

How Do Changes in Housing Voucher Design Affect Rent and Neighborhood Quality?[†]

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US housing voucher holders pay their landlord a fraction of household income and the government pays the rest, up to a rent ceiling. We study how two types of changes to the rent ceiling affect landlords and tenants. A policy that makes vouchers more generous across a metro area benefits landlords through increased rents, with minimal impact on neighborhood and unit quality. A second policy that indexes rent ceilings to neighborhood rents leads voucher holders to move into higher quality neighborhoods with lower crime, poverty, and unemployment. (JEL I38, R23, R31, R38)

A central goal of US low-income housing programs in recent years has been to improve neighborhood quality for assisted households. Recent evidence suggests this is a valuable goal, finding that neighborhood quality during childhood plays a role in determining labor market success as an adult (Chetty, Hendren, and Katz 2016; Chetty and Hendren 2016; Chyn 2016). The Housing Choice Voucher program tries to achieve this aim by providing households with more choice over location (US Department of Housing and Urban Development 2014). However, most housing voucher holders opt to live in neighborhoods of much lower quality than the average neighborhood, and typically live in neighborhoods similar to their neighborhood before receiving a voucher.¹ Various reforms to the generosity of vouchers have been proposed to address this problem, but little is known about whether these reforms achieve their goal of improving voucher holder neighborhood quality or are instead captured by landlords via higher rental prices.

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¹We use “low quality” to refer to neighborhoods with low rents, high poverty, high crime, and poor performing schools.