



## Abt Policy Issue Brief on Racial Equity

### Using an Expansion of the Housing Choice Voucher Program to Improve Equity for Black Households at Risk of Homelessness

Jill Khadduri, Principal Associate and Abt Senior Fellow\*

December 2020

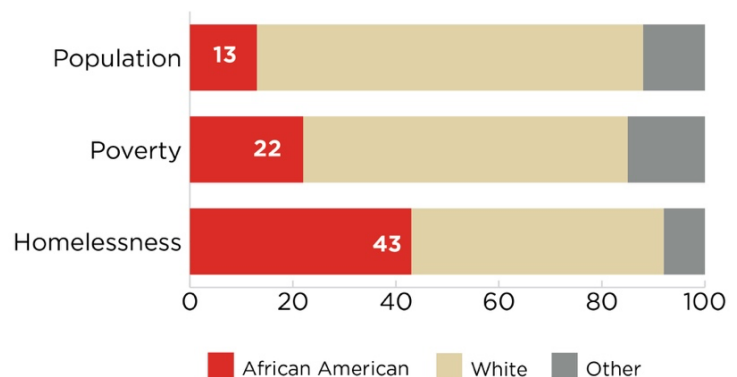
Forty percent of all people who experience homelessness are Black, more than 225,000 people on a single night and many more over the course of a year. Of those who are homeless as part of a family with children, the share is even higher: 52 percent.<sup>1</sup> This reflects, in part, the higher levels of poverty among Black people compared with White people, the product of centuries of discrimination in employment and education. Poverty among people of color is likely to get worse as a result of job loss during the COVID pandemic. But housing discrimination also has had an important role, because of its profound intergenerational effects. Black families were excluded from neighborhoods and entire jurisdictions during the post-World War II boom in housing construction and did not benefit from large increases in house values that make it possible for many White families to pass along wealth to the next generation.<sup>2</sup> The discrimination-based gap in rates of homeownership persisted throughout the 20<sup>th</sup> century, only partly alleviated by public policies that made mortgage financing more available to Black homebuyers.<sup>3</sup> Black families also did not benefit from highly resourced neighborhoods, where access to high-quality public education and other amenities can have a profound influence on the life trajectories of children.<sup>4</sup>

#### How Can Housing Policy Help?

Meanwhile, a housing affordability crisis emerged in the last decades of the 20<sup>th</sup> century, with the costs of housing outstripping the ability of households at the bottom of the income distribution to pay the rent and have enough money left over for other needs.<sup>5</sup> The issue of housing affordability hits Black people living in poverty especially hard. When faced with job loss or an illness, they often do not have a relative or friend able to help out with the rent or provide an alternative place to stay. The result is often homelessness. For families, that usually means a shelter; for adults homeless without children, that often means the street. The result is that the share of people experiencing homelessness who are Black is even higher than the share of the poverty population that is Black.<sup>6</sup>

The legacy of housing policies of the past—legal discrimination until the civil rights legislation of the late 1960s, followed by weak enforcement of laws banning discrimination<sup>7</sup>—has helped create current racial inequities and forced large numbers of Black people into homelessness. But housing policy can also help. An expansion of the Housing Choice Voucher program would go a long way towards preventing Black families and individuals from falling into homelessness.

#### Black Share of Homelessness Compared with All US Households and Households Living in Poverty



Source: The 2018 Annual Homeless Assessment Report to Congress: Part 2. US Department of Housing and Urban Development, September 2020.

#### What Is the Housing Choice Voucher Program?

About half of the nation's 5 million units of assisted housing for very low income households are in housing projects that were originally developed between the 1930s and the 1980s (including both public housing and privately owned assisted housing projects). About 2.2 million units are in the Housing Choice Voucher program, and that is the program that has the potential to grow and alleviate the affordable housing crisis for people of all races and ethnicities.<sup>8</sup>

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In the Housing Choice Voucher program, a household rents a unit in the private housing market and pays 30 percent of income<sup>9</sup> to the landlord. The rest of the rent is paid by the program administrator—a local public housing authority (PHA)—which receives federal funds from HUD. The housing must pass a quality inspection, and the PHA must determine that the total rent of the unit is not more than would be charged to an unassisted tenant.

### Can Black Households Succeed in Using Housing Choice Vouchers?

Owners of rental housing are not obligated to rent to households using vouchers. Some states and local jurisdictions have made it illegal to refuse to rent on the basis of the source of income that will be used to pay the rent, but many do not. And owners may still apply their regular screening criteria—for example, refusing to rent to people with histories of eviction. A rigorous study has shown that many landlords do discriminate against voucher holders, and that could serve as a mask for discrimination on the basis of race.<sup>10</sup>

Nonetheless, data shows that Black households can and do succeed in using their vouchers.

A series of studies of the rate at which households using vouchers succeed in using them to rent housing (conducted by Abt Associates going back to the 1970s) have shown that Black households succeed in using vouchers at rates as high as White households,<sup>11</sup> and current data show that 48 percent of households using vouchers are Black.<sup>12</sup> Successful use of vouchers extends to families trying to use vouchers to leave homelessness. Analysis of data from the Family Options Study shows that all families given access to vouchers used them at very high rates. Black families were just as successful as White families in using the vouchers to leave homelessness and avoid returning to homelessness.<sup>13</sup>

### What Aspects of the Housing Choice Voucher Program Need Improvement?

The voucher program is time-tested and successful in providing stable, affordable housing to people of all races and ethnicities—in particular, to Black households. However, the voucher program is not perfect, starting with the fact that the program is simply too small to do an effective job of overcoming racial inequities and preventing homelessness. A major expansion of the program would be a good time to implement solutions.

**The problem: Not enough housing vouchers are available.** Across people of all races and ethnicities, only about one of every four very low-income renter households has any form of assisted housing.<sup>14</sup> The size of the Housing Choice Voucher program has been stalled since 2002, with very small numbers of incremental units (units over and above those already in PHAs' contracts) added to the program's budget in the past 18 years.

**The solution: A greatly expanded program.** In 2013, the Bipartisan Housing Commission recommended opening the voucher program to all renters with incomes below 30 percent of an area's median income (roughly the federal poverty level),<sup>15</sup> and an open-enrollment program was part of the Biden-Harris campaign's policy vision. One way of achieving that would be to move the Housing Choice Voucher program to the mandatory side of the federal budget, as the Supplemental Nutrition Assistance Program (food stamps) is now. Abt and the Urban Institute both have estimated the cost of an open enrollment voucher program, using different assumptions about the maximum income of qualifying renters, and therefore the numbers of households that would participate.<sup>16</sup> The cost is high, but it would not be incurred all at once. The infrastructure for expanding the voucher program exists, but it would take time to add and train the staff needed to implement an expanded program or add new administrative entities.



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If moving the program to the mandatory side of the federal budget is not possible, an alternative would be to go back to adding substantial numbers of incremental units to the program each year. In the late 1970s, Congress was willing to add 300,000 units each year to assisted housing, and that should be feasible now.

**The problem: Not all households succeed in using their vouchers.** The rate at which households with vouchers succeed in renting housing varies across housing markets and across the situation of the voucher holder. The Family Options Study showed that families leaving homelessness were able to use vouchers at very high rates, more than 90 percent across all races and ethnicities.<sup>17</sup> However, many studies have shown that it is harder to use vouchers in some housing markets—in particular, those with high rents and low vacancies.<sup>18</sup>

**The solutions: A national “source of income” law, and incentives for states to remove barriers to housing supply.** Studies of voucher success rates have shown that success rates are higher in places with laws making it illegal to discriminate against seekers of rental housing on the basis that they are using a housing voucher.<sup>19</sup> Recently, additional states and local jurisdictions have been enacting such “source of income” laws. As of 2019, they covered jurisdictions with about half of all voucher users nationally but were concentrated in some parts of the country.<sup>20</sup> A national law would be more powerful. It would need to be accompanied by resources for enforcing both the new source of income law and the Fair Housing Act’s prohibitions against discrimination based on race and the presence of children.<sup>21</sup>

Ample evidence exists to suggest that exclusionary zoning constrains housing supply in many political jurisdictions and in particular neighborhoods, restricting or even banning the development of multifamily housing and the subdivision of single-family houses into apartments.<sup>22</sup> The federal government has powerful tools—key among them grant funding that goes to states for transportation and other infrastructure—that could be used to create incentives for states to reform such regulations.<sup>23</sup> Relaxing exclusionary zoning would go far towards increasing the availability of units that can be rented with vouchers.

**The problem: Administration of the voucher program is fragmented, and it discourages landlord participation.** Some metropolitan areas have several different PHAs administering the program, and some PHAs in rural areas are too small to operate cost-effectively.<sup>24</sup> A few PHAs have statewide jurisdictions, sometimes overlapping with local PHAs and sometimes operating where there is no local PHA. The program’s administrative processes can be discouraging to owners of rental housing, especially when they result in units standing empty and the landlord losing rental income while the PHA inspects the unit and determines whether the rent is “reasonable.”<sup>25</sup>

**The solutions: Consolidation and simplification.** A good way to scale up capacity for administering the voucher program would be to encourage more states to administer the voucher program and allocate substantial numbers of units to statewide PHAs that already administer the program. Statewide PHAs could be encouraged to absorb very small PHAs as satellite offices.

Aspects of program administration that are discouraging to owners could be streamlined. For example, the program rules could permit subsidies to start on the basis of self-certification by the tenant that the unit has no major health and safety violations. Then the PHA would inspect the unit during the tenant’s first month of occupancy, or it could periodically inspect a sample of self-certified units. An additional way to streamline would be for the PHA to forgo inspections of units in a building where one unit has already passed. The federal government should experiment with other areas of potential simplification. For example, one approach to encouraging owner participation in the voucher program is to provide vacancy loss payments while approval of the unit is finalized.<sup>26</sup>



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Another area of simplification would be for PHAs to make the voucher subsidy payments to tenants rather than to owners. This change would transfer to the voucher-using household the responsibility for determining that the unit offered by a landlord is the best deal they can find and does not have an above-market rent. The PHA would no longer have to administer a “rent reasonableness test,” but would still be responsible for other aspects of program administration. Delays in rent payments from the PHA, a common complaint of owners, would no longer be an issue. However, for many owners, getting a portion of their rent payment from a public agency is a major appeal of the voucher program. Therefore, this simplification should be preceded by a pilot program and evaluation.

***The problem: Vouchers are not used enough in highly resourced locations.*** Though few voucher families live in neighborhoods with *extreme* concentrations of poor people and people of color, the program has not lived up to its promise for expanding opportunities for Black families with children to live in highly resourced neighborhoods—neighborhoods with low rates of poverty, high-performing schools, and other indicators of access to opportunity. Without additional services to facilitate moves to better neighborhoods, most households use vouchers in neighborhoods with moderate levels of poverty.<sup>27</sup> That continues to be the case, despite the growing suburbanization of voucher recipients.<sup>28</sup>

The solutions: Fund services that encourage use of vouchers in highly resourced neighborhoods, encourage collaborations among PHAs in the same metropolitan region, and expand the use of Small Area Fair Market Rents. A rigorous evaluation of services to facilitate “mobility” in Seattle and King County in Washington State demonstrated that services that encourage families with children to use their vouchers in more highly resourced neighborhoods make it much more likely that a family will move to such a neighborhood.<sup>29</sup> Congress has enacted, and HUD has begun to implement, a subsequent Mobility Demonstration to determine whether mobility services are just as effective in other parts of the country and which services are most important.<sup>30</sup> Based on early learning from the evaluation, HUD could consider providing incentives through the fees it pays to PHAs to provide such services on a regular basis.

Though the Housing Choice Voucher program already permits a family issued a voucher by one PHA to use it in another PHA’s jurisdiction, the processes are cumbersome and may make this choice unfeasible.<sup>31</sup> Some PHAs have overcome that problem by creating single geographic areas covering more than one PHA across which a family can use a voucher, but most have not. The Mobility Demonstration includes incentives for PHAs to form regional collaborations by favoring such collaborations in the competition for Demonstration funding. HUD should consider creating incentives for such collaborations outside the context of the Demonstration.

Another way to increase the use of vouchers in higher-rent, highly resourced areas is to base the maximum subsidy the voucher program will pay not on metropolitan-wide private market rent levels but instead on rent levels in ZIP codes (called Small Area Fair Market Rents, or SAFMRs). A demonstration of that reform, currently applicable only in some metropolitan areas, showed that it increases the use of vouchers in better neighborhoods.<sup>32</sup> HUD should expand the use of SAFMRs to all metropolitan areas.

## Conclusion

Past housing policies and practices have combined with other sources of racial inequity to produce disproportionately high levels of homelessness among Black Americans. Expanding the Housing Choice Voucher program and implementing the program improvements outlined here would go far towards solving that problem. Programmatic improvements to the voucher program should be combined with a national “source of income” law and the resources needed to enforce that law and the national laws already on the books that prohibit discrimination on the basis of race.



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## Notes

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- <sup>3</sup> Lance Freeman and Darrick Hamilton, "A Dream Deferred or Realized: The Impact of Public Policy on Fostering Black Homeownership in New York City throughout the 1990's." *American Economic Review*, 92;2, 2002.
- <sup>4</sup> Raj Chetty and Nathaniel Hendren, "The Impacts of Neighborhoods on Intergenerational Mobility I: Childhood Exposure Effects," *The Quarterly Journal of Economics* 133, no. 3 (2018).
- <sup>5</sup> Marybeth Shinn and Jill Khadduri, *In the Midst of Plenty: Homelessness and What To Do about It* (Wiley Blackwell, 2020).
- <sup>6</sup> Meghan Henry, Korrin Bishop, Tanya de Sousa, Azim Shivji, and Rian Watt, *The 2017 Annual Homeless Assessment Report to Congress. Part 2: Estimates of Homelessness in the United States* (U.S. Department of Housing and Urban Development, Office of Community Planning and Development, 2018).
- <sup>7</sup> The most recent study of housing discrimination in the United States based on paired testing shows that de facto discrimination continues into the 21<sup>st</sup> century. Margery A. Turner and Stephen L. Ross, *Discrimination in Metropolitan Housing Markets: Phase 3* (U.S. Department of Housing and Urban Development, 2003).
- <sup>8</sup> The Low-Income Housing Tax Credit has provided incentives for private development of housing with rent and income restrictions since the late 1980s, but the rents rarely are affordable for households with poverty-level incomes unless the household also has a rent subsidy—a Housing Choice Voucher or a subsidy paid by the federal government to an assisted housing project.
- <sup>9</sup> With some variations created by legislative and regulatory provisions.
- <sup>10</sup> Mary Cunningham, Martha Galvez, et al, *A Pilot Study of Landlord Acceptance of Housing Choice Vouchers* (Urban Institute, 2018).
- <sup>11</sup> Meryl Finkel and Larry Buron, Study on Section 8 Voucher Success Rates. Volume 1: Quantitative Study of Success Rates in Metropolitan Areas (Abt Associates, 2003).
- <sup>12</sup> U.S. Department of Housing and Urban Development. Picture of Subsidized Households. <https://www.huduser.gov/portal/datasets/assthsg.html>.
- <sup>13</sup> Claudia Solari, Douglas Walton, and Jill Khadduri, "How Well Do Housing Vouchers Work for Black Families Experiencing Homelessness: Evidence from the Family Options Study," *Annals of the American Academy of Political and Social Science*, forthcoming.
- <sup>14</sup> Robert Collinson, Ingrid Gould Ellen, and Jens Ludwig, "Reforming Housing Assistance," *Annals of the American Academy of Political and Social Science* 686, no. 1 (2019).
- <sup>15</sup> Shinn and Khadduri, op cit. Bipartisan Policy Center, *Housing America's Future: New Directions for National Policy* (Author, 2013).
- <sup>16</sup> Bipartisan Policy Center, Background Memorandum: Measuring Likely Participation in an Open Enrollment Housing Voucher Program for Extremely Low-Income Households (Author, 2015). Mary K. Cunningham, It's Time to Reinforce the Housing Safety Net by Adopting Universal Vouchers for Low-Income Renters (Urban Institute, April 7, 2020).
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- <sup>18</sup> Finkel and Buron, op cit.
- <sup>19</sup> Finkel and Buron, op. cit. Lance Freeman, "The Impact of Source of Income Laws on Voucher Utilization," *Housing Policy Debate*, 22:2 (2012).





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- <sup>21</sup> Green, Spauster, *et al.*, op. cit.
- <sup>22</sup> Lance Freeman and Jenny Schuetz, "Producing Affordable Housing in Rising Markets: What Works?" *Cityscape*, 19:1 (2017).
- <sup>23</sup> Solomon Greene and Ingrid Gould Ellen, *Breaking Barriers, Boosting Supply: How the Federal Government Can Help Eliminate Exclusionary Zoning* (Urban Institute, September 2020).
- <sup>24</sup> Jennifer Turnham, Meryl Finkel, Larry Buron, Melissa Vandawalker, Bulbul Kaul, Kevin Hathaway, and Chris Kubacki, *Housing Choice voucher Administrative Fee Study: Final Report* (Abt Associates, 2015).
- <sup>25</sup> Philip Garboden, Eva Rosen, Meredith Greif, Stefanie De Luca, and Kathryn Edin, *Urban Landlords and the Housing Choice Voucher Program* (Poverty and Inequality Research Lab, Johns Hopkins University, 2018).
- <sup>26</sup> Nicole Fiore, Lauren Dunton, Jill Khadduri, Carol Wilkins, and Brendan Ng, *Implementing the Los Angeles County Flexible Housing Subsidy Pool: Strategies and Lessons Learned*. Conrad Hilton Foundation, forthcoming).
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- <sup>31</sup> "Portability Rights of Housing Choice Voucher Participants: An Overview." *Housing Law Bulletin* 38 (October 2008).
- <sup>32</sup> Samuel Dastrup, Meryl Finkel, Kimberly Burnett, and Tanya de Sousa. *Small Area Fair Market Rent Demonstration Evaluation: Final Report* (Abt Associates, 2018).