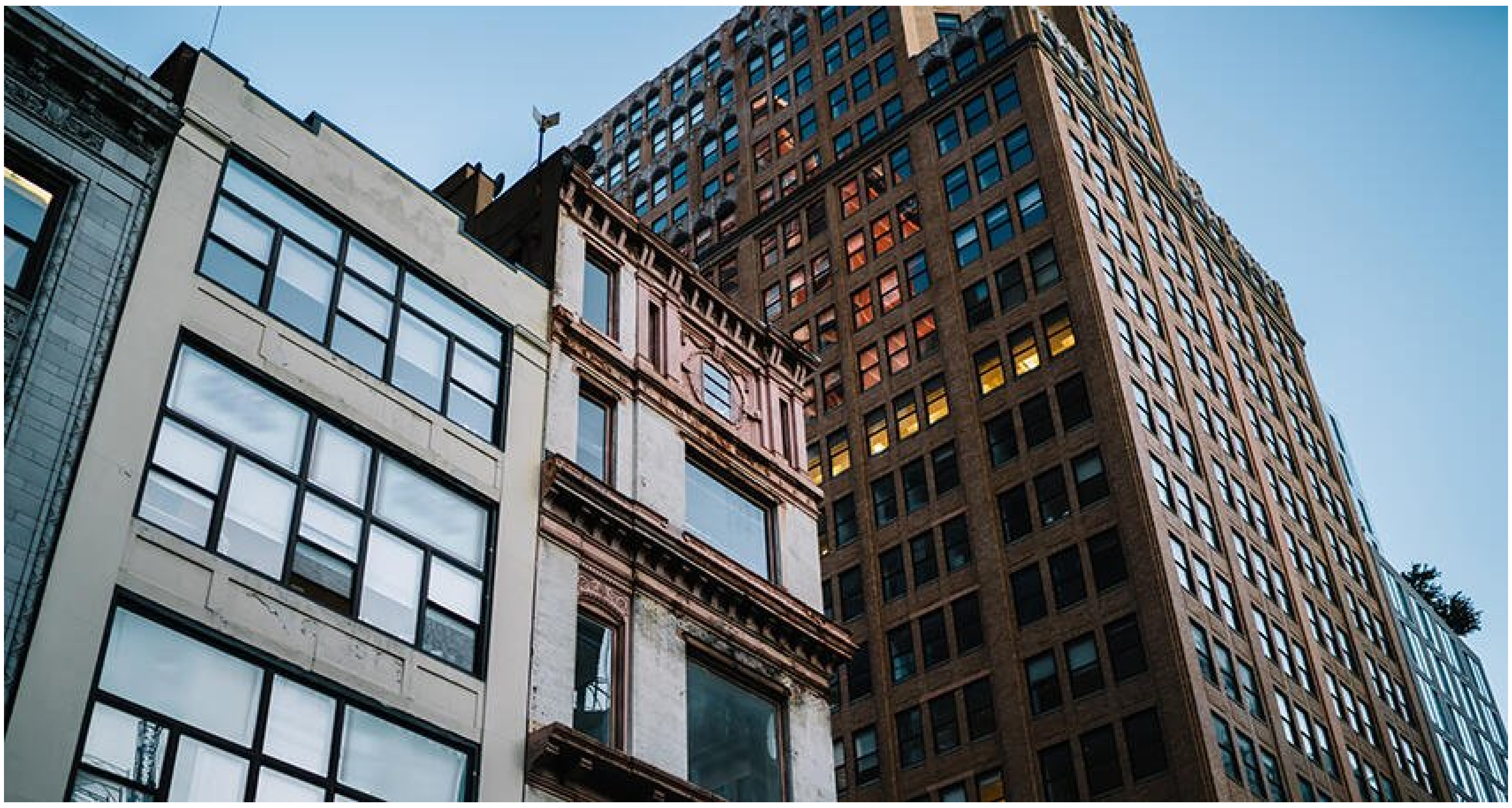

STABILITY & OPPORTUNITY, COVID-19

The Role of Housing Choice Vouchers in Addressing America’s Rental Housing Crisis

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The economic shock of the COVID-19 pandemic is hitting renters hardest at a time when federal spending on rental assistance programs is already failing to keep up with the rising cost of rental housing and the demand for housing assistance in the United States. As of 2017, only one in four eligible low-income households received federal housing assistance. Coupled with an affordable housing shortage in almost every county in the United States, this lack of assistance is forcing more than 70 percent (PDF) of extremely low–income renters to spend more than half of their incomes on housing.

As the federal government responds to COVID-19 (PDF) with additional rental assistance dollars to support families, landlords, and housing agencies, it’s more critical than ever that local, state, and federal policymakers understand which federal programs can address which parts of the rental affordability crisis and for whom.

The housing choice voucher program is the largest federal rental assistance program administered by the US Department of Housing and Urban Development (HUD). The voucher program works within private rental markets to help low-income households find rental housing that best fits their needs. But its reliance on the private market can limit the program’s ability to serve low-income families. For example, supply shortages and landlord preferences can prevent families from ever using their vouchers. We spoke to Vincent Reina, assistant professor in the Department of City and Regional Planning at the University of Pennsylvania, about his research on the role of vouchers in addressing the rental affordability crisis and the benefits and drawbacks of subsidizing housing through vouchers.

What role does your research suggest vouchers should play in local and federal rental housing policy?

Vouchers are essential and one of the many tools we should be using to address our current housing affordability crisis, but they’re not a panacea. As many policymakers have pointed out, we need a broad set of tools that address challenges around both the supply of, and demand for, housing, and we also need to acknowledge the importance of protecting residents from exploitation and instability. In many ways, vouchers are not designed or fit to address all three components on their own, yet we often promote and evaluate them as if they can.

And how might vouchers help renters weather a sudden income loss from an economic crisis, like that sparked by the COVID-19 pandemic?

The full magnitude, duration, and implications of the COVID-19 pandemic on people's housing is something that will need to be studied for years to come. However, one thing is already clear: there is a lack of housing safety nets for households, particularly the lowest-income renters, which has profound implications for their immediate and long-term well-being and housing markets more broadly. There are several opinion pieces providing comprehensive overviews of potential housing policy responses in light of the pandemic, but given the theme of this piece, it is important to highlight that we should absolutely be funding enough vouchers for all eligible households. Vouchers are an important tool in moments like these because the household portion of the rent payment is pegged at 30 percent of their income, which means it fluctuates up and down with their income even if the contract rent with the owner remains the same. The difference between the tenant payment and the contract rent is then covered by the federal government. As a result, income or job loss due to the pandemic only reduces a voucher household's required rent payment, thus increasing the odds that they can remain in their homes. This also has a benefit for property owners, who will still receive the rent payments they need for mortgage payments and/or property investments to ensure a unit meets HUD's housing quality standards.

The COVID-19 pandemic highlights the importance of vouchers in periods of systemic shock, but it also elevates the reality that low-income households experience income and housing shocks that warrant a sufficient safety net regardless of a pandemic. The lack of federal vision around, and support for, housing policy was evident before the pandemic and is even clearer now. We are currently asking people to remain in their homes when a significant number of people across the country lacked any housing before the pandemic. As previously mentioned, a large share of people with shelter were spending too much of their income on housing before the pandemic and were vulnerable even absent a national financial shock, and even more so now. Meanwhile, there are serious housing quality issues in low-cost units across the country, even within public housing, where deferred maintenance due to federal underfunding led to an inability to invest in these units.

This pandemic amplifies the reality that existed before it: we lack a diverse set of housing policy tools at the requisite scale to address our complex housing problems, and as a result, those with the lowest incomes in our country have consistently suffered. As my answers below highlight, vouchers are an essential part of our diverse set of tools, but we should not see them as the sole solution.

Among households who are offered vouchers, who uses them, and what challenges do they face?

Given the limited supply of vouchers, we would expect that any household that was offered a voucher would use it, but my research with Ben Winter suggests otherwise. Looking at over 68,000 households who were offered a voucher, I found that only 48 percent of them used the voucher. Evidence suggests that landlord preferences and discriminatory practices in the rental housing market are driving these low usage rates.

Recent research by the Urban Institute, as well as by Drs. Eva Rosen, Phillip Garboden, and colleagues, shows how and why many owners outright refuse to accept vouchers, which lowers voucher-use rates. Racial discrimination in the housing market and the challenges that families with kids face finding a rental unit further inhibit voucher use. My research found that households with children and those headed by Black and older adults had significantly lower odds of using their voucher despite their high level of demand for the subsidy. It is worth noting that all of these groups are protected classes under the Fair Housing Act. These unequal voucher-use rates remind us that the voucher program, absent any additional assistance, does not work the same for everyone.

Although housing vouchers enable people with low incomes to afford modest rents in the private market, policymakers also aim to use the voucher program to help low-income families move out of racially or economically segregated neighborhoods and into places that have historically offered more upward economic opportunities. What are the differences between these roles for vouchers, and what are the structural challenges and opportunities of using vouchers for specific neighborhoods and subpopulations?

My research suggests that the ability for households to use a voucher, and the neighborhoods they access with one, varies significantly by household, demographic, market, and program features. Given the limited supply and barriers within the private rental market, only a small share of households can both use a voucher and move with the voucher, but these households tend to move to lower-poverty neighborhoods. Slight enhancements to the voucher program, such as calculating voucher rents at the zip-code level, have also shown to improve these mobility outcomes. For example, my research with Drs. Arthur Acolin and Raphael Bostic, as well as a larger study conducted by Abt Associates (PDF), found that calculating voucher rents at the zip-code level, as opposed to the metropolitan level, increases the odds that voucher households will live in neighborhoods that have historically had greater opportunities for upward mobility.

Looking at voucher location outcomes by race, however, I found that the story becomes more complicated. The reality is that voucher outcomes often amplify the existing forces of racial discrimination and segregation in the housing market. For example, in 2012, the average Black voucher households in Cook County lived in a neighborhood that had a 9 percentage-point higher poverty rate than the neighborhood in which the average white voucher household lived. Researchers tend to use the poverty rate as a proxy for the broader set of neighborhood conditions because areas with high poverty rates are often associated with poorly funded neighborhood amenities.

While I found that the movement to zip-code-based voucher rent calculations slightly improved the types of neighborhoods that Black voucher households accessed across all of the demonstration sites, these gains were relatively small compared with the gap in the performance of neighborhoods between white and Black and Hispanic voucher households.

Combined, my studies show that Black households have lower odds of using a voucher, which is not a function of their demand; they have poorer locational outcomes relative to a similar white household using a voucher; and adjustments to the way voucher rents are calculated mitigate some of these differences in location outcomes but only by a relatively small margin.

How can the voucher program increase usage rates and better facilitate mobility outcomes, especially for Black households?

In Seattle, Dr. Stephanie DeLuca and coauthors at Opportunity Insights found that mobility counseling and legal support are essential components to improving location outcomes for the voucher program. These findings echo some of the emerging themes in my research. For example, Dallas performed best across all of the demonstration sites for zip-code-based rent calculations. While our research did not empirically test this hypothesis, common sense points to the presence of the Inclusive Communities Project in Dallas as the key factor combatting discrimination and driving better location outcomes. The Inclusive Communities Project is a nonprofit that "engages in direct services, educational, research, and advocacy activities that promote and support the policies underlying the passage of the Fair Housing Act of 1968" and whose lawsuit against the Texas Department of Housing and Community Affairs resulted in the creation of the zip-code-based voucher rent calculations.

These insights signal the importance of counseling and legal supports in improving mobility outcomes and reducing the segregated outcomes we currently see through the program. This support is essential, but as I highlight in my research, they represent the formalization of the transaction cost currently being borne by voucher users. Thus, it is important to account for such costs when debating the efficiency of supply- versus demand-side interventions.

You shared that older adults face unique challenges using vouchers. By 2040, an estimated one in five Americans will be 65 or older, up from about one in eight in 2000. What implications do these changing demographics have for voucher programs moving forward?

It should not be surprising that, much like our country as a whole, the average household who receives a rental subsidy is aging. This fact alone is important to highlight because there is largely a biased, coded, judgmental, and now dated perception of who needs, and receives, rental housing support. Recent policy efforts under the Trump administration have focused on self-sufficiency as a desired outcome of our housing subsidy programs. There are many problems with that premise, not the least of which is that housing prices have far outpaced wages in most of the US, which means low-income workers cannot afford any housing, a reality that has been well documented (PDF) by the National Low Income Housing Coalition. In my research with Claudia Aiken, we found that demographic shifts present another challenge to the notion of "self-sufficiency." Households headed by older adults (and some headed by adults with disabilities) cannot generate the additional income they would need to move out of subsidized housing, which means that we can and should expect them to remain where they are.

Further, our research revealed a surprising reality—the share of older adult households in the voucher program is growing at a faster rate than the share of older adult households in other subsidized housing programs. This finding raises a challenge for how we view vouchers. Traditionally, researchers study vouchers within the context of mobility, but is that the correct framework for the elderly? We found that most of the research that studies the characteristics of the neighborhoods where voucher households live and move to focuses on metrics that are particularly relevant to working-age individuals or households with kids, not senior-headed households. Demographic shifts highlight the need to reassess the role of vouchers as a policy tool, as well as how we evaluate outcomes from this program.

What is one change federal policymakers can make to improve the effectiveness of housing assistance for older low-income households?

Vouchers should be an entitlement. Of the many reasons to do this "is to reject the notion that we should provide assistance to one family and deny it to another identical family" as Dr. Ed Olsen argued (PDF) in his Congressional testimony in 2003. However, as I highlighted in a recent Wharton Public Policy Initiative Issue brief (PDF), this should be just one of the many tools we use to address issues of housing affordability. For some householders, like the elderly, the production and preservation of supply-side housing may be a more effective and efficient policy tool. Further, as noted in the recent Housing for Equity plan in Philadelphia, policymakers at the local and national level must acknowledge that the production and preservation of housing needs to be coupled with protections for renters and low-income households more broadly.

What is the value of expanding both vouchers *and* place-based subsidies?

There is a clear demand for vouchers, which to me is particularly evident in my current research with the Housing Authority of the City of Los Angeles (HACLA) that focuses on their voucher waitlist. In 2017, HACLA opened its voucher waitlist for the first time in years and received over 170,000 applications. Of those who applied, only 20,000 were selected to be put on the voucher waitlist through a randomized lottery. Why only 20,000? Because HACLA can only offer households a voucher when someone who is currently using an existing voucher ceases to do so. There is filtering that happens through the lottery process that is essential to our understanding of how vouchers work as Joshua Davidson, a doctoral candidate at the University of Pennsylvania, and I highlight in our research.

There is also filtering that happens before households even apply to be in the lottery, as Dr. Jovanna Rosen at Rutgers University–Camden, Dr. Gary Painter and colleagues at the Price Center for Social Innovation at the University of Southern California, and I explore in our work together. This also means that those at the end of this waitlist will wait for years to be offered the subsidy, and as we see through interviews of those on the waitlist, these households face dire trade-offs during that time. This is not just a Los Angeles story, and this is also not just a voucher story. The reality is that there is a demand for any form of housing assistance, with nearly three times as many households in the US eligible for housing assistance as those who receiving it. This rental subsidy figure also includes place-based, or supply-side subsidized housing.

Place-based subsidized housing represents only a small share of our nation's rental housing stock, but it is an important asset that can often protect households from market forces. Unfortunately, thousands of units have already exited place-based subsidized housing programs. My research with Dr. Jaclene Begley shows that owners are more likely to exit a subsidized housing program in areas when there is high price appreciation. And my work with Dr. Michael Lens shows that many of these units that already exited were located in neighborhoods that were rapidly improving across traditional neighborhood opportunity metrics. This becomes concerning when we consider the volume of existing subsidized housing units that will either be in need of rehabilitation, whose affordability restrictions will expire, and/or whose owners will have the option to renew or exit their contracts with the federal government, as documented in my recent report for the Lincoln Institute.

Unfortunately, for much of the last three decades, economists evaluated the value of developing, or preserving, these supply-side units on a cost-per-unit basis, which makes them seem like a less efficient policy tool than vouchers. However, we know that households face many barriers when trying to use a voucher, which is an important cost that must be accounted for in such a comparison. Ultimately, this reminds us that a balanced policy approach, one that acknowledges the importance and value of both supply- and demand-side interventions, coupled with tenant protections, is essential.

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