



THE CASE FOR UNIVERSAL HOUSING VOUCHERS

Policy Memo by The Community Preservation Corporation | December 2023

RENTAL MARKET AFFORDABILITY AND AVAILABILITY CHALLENGES ARE PERILOUS AND WORSENING

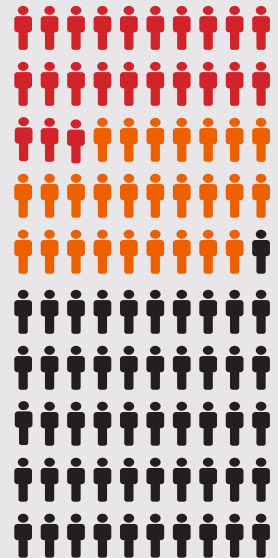
Comprising more than 1/3 of all American households,¹ the nation's renters navigate a unique housing economy that has been particularly volatile over the past three years. In 2022, rents increased in all of the nation's large metro markets, growing by double digits in 116 out of 150 metro markets, while the national rental housing vacancy rate fell to 5.6% in Q2 of 2022, its lowest reading since 1984². This tight rental market has led to rent increases that have far outpaced national growth in incomes, leaving many renters spending more than 30% of their income on rent, meeting the U.S. Department of Housing and Urban Development (HUD) definition of "rent burdened". In 2020, nearly half of the nationwide share of renters were rent burdened; even worse, 23% of renters spent at least 50% of their income on housing, becoming severely rent burdened.³


The impacts of the unaffordable rental market are unevenly distributed across society – renter households skew younger, tend to be lower income, and are much more likely to be households of color. While only 25% of owner households are headed by a person of color, that number doubles in renter households⁴. These phenomena are not new, but the COVID-19 pandemic highlighted just how perilously renters are situated in the US housing ecosystem. With the expiration of the eviction moratorium and conclusion of other emergency renter supports, government leaders are renewing their focus on best practices for supporting and protecting renters. In January of 2023, the White House released its Blueprint for a Renter's Bill of Rights, which laid out five non-binding principles to encourage further action by government agencies to protect renters. In accordance with the recommendations listed in the Blueprint, the Federal Housing Finance Agency recently issued a request for information on tenant protections at multifamily properties with federally-backed mortgages.


MAKING HOUSING A NATIONAL PRIORITY AND PROVIDING ADEQUATE RESOURCES

While it is laudable for federal agencies to engage tenants and solicit best practices, the single greatest lifeline for America's renters and families across the country facing housing insecurity or homelessness is to commit the resources necessary to help tenants secure affordable and good quality housing. This commitment could take many forms, from innovative proposals like the Neighborhood Homes Investment Act and the Affordable Housing Tax Credit Improvement Act, which would help boost production of new housing and ramp up preservation of existing housing, to increased appropriations for HUD rental assistance programs that directly support those facing housing insecurity. In particular, reforming the Section 8 Housing Choice Voucher program to improve utilization, efficiency, and effectiveness, and making it a fully-funded federal entitlement program could lift millions of families out of housing insecurity and provide low-income renters a new level of tenant protections.

RENT BURDENED IN 2020



 Nearly half of renters nationwide were rent burdened

 23% of renters were severely rent burdened

Universal Housing Vouchers would ensure that anyone who qualifies for rental assistance would receive it, providing tenants with the ability to secure housing in which their rental payments are affordable based on their household income. Additionally, there is an assurance that these tenants will be living in good quality homes as the program requires that property owners maintain federally mandated housing quality standards. Tenant advocates and industry groups all agree on the need for this powerful tool, but unfortunately efforts to elevate Universal Housing Vouchers as a top national priority have been stymied amidst a challenging federal budget environment. As long as housing vouchers remain only partially funded and subject to political headwinds, the federal government will be missing out on one of the most important opportunities to protect American renters.

THE CURRENT HOUSING CHOICE VOUCHER PROGRAM

For renters facing housing insecurity, the main tool of government support is the Housing Choice Voucher Program, or “Section 8”, which is funded by the federal government and administered by each state’s housing agency in partnership with local public housing authorities. Created by the Housing and Community Development Act of 1978, the Housing Choice Voucher program provides assistance to eligible low- and moderate-income families to rent housing in the private market. The public housing authority determines a rental payment standard that is between 90% and 110% of the area fair market rent (FMR)⁵. Eligible households with a Section 8 voucher identify a rental unit on the open market and contribute 30% of their income to the monthly rent of that unit. The federal government (through the local public housing authority) pays the balance of the rent, up to the payment standard, directly to the property owner.

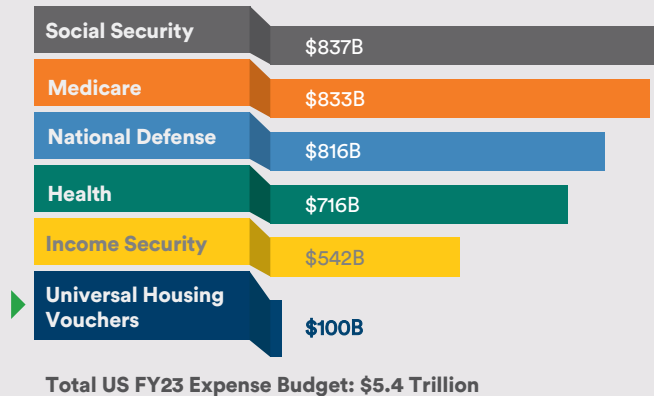
The Housing Choice Voucher Program can also function as an operating subsidy to finance the construction of new affordable housing by committing voucher funding to specific assisted units within a property. In this case, vouchers are tied to those specific units in the project, which is why they are also known as project-based vouchers⁶. Developers can designate any portion of a project for the Section 8 program (while other units remain for market-rate occupancy), providing property owners with a direct rental subsidy for low-income tenants. Given their unique support for both tenants and new construction, vouchers and rental assistance play an invaluable role in stabilizing the housing market, especially during tumultuous times as seen in 2008 and again during the pandemic. With today’s ongoing economic uncertainty and the rising costs of housing maintenance and operation, the ability of a housing voucher to unlock stable homes for renters and reliable rental payments for property owners becomes all the more valuable.

THE RENTAL ASSISTANCE VOUCHER SUPPLY GAP

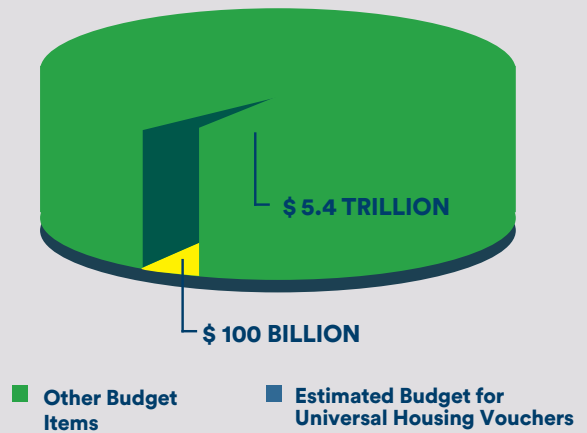
Unfortunately, the value of Section 8 vouchers is greatly diluted by limited availability. While robust in the support they provide to those lucky enough to become voucher holders, Section 8 vouchers currently cover only 1 in 4 eligible renters nationally, leaving up to 16 million low-income households in need of rental assistance without a Section 8 Housing Voucher⁷. This gap is somewhat mitigated by other tools at the Federal government’s disposal to support renters such as public housing and the national Low Income Housing Tax Credit program in addition to standalone local housing subsidies, all of which work together to increase the supply of affordable units while expanding renter choice. However, these tools combined still fall short of providing the level of assistance renters need. In particular, the impact of the Housing Choice Voucher program is severely curtailed by chronic underfunding from the federal government which limits the program’s scope and results in tenant waitlists that can last years. Currently, HUD’s Section 8 program receives \$30 billion per year from Congress⁸; it is estimated that to cover all eligible renters would require roughly \$100 billion per year⁹, a more than tripling of its current allocation. While this would be the most significant increase in voucher funding in the program’s history, the increased funding level would still comprise less than 2% of the overall US FY23 expense budget of \$5.4 trillion¹⁰. For context, the top federal budget functions for FY23 are Social Security (\$837B), Medicare (\$833B), National Defense (\$816B), Health (\$716B) and Income Security (\$542B).



Estimated Universal Housing Voucher Cost Compared to Top FY23 Federal Budget Allocations



Estimated Universal Housing Voucher Cost as Part of Total FY23 Federal Budget



THE SOLUTION: A REFORMED AND FULLY FUNDED HOUSING VOUCHER SYSTEM

To realize the potential social and economic impact of housing vouchers, the Section 8 voucher program must be expanded and scaled up to match actual demand. There is a growing movement calling on Congress to fully fund the Section 8 program such that all eligible American renters in need would receive a housing voucher. This idea, referred to as **Universal Housing Vouchers**, has gotten increased attention with the Biden Administration centering a call for universal Section 8 vouchers in its 2020 housing policy agenda¹¹. By transitioning Section 8 vouchers to an entitlement program like that of Food Stamps and Medicare, the federal funding allocation for vouchers would scale up such that anyone who qualifies for a housing voucher would receive one. Increasing the funding for Section 8 to actually meet demand has the potential to interrupt and eventually end our current homelessness and housing insecurity crisis.

In addition to the human costs of housing insecurity, the fiscal implications are well documented. A 2017 study by the United States Interagency Council of Homelessness found that leaving a person to remain chronically homeless costs taxpayers as much as \$30,000-\$50,000 per year¹², illustrating a fiscal prerogative for creative solutions. And while some economists have worried that increasing rental assistance would drive up rents, studies have found that increasing the supply of vouchers has little to no overall impact on nearby market rents¹³. On the other hand, the potential socioeconomic benefits to individuals, families, and society as a whole of addressing homelessness are profound. Numerous studies that have found that Universal Housing Vouchers would have widespread benefits, from reducing housing instability and homelessness and improving children's education attainment and long-term earnings, to reducing nonpayment of rent and supporting housing stability for seniors, households of color, and extremely low-income households – **with the combined potential of lifting up to 2.2 million households out of poverty**¹⁴.

Increasing the number of available vouchers alone will not solve the country's affordable housing crisis - it is critical to also increase the overall supply of housing. Recent estimates indicate that the United States is short 3.8 million housing units, deepening the affordability crisis and causing additional burdens for voucher holders¹⁵. That said, Housing Choice Vouchers can be a valuable resource to develop new rental housing, as the operating subsidy is a critical piece to multifamily affordable housing finance. Universal Housing Vouchers coupled with a variety of other policy tools like new construction incentives and legal protection against discrimination for voucher holders would drastically increase the purchasing power of low-income renters nationwide and give millions of Americans a fair shot at the stable, affordable housing they deserve.

NEEDED REFORMS TO THE SECTION 8 PROGRAM

The Section 8 program in its current form is far from perfect. In order for Universal Vouchers to deliver on their potential benefits, substantial program improvements are needed. Nationwide, Section 8 utilization (the share of HUD’s authorized vouchers in use) has hovered at or below 90% since 2015, and currently sits at 85.35% as of May 2023¹⁶. While utilization tallies any voucher in use regardless of when it was issued, success rate measures successful lease ups of newly issued vouchers, indicating how easy or hard it is for a new voucher holder to find housing right now. The most recent success rate study found that the national voucher success rate in 2019 was 61%, meaning only 3 in 5 households lucky enough to get a voucher actually succeed in using it¹⁷. There are possible legislative fixes proposed, including the “Choice in Affordable Housing Act of 2023” which proposes numerous innovative reforms to the Section 8 program, including cross-honoring unit inspections across housing programs, expanded use of small area fair market rent, and recruitment tactics like one-time incentives for landlords and financial assistance for tenant security deposits. This bill is currently in committee.

In order to make the most of increased funding for the Section 8 program, underlying issues must be addressed and the administrative burdens must be reduced for both tenants and landlords. Currently, tenant application and certification is extremely onerous, and cumbersome inspections and payment delays turn away otherwise willing landlords. Payment standards need to be regularly reviewed to ensure they are meeting market conditions. Finally, national protection against source of income discrimination is needed, as are robust incentives to boost production and protect the existing naturally occurring affordable housing supply. These reforms hold the key to unlocking the transformative potential of Universal Housing Vouchers.

CALL TO ACTION:

While the pandemic showed just how important safe and affordable housing is, rental housing instability remains in a state of nationwide emergency. Urgent need and growing momentum across the country make this a critical moment for Universal Housing Vouchers. Even though the cost is significant, the benefits of fully funding the Section 8 program make it a fiscally responsible investment. Congress should act to bestow entitlement on the Section 8 program and enable full funding for Universal Housing Vouchers in addition to enacting significant program reforms. Such transformative public investment in rental housing affordability would be in many ways analogous to a homeowner’s down payment on a house: an upfront investment that unlocks long-term stability, opportunity, and, most importantly, affordable homes for millions of Americans – returns that will be realized for generations to come.

Universal Housing Vouchers have the potential to lift up to

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out of poverty

ENDNOTES

¹ <https://www1.nyc.gov/assets/hpd/downloads/pdfs/services/2021-nychvs-selected-initial-findings.pdf>

² https://www.jchs.harvard.edu/sites/default/files/interactive-item/files/Harvard_JCHS_State_Nations_Housing_2022_Key_Facts.pdf

³ <https://www.pewresearch.org/fact-tank/2022/03/23/key-facts-about-housing-affordability-in-the-u-s/>

⁴ https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2022.pdf

⁵ Fair Market Rent (FMR) is a statistic developed by HUD in order to determine payments for various housing assistance programs, most notably, the Section 8 Housing Choice Voucher Program. FMRs differ by local area, and are updated on an annual basis. A Fair Market Rent is generally calculated as the 40th percentile of gross rents for regular, standard-quality units in a local housing market. This excludes low-quality units, already-subsidized units, and units that have been built in the last two years.

⁶ https://www.hud.gov/program_offices/housing/mfh/rfp/s8bkinfo

⁷ <https://www.cbpp.org/research/housing/funding-limitations-create-widespread-unmet-need-for-rental-assistance>

⁸ <https://www.housingwire.com/articles/hud-raises-housing-choice-voucher-funding-to-30-billion-for-2023/>

⁹ <https://shelterforce.org/2021/08/19/universal-housing-vouchers-a-promise-or-a-pipe-dream/>

¹⁰ https://www.usaspending.gov/explorer/budget_function

¹¹ <https://www.vox.com/2020/7/9/21316912/joe-biden-housing-plan-section-8>

¹² https://www.usich.gov/resources/uploads/asset_library/Ending_Chronic_Homelessness_in_2017.pdf

¹³ <https://www.cbpp.org/research/housing/vouchers-can-help-families-afford-homes-with-little-impact-on-market-rents>

¹⁴ <https://www.housinginitiative.org/universal-voucher.html>

¹⁵ <https://www.freddiemac.com/research/insight/20210507-housing-supply>

¹⁶ https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/dashboard

¹⁷ https://www.huduser.gov/portal/sites/default/files/pdf/Voucher-Success_Rates.pdf



Community
Preservation
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ERIN BURNS-MAINE
Chief of Staff and VP of Policy
eburnsmaine@communitypc.com

EMILY KLEIN
Senior Policy Associate
eklein@communitypc.com