Congressional Testimony of

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on the Federal Housing Choice Voucher Program: Strengths and Challenges

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Strengths and Weaknesses of the Housing Voucher Program

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Thank you for the opportunity to testify today on the strengths and weakness of the federal housing voucher program. My testimony reviews the importance of the Housing Choice Voucher Program and the benefits it provides, and describes challenges facing the program. I argue that the administration's proposal to convert the voucher program into a state block grant does nothing to address these challenges and indeed could make them harder to overcome. Finally, I suggest three strategies that could strengthen the basic voucher program design, substantially improving outcomes for families. My remarks are based on research I and my colleagues at the Urban Institute have conducted on federal housing assistance programs and needs as well as on the work of researchers at the Department of Housing and Urban Development and other public and private organizations.

Summary

The federal Housing Choice Voucher Program plays a critical role in helping to address housing needs for extremely low-income households. Its most important advantage is that vouchers give recipients the freedom to choose the kinds of housing and the locations that best meet their needs. As a consequence, many voucher recipients live in healthy neighborhoods that offer social, educational, and economic opportunities for themselves and their children.

The current housing voucher program certainly does not work perfectly. Vouchers have not been as effective in promoting residential mobility and choice among minority recipients as they have been for whites. But even for African Americans and Hispanics, vouchers perform better than public and assisted housing projects in giving families access to low-poverty and racially mixed neighborhoods.

Not all families who receive vouchers are able to find a house or apartment where they can use them. Shortages of moderately priced rental housing, tight market conditions, racial and ethnic discrimination, landlords who are unwilling to accept voucher payments, and ineffective local administration all contribute to this problem. And the program's "portability" feature, which allows recipients to use their vouchers to move from one jurisdiction to another is a bureaucratic nightmare, not only for families but for the sending and receiving housing authorities.

The single biggest problem with the current housing voucher program is that federal spending for affordable housing is woefully inadequate. Only about one in every three eligible families gets assistance. Thus, even though vouchers work quite well for those lucky enough to receive them, 6.1 million low-income renters still face severe housing hardship – paying more than half their monthly income for housing, or living in seriously run-down or overcrowded housing

Converting vouchers to a block grant does not address any of the program's current limitations—and in fact, could well exacerbate existing problems. Some states might use a block grant's flexibility to implement programmatic models that would potentially undermine the success of the voucher approach, creating new problems and worsening the housing hardships that low-income families already face. Moreover, because funding for the voucher program would no longer be tied to a formula that reflects actual program costs and rents, the gap between housing needs and resources would almost certainly widen over time, undermining states' ability to operate the program effectively.

Three promising strategies for making the basic voucher design work better could be implemented within the existing program structure and could potentially improve outcomes for families substantially: 1) *mobility counseling and assistance* can help voucher recipients understand the locational options available, identify housing opportunities, and negotiate effectively with landlords; 2) *aggressive landlord outreach, service, and incentives,* can substantially expand the housing options available to voucher recipients; and 3) *regional collaboration and/or regional administration* of the voucher program can help address the administrative barriers to portability across jurisdictions, and make the program more transparent to both landlords and participants. Although it is possible that some states might choose to use a voucher block grant to implement one or more of these promising strategies, this choice seems unlikely absent a programmatic mandate or incentive system.

Value of the Housing Choice Voucher Program

The federal housing voucher program supplements rent payments for 1.7 million low-income families and individuals, making it the nation's largest housing assistance program. Recipients choose a house or apartment available in the private market and contribute about 30 percent of their incomes toward rent, while the federal government pays the difference – up to a locally defined "payment standard." Compared to unassisted households at comparable income levels, voucher recipients are far less likely to be paying unaffordable housing cost burdens, and more likely to be living in decent quality housing (HUD 2000). And because the voucher program relies upon the existing housing stock, it is less costly than programs that build new projects for occupancy by the poor (HUD 2000).

The most important advantage of housing vouchers is that they give recipients the freedom to choose the kinds of housing and the locations that best meet their needs. Federal housing construction programs have historically clustered assisted families in low-income, central city neighborhoods, contributing to both concentrated poverty and racial segregation. For example, 37 percent of public housing residents live in neighborhoods where the poverty rate exceeds 40 percent (Newman and Schnare 1997), and most African American residents of public housing live in neighborhoods that are majority black (Goering, Kamely, and Richardson 1994). Even more recent housing production programs, such as the Low Income Housing Tax Credit and the HOME Program have placed a disproportionate share of assisted units in poor

and minority neighborhoods. For example, almost half of LIHTC units are located in neighborhoods that are predominantly black (Buron et al. 2000).

In contrast, vouchers have generally allowed assisted families to disperse more widely and to live in lower-poverty, less segregated neighborhoods. In fact, the latest research finds at least some voucher recipients living in eight out of ten neighborhoods in large metropolitan areas. Specifically, Devine et al (2003) analyze the spatial distribution of voucher recipients in the nation's 50 largest metropolitan areas, and conclude that virtually every census tract in these areas contains some housing at rent levels accessible to voucher recipients; voucher recipients are currently living in 83 percent of these census tracts. As a consequence, 58.6 percent of voucher recipients live in neighborhood that are less than 20 percent poor, and only 22.2 percent live in neighborhoods with poverty rates in excess of 30 percent.

Vouchers have not been as effective in promoting residential mobility and choice among minority recipients as they have been for whites. White voucher recipients have gained access to housing in a substantially wider range of metropolitan neighborhoods than have African Americans and Hispanics. African American and Hispanic voucher holders are over-represented in neighborhoods where vouchers are clustered, and under-represented in neighborhoods where they are more widely dispersed (Devine et al 2003). Moreover, 25.2 percent of African American recipients and 27.9 percent of Hispanics live in high-poverty neighborhoods (with poverty rates over 30 percent), compared to only 8 percent of whites (Devine et al 2003). Nevertheless, even among African Americans and Hispanics, voucher recipients are more likely than public and assisted housing residents to live in low-poverty and racially mixed neighborhoods (Turner and Wilson, 1998).

Vouchers Do Not Work Perfectly

This is not to say that the current housing voucher program works perfectly. Some families who receive vouchers are unable to find a house or apartment where they can use them. The most recent study of success rates among voucher recipients (Finkel and Buron 2001) finds that about 69 percent of households who receive a voucher are successful in using it, down from 81 percent in the late 1980s. In some communities, moderately priced rental housing (affordable with a voucher) is in short supply, particularly in good neighborhoods. Historically, many suburban jurisdictions have used zoning and land use regulations to limit the development of rental housing, especially more affordable rental housing, in order to maintain their property tax base and ensure social homogeneity (Advisory Commission on Regulatory Barriers to Affordable Housing 1991; Malpezzi 1994). Few states require jurisdictions to build or accommodate their "fair share" of affordable housing (Burchell et al. 1994). As a consequence, the stock of rental housing tends to be somewhat concentrated in central cities, older suburbs, and less-affluent neighborhoods (Orfield 1997).

Moreover, during the late 1990s and early 2000s, rental markets in many metropolitan areas were very tight, vacancy rates were low, and rents were rising rapidly (HUD 1999). These

hot market conditions made it difficult for voucher recipients to find vacant units at rent levels they could afford. HUD increased allowable subsidy levels in many metropolitan areas to address this problem, but some local housing agencies continued to face high turn-back rates, as families failed to find units where they could use their vouchers.

Even when suitable rental units are available, landlords may be unwilling to participate in the voucher program. When demand for rental housing is reasonably strong, landlords do not need the voucher program to lease the units they own. Some may have doubts about whether the low-income households who receive vouchers will be good tenants, and whether program regulations will prevent them from rejecting unqualified applicants or evicting problem tenants. And some landlords are simply skeptical about participating in the program for fear of becoming entangled in red tape and bureaucratic hassles.

In some jurisdictions, the fears of rental property owners about participating in the voucher program have been fueled by the poor reputation of the local housing agency. A housing agency known for delays in conducting inspections and approving leases, unreliability in making subsidy payments, and lack of responsiveness to landlord inquiries or complaints is likely to have serious problems convincing local landlords to participate in the voucher program (Turner, Popkin, and Cunningham 2000). Voucher recipients have the greatest difficulty when tight market conditions combine with ineffective program administration, because landlords can easily find tenants for available units, and see real disadvantages to dealing with the local housing agency. Under these circumstances, there may be only a small pool of “Section 8 landlords,” who are familiar with the program and readily accept voucher-holders as tenants, sometimes because their properties are located in less desirable areas and might not otherwise be fully leased up (Turner, Popkin, and Cunningham 2000).

Another challenge for the voucher program is effectively using the “portability” provisions that allow recipients to use their vouchers in any jurisdiction. Transferring vouchers from one locality to another can be a bureaucratic nightmare, not only for families but for the sending and receiving housing authorities. When a family receives its voucher from one housing authority but wants to move to the jurisdiction of a different housing authority, the “sending” PHA has a choice; it can either transfer the family to the new PHA (which must agree to “absorb” the transfer by issuing one of its own vouchers) or it can pay the “receiving” PHA for performing administrative functions such as income certifications, housing inspections, and lease renewals. Many urban PHAs have agreements with neighboring jurisdictions that they will automatically “absorb” vouchers from one other rather than administering complex “billing” arrangements. But this arrangement is also undesirable, requiring the receiving PHA to use up a unit of housing assistance that could have served a family on its own waiting list (Feins et al 1997).

In addition to problems with program administration and regulations, racial discrimination and segregated housing markets exacerbate the challenges that minority recipients face when they try to find housing in which to use their vouchers. Although discrimination against African

American renters has declined over the last decade, minority homeseekers still face high levels of adverse treatment in urban housing markets (Turner, Ross, Galster, and Yinger 2002). And although increasing numbers of minority households have gained access to suburban neighborhoods, researchers continue to find evidence that minorities face significant barriers to entry into white suburban neighborhoods (Stearns and Logan 1986; South and Crowdar 1998). In addition, some suburban communities have resisted the influx of voucher recipients from other jurisdictions, due to prejudice and fear about racial and economic change, and about the crime and social service needs that these new residents are expected to bring (Churchill et al 2001).

Families who receive vouchers to relocate from severely distressed public housing as part of HOPE VI initiatives often have particular difficulty finding and retaining housing in the private market. A substantial proportion of these households lack previous experience with the private market and have complex personal problems — substance abuse, depression, domestic violence, gang affiliation — that make it difficult for them to search effectively for housing and make them less appealing to landlords (Popkin et al. 2002). Landlords may be less willing to rent to public housing families with children, limiting their choices of housing and neighborhoods. Further, long-term public housing residents may not be able to take advantage of any mobility opportunities—their personal situations may make them seem particularly risky to landlords and their own fears of moving to unfamiliar areas may prevent them from even considering these options (Popkin and Cunningham 2000, 2002). Finally, even those former public housing residents who do manage to find housing may encounter problems. Recent research indicates that many are facing hardship due to higher utility costs and the challenges of dealing with individual landlords (Buron et al. 2002). Complex personal situations—such as illegal household members and domestic violence—can place them at risk for losing their assistance altogether (Popkin and Cunningham 2002; Venkatesh 2002).

A Block Grant Could Make the Situation Worse

Converting vouchers to a block grant does not address any of the program's current limitations—and in fact, may exacerbate existing problems. The single biggest limitation of the current housing voucher program is that federal spending for affordable housing is woefully inadequate. Only about one in every three eligible families gets assistance. Thus, even though vouchers work well for those lucky enough to receive them, 6.1 million low-income renters still face severe housing hardship – paying more than half their monthly income for housing, or living in seriously run-down or overcrowded housing (Millenial Housing Commission 2002). Under a block grant, funding for the voucher program would no longer be tied to a formula that reflects actual program costs and rents. As a consequence, the gap between needs and resources would almost certainly widen over time (Sard and Fischer 2003).

Moreover, some states might use a block grant's flexibility to implement programmatic models that would potentially undermine the success of the voucher approach, creating new problems and worsening the housing hardships that low-income families already face. For

example, they might reduce subsidy payments in order to serve more families, limiting the range of locational options accessible and undermining the program's effectiveness in making decent housing affordable for the poorest households. Or states might impose time limits in hopes of encouraging self-sufficiency, leaving working poor families to face unaffordable market rent levels. Or they might divert voucher funds to build new housing projects ear-marked for the poor, potentially exacerbating the concentration of assisted housing in poor and minority neighborhoods.

All of these so-called "reforms" are untested. We lack the rigorous evaluation results to assess the effectiveness of alternative program models such as time limits. HUD's Moving to Work demonstration, which provides statutory and regulatory waivers to selected housing authorities as an experiment in deregulation, includes several housing authorities that are testing variations in voucher program rules. These include fixed subsidy levels, minimum tenant contributions, and time limits. However, the impacts of these alternative approaches are not being rigorously evaluated, because Moving to Work was not designed for this purpose (Abravanel et al. 2000). Thus, if states were offered a housing assistance block grant, they would have little evidence on which to base decisions about alternative voucher program designs.

Further, none of these alternative models eliminates the fundamental dilemma of inadequate funding to meet housing needs, and there is good reason to believe that these types of changes would undermine vouchers' proven effectiveness in making decent housing affordable for low-income families. If block grant funding failed to keep pace with the costs of serving needy households, states would face pressures to use Section 8 administrative fees to cover other costs rather than implementing program improvements, or limit voucher recipients to housing in the least costly neighborhoods.

The TANF Experience Is Not Relevant

Supporters of block grants claim welfare reform as a model for converting the housing voucher program to block grants, but none of the factors that contributed to declining case loads under TANF apply to housing. Unlike the proposal to convert housing vouchers to block grants, welfare reform was preceded by years of experimentation and evaluation of alternative models for promoting work and self-sufficiency. And TANF established clear goals and performance standards for the states, providing incentives to get more people working and off the welfare rolls. The housing block grant proposes no clear goals or performance requirements, and offers no proven models for more effective program design.

When TANF was launched, policy makers had good reason to believe that investing up-front in job training and placement services would reduce families' long-term need for cash assistance, increasing employment and cutting the welfare rolls. The same is not true for housing. A majority of voucher recipients already work. Further, affordable housing is out of reach for many working households—in 2002, there was no city in the United States in which a

minimum wage worker working full-time could afford the rent for a standard two-bedroom apartment (NLIHC 2002). Regardless of how states tweaked voucher program rules, the need for housing assistance would stay essentially the same.

The Voucher Program Can and Should Be Strengthened

A growing body of experience from programs around the country point to three promising strategies for making the basic voucher design work better. All of these strategies could be implemented within the existing program structure and could potentially improve outcomes for families substantially.

- *Mobility counseling and assistance* can help voucher recipients understand the locational options available, identify housing opportunities, and negotiate effectively with landlords. A growing body of evidence from assisted housing mobility programs across the country indicates that this kind of supplemental assistance can significantly improve locational outcomes for voucher recipients, resulting in greater mobility to low-poverty and racially mixed neighborhoods for families who might otherwise find it difficult to move out of distressed, inner-city neighborhoods (Goering, Tebbins, and Siewert 1995; HUD 1996; Turner and Williams 1998; HUD 1999; Orr et al. forthcoming).

- *Aggressive landlord outreach, service, and incentives,* though sometimes viewed as a component of mobility counseling, actually involve very different activities. Housing agencies can significantly expand the options available to voucher recipients and improve recipients' success in finding suitable housing by continuously recruiting new landlords to participate in the program, listening to landlord concerns about how the program operates, addressing red tape and other disincentives to landlord participation, and – in some cases – offering financial incentives to landlords to accept voucher recipients.

- *Regional collaboration and/or regional administration* of the voucher program can potentially help address the administrative barriers to portability across jurisdictions, and make the program more transparent to both landlords and participants. Almost no urban regions in the U.S. are served by a single, regional housing agency, but in a few, the jurisdiction of the central city PHA has expanded to encompass all or much of the metropolitan region (Feins 1997). In addition, housing authorities in some metropolitan areas have entered in formal agreements that facilitate the movement of voucher recipients among regions. All of these examples illustrate the potential for greater regional coordination as a mechanism for strengthening voucher program performance (Katz and Turner 2001).

Although it is possible that some states might use a voucher block grant to implement one or more of these promising strategies, this seems unlikely absent a programmatic mandate or incentive system. Instead, the quality of local program administration could well deteriorate, particularly given states' current fiscal distress.

Since 1949, federal housing policy has had as its goal "a decent home in a suitable living environment for every American family." We are still a long way from achieving that goal, and the existing housing voucher program needs to be strengthened to move us in the right direction. But replacing the voucher program with a block grant would take us backward. Instead of resolving the fundamental dilemma of inadequate funding for affordable housing, a block grant would make housing hardship a state problem rather than a federal problem, and open the door to untested program changes that could undermine the proven strengths of the voucher approach.

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