

Comment on Jill Khadduri's "Should the Housing Voucher Program Become a State-Administered Block Grant?" A Housing Voucher Block Grant Is a Bad Idea

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Abstract

Khadduri argues for a well-designed voucher block grant, phased in over several years. But proposals under consideration are more likely to undermine the effectiveness of vouchers than address their limitations. The most important advantage of housing vouchers is that they give recipients the freedom to choose the kind of housing and the location that best meet their needs. Although the current program is not living up to its potential, strategies for making it work better can be implemented without a block grant. Supporters of block grants claim welfare reform as a model, but none of the factors that contributed to declining caseloads under Temporary Assistance to Needy Families apply to housing. The single biggest problem with the housing voucher program is that federal spending for affordable housing is woefully inadequate. Instead of addressing this issue, a block grant would make housing hardship a state rather than a federal problem.

Keywords: Affordability; Housing assistance programs; Mobility

The idea of converting the Section 8 Housing Choice Voucher Program into a block grant to the states shirks the federal government's responsibility to constructively address the housing needs of low-income families. The Section 8 voucher program is not fundamentally flawed, but instead is one of the most effective federal programs for making decent housing affordable. A state block grant would do nothing to address the program's limitations and risks real harm to low-income families struggling to find and afford decent housing in healthy communities. Khadduri argues for a well-designed voucher block grant, phased in over several years to allow for systematic evaluation of alternative program models and accompanied by thoughtful performance standards. But her model bears little resemblance to proposals currently under consideration.

Today, vouchers supplement rent payments for 1.7 million low-income individuals and families, 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 income

toward rent, and the federal government pays the difference—up to a locally defined payment standard. Compared with unassisted households at comparable income levels, voucher recipients are far less likely to have unaffordable housing cost burdens and more likely to be living in decent housing (HUD 2000). And because the voucher program relies on existing housing stock, it is less costly than programs that build new projects for occupancy by the poor (HUD 2000).

The single biggest problem with the current housing voucher program is that federal spending for affordable housing is woefully inadequate. Only about one in 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 of their monthly income for housing or living in seriously run-down or overcrowded housing (Millennial Housing Commission 2002). In almost every city and county in the nation, the wait for housing aid can take years, and many jurisdictions have closed their waiting lists rather than continuing to add names that cannot possibly be served.

Vouchers offer housing choice

The most important advantage of housing vouchers is that they give recipients the freedom to choose the kind of housing and the location 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 black residents of public housing live in predominantly black neighborhoods (Goering, Kamely, and Richardson 1994). Even more recent housing production programs, such as the Low-Income Housing Tax Credit (LIHTC) and HOME, have placed a disproportionate share of assisted units in poor and minority neighborhoods. For example, almost half of all LIHTC units are located in predominantly black neighborhoods (Burton et al. 2000).

By 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 8 out of 10 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, who currently live in 83 percent of these tracts. As a consequence, 58.6 percent of voucher recipients live in neighborhoods 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 blacks and Hispanics have. Black and Hispanic voucher holders are overrepresented in neighborhoods where vouchers are clustered and underrepresented in neighborhoods where they are more widely dispersed (Devine et al. 2003). Moreover, 25.2 percent of black recipients and 27.9 percent of Hispanics live in high-poverty neighborhoods (with poverty rates over 30 percent), compared with only 8 percent of whites (Devine et al. 2003). Nevertheless, even among blacks and Hispanics, voucher recipients are more likely to live in low-poverty and racially mixed neighborhoods than public and assisted housing residents are (Turner and Wilson 1998).

Vouchers do not work perfectly

This is not to say that the current housing voucher program works perfectly. Some families that receive a voucher cannot find a house or apartment where they can use it. The most recent study of success rates among voucher recipients (Finkel and Buron 2001) finds that about 69 percent of households that 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 (HUD 1991; Malpezzi 1996). Also, few states require jurisdictions to build or accommodate their “fair share” of affordable housing (Burchell, Listokin, and Pashman 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. To address this problem, HUD increased allowable subsidy levels in many metropolitan areas, but some local public housing authorities (PHAs) 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 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 low-income households with vouchers will be good tenants and whether program regulations will prevent them from rejecting unqualified applicants or evicting problem tenants. And other landlords are simply skeptical about participating in the program for fear of becoming entangled in red tape and bureaucratic hassles.

In some jurisdictions, rental property owners' fears about participating in the voucher program have been fueled by the poor reputation of the local PHA. 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 in dealing with the local PHA. 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 to effectively use 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 PHAs. When a family receives its voucher from one housing authority but wants to move to a different housing authority's jurisdiction, 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 to perform 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 another instead of 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 voucher recipients face when they try to find housing. Although discrimination against black renters has declined over the past decade, minority home seekers still face high levels of adverse treatment in urban housing markets (Turner et al. 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 (South and Crowder 1998; Stearns and Logan 1986). In addition, some suburban communities have resisted the influx of voucher recipients from other jurisdictions because of prejudice and fear of racial and economic change and of the crime and social service needs that are expected to accompany these new residents (Churchill et al. 2001).

Families that 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, thus limiting their choices of housing and neighborhoods. Further, long-term public housing residents may not be able to take advantage of 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 face hardship because of higher utility costs and the challenges of dealing with individual landlords (Buron et al. 2002). Moreover, 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). Many of these vulnerable families may require considerable support to find and keep housing in the private market.

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. As stated earlier, the voucher program's biggest failing is that it provides assistance to only a small proportion of the households in need. But because funding would no longer be tied to a formula that reflects actual program costs and rents, block grants would likely make this situation worse (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, thus limiting the range of accessible locational options and undermining the program's effectiveness in making decent housing affordable to 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 earmarked for the poor, potentially exacerbating the concentration of assisted housing in poor and minority neighborhoods.

All of these so-called "reforms" are untested. As Khadduri correctly points out, we lack the rigorous evaluation results to assess the effectiveness of alternative program models such as time limits. Further, none of them eliminates the fundamental problem 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 to low-income families. 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 impact of these alternative approaches is not being rigorously evaluated, because Moving to Work was not designed for this purpose (Abravanel, Turner, and Smith 2000). Thus, if states were offered a housing assistance block grant, they would have little evidence on which to base decisions about alternative program designs.

The welfare reform experience is irrelevant

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 caseloads under Temporary Assistance to Needy Families (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, however, 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. Most 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 full-time minimum-wage worker could afford the rent for a standard two-bedroom apartment (National Low-Income Housing Coalition 2002). Regardless of how states tweaked voucher program rules, the need for housing assistance would stay essentially the same.

Strengthen the voucher program instead of replacing it

A growing body of experience from programs around the country points 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.

1. *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 that might otherwise find it difficult to move out of distressed, inner-city neighborhoods (Goering, Stebbins, and Siewert 1995; HUD 1996, 1999; Turner and Williams 1998).

2. *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 their success in finding suitable housing by continuously recruiting new landlords to participate in the program, listening to landlords' concerns about how it operates, addressing red tape and other disincentives to landlord participation, and, in some cases, offering financial incentives to landlords to accept voucher recipients.
3. *Regional collaboration and/or regional administration* of the voucher program can potentially help address administrative barriers to portability across jurisdictions and make the program more transparent to both landlords and participants. Almost no urban regions in the United States are served by a single, regional housing agency, but in a few, the jurisdiction of the central-city PHA has expanded to encompass much or all of the metropolitan region (Feins et al. 1997). In addition, housing authorities in some metropolitan areas have entered into 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 without a programmatic mandate or incentive system. Instead, the quality of local program administration could well deteriorate, particularly given states' current fiscal distress. States might be tempted to use Section 8 administrative fees to cover other costs rather than to implement program improvements. Unlike the early days of TANF, states will have no extra funds for supportive services that might help promote self-sufficiency, such as day care. Moreover, reduced funding under a block grant might further reduce the appeal of the program to landlords because of lower rent payments or less stable funding streams. Finally, states scrambling to hold costs down might limit the use of vouchers to the least costly neighborhoods—likely those that are also predominantly minority and high-poverty (Sard and Fischer 2003).

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, but replacing the voucher program with a block grant would take us backward. Instead of addressing the fundamental issue of inadequate funding for affordable housing, a

block grant would make housing hardship a state problem rather than a federal one and open the door to untested program changes that could undermine the proven strengths of the voucher approach.

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