

Enumclaw 31%
Renton 52%
Auburn 53%
Federal Way 59%
Figure 1. King County Free and Reduced Meal (FARM) Rates and Opportunity Rankings
Panel B. Kiwan Comprehensive Opportunity Rankings for King County census tracts.

Kirwan rankings — Puget Sound Regional Council.
in defining neighborhood quality. In 2010, KCHA collaborated with the Puget Sound Regional Council (PSRC) and the Kirwan Institute for the Study of Race and Ethnicity (Ohio State University) to rank census tract opportunity levels across five major categories: education; economic health; housing; transportation and mobility; and health and environment. Categorical opportunity rankings were then aggregated to create a comprehensive score of very low, low, moderate, high, and very high opportunity (see Figure 1, Panel B). The PSRC/Kirwan measure provides a more nuanced classification of neighborhood quality than simple poverty rate, and in 2012, KCHA passed a Board Resolution embedding this neighborhood quality metric in all subsequent policy and siting discussions. Except as otherwise noted, all references to “opportunity neighborhoods” as used in this paper refer to the PSRC/Kirwan definition.

Table 2A provides the distribution of all KCHA households with children by opportunity-ranked neighborhoods. In 2016, 23.3 percent of federally subsidized households with children resided in high/very high-opportunity areas. KCHA’s success to date and the growing body of research on the impacts of neighborhood quality have inspired its ambitious goal that by 2020, 30 percent of all federally assisted families with children will reside in high/very high-opportunity areas. Two philosophies underlie KCHA’s approach to geographic choice. The first — building from prior research on the importance of long-term and persistent neighborhood exposure — is that access to opportunity neighborhoods alone is not sufficient; rather, success hinges on families’ being able to access and stay in such neighborhoods. The second is a belief that KCHA’s policies should expand, not prescribe, families’ choices, and in doing so, should not mandate opportunity moves. The agency believes that families are — especially when given adequate information and options — the best persons to make decisions about their housing. This belief again speaks to the necessary balance between investing in existing poor neighborhoods and providing access to high-opportunity settings.

CONSIDERING LOCAL MARKETS

Our experience in King County demonstrates that strategies for broadening geographic choice among federally subsidized families will vary by region and market based on numerous conditions. These include: current and trending demographic patterns; housing market characteristics; neighborhood characteristics and resources; transportation infrastructure; employment opportunities; local and state regulatory frameworks regarding tenant rights and community development; and the nature and extent of housing and mobility resources available, including the capacity and flexibility of local PHAs. A careful assessment of local characteristics is necessary to determine which strategies are most likely to improve access to quality neighborhoods.
Once these local characteristics have been examined, housing practitioners may consider two broad sets of approaches for increasing subsidized housing recipients’ interest in, access to, and persistence in both existing and emerging opportunity neighborhoods: 1) tenant-based mobility strategies that focus on expanding residents’ demand for and access to opportunity areas, and; 2) site-based affordability strategies that focus on increasing the supply of deeply-subsidized housing options in opportunity areas. We believe these two kinds of strategies are complementary, and that their effectiveness will depend on market and resident characteristics.

**TOOLBOX A: TENANT-BASED MOBILITY STRATEGIES**

The most widely documented approach for increasing neighborhood options is the use of tenant-based HCVs. Though these vouchers can be used in any rental unit in a region that falls within the specified FMR range, voucher-holders have generally persisted in moving to or remaining in high-poverty areas. This phenomenon has led to a rich and additive history of program and research strategies focused on supporting families with HCVs in moving to lower-poverty or otherwise defined ‘opportunity’ communities, including the Gautreaux lawsuit in Chicago in the 1970s, HUD’s Moving to Opportunity (MTO) demonstration in the 1990s, and more recent initiatives in Baltimore, Dallas, Chicago, and other areas. 26 This work has spurred

<table>
<thead>
<tr>
<th>Opportunity Ranking</th>
<th>Tenant-based Vouchers</th>
<th>Project-based Vouchers</th>
<th>Public Housing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very High</td>
<td>5.1%</td>
<td>26.5%</td>
<td>6.0%</td>
<td>6.8%</td>
</tr>
<tr>
<td>High</td>
<td>13.1%</td>
<td>46.8%</td>
<td>18.6%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Moderate</td>
<td>16.5%</td>
<td>0.5%</td>
<td>14.6%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Low</td>
<td>37.6%</td>
<td>18.2%</td>
<td>30.6%</td>
<td>34.8%</td>
</tr>
<tr>
<td>Very Low</td>
<td>25.7%</td>
<td>8.0%</td>
<td>30.2%</td>
<td>25.4%</td>
</tr>
</tbody>
</table>

N* 6,542

<table>
<thead>
<tr>
<th>In KCHA units**</th>
<th>In private-market units</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very High</td>
<td>20.2%</td>
<td>4.2%</td>
</tr>
<tr>
<td>High</td>
<td>27.1%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Moderate</td>
<td>16.8%</td>
<td>18.6%</td>
</tr>
<tr>
<td>Low</td>
<td>16.1%</td>
<td>39.0%</td>
</tr>
<tr>
<td>Very Low</td>
<td>19.8%</td>
<td>26.0%</td>
</tr>
</tbody>
</table>

N* 273

Opportunity ranking N is less than for census tract poverty due to some census tracts being omitted that fall outside the urban growth area.

KCHA units include KCHA workforce housing units where a tenant-based voucher holder has chosen to reside. Source: KCHA 2016 administrative data.
further mobility pilot programs implemented by PHAs throughout the country, each focused on increasing HCV families’ access to opportunity neighborhoods.\textsuperscript{27}

Informed by this growing knowledge-base, KCHA’s tenant-based mobility strategies have focused on two complementary approaches to increase voucher-holders’ knowledge of, interest in, and access to high-opportunity neighborhoods: small-area payment standards, and high-touch mobility counseling. As of 2016, 18 percent of KCHA’s tenant-based HCV families with children lived in high/very high-opportunity areas (see Table 2A).

**Small-Area Payment Standards**

KCHA has long recognized the disparities in rental markets between east and south areas of the County. To account for this, in 2003, KCHA used its MTW authority to establish a two-tier payment standard that reflected rent differentials across the region, and to decouple payment standards from regional FMRs. These early actions served to increase the purchasing power of vouchers in more expensive Eastside markets.

In 2016, KCHA expanded on this initial policy shift by moving to a five-tier payment standard that further aligned with changing and varied housing sub-markets. Under the five-tier system, subsidy levels matched local market prices through a more finely-grained, zip-code-based approach that ensured that HCVs did not lead the market in lower-cost areas while providing adequate purchasing power to enable households to access or remain in high-cost/high-opportunity markets. Following this policy shift, the 2016 cost differential between the voucher payment standard for a two-bedroom apartment in the lowest and highest payment tiers was $740 per month or nearly $9,000 annually, and maximum permissible rents ranged from 84 percent to 132 percent of the HUD regional two-bedroom FMR.\textsuperscript{28} This difference speaks to the tremendous variation in local housing markets in King County.

Preliminary results suggest that KCHA’s small-area payment standards hold promise for both cost savings and expanded geographic choice. Conservative estimates suggest that the five-tier system saves KCHA over $750,000 annually as compared to the old two-tier system and upwards of $1 million annually as compared to a one-tier system.\textsuperscript{29} These cost savings allow KCHA to issue more vouchers, serve more families, and ensure that they are more likely to access their preferred neighborhoods. Initial data on the impact of this policy change on housing location is encouraging: the percentage of all new voucher holders that moved to higher-cost/opportunity tiers increased by 22 percent between 2015 and 2016; for new voucher holders with children, the increase was an even more pronounced 79 percent.\textsuperscript{30} Early evidence also indicates that KCHA’s shift to small-area payment standards has reduced the growth in shelter burden, enabling existing tenant-based voucher holders to remain in higher-cost neighborhoods where rents are rapidly escalating. These preliminary
but promising results suggest a possible alternative to the approach currently being explored by HUD.\textsuperscript{31}

**High-Touch Mobility Counseling**

In 2013, KCHA funded a local community-based organization to provide high-intensity mobility counseling to existing HCV holders with elementary-aged children interested in moving from lower- to higher-opportunity schools.\textsuperscript{32} The Community Choice Program (CCP) ran from 2013 to early 2017 and provided intensive housing counseling, housing search assistance, flexible financial assistance for pre- and post-move needs, and post-move counseling and services. This pilot program provided important evidence that housing search and moving assistance was a common need for many families with vouchers in King County, regardless of the preferred neighborhood; in higher-opportunity markets, these needs appeared to be even greater. Although families were encouraged to move to a subset of opportunity neighborhoods,\textsuperscript{33} move decisions ultimately rested with families and no constraints were placed on where CCP participants’ vouchers could be used.

Among CCP participants that had moved with housing assistance by the end of 2016, 60 percent had relocated to opportunity areas, and all of these families had subsequently remained in their housing (many for a year or longer). The CCP demonstration helped KCHA to identify effective service and financial assistance elements. Caseload sizes remained small to ensure counseling staff availability for one-on-one case management and housing search. Though this approach reflects best practice themes in the literature,\textsuperscript{34} the cost, both in staffing and in the use of flexible financial assistance for pre- and post-move supports, all of which appear to have been key to program participation and successful moves, raises questions about the program model’s long-term sustainability and scalability.

**Additional Considerations from KCHA’s Experience with Tenant-Based Mobility Strategies**

While small-area payment standards and high-intensity mobility counseling appear to hold promise for broadening geographic choice, more needs to be learned about the effectiveness of these approaches — mobility counseling, search assistance, payment standard constructs, financial incentives — relative to one another and when implemented as complementary elements. To this end, KCHA is currently embarking on a revised tenant mobility strategy, Creating Moves to Opportunity (CMTO), in partnership with a dozen other PHAs and an interdisciplinary research team led by Raj Chetty and Nathan Hendren that will further test and refine approaches to mobility. The first demonstration for CMTO will take place in Seattle and King County and will test various tenant-centered strategies using a randomized trial design to evaluate the effectiveness and efficiency of various approaches.
Though the strategies noted above are promising, they have historically not been widely available to PHAs. KCHA was able to move to small-area payment standards only because of its MTW status. Similarly, KCHA’s MTW authority provided the financial flexibility necessary to fund high-intensity counseling and other non-traditional forms of client assistance. Agencies without MTW funding flexibility must rely on court settlements and external funding sources to support mobility efforts, a challenging model for long-term sustainability and one prone to service fragmentation. Federal reductions in funding for PHA administrative fees, currently at a 77 percent prorate, only exacerbate this picture.

The long-term success and sustainability of tenant-based mobility strategies hinge on the degree to which families are successful in both accessing and retaining housing in high-cost markets. Tenant-based mobility strategies are tied to market dynamics, and as market costs increase, so too will voucher program expenses. Initial program cost savings secured through a shift to more fine-grained payment standards will not, over time, offset increased per unit and program costs as programs scale up and larger numbers of HCV participants choose to live in higher-cost markets. This raises the difficult issue of balancing geographic choice objectives with the need to support as many households as possible during a time of rising homelessness and declining federal funding.

**TOOLBOX B: SITE-BASED AFFORDABILITY STRATEGIES**

Tenant-based mobility strategies are not the only — and over the long term, perhaps not the most effective — approach for expanding neighborhood access. For this reason, over the last decade, KCHA has evolved a set of site-based affordability strategies that provide access to housing in opportunity areas in the form of hard units. KCHA sees this strategy as complementary to tenant-based mobility supports. KCHA has advanced four approaches to expanding access to quality neighborhoods through site-based interventions:

**Strategy 1: Acquisition and preservation of subsidized workforce housing**

Over the last 20 years, KCHA has developed or acquired and preserved an extensive portfolio of workforce housing. KCHA currently owns or controls 4,868 units of housing not funded through traditional HUD programs; 55 percent of these units are located in high/very high-opportunity neighborhoods. Of these 2,700 units, 28 percent house extremely low-income households through the use of either project-based (224) or tenant-based (529) HCVs; the remaining 72 percent serve families between 40 and 100 percent of AMI.

Targeted acquisitions are generally older, 100-plus-unit, class B multifamily developments, where KCHA typically holds initial rents to pre-acquisition levels and dramatically slows
rent growth by basing increases on operating costs and not on market-driven demand. KCHA’s controlled rents become more affordable compared to surrounding market rents over time, and project-based HCVs are layered in for a limited percentage of the units (typically 15–20 percent). This approach preserves long-term affordability for workforce housing in increasingly costly markets, provides mixed-income communities through project-based subsidies, and affords neighborhood access for extremely low-income households with tenant-based vouchers who would otherwise have difficulty securing landlord acceptance in these opportunity markets.39

Acquisitions are generally financed through private debt, with Low-Income Housing Tax Credit (LIHTC) partnerships utilized where significant rehabilitation or new construction is involved.40

**Strategy 2: Purchase of smaller apartment complexes for conversion to public housing**

Utilizing HOPE VI grants and MTW flexibility, KCHA has demolished obsolete public housing in high-poverty neighborhoods and renovated other complexes through conversion to project-based HCVs and LIHTC financing. These demolitions and conversions have placed the agency below its federal allocation (“Faircloth limit”) of public housing subsidies. To redeploy these resources, KCHA is purchasing smaller apartment complexes (typically in the 30-unit range) in high-opportunity areas and re-activating banked public housing subsidies. To address the inability of public housing properties to support debt, KCHA is financing these acquisitions through the use of MTW working capital and through pooled multi-property refinancings where excess cash flow from the pool is covering the additional debt. KCHA’s Property Management Department directly manages these properties once public housing subsidies are activated. Between historic siting patterns and new acquisitions, KCHA currently has 1,233 public housing units sited in high-opportunity neighborhoods. Significant reductions in public housing funding proposed for FFY 2018 would effectively end the use of this approach.

**Strategy 3: Layering project-based HCV subsidies onto regional nonprofit development**

A third site-based strategy matches project-based HCVs to a development pipeline of nonprofit-sponsored affordable housing in opportunity neighborhoods. KCHA currently serves 247 households across 17 properties that employ this approach. These projects are typically financed through a combination of LIHTCs and local soft funding sources.41 Similar to Strategy 1, this approach layers deep rental subsidies on top of units typically priced at 60 percent of AMI in order to serve extremely low-income families. KCHA’s MTW status has simplified the agency’s ability to coordinate project-based voucher contracting with local government funding decisions.
by allowing KCHA to utilize its government partners’ competitive project selection processes in lieu of HUD’s separate project-basing procurement requirement for placing rent subsidies.

**Strategy 4: Layering project-based HCV subsidies onto Inclusionary/Incentive Zoning and Multifamily Tax Exemption (MFTE) Programs**

KCHA is also exploring ways to layer HCVs on affordable housing units being developed under a variety of inclusionary/incentive zoning and MFTE programs being offered by East King County cities. These programs typically set affordability targets at 60–80 percent of AMI and are inaccessible to extremely low-income families as well as lower-wage working families. KCHA is exploring the inclusion of mandatory or voluntary project-based HCV contracts for a percentage of these 60–80 percent AMI units. Rents would remain at the currently required affordability levels and KCHA would layer in rental subsidies to make units available to households at or below 30 percent of AMI.

**Promising Evidence on the Effectiveness of Site-Based Affordability Strategies**

Although site-based affordability strategies require further evaluation and research, preliminary indications suggest that KCHA’s approach is effective.

**Long-term cost containment.** KCHA’s site-based strategies seem to have mitigated the prohibitively high subsidy costs involved in supporting extremely low-income households’ access and retention of housing in rapidly escalating, high-cost markets over time. Over time, both operating cost-based and AMI-indexed rents will lag significantly behind market rent levels, relieving the need for subsidy expenditures to escalate with the market in order to maintain household affordability. Figure 2 illustrates such cost containment, demonstrating the actual $528/month (over $6,000 per year) difference in 2016 between rents at the Newporter, a typical 120-unit KCHA workforce housing complex in the Newport neighborhood of Bellevue, and rents for comparable units in that neighborhood. Given current trends, site-based strategies provide cost-effective alternatives to tenant-based HCVs in high-cost markets.

**Persistence in opportunity neighborhoods.** Early evidence indicates that families in units provided through KCHA’s site-based strategies exhibit housing stability for several years after move-in. Such outcomes have likely been positively affected by KCHA’s use of its MTW authority to waive exit voucher requirements for project-based vouchers.
Additional Considerations from KCHA's Experience with Site-Based Affordability Strategies

As with KCHA's tenant-based mobility strategies, the agency’s MTW status helped support the flexibility necessary for implementing site-based affordability strategies by removing the limit on the number of vouchers the agency can project-base, by streamlining the project-basing process, and by waiving exit voucher requirements. Taking site-based strategies to scale also requires access to private capital. KCHA’s credit enhancement arrangement with King County is an essential tool for property acquisition. Portfolio scale and the length of time KCHA has been pursuing these approaches have also been critical in providing seasoned properties with reduced debt and increased cash flow as well as the strong balance sheet necessary for access to capital markets. KCHA’s decision to invest early in higher-poverty communities, before they transitioned (under Kirwan metrics) to opportunity areas, also allowed KCHA to get ahead of rising acquisition costs later in these neighborhoods’ evolution.

One critique of site-based affordability strategies has been that they could lead to re-concentrations of poverty. KCHA’s experience has been that this is not the case, as the agency carefully accounts for the number of deeply subsidized units in a given area and strategically positions sites when making acquisition decisions. In this vein, site-based approaches may be better positioned than tenant-based approaches to foster social networks among extremely low-income residents as well as connections between residents and community services.

CONCLUSION: FUTURE DIRECTIONS FOR PRACTICE, RESEARCH, AND FUNDING

KCHA’s experiences provide one example of how extremely low-income residents’ neighborhood options can be expanded in a large suburban region comprised of
heterogeneous neighborhoods. Given King County’s sub-market characteristics, the toolbox for expanding geographic choice mixes tenant-based mobility and site-based affordability strategies. Much remains to be learned about the ideal balance between these two approaches, and about what strategies and tools will work for PHAs in other regions.

**Practitioner Flexibility and Practice-Based Learning**

As noted at the outset, geographic choice among low-income families cannot be broadened through a one-size-fits-all approach but must be addressed through locally-driven innovation. For this reason, practitioners and researchers need to foster a more robust national conversation, including shared lessons from the field, on how to assess and respond strategically to regional conditions. Such conversations may be most necessary for formulating site-based affordability strategies, about which there has been relatively little dialogue.

Additionally, practice-based improvement in approaches to broaden families’ geographic choice is contingent on expanded HUD support for program innovation. The MTW program, slated to expand by another 100 PHAs over the next five years, will be critical in encouraging continued innovation. As noted throughout this paper, the MTW program has played an important role in providing KCHA with the program and funding flexibility necessary to develop strategies that align with local needs and market challenges. Similar flexibility will be critically needed by incoming MTW agencies and more broadly by the industry in general.

**Research on Both Tenant-Based and Site-Based Strategies**

In addition to the development and dissemination of practice-based knowledge, there is a need for rigorous research on different mobility approaches.

With regard to tenant-based strategies, a number of research questions remain untouched. Within the realm of mobility counseling, matters including ideal dosage, service focus, and service timing require further study, and questions remain as to how mobility services should be implemented and scaled cost-effectively. Future research must also account for the relative effects of financial incentives, as compared to counseling or other service strategies, on housing access, retention, and costs. Differences in the effectiveness of tenant-based strategies for different population subgroups should be investigated, as should (if differences exist) ways of effectively targeting these subgroups. Finally, as neighborhood dosage is an essential underpinning to positive long-term outcomes, additional research is needed on strategies for connecting households to new neighborhoods and improving neighborhood persistence.
Similarly, there are myriad research directions for better understanding site-based affordability strategies. Expanding on positive preliminary evidence, additional research is needed on the experiences and outcomes of families living in site-based opportunity housing. While site-based strategies do inherently restrict residents’ choices about both units and neighborhoods, there is a need to explore whether this has an adverse effect on tenant interest in site-based housing options, on their experiences during or following access to housing, and on longer-term life outcomes for children. Future research should also explore whether residents in site-based units are more likely to access and/or persist in high-opportunity communities as compared to tenant-based voucher holders in the same areas. Relatedly, future inquiry should explore the effects of site-based affordability strategies (as compared to tenant-based mobility approaches) on fostering social networks as well as connections to social services. Rigorous analyses are also needed on the costs of specific site-based strategies over time and in relation to tenant-based mobility approaches.

More generally, the mobility research to date has been largely hampered by the lack of a consistent and national metric for capturing opportunity. Such a metric is an important next step for this research, and will facilitate both effective geographic targeting and cross-site research and evaluation. Broader research should also incorporate more comprehensive and consistent benefit-cost approaches that consider longer-term cost savings of mobility approaches across multiple publicly funded systems as well as longer-term impacts upon the national economy that may be driven by improved life outcomes for low-income children.

**Increased Resources for Housing Assistance**

At their core, the strategies being used in King County and elsewhere require long-term federal resources to support extremely low-income families’ access to (any) housing markets. As housing needs continue to grow, so does the call for federal resources. Declining support from HUD means not only that fewer families can be served, but that fewer families can be served in opportunity areas, impacting not only choice but also voucher-assisted households already residing in these higher-cost markets. This will have long-term effects on the ability of housing assistance to curb intergenerational poverty trends and to reverse racial and economic segregation. The reality is that more funds, not less, are needed in order to serve both the growing number of shelter-burdened and homeless families, and to do so in a way that expands geographic options and improves long-term life outcomes. Much as KCHA has taken the long view with its regional mobility work, a similar orientation is required at the national level to ensure that practitioners have the necessary resources and flexibility to innovate in response to local market conditions and, ultimately, to substantially change the playing field for low-income families served by federal housing assistance.
Bibliography


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**Endnotes**


2. Low-poverty neighborhoods are defined as those in which less than 10 percent of residents fall below the Federal Poverty Level (FPL). Federal housing subsidies include: 1) tenant-based Housing Choice Vouchers, 2) project-based Housing Choice Vouchers, and 3) public housing.


4. “Extremely low-income” is defined as having a gross household income less than 30 percent of Area Median Income (AMI).

5. National numbers are not available for the distribution of Project-based vouchers (PBVs). While PBVs and Project-based Rental Assistance are both site-based, given their programmatic differences, they should not be compared directly.

6. Chetty, Hendren, and Katz (2016) has given new momentum to this discussion.

7. Recent results from Andersson et al (2016) demonstrate benefits, including children's increased later earnings and lower incarceration rates, from subsidized housing occupancy even in higher poverty/lower opportunity neighborhoods.

8. In King County, this includes currently high-poverty communities along the expanding light rail corridor in South County.

9. One example is in White Center, an unincorporated pocket of King County south of Seattle that is one of the poorest and most diverse communities in the region, where KCHA has led a decade-long effort to redevelop over 130 acres of World War II-era public housing into mixed-income communities. This initiative has reduced the number of federally-subsidized units in White Center, shifting subsidies on a one-for-one replacement basis for use in site-based strategies in opportunity neighborhoods. The remaining deeply subsidized rental units are integrated with market-rate homeownership units and extensive new community facilities with a strong educational focus.

10. See Kneebone and Berube (2013); additional information from the authors that is specific to suburban King County can also be found at: http://confrontingsuburbanpoverty.org/the-communities/tukwila-seattle/.


12. King County, Office of Economic and Financial Analysis (2015a).


In 2016, a Zillow report indicated that rents in Seattle—up 9.7 percent from the previous year—were rising faster than in any other city in the country. See Rosenberg (2016).

As evidence of this rise, in 2015, the County Executive and the Mayor of Seattle declared a state of emergency over homelessness.

This includes 3,078 tenant-based voucher households that have ported into King County from other areas. Approximately half of these households are from Seattle, reflecting the trends of gentrifying neighborhoods pushing low-income families out to lower-cost suburban areas. Port-in numbers are included in the statistics presented in this article.

In 2016 the agency also provided 4,868 units of workforce rental housing financed primarily through the Low-Income Housing Tax Credit (LIHTC) and bond programs.

There are currently over 3,800 Public Housing Agencies in the United States.

Sixty-three percent of census tracts in King County were classified as low-poverty in 2015 as compared to 39 percent of all census tracts nationally. Relatedly, only 1 percent of census tracts in King County exhibited concentrated poverty (i.e., poverty rates greater than 40 percent among residents) as compared to 5 percent of census tracts nationally. (Numbers based on ACS 2015 5-year estimates.)

More information about the PSRC/Kirwan opportunity mapping can be found at: http://www.psrc.org/growth/tod/growing-transit-communities-strategy/equity/opportunity-mapping/.

Including culturally appropriate amenities and support networks.

For detailed descriptions of these initiatives, see, for example, Polikoff (2006) and Briggs, Popkin, and Goering (2010).

Further description of such mobility (assistance) pilots can be found in Cunningham et al. (2010), PRRAC (2015), and Galvez, Simington, and Treskon (2017). A detailed summary of evidence on barriers faced by voucher holders in accessing opportunity areas, and on pilot mobility counseling and financial assistance programs in overcoming these barriers, can be found in Schwartz, Mihaly, and Gala (2016).

It is important to note that the shift to the five-tier system did not result in lower subsidy amounts for voucher holders in any tier. This was partly a result of KCHA holding payment standards flat in 2015 in anticipation of the policy shift to be made the following year; this outcome also reflected rising housing costs in all tiers in King County (including in the lowest tiers) and the corresponding market adjustments made by KCHA to reflect actual area housing costs. In limited cases, existing rent levels were grandfathered where payment standards in that submarket were reduced.

Preliminary projections suggest a range of possible cost savings, with these values being the most conservative. Additionally, it should be noted that projected cost savings will diminish as more families move to higher cost/opportunity markets.

For all new voucher holders, the percentage moving to high-cost/opportunity tiers rose from 16.6 percent in 2015 to 20.2 percent in 2016. Among new voucher holders with children, these percentages increased from 10.6 percent in 2015 to 19.0 percent in 2016.

This work was informed by Schwartz (2010)'s study of academic performance among children in subsidized housing who moved to high-opportunity areas.

Opportunity areas for CCP were initially defined according to a small subset of areas near high performing schools that also had high Kirwan/PSRC area rankings; eventually and to balance out lack of housing supply in these narrowly-defined areas, the program's opportunity area definition was expanded to include all Kirwan-defined High and Very High Opportunity areas.

When KCHA made these changes and without MTW flexibility, KCHA would have been required to apply a single regional payment standard or to participate in HUD’s Small Area Fair Market Rents (SAFMR) demonstration. We believe this program involves an overly complex number of payment tiers. Dallas currently uses more than 65 payment standards based on over 300 zip codes (see http://www.dhadal.com/PDF/S8/2017%20PS%20HCV.pdf). See Kahn and Newton (2013) for the methodology used to determine payment tiers in HUD’s Small Area Fair Market Rents (SAFMR) demonstration. Non-MTW PHAs may apply for an exception rent waiver to allow payment standards to exceed the regional FMRs; however, this approach is generally limited to 120 percent of the FMR and would not adequately capture the full range of sub-markets in many regions. It should also be noted that as of late 2017, HUD’s
final rule on SAFMRs had been upheld and was in full effect thus allowing non-MTW PHAs to adopt SAFMRs in place of the metro area FMR or as the basis of exception payment standards.

36 We differentiate site-based affordability strategies from project-based strategies which typically refer to just one subsidy type (project-based HCVs) as well as from place-based or place-conscious strategies which typically describe PHAs’ efforts to improve housing and broader neighborhood quality in higher poverty, lower opportunity neighborhoods.

37 Workforce housing generally targets residents earning 40 percent to 100 percent of AMI.

38 That is, not funded through the public housing, multi-family Section 8, or Section 202 programs.

39 As noted in Table 2B, 47.3 percent of tenant-based voucher households with children who choose to live in KCHA-owned units are located in high/very high-opportunity areas—a much higher percentage than reside in private-market units in such areas. The difference suggests the importance of PHA- or nonprofit-owned workforce housing in facilitating voucher holders’ access to opportunity markets.

40 KCHA utilizes bank lines of credit to enable closings on new acquisitions within timeframes that are competitive with private-sector purchasers. KCHA’s overall bankability is the product of a strong revenue-producing asset base of workforce housing, strengthened by a credit enhancement agreement with King County that confers the County’s AAA credit rating on KCHA’s debt instruments. The ability to periodically roll short-term debt into longer-termed pooled refinancings which include more seasoned properties with strong cash flow has enabled KCHA to achieve debt coverage requirements and reduce front-end equity gaps. KCHA’s workforce housing portfolio is managed by outside third-party management companies under the supervision of an in-house Asset Management Department.

41 In King County, one such local source has been ARCH (A Regional Coalition for Housing), a consortium of East King County Cities that pool funding to assist with preserving and increasing the supply of housing for low- and moderate-income households in this high opportunity sub-region of the County. More information can be found at http://www.archhousing.org.