

Reforming Housing Assistance

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Unique Features of Housing Assistance

- Not an entitlement
- Administered primarily locally (city or county housing authorities)
- Entirely federally-funded: states do not contribute \$\$ to federal housing programs (with rare exceptions)
- Eligibility based on Area Median Income (AMI) rather than poverty

Overview

What's in our paper

Housing programs we cover:

- Housing Vouchers
- Public Housing
- Privately-Owned Subsidized Projects: Project-Based Section-8; LIHTC

Housing programs/policies that we don't cover:

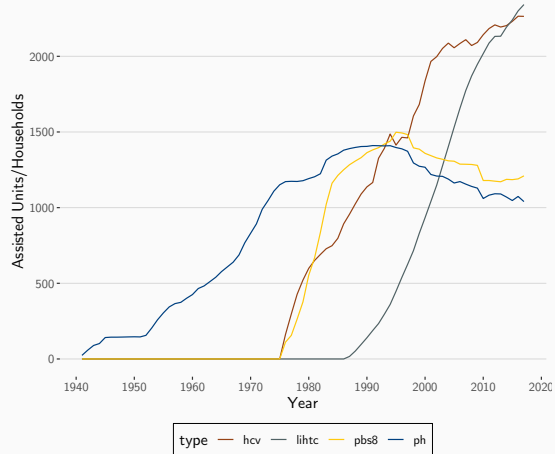
- Mortgage Interest Deduction
- HOME, ESG, CoC
- USDA's Housing programs: Section 521 program (rental assistance); Section 514, 515, 516 programs

Program Statistics

Characteristics of Participants

	Public Housing	Housing Choice Vouchers	Project Based Section 8	LIHTC
Subsidized Units	1,041	2,489	1,280	2,310
Subsidized People	2,071	5,288	2,058	NA
Average Household Income	14,753	14,454	12,505	17,152
% with Earned Income	30	31	19	NA
% Very Low Income (LT 50% AMI)	90	94	96	81
% Extremely Low Income (LT 30% AMI)	71	73	75	47
% With Children	38	44	28	36
% With Disability	21	23	17	12
% Elderly	33	25	49	32
% Hispanic	21	17	15	NA
% Black Non-Hispanic	43	48	34	NA
% White Non-Hispanic	33	31	42	NA
% Asian or Pacific Islander	3	3	5	NA
Tract Poverty Rate	33	24	27	24
Tract % Minority	61	56	51	NA

Figure 1: Assisted Units/Households by Program 1940-2018



Efficacy of Housing Assistance

We review recent literature covering the effects of housing assistance on:

1. Housing Outcomes
2. Neighborhood Outcomes
3. Adult Labor Supply
4. Child Outcomes

Effects on Housing Outcomes

- Homelessness
 - **Vouchers:** ↓ homeless by 21 percentage points (55% of Control Mean) (Gubits et. al 2016); ↓ homeless by 9 percentage points (75% of Control Mean); ↓ housing insecurity by 35 percentage (% 79 percent of Control Mean) (Wood et. al 2008)
 - **Public Housing, PBS8, LIHTC:** No high-quality evidence
- Housing Consumption
 - **Vouchers:** 50% ↑ in rent of units occupied (Jacob & Ludwig, 2012)
 - **Vouchers:** ↓ share of income spent on rent from 58% to 27% (Jacob and Ludwig, 2012); ↓ 40% in out of pocket rent paid (Mills et al., 2006)
 - **Public Housing:** ↓ 16 percentage points in over-crowding (Currie & Yelowitz 2000)

Effects on Neighborhood Outcomes

- What are the effects of housing assistance on the locational outcomes of assisted tenants?
 - **Vouchers:** Most voucher recipients live in high poverty neighborhoods, and receiving a voucher ↓ tract poverty rate by 1-2 ppt (Jacob and Ludwig 2012; Eriksen and Ross 2012)
 - **Public Housing, LIHTC:** Assisted housing units are in more impoverished neighborhoods with worse schools than the average rental housing unit (Ellen and Horn 2018)
- What are the effects of housing programs on their surrounding neighborhood?
 - **LIHTC:** *In low-income neighborhoods:* ↑ neighboring housing values, ↓ property and violent crime ↑ entry of non-minority homebuyers *In high-income neighborhoods:* ↓ neighboring housing values modestly
 - **Vouchers:** No effect on crime or property values
 - **Public Housing:** Removal of distressed public housing reduced violent crime in the surrounding neighborhood (Aliprantis and Hartley 2015)

Effects on Adult Labor Supply

- **Vouchers:**
 - ↓ \$330 quarterly earnings (10% reduction) (Jacob and Ludwig 2012)
 - ↓ employment by 4 percentage points (CCM % 60) (Jacob and Ludwig 2012)
 - WtW Vouchers: ↓ \$ employment by 6-7 percentage points, but only in the first year (Mills et al 2006)
- **Public Housing:** ↓ earnings by 19 percent (Susin 2005)
- **LIHTC:** No evidence; flat rent structure should have less distortionary effects

Effects of Housing Programs on Child Outcomes

Δ Neighborhood Quality ≈ 0	Effects with no significant change in neighborhood quality:
No Assistance \rightarrow Voucher	Small \uparrow test scores; No effect on Arrests or Hospitalizations (Jacob & Ludwig 2012) Each additional year with voucher \uparrow earnings by 2.5-5 % (Andersson et al 2018)
No Assistance \rightarrow Public Housing	Each additional year in public housing \uparrow earnings by 3-4 % (Andersson et al 2018)
Δ Neighborhood Quality = +	Effects with large positive change in neighborhood quality:
Public Housing \rightarrow Voucher	\uparrow Earnings by 31% \uparrow College Attendance by 32% \downarrow Single Parenting (Chetty, Katz, Hendren 2016) \downarrow Mortality (Jacob, Ludwig, Miller 2011) \uparrow Earnings by 13% \uparrow Employment by 3% \downarrow Arrests (Chyn 2018)

Challenges and Reforms

1. Divergent Housing Market Needs

Housing Challenges

1. Divergent Housing Market Needs
2. Scarcity, Inequity and Targeting

Housing Challenges

1. Divergent Housing Market Needs
2. Scarcity, Inequity and Targeting
3. Poor Locational Outcomes for Assisted Households

Varying Needs Across Markets

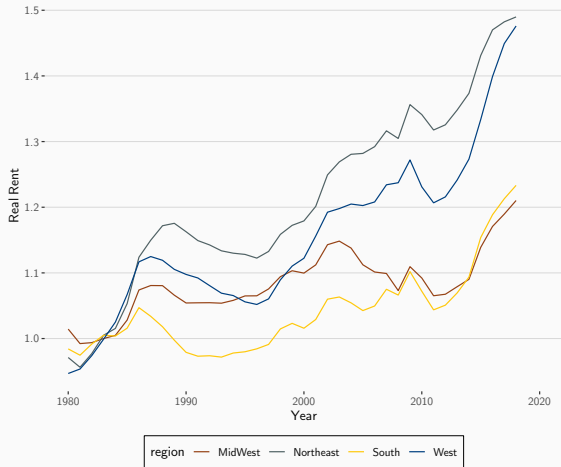
Figure 2: Real Rents Changes 1980-2018



Figure 3: Real Rents Changes 1980-2018



Figure 4: Real Rents Changes by Region 1980-2018



Challenge: Varying Needs Across Markets

- Vacancy rates and rent growth vary widely across regions
- Use of demand-side strategies (Vouchers) vs. supply-side subsidies (LIHTC, PH) not tailored to market conditions
 - Ex: LIHTC allocated to states on a per-capita basis
- Recent voucher allocations generally special-purpose; last allocation formula used poverty, overcrowding and rent-burdens

Reforms: Making Assistance Flexible to Address Market Needs

- *Allow states to convert their LIHTC allocations to fund voucher assistance*
 - Benefit: likely to serve many more very low-income households in states with adequate housing supply
 - Many state agencies that award LIHTC also run small, statewide voucher program
 - Some precedent for this during Great Recession when Treasury created Tax Credit Exchange Program
 - Challenges:
 - Move from tax policy to on-budget expense
 - Lose developer and bank support
- *Alternative policy: Allow states to sell their tax credit allocations to other states*

Scarcity, Inequity and Targeting

Existing System of Housing Assistance

- Only 1-in-4 eligible households receive assistance
- 1.4 Million adults and children in homeless shelters each year
- 8 Million unassisted very low-income renters paying $> 50\%$ of their income for housing

Challenge: Scarcity, Inequity and Targeting

- Housing assistance is rationed via very long wait-lists
- Wait-lists are ordered by:
 - FCFS
 - Lottery
 - Local Preferences
- Assistance is quite valuable relative to other domestic social programs: $HCV \approx \$12\text{-}\$14,000$ on average in large cities
 - If we assume declining marginal utility of income, then there could be utility gains from allocating *smaller* subsidies to *more* households

Challenge: Scarcity, Inequity and Targeting

- Are waiting times a good screening device?
 - Acts as a price mechanism (Leshno 2018)
 - Reduce ability to target to households experiencing residential instability
 - Likely difficult to get assistance to young children
- Existing system is not responsive to macroeconomic shocks (no automatic stabilization)
- Long waits for assistance → existing system not responsive to individual-level negative shocks (e.g. job loss, marriage dissolution, death or incarceration of family member)

Reform: Reducing Inequity and Increasing the Responsiveness of Assistance

- *Move to a system of smaller (less-generous), more widely available subsidies*

Advantages

- Some evidence that small subsidies can be quite effective at reducing homelessness (Evans et al. 2016)
- Could serve many *more* households
- Better address *income volatility*

- Disadvantages

- May not be sufficient to get or keep families stabilized housed
- Not able to address *low permanent income*
- Recipients may only be able to afford low quality housing

Poor Locational Outcomes for Assisted Households

Challenge: Poor Locational Outcomes for Assisted Households

- The Housing Act of 1949 espoused the goal of “a decent home and a suitable living environment” for all Americans
- Assisted housing has often fallen short on “suitable living environment”:
 - Historically, public housing developments were built in isolated, poor, largely minority areas
 - Most newly constructed subsidized housing is built in higher poverty neighborhoods than most rental housing
 - Housing voucher recipients don't experience large change in neighborhood poverty, school quality, or crime rates upon receipt of assistance
- Particularly concerning given that housing programs appear to confer substantial benefits to children when they can increase exposure to higher opportunity neighborhoods

Reforms: Improving Neighborhood Access for Families with Children

1. *Prioritize access to vouchers for families with young children*
 - Chetty, Katz, Hendren (2016) suggest that length of exposure matters for improving child outcomes
2. *Expand Small Area Fair Market Rents*
 - SAFMR appears effective at inducing moves to neighborhoods with lower poverty and crime (Collinson and Ganong 2018)
3. *Expand legal protections for Housing Voucher tenants*
 - Voucher denial rates appear much lower and voucher tenants are more likely to live in low poverty in locales with “Source of Income” protections (Cunningham et al 2018, Freeman and Li 2014)

Reforms: Improving Neighborhood Access for Families with Children

4. *Ease administrative burdens on landlords*
 - e.g. Less frequent, risk-based inspections, permitting housing authorities to fund vacancy losses and paying-out damage claims
5. *Expand housing counseling and search assistance for families with young children*
 - Mobility counseling in MTO increased lease-up rates in low-poverty neighborhoods by an estimated 10 ppt (Galiani et al 2015)
6. *Tie administrative fees paid to housing authorities to locational outcomes of their tenants*
 - PHAs face only weak incentives to help families lease in low-poverty neighborhoods

Conclusion

- Federal housing assistance is effective at reducing housing instability and poverty, and in certain circumstances, substantially improving the long-term outcomes for disadvantaged children
- These programs could be further strengthened through reforms that:
 - Tailored to local needs
 - Serve more households at the time when they most need assistance
 - Help more young children reach neighborhoods where they can thrive

Appendix
