Samantha Linnett
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Approaching Crisis: Access to Affordable Rental Housing

Executive Summary

According to the 2017 American Community Survey (2013-2017 5-Year ACS) performed by the U.S. Census Bureau, 50.6% of renters in the United States pay 30% or more of household income on rent. That means approximately 21,754,350 renter households have a housing cost burden and are more vulnerable to financial emergencies. Lack of access to affordable housing is a challenge that affects every aspect of the social safety net, and every aspect of a household's struggle to move out of poverty. Currently, both Public Housing and Section 8 Housing Choice Vouchers work to address this challenge. Section 8 Housing Choice Vouchers have the ability to address access to affordable housing at a greater and more feasible scale than public housing, and with less negative externalities. Therefore, the Section 8 voucher program should be expanded, as well as adjusted to reduce administrative costs and increase program effectiveness.

Introduction: Access to Affordable Housing

According to the 2017 American Community Survey (2013-2017 5-Year ACS) performed by the U.S. Census Bureau, 50.6% of renters in the United States pay 30% or more of household income on rent. That means approximately 21,754,350 renter households have a housing cost burden[1] and are more vulnerable to financial emergencies. These households are disproportionately households of color, single female-headed households, and households with

[1] Housing Cost Burden: HUD defines cost-burdened families as those "who pay more than 30 percent of their income for housing" and "may have difficulty affording necessities such as food, clothing, transportation, and medical care." Severe rent burden is defined as paying more than 50 percent of one's income on rent.

children (U.S. Census Bureau, 2017). When a household has a housing cost burden, they are more likely to experience frequent forced moves due to eviction, spend less on other necessities like food and medicine, live in poorer quality housing, and experience periods of homelessness.

According to Matthew Desmond in his 2016 book *Evicted: Poverty and Profit in the American City*, people who have frequent forced moves are 15% more likely to lose their jobs, experience a 20% increase in material hardship (e.g, the ability to acquire food, clothing, and medicine), and are 25% more likely to have chronic housing problems. For children, experiencing three or more moves reduces their probability of graduating from high school by 10-14% (Desmond, 2016). This means these households are more likely to draw on the social safety net for help when they lose jobs, need to acquire basic necessities, and lack the educational attainment to get a good job in the first place.

People who move due to eviction are also more likely to move into worse quality housing, with defects that can have negative impacts on residents' health. According to CityLab, "broken windows or leaks, insect and rodent infestation, lead paint and pipes, defective appliances, and poor ventilation translate to direct health harms such as elevated blood lead, respiratory ailments, and exposure to cancer-causing toxins" (Small, 2017). Residents exposed to these health challenges are often un- or under-insured and end up in hospital emergency rooms for chronic health issues, rather than receiving regular and consistent healthcare.

Lack of access to affordable housing is a challenge that affects every aspect of the social safety net, and every aspect of a household's struggle to move out of poverty. People who lose their jobs - or who lack the educational attainment to get a decent job - due to frequent forced moves are more likely to be on TANF and need job training assistance. People who spend 30%

or more of household income on housing are more likely to need SNAP to afford food for their families. People who have health issues due to poor quality housing are more likely to draw public resources from the healthcare system as the costs of their hospital visits are unlikely to be reimbursed. Without stable, affordable housing as a base, families continue to need these social programs as they struggle to rise out of poverty.

There are currently two major federal housing policies designed to help provide affordable housing to renters: Public Housing and Section 8 Housing Choice Vouchers.

Public Housing

Public housing was created in 1937 through the United States Housing Act. It was established to provide "decent and safe" rental housing for eligible renters, including low-income families, the elderly, and the disabled. Public housing units can be found as scattered single-family homes or as apartment complexes, although the latter is far more common. Renters' income must be at 80% of Area Median Income[2] or lower to be eligible for public housing. Renters fill out an application to prove income qualifications and behavioral qualities that will make them a good candidate. If accepted, a household's rent is set at 30% of household adjusted monthly income, 10% of monthly income, welfare rent, or the minimum rent amount set by the local Housing Authority, whichever is higher. Approximately 1.2 million households live in public housing units, serviced by 3,300 housing authorities. The public housing program is

[2] The Area Median Income (AMI) is the midpoint of a region's income distribution – half of families in a region earn more than the median and half earn less than the median. For housing policy, income thresholds set relative to the area median income identify households eligible to live in income-restricted housing units and the affordability of housing units to low-income households. The U.S. Department of Housing and Urban Development (HUD) defines and calculates different levels of AMI for geographic areas across the country by household size. (Metropolitan Council, 2018).

managed by the Department of Housing and Urban Development (HUD), and funding is distributed from HUD's budget to individual housing authorities (HUD, 2019). The HUD budget for fiscal year 2020 requested $2.75 million for the public housing capital fund and $4.55 million for the public housing operating fund, bringing public housing's budget to a total of $7.3 billion (Carson, 2019).

Public housing has been successful at providing decent and affordable housing to its intended target populations of the elderly, disabled, and families with children, but at limited levels. By capping a tenant's rent at 30% of their income, households have the ability to spend more on transportation to work, childcare, food, clothing, and healthcare. Depending on the location, public housing can provide access to better neighborhoods or neighborhoods with more resources, as well as better schools. For the senior and disabled populations, "public housing enables them to remain in their home communities and avoid or delay moving into nursing homes or other institutions that are much more costly for state and federal governments" (CBPP, 2017, para. 6).

However, public housing has some key limitations and challenges. Currently, many public housing complexes across the U.S. are at capacity. Renters are often put on a waiting list to receive a housing unit, the wait time for which can be several years. Additionally, most public housing complexes lack upgrades and general maintenance, leaving many families in outdated and poor quality apartments. According to the Center on Budget and Policy Priorities, "inadequate capital funding has contributed to a backlog of unmet renovation needs that reached $26 billion by 2010" (CBPP, 2017, para. 11). The lack of scattered site public housing units leads to concentrations of poverty in targeted areas of municipalities, which can create negative impacts for residents. This is further exacerbated by exclusionary zoning laws that keep public housing located in already poor urban centers (Holloway, et. al, 1998). This has, however, gotten better over time, as in 2016 just over 40% of public housing units were located in low to moderate poverty areas (CBPP, 2017), and moves are being made toward mixed-income public housing.

Section 8 Housing Choice Vouchers

Section 8 Housing Choice Vouchers are another major federal program for addressing access to quality, affordable housing. The Section 8 Voucher program was also established in the 1937 Housing Act. Section 8 vouchers are distributed to individuals who are low-income, elderly, or disabled, in order to subsidize their housing in the private rental market. Housing vouchers are administered by local housing authorities, each of which has a certain amount to distribute. A family's income may not exceed 50% of the Area Median Income for the location in which the family chooses to live to qualify for a voucher. By law, the housing authority must provide 75% of its vouchers to applicants whose incomes do not exceed 30% of the Area Median Income. Therefore, vouchers are more targeted to even lower-income households than public housing is.

Vouchers allow renters to find their own private rental housing, not limiting them to publicly subsidized units. Selected units must pass the housing authority's health and safety inspection to qualify. Renters can also take their housing vouchers anywhere in the U.S., therefore they can move to higher opportunity/income neighborhoods or municipalities with them. The vouchers cap the amount the renter can pay at 30% of their adjusted monthly income.

The rest of the rent is subsidized by the housing authority (capped at 70% of Fair Market Rent[3]) and paid directly to the landlord. Approximately 2.2 million households currently receive vouchers, including about 1 million families with children. The program is funded through HUD's budget, currently costing approximately $20 billion (Blumgart, 2016), and funds are distributed to local housing authorities to administer as subsidies (HUD, 2019).

Section 8 Vouchers have been shown to have real benefits for households. Raj Chetty's analysis of the Moving to Opportunity (MTO) study shows that housing choice vouchers had long-term benefits for voucher holders. For families with children under the age of 13 who moved to "high opportunity" areas with their vouchers, those children saw significant increases in average adult earnings and college attendance rates, as well as decreases in single parenthood, compared to those who received a voucher but did not move and to those who did not receive vouchers (Sard, 2018). While these effects were not mimicked for older children, parents, or in those households that did not move to higher opportunity areas, it should be noted that these groups still see important short-term benefits from vouchers. Households that receive Section 8 vouchers are able to afford safer, higher quality housing (even if it is in the same neighborhood), reducing health risks; spend more on food, clothing, and regular healthcare; and see reduced stress and improved mental health outcomes, particularly among single mothers (Desmond, 2016).

The Section 8 Voucher program also has its limitations. Like public housing units, the number of available vouchers is limited and many localities have a wait list. The number of

[3] Fair Market Rent (FMR) is defined as the 40th percentile of rents paid by recent movers (renters who moved in the last 24 months) in a given FMR area. This means FMR rent prices are slightly below the median price. Fair Market Rent prices are set for each county and metro area across the country. Rates are set for zero-bedroom studios or efficiencies all the way up to 4-bedroom homes (RentData, 2019).

vouchers can be increased more easily than public housing units can be built, but such an increase would come with significantly increased cost. Additionally, once residents have a voucher, they only have 30 days to find a suitable apartment and a landlord who will accept it. Unless a municipality has source of income protection laws[4], landlords are not required to accept Section 8 vouchers. This often leads to discrimination against potential tenants who use them. If the resident cannot find housing within 30 days, they lose their voucher (HUD, 2019).

Policy Recommendation

The Section 8 Housing Choice Voucher program is the more successful policy for addressing challenges of access to affordable housing and should be expanded. While both Section 8 and Public Housing have successfully addressed access to housing, vouchers do so with less negative externalities, avoiding the consequences of concentrating poverty in already low-opportunity areas. Housing vouchers are also more sustainable, relying on private market housing that already exists rather than having to build and maintain public housing units. The supply of vouchers can be adjusted up and down as need changes more easily than changes to brick-and-mortar housing complexes can be made.

In order for housing choice vouchers to be truly successful, however, their supply must be expanded. If Section 8 vouchers were expanded to cover every household who qualified at 50% of AMI, the estimated cost of the program would be $41 billion (Blumgart, 2016). While that is an increase to more than double the current program budget, the price tag is not insurmountable. In fact, the federal government already spends well more than that on housing programs, just for high-income homeowners rather than low-income renters. According to the

[4] Source of income protection laws make "source of income" a protected class. This means potential tenants cannot be denied an apartment solely on the basis of their source of income, whether from wages, Section 8 vouchers, or other forms of public assistance.

Center on Budget and Policy Priorities, in 2014 “households with incomes of $200,000 or more received an average housing benefit of $6,266 — more than four times the average benefit of $1,449 for households with incomes below $20,000” (Sard, 2016, para. 3). The majority of that high-income benefit comes from the mortgage-interest deduction and other property tax deductions that homeowners receive. The mortgage-interest deduction for households with an income of $200,000 or more alone is over $43 billion (Sard, 2016). If that deduction was reduced only for the highest income households, that funding could easily cover the expansion of Section 8 vouchers for low-income renters.

Other improvements should also be made to the Section 8 program as it is expanded. To help reduce administrative costs, HUD can be more selective about which Housing Authorities receive funding to administer the program. Smaller housing authorities have much higher administrative costs to distribute and manage vouchers than larger ones do. Larger housing authorities could have broader coverage areas to administer the program at a lower cost (Sard, 2018). Additionally, HUD can narrow the region that it uses to calculate Area Median Income and Fair Market Rent. Using zip code areas rather than Metropolitan Statistical Areas would allow the program to be more targeted to those with the most need at 50% of AMI, and reduce rent setting abuses by creating a lower and more accurate FMR for smaller areas (Blumgart, 2016).

Outside of cost, some reforms can be made to improve the effectiveness of housing choice vouchers. One such reform is to advocate for and institute Source of Income Protection nationwide. This will help to ensure that tenants are not denied an apartment on the basis of having a voucher alone, and help voucher recipients find an apartment within the 30 day deadline. Finally, if the voucher program is to be extended, the participation of private market landlords will be crucial to its success. While regulating a landlord's ability to deny a voucher-holding tenant on a discriminatory basis is part of the solution, incentives to participate will have to be another. Housing authorities should ensure that FMR levels are as close as they can be to what a landlord would charge for market rent. Additionally, State and Local governments can provide tax credits on units that house a Section 8 tenant for participating landlords (Office on Policy Development & Research, 2019).

Conclusion

While almost 22 million renter households need assistance to receive affordable rental housing, only 3.4 million households currently receive assistance through Public Housing and Section 8 Housing Choice Vouchers. The most effective way to address this gap is to expand the Section 8 Voucher program to cover every household at 50% of Area Median Income. While this expansion is costly, it is feasible through a shift in housing assistance priorities, from subsidizing wealthy homeowners to assisting low-income renters. Section 8 vouchers are a more sustainable and efficient way to cover the need for affordable housing than public housing. With a few program adjustments to improve administrative efficiency and program effectiveness, expanding housing choice vouchers could put an end to an impending rental housing crisis for our most vulnerable Americans.

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