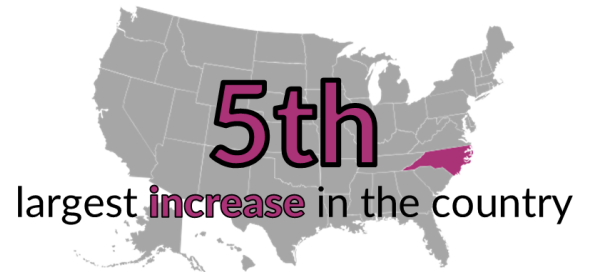


# Tenant-Based Rental Assistance: A Cost-Effective Strategy to Reduce Family Homelessness

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Stable, safe, affordable housing is vital for child and family health. But, a growing number of North Carolina families are experiencing homelessness. According to the 2024 Point-in-Time (PIT) count estimate, North Carolina saw the **fifth largest increase** in family homelessness between 2023 and 2024.<sup>1</sup> Also, the **number of children using McKinney-Vento services increased by 80%** between the 2020-2021 (20,325) and 2021-2022 (25,427) school years.<sup>2</sup> As housing costs outpace wage growth, family homelessness will continue to rise. **Permanent, deep, tenant-based rental assistance is a proven and cost-effective way to reduce family homelessness.** To reduce family homelessness, North Carolina should create a state-level program to expand access to permanent, deep, tenant-based rental assistance.

A Growing Number of People in Families with Children in North Carolina are Living on the Streets or in Shelters



An estimated 3,230 people were counted as literally homeless during the 2024 PIT count

Source: Tanya de Sousa & Meghan Henry, (2024), The 2024 Annual Homelessness Assessment Report (AHAR) to Congress Part 1: Point-In-Time Estimates of Homelessness, December 2024, US Department of Housing and Urban Development (HUD). <https://www.huduser.gov/portal/datasets/ahar/2024-ahar-part-1-pit-estimates-of-homelessness-in-the-us.html>

## Definitions:

**Family:** a household with at least one adult over the age of 18 serving as the caretaker for at least one child under the age of 18

**Literal homelessness:** defined by HUD as lacking “fixed, regular, and adequate nighttime residence” and used for the Point-in-Time (PIT) count.

**Point-in-Time (PIT) count:** a yearly survey conducted in the US of people experiencing literal homelessness on a single night in January

**McKinney-Vento Act:** provides services to students who meet the definition for literal homelessness or are tentatively housed (e.g., doubled up with family, living in a hotel, or substandard housing)

**“Deep”:** a subsidy that covers the difference between an allowable rent amount and 30% of household income

**Tenant-based:** assistance that is attached to a household allowing a household to move to different units

**Affordable:** housing and utilities are 30% or less of gross income

**Cost-burden:** housing and utilities are over 30% of gross income

## Children under six are the most likely to be in families experiencing homelessness

Adults in families experiencing homelessness are predominantly young, single mothers working low-wage jobs due to limited education, skills, and work experience.<sup>3</sup> On average, there are two children.<sup>3</sup> **Children under the age of six make up the majority of children experiencing homelessness.**<sup>3</sup> Consistent with other indicators of systemic economic and social issues, Black and Hispanic families are overrepresented.<sup>1,3</sup> Current counts likely underestimate the scope of the problem because families are more likely to be tentatively housed or have children who are too young to use McKinney-Vento services.

## Consistent evidence shows that homelessness can worsen outcomes for children

For children, experiencing homelessness can have long-term negative effects. Both exposure to homelessness before and after birth are associated with worse health and developmental outcomes.<sup>4</sup> Homelessness is also associated with poorer development outcomes across multiple domains during early childhood<sup>5,6</sup> and an increased risk for mental health issues in elementary school children.<sup>7</sup> Timing and duration matter. **Younger children and children exposed to homelessness for six months or longer had the worst health outcomes.**<sup>4</sup> For example, infants that experienced an emergency shelter stay had poorer health outcomes and higher healthcare costs compared to children that did not stay in a shelter, with some differences persisting for years.<sup>8</sup>

## Hard-working parents are struggling to afford housing in North Carolina

Most experts agree that family homelessness is the result of low wages combined with limited affordable housing.<sup>9</sup> A 2017 study found that area level median rent was the most consistent predictor of family homelessness.<sup>10</sup> In North Carolina, the 2024 fair market rent for a two bedroom was \$1,311 per month. According to the National Low Income Housing Coalition, the hourly wage needed to afford a 2-bedroom in 2024 was \$25.21 per hour.<sup>11</sup> But the hourly wage for many jobs is not enough for a single parent working full-time to afford a 2-bedroom. There is also a significant gap in the availability of affordable units for families with low-incomes. **For every 100 households at 50% AMI (\$1,955 per month) or less, there are only 66 units available.**<sup>12</sup> Low wages combined with this gap increase the number of cost-burdened families and make it difficult for parents to find safe, stable, affordable housing.

Commonly Held Jobs Do Not Pay Enough to Afford a Two-Bedroom in North Carolina							
1 Adult							
Children	1	2	3	Position	Hourly Wage <sup>3</sup>	Gross Monthly Income <sup>4</sup>	Hours Needed
Poverty Wage <sup>1</sup>	\$10.17	\$12.81	\$15.46	Cashier	\$13.00	\$2,080.00	78
Living Wage <sup>1</sup>	\$37.37	\$45.60	\$55.83	Home Health Aide	\$13.81	\$2,209.60	73
Minimum Wage in NC				Childcare Worker	\$13.99	\$2,238.40	72
\$7.25				Housekeeper	\$14.16	\$2,265.60	71
2-Bedroom Fair Market Rent <sup>2</sup>				Preschool Teacher	\$16.34	\$2,614.40	62
\$1,311				Nursing Assistant	\$17.31	\$2,769.60	58
Hourly Wage Needed to Afford a 2-Bedroom in NC <sup>2</sup>				Customer Service Rep.	\$18.43	\$2,948.50	55
\$25.21				Food Prep Supervisor	\$18.96	\$3,033.60	53

<sup>1</sup> Living Wage Calculator—Living Wage Calculation for North Carolina. (n.d.). Retrieved April 16, 2025, from <https://livingwage.mit.edu/states/37>  
<sup>2</sup> Out of Reach: North Carolina | National Low Income Housing Coalition. (n.d.). Retrieved March 5, 2025, from <https://nlihc.org/oor/state/nc>  
<sup>3</sup> Median Hourly wage- North Carolina—May 2023 OEWS State Occupational Employment and Wage Estimates. (2024, April 3). Bureau of Labor Statistics. [https://www.bls.gov/oes/current/oes\\_nc.htm](https://www.bls.gov/oes/current/oes_nc.htm)  
<sup>4</sup> gross monthly income based on 40 hours/week

## Many homelessness and housing affordability strategies do NOT reduce family homelessness

- **Increase supply of affordable housing:** The Housing Trust Fund (HTF) and Low-Income Housing Tax Credit (LIHTC) are common paths used to increase housing supply, especially of project-based units. However, due to high housing costs and shrinking profit margins, units often remain unaffordable for low-income families.
- **Project-based rental assistance (PBRA):** PBRA is attached to a development and available to a family living in one of the units. The development is likely owned by the local housing authority or built through HTF or LIHTC. Unlike TBRA, families do not have the option to take assistance with them limiting mobility and choice.
- **Tenant-based rental assistance (TBRA):** TBRA is provided to a household as a voucher. Families with assistance can use it to make a project-based unit more affordable or can rent a unit in the private rental market. TBRA can be shallow—often a flat rate—or deep—households contribute 30% of their income toward rent. The duration of assistance may be temporary (e.g., rapid re-housing) or permanent (e.g., housing choice voucher).

In North Carolina, significant investments have been made to increase the supply of affordable housing and/or provide temporary rental assistance, in some cases with supportive services intended to address social and economic challenges. While these strategies are an important part of a comprehensive plan to address the homelessness crisis, they do not reduce family homelessness.<sup>13,14</sup>

## POLICY RECOMMENDATION

North Carolina should create a state-level program to expand access to permanent, deep, tenant-based rental assistance to reduce family homelessness and improve housing, health, and economic mobility outcomes for children, parents, and families

The one strategy that has been found to improve housing quality and stability, mental and physical health, and healthcare access is TBRA.<sup>13</sup> Specifically, **permanent, deep, tenant-based rental assistance has the strongest evidence for reducing and preventing family homelessness**,<sup>9,15,16</sup> making it the most cost-effective strategy.

**Recommended Strategy**	Outcomes for Children and Families		
	Housing	Health	Economic
<b>Permanent, deep, tenant-based rental assistance</b> (e.g., housing choice voucher)	<ul style="list-style-type: none"> <li>*Children are less likely to live in a low-income, high poverty area<sup>17</sup></li> <li>*Black and Hispanic children are more likely to live in a higher income area with less poverty<sup>15</sup></li> <li>*Reduces rent burden for low-income households<sup>18</sup></li> <li>*Reduced number of schools children attended and school absences<sup>19</sup></li> </ul>	<ul style="list-style-type: none"> <li>*Mothers had lower rates of mental distress, substance abuse, and intimate partner violence<sup>15</sup></li> <li>*Improved food security<sup>15,16</sup></li> <li>*Children may have lower rates of hospitalizations and inpatient spending<sup>16</sup></li> <li>*Significantly reduces parental stress<sup>20</sup></li> </ul>	<ul style="list-style-type: none"> <li>*Children who moved to a better neighborhood before the age of 13 saw an increase in college attendance, income, and reduction in single parenthood<sup>21</sup></li> <li>*Children saw an increase in adult earnings and lower rates of incarceration<sup>22</sup></li> <li>*Children less likely to be removed from the home<sup>23</sup></li> </ul>
Alternative Strategies	Compared to permanent, deep, tenant-based rental assistance		
<b>Temporary tenant-based rental assistance</b> (e.g., rapid re-housing)	<ul style="list-style-type: none"> <li>*Benefits of rapid re-housing or short-term assistance fade when assistance ends<sup>24</sup></li> <li>*May increase housing instability<sup>13</sup></li> <li>*Had no observable effect on housing stability, homelessness, or health outcomes<sup>15</sup></li> <li>*No significant difference in employment outcomes compared to not receiving assistance<sup>13</sup></li> </ul>		
<b>Project-based rental assistance</b> (e.g., Family Self-Sufficiency Program)	<ul style="list-style-type: none"> <li>*"Project-based rental assistance increases the likelihood that a child will grow up in a low-income, high poverty neighborhood<sup>14</sup></li> <li>*"Double-dipping": Many of those with the lowest income still need a subsidy<sup>25</sup></li> </ul>		
<b>Affordable housing development</b> (e.g., Low-Income Housing Tax Credit and Housing Trust Fund)	<ul style="list-style-type: none"> <li>*More expensive<sup>26</sup></li> <li>*Less cost-effective and less scalable<sup>23</sup></li> <li>*May create units that remain unaffordable for the lowest income families and increase cost-burden without a voucher<sup>27</sup></li> <li>*Limits housing options/choice<sup>13</sup></li> </ul>		

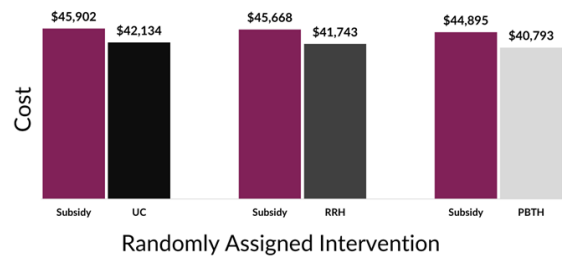
## Despite strong evidence for permanent, deep, tenant-based rental assistance, concerns remain

Concerns over cost, effects on employment, and potential impact on rental prices have served as barriers to expanding permanent, deep tenant-based rental assistance (PDTBRA) at the federal- and state-level.

- **Employment:** An evaluation of a HUD-funded PBRA program that included supportive services found that participation in the program **did NOT affect employment**.<sup>14</sup> An evaluation of a second HUD funded project found that there was a **small decrease in employment and earnings, but the difference was negligible**.<sup>29</sup>
- **Rental prices:** A study investigating the impact of vouchers/subsidies on rental prices found that there was **NO impact on rental prices**.<sup>28</sup>
- **Cost:** PDTBRA costs less than building new affordable units. According to a rigorous study conducted over three years, PDTBRA costs \$3,768 more than doing nothing, \$3,925 more than rapid re-housing, and \$4,102 more than PBRA.<sup>29</sup> **Although alternatives to PDTBRA may cost less, these alternatives do not reduce family homelessness or improve other outcomes.**

### Permanent Subsidies Were Slightly More Expensive Than No Intervention, Rapid Re-Housing, and Transitional Housing

Cost Comparison of Interventions over 37 Months



Subsidy= priority access to permanent subsidy, UC=usual care/not receiving priority access for any assistance, RRH=priority access for rapid re-housing, PBTH=priority access for project-based transitional housing

\*Adapted from (Gubits et. al., 2018)

### North Carolina can expand access to permanent, deep, tenant-based rental assistance through:

1. **Direct rental assistance to families:** Expanding access to rental assistance for families could be accomplished through existing programs such as the Housing Trust Fund or creating a state-level voucher program. States like Iowa, Massachusetts, and Connecticut have created state-level programs.
2. **Owner-claimed tax credits:** The Center on Budget and Policy Priorities and UC Berkeley's Terner Center for Housing Innovation have proposed creating a renter's tax credit program that would allow an owner who agrees to reduce rent to 30% of a family's income to claim a quarterly tax credit.<sup>30,31,32</sup>

### Design considerations:

- **Partnering:** Landlord willingness to accept a voucher is critical for success. A state-level program should focus on creating partnerships with landlords and providing rental search support for families.
- **Prioritizing:** Timing and duration matter for children. Current evidence suggests that targeting families with children under the age of 13 would maximize benefits.
- **Maximizing:** Moving to areas with better opportunities improves long-term outcomes. A state-level program should focus on supporting a family's move to a lower-poverty, higher-income neighborhood.

## Conclusion

Homelessness should be "rare, brief, and non-recurring". For too many families in North Carolina, that is not the case. A comprehensive family homelessness reduction approach must address the gap between income and housing costs for hard-working families with low-income. **Permanent, deep, tenant-based rental assistance is a commonsense solution for addressing this gap, reducing family homelessness, and improving housing, health, and self-sufficiency outcomes for children and families.** Expanding access to permanent, deep, tenant-based rental assistance is cost-effective and would maximize return on investment. Family homelessness can be reduced in North Carolina by using resources more efficiently and investing in a state-level permanent, deep, tenant-based rental assistance program.

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