Testimony of Ben Metcalf
Managing Director, Terner Center for Housing Innovation
Before the United States House of Representatives
Committee on Financial Services
Hearing Entitled: Ending Homelessness and Expanding Economic Opportunity in America
June 9, 2021

Introduction

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, I am pleased to join you today to speak to the value of housing choice voucher expansion. My name is Ben Metcalf. I am the Managing Director of the Terner Center for Housing Innovation, a research and policy center dedicated to the vision of a country in which we live in vibrant, sustainable and affordable homes and communities. I also speak today from the perspective of having run the State of California's Department of Housing and Community Development and from having overseen multifamily housing programs for the United States Department of Housing and Urban Development during the Obama Administration. In my testimony, I will be speaking to the ways in which an expansion of the housing choice voucher program could have a transformative benefit on our current affordable housing crisis while noting five key areas of reform that would be needed to make the program work more effectively:

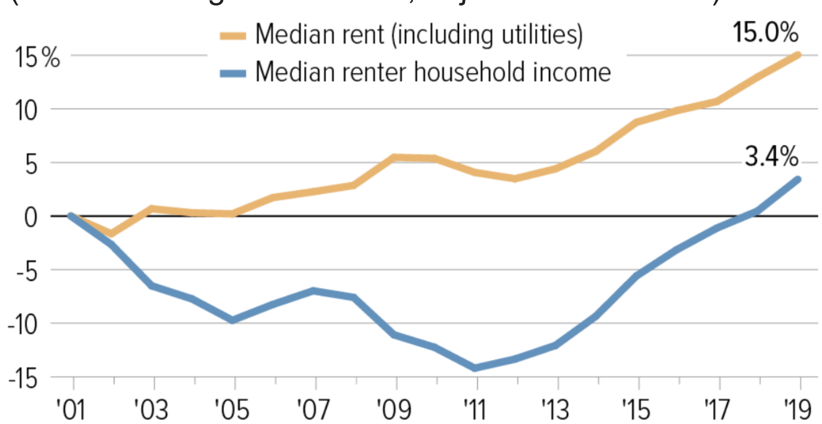
- *Accelerate deployment of fixes to the existing housing voucher program that we know work;*
- *Prioritize the most vulnerable populations as we undertake incremental expansions in any journey toward universal vouchers;*
- *Accompany voucher expansion with a targeted renters tax credit for those low income households who are approaching a phase-out of eligibility for rental assistance as their incomes rise;*
- *Mandate minimal capacity standards for voucher administering entities and have new vouchers administered by the same entities that are overseeing state and local affordable housing programs wherever possible; and*
- *Pair vouchers with a robust production-oriented strategy.*

Our Housing Affordability Challenges Today

First, let me set the stage as to what we know of the housing affordability crisis nationally, particularly as it plays out in coastal communities like those in which I live in California. Housing supply is significantly low compared to demand in our most economically productive regions pushing the price to rent or buy high for potential homeowners and renters. With wages for those below the median income having not kept pace with rising housing costs, today we see a seemingly ever growing population of households experiencing severe housing cost burdens that limit their ability to afford food, health care, invest in their children's education, save for retirement and recover in the wake of natural disasters. Furthermore, high housing costs relative to income have been leading to greater rates of homelessness and forcing families to make the tough decisions to either leave high housing cost regions or to forego otherwise potentially beneficial opportunities to relocate to those regions.

Renters' incomes have only slowly climbed since the recession, but lag far behind growing rental costs. Low-cost units, defined as renting for $600 or less per month, are in decreasing supply, with the share of rental units that are low-cost dropping to only 25% in 2017. The share of apartment rentals for $1,000 or less dropped over this time as well, and without an accompanying growth in income, families are left overly cost-burdened. Roughly 20.8 million rental households were cost-burdened going in to the pandemic, paying 30% or more of their income on rent, and nearly 10.9 million of these households suffer severe cost-burden, contributing 50% or more of their incomes to rent. Nearly 99% of cost-burdened households are low-income and spend more of their income proportionally on housing, energy and transportation than non cost-burdened households. Households earning less than $30,000 annually spend 60% of their total income on housing, transportation and energy costs, compared to under 20% of total income for households earning $75,000 or more. These trends have ledd to families having far fewer resources to devote to food or healthcare--or to accommodate economic shocks such as those we saw during the pandemic--which culminate in greater insecurity as they struggle to keep up with rental payments.[1]

Renters' Incomes Haven't Caught Up to Housing Costs
(Percent change since 2001, adjusted for inflation)



[1] Joint Center for Housing Studies (2020). America's Rental Housing: 2020. https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2020.pdf.

Source: Center for Budget and Policy Priorities tabulations of the Census Bureau's American Community Survey

California is home to seven of the top ten most expensive cities for renters. Even during the pandemic, when housing costs were dropping nationally, California renters saw a 12% increase in average rent prices. Coastal cities experienced a drop in rental costs anywhere from 22.9% (San Francisco) to 12.8% (Los Angeles) throughout the pandemic, but rental costs in neighboring cities in central California and suburbs' grew during the same period, for example by 14.9% in Sacramento. Average rental costs are still $3,500 per month for a two-bedroom apartment in San Francisco, even when accounting for the nearly 23% decline in rental costs, a widely unattainable price for most renters to meet. To put the average renter income and rental cost disparity in California into perspective, since 2000, rents in California have grown by 37%, while average wages have only increased by 8% (the figure for income growth includes high-income renters, many of whom are salaried, as well as minimum-wage workers).[2] The National Low Income Housing Coalition estimated nearly 1.3 million California renter households are extremely low-income, 76% of which are severely cost-burdened, and the state lacks nearly 1 million rental homes that would be affordable and available to these renters.[3]

The national housing crisis is compounded as communities face an ever-growing risk of displacement due to wildfires, earthquakes, flooding and other natural disasters. For example, in a recent study evaluating the impact of rising sea levels on affordable housing in coastal communities, the authors found, unsurprisingly, small Californian and northeastern cities are at highest risk of flooding.[4] In nearly all cities examined in this study, affordable housing units are at greater risk of flooding than general housing units, with 40% of affordable housing units in California predicted to be at risk of flooding by the year 2050. Affordable housing complexes are less likely to be resiliency-ready in response to flooding and natural disasters as a result of the increased costs to fortify existing structures, and renters of these affordable housing units are less likely to be insured.

More than 10 Million Renters Live in Areas Prone to Natural Disasters

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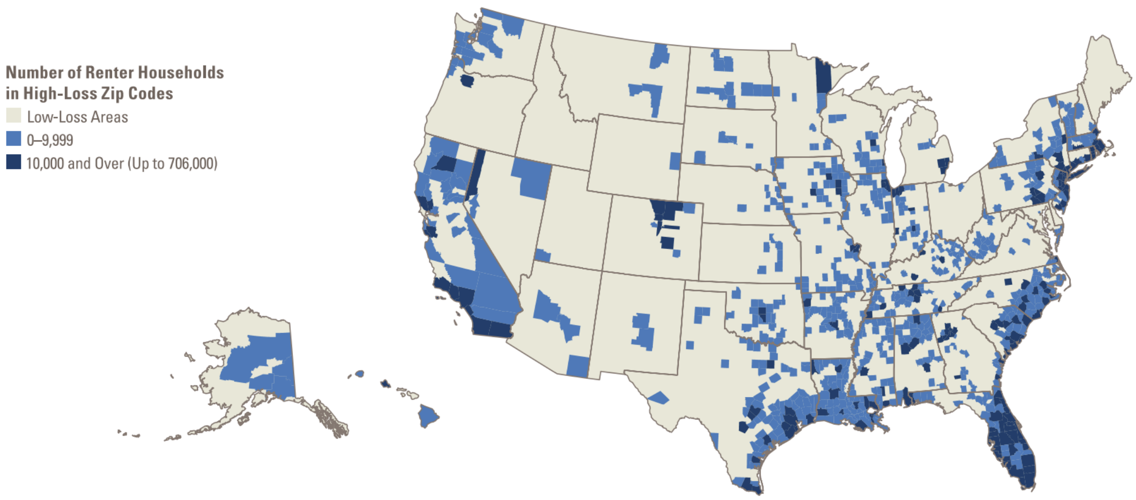
[2] Tobias, M. (April, 2021). Californians: Here's why your housing costs are so high. CalMatters. https://www.cbs8.com/article/news/local/california/calmatters/why-is-housing-so-expensive-in-california/509-e463dd3f-4041-43b9-8983-4226caee88e2

[3] National Low Income Housing Coalition. Housing Needs By State: California. https://nlihc.org/housing-needs-by-state/california

[4] Buchanan, M. K., Kulp, S., Cushing, L., Morello-Frosch, R., Nedwick, T., & Strauss, B. (2020). Sea level rise and coastal flooding threaten affordable housing. Environmental Research Letters, 15(12), 124020. https://ph.ucla.edu/sites/default/files/attachments/2020_Environ._Res._Lett._15_124020.pdf

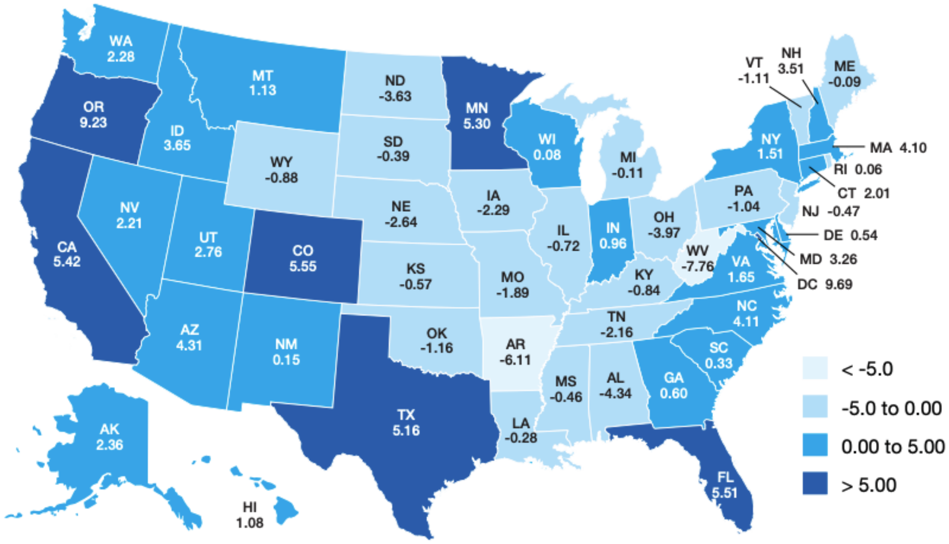


Source: Joint Center for Housing Studies tabulations of US Small Business Administration; Disaster Loan data; US Census Bureau, American Community Survey 5-Year Estimates.

Coastal states, such as California, Washington, Oregon, New York, and Massachusetts, are top ranked for both having the largest percentage residency of extremely low-income renters, as well as the least available, affordable rental-housing. The housing shortage in these states extends up the income ladder, hurting those making up to the area median income as well. One of many factors driving the significantly larger housing shortages in these areas, and as a result the increasing number of cost-burdened households, is the lack of HUD investment into subsidization of affordable housing for low-income households. Research has demonstrated a clear linear relationship between the percentage of renters who are extremely low-income and HUD investment in rental subsidies, such that the greater HUD's investment the smaller the proportion of renters are extremely low-income.[5]

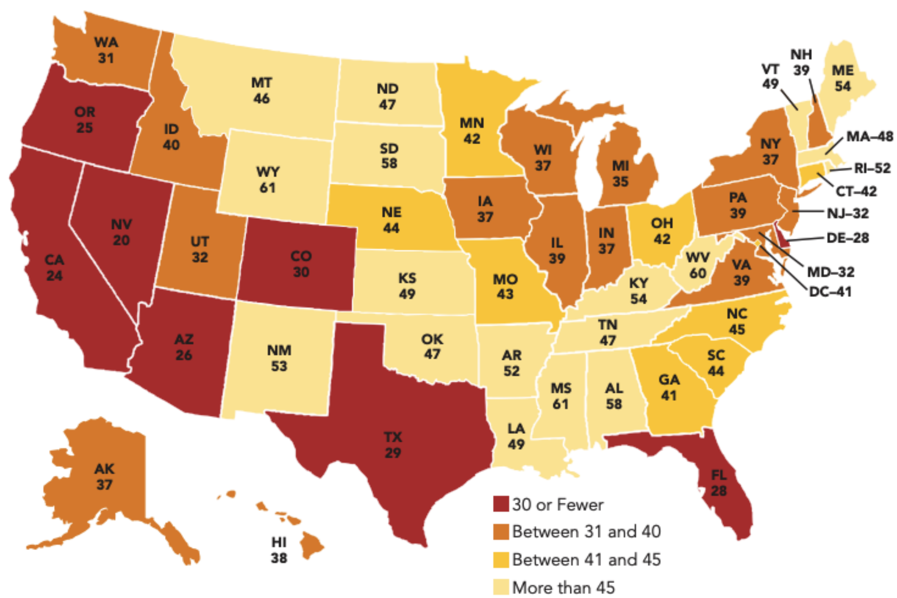
Housing Stock Deficit as Proportion of a State's Housing Stock (Dynamic Estimate Considering interstate migration flows)

[5] See Citation 3; National Low Income Housing Coalition (March, 2021). The Gap: A Shortage of Affordable Homes. Retrieved from https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2021.pdf



Source: Freddie Mac, based on CPS, HVS and Moody's Analytics estimated data (based on 2018 figures)[6]

Rental Homes Affordable and Available per 100 Extremely Low Income Renter Households by State



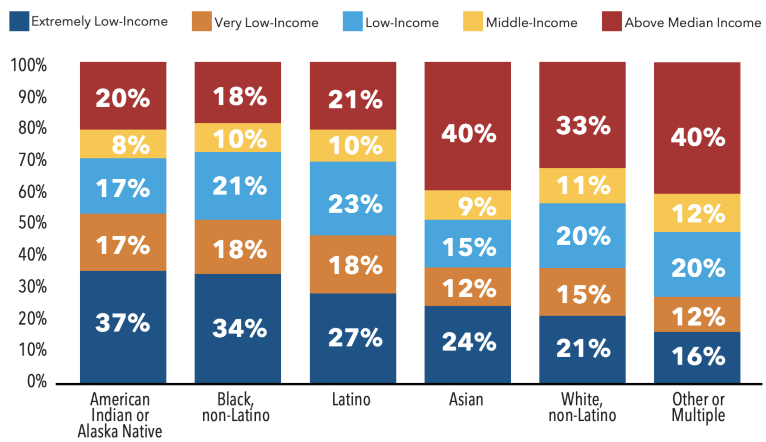
Source: National Low Income Housing Coalition Tabulations of 2019 ACS PUMS Data

A legacy of discrimination and exclusionary practices within the housing system have also set the stage for systemic, racialized wealth disparities within our already flawed housing model. The wealth distribution for renters is remarkably wide and regrettably stable. Twenty percent of Black renters are extremely low-income, compared

[6] Freddie Mac (February, 2020). "The Housing Supply Shortage: State of the States." http://www.freddiemac.com/fmac-resources/research/pdf/202002-Insight-12.pdf

to only 6% of white renters. The gap persists at the top of the income distribution for renters as well, with 40% of white renters making above median income, whereas only 18% of Black renters earn an equivalent income.[7] Racial disparities in likelihood of being either moderately or severely cost-burdened persist and are only growing in the wake of our COVID-19 response.[8]

Income Distribution of Renters by Race and Ethnicity

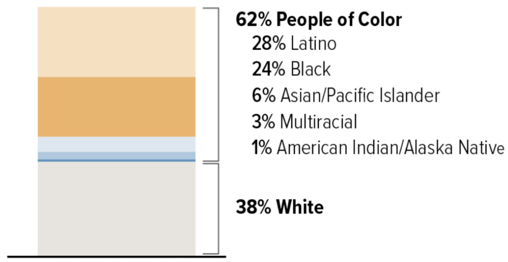


Source: National Low Income Housing Coalition tabulations of 2019 ACS PUMS Data

Prior to the COVID-19 pandemic, the rate of severely cost-burdened renters, or those who pay more than half of their income on rent, was on the rise, hitting non-white renters hardest. More than half of Black and Hispanic renters were cost-burdened in 2019, and a greater proportion of Black and Hispanic renters faced eviction relative to white renters of similar income levels.[9] The number of families in these conditions have only grown over the past year, with the racially disparate impacts widening.[10]

Majority of Low-Income Renters with Severe Cost Burdens are People of Color

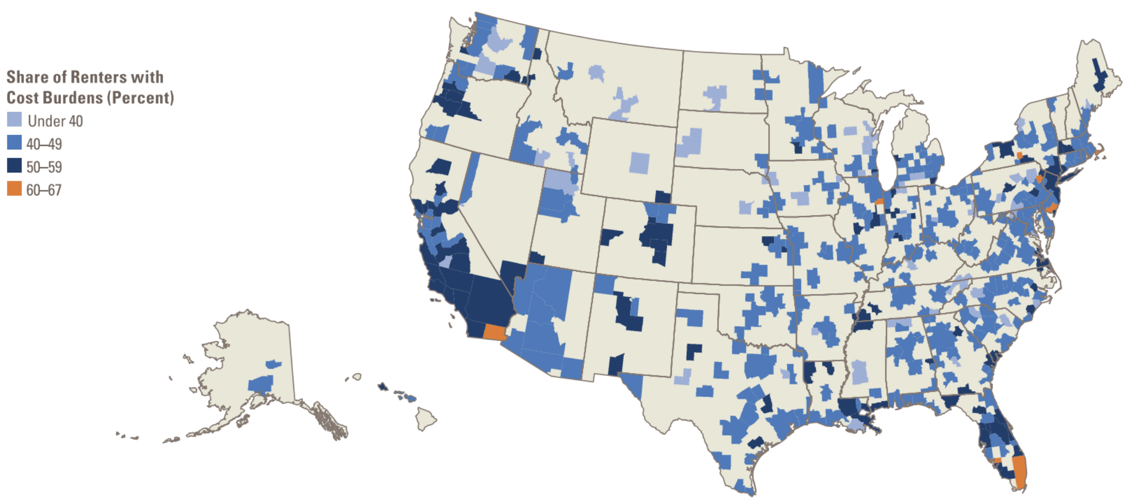
[7] National Low Income Housing Coalition (March, 2021). The Gap: A Shortage of Affordable Homes. Retrieved from https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2021.pdf
[8] Frost, R. (March, 2021). Pre-Pandemic Trends Offer Insight into Post-Pandemic Homelessness. Joint Center for Housing Studies. https://www.jchs.harvard.edu/blog/pre-pandemic-trends-offer-insight-post-pandemic-homelessness
[9] Wedeen, S. (January, 2021). Black and Hispanic Renters Face Greatest Threat of Eviction in Pandemic. Joint Center for Housing Studies. https://www.jchs.harvard.edu/blog/black-and-hispanic-renters-face-greatest-threat-eviction-pandemic
[10] Frost, R. (March, 2021). Pre-Pandemic Trends Offer Insight into Post-Pandemic Homelessness. Joint Center for Housing Studies. https://www.jchs.harvard.edu/blog/pre-pandemic-trends-offer-insight-post-pandemic-homelessness



Source: Center on Budget and Policy Priorities

Severely cost-burdened families suffer an increased risk of housing and financial security. Many of these families are often unable to save or keep cash on hand for necessary expenses, such as food or healthcare. It is not uncommon for families to report that they are close to defaulting on their next rental payment or are unable to fund an unexpected emergency cost should the situation arise.[11] The financial implications are long-lasting, with even short-term spells of cost-burdened renting affecting future savings for years to come.[12]

At Least 40 Percent of Renters are Cost Burdened in Most Metro Areas Across the Country



Source: Joint Center for Housing Studies of Harvard University; Tabulations of US Census Bureau, 2018 American Community Survey 1-Year Estimates and Missouri Census Data Center data.

[11] Joint Center for Housing Studies (2020). The State of the Nation's Housing: 2020. https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2020_Report_Revised_120720.pdf.

[12] Trusts, P. C. (2018). American families face a growing rent burden. Philadelphia: Pew Charitable Trusts. https://www.pewtrusts.org/en/research-and-analysis/reports/2018/04/american-families-face-a-growing-rent-burden.

Not unsurprisingly, the housing affordability crisis has translated into a growing homelessness crisis. 2020 marked the fourth consecutive year homelessness rose in the United States, with the growth entirely concentrated in the unsheltered population.[13] Nearly a third of the country's homeless population and more than half of the entire unsheltered homeless population resides in California. Looking more closely, HUD's 2020 Annual Homeless Assessment Report (AHAR) found 70% of California's residents experiencing homelessness sleep outside, representing roughly 113,000 unsheltered residents out of 161,000 individuals experiencing homelessness within the state. From 2019 to 2020, California saw the largest absolute growth in homelessness compared to any other state, with an additional 10,270 residents experiencing homelessness.

Continuums of Care (CoC) with the Highest Percentages of People Experiencing Homelessness who were Unshletered in each CoC Category

CoC Name	Total homeless people	Percent of all homeless people who were unsheltered	CoC Name	Total homeless people	Percent of all homeless people who were unsheltered
Major City CoCs			**Other Largely Urban CoCs**		
San Jose/Santa Clara City & County, CA	9,605	82.5%	Oxnard, San Buenaventura/ Ventura County, CA	1,787	70.8%
Long Beach, CA	2,034	77.8%	Napa City & County, CA	464	65.3%
Oakland, Berkeley/Alameda County, CA	8,137	77.6%	Eugene, Springfield/Lane County, OR	1,606	64.6%
Fresno City & County/Madera County, CA	3,641	73.6%	Bakersfield/Kern County, CA	1,580	63.5%
Los Angeles City & County, CA	63,706	72.3%	Santa Rosa, Petaluma/Sonoma County, CA	2,745	62.0%
Largely Suburban CoCs			**Largely Rural CoCs**		
Imperial County, CA	1,527	87.4%	Lake County, CA	357	94.1%
Fort Pierce/St. Lucie, Indian River, Martin Counties, FL	1,379	86.4%	Jackson/West Tennessee	861	93.0%
San Luis Obispo County, CA	1,423	82.4%	Hendry, Hardee, Highlands Counties, FL	403	88.1%
Vallejo/Solano County, CA	1,162	80.2%	Alpine, Inyo, Mono Counties, CA	184	88.0%
Pasco County, FL	898	76.6%	Columbia, Hamilton, Lafayette, Suwannee Counties, FL	578	85.5%

Source: 2020 Annual Homeless Assessment Report to Congress; PIT Estimate 2007 - 2020

Rising housing costs in economically-productive areas, driven by housing supply restrictions, naturally limit the number of prospective low-income workers moving into these regions, and therefore hamstring employment growth and productivity overall.[14] Ultimately, property owners become the sole benefactor under a system of housing

[13] Meghan Henry et al., "The 2020 Annual Homeless Assessment Report (AHAR) to Congress," U.S. Department of Housing and Urban Development, January 2021, https://www.huduser.gov/portal/sites/default/files/pdf/2020-AHAR-Part-1.pdf.

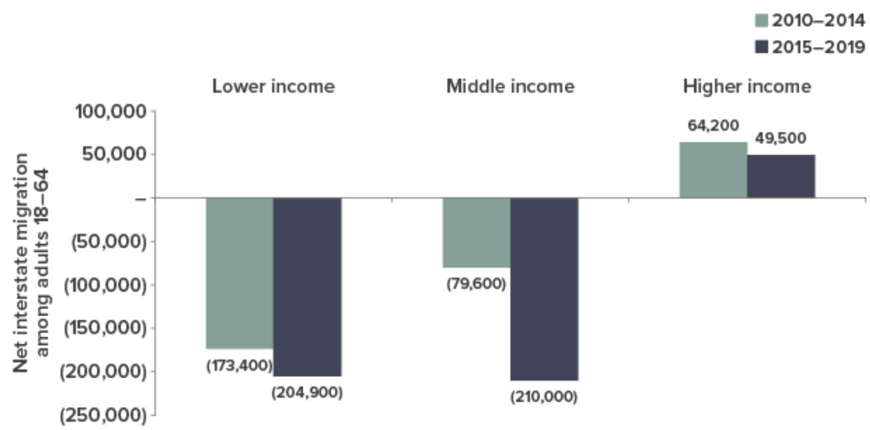
[14] Hsieh, C. T., & Moretti, E. (2019). Housing constraints and spatial misallocation. American Economic Journal: Macroeconomics, 11(2), 1-39. https://pubs.aeaweb.org/doi/pdfplus/10.1257/mac.20170388

supply constrictions, profiting from inflated housing prices and workforce housing that would in any other context be priced within reach of a lower-income families becomes bid up by more affluent households desperate for a home to live in.[15] Increasing overall housing supply in these areas would ultimately lead to improved incomes and welfare overall by allowing population growth to meet the demand; however supply is limited by the high housing cost of construction and local regulatory barriers, such as zoning, which limit where and how housing can be built.

This lack of affordably priced housing supply has led to a dramatic increase in net domestic out-migration from economically productive regions, such as those found in California. The loss of lower- and middle-income residents from California, over 400,000 in 2019, eclipses the relatively small in-migration of higher-income residents, totalling around 50,000.[16,17] Throughout the 2010s, the Census Bureau's Current Population Survey found that roughly 23% of out-migration in California was explained by housing costs. In march of this year, the Public Policy Institute of California conducted a statewide survey, finding 43% of Californian's considered moving due to housing affordability, with 33% considering moving out of the state completely. Residents concentrated in high density cities such as the San Francisco Bay Area (49%), San Diego (44%), and Los Angeles (39%) are most likely to report housing affordability as a source for considering a move.[18] The problems of out-migration in California also directly impacted housing costs in neighboring states, such as Idaho. As housing prices rose in California, residents fled to Idaho to avoid such costs but were willing to pay above the average Idaho resident for housing, thus driving up costs once again.[19]

California Lost Middle- and Lower- Income Adults, Gained Those with Higher Incomes

[15] Glaeser, E., & Gyourko, J. (2018). The economic implications of housing supply. Journal of Economic Perspectives, 32(1), 3-30. https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.32.1.3
[16] Johnson, H. (May, 2021). Who's Leaving California - and Who's Moving In? Public Policy Institute of California. https://www.ppic.org/blog/whos-leaving-california-and-whos-moving-in/
[17] Johnson, H., McGhee, E., & Cuellar Mejia, M. (March, 2021). California's Population: Just the Facts. https://www.ppic.org/publication/californias-population/
[18] Baldassare, M., Bonner, D., Lawler, R. Thomas, D. (March, 2021). PPIC Statewide Survey: Californians and Their Government. Public Policy Institute of California. https://www.ppic.org/wp-content/uploads/ppic-statewide-survey-californians-and-their-government-march-2021.pdf
[19] Dougherty, C. (February, 2021). The Californians Are Coming. So Is Their Housing Crisis. New York Times. https://www.nytimes.com/2021/02/12/business/economy/california-housing-crisis.html



Source: Public Policy Institute of California, based on American Community Survey Data

Why an Expansion of the Housing Choice Voucher Program is Needed

Given the multifaceted negative consequences that result from the current housing affordability crisis, any expansion of existing affordable housing support to families who most need it should help. Renters with financial assistance are less likely to experience homelessness, housing instability, or overcrowded, unsafe housing conditions. Beyond housing security, government-funded rental assistance reduces poverty and improves overall health outcomes for children. Children in families who received rental assistance demonstrated more prosocial behavior and fewer negative behavioral problems and sleep disruptions.[20] In limited longitudinal studies, children who received rental assistance to move to low-poverty neighborhoods earned more in adulthood and were more likely to attend college than children who remained in their original census tract whose families did not receive housing aid.[21,22] Adults too benefit from rental assistance, experiencing lower rates of diabetes, obesity, and reporting significantly lower rates of anxiety and depression.

But federal rental assistance has been inadequate to meet the need for some time. Today, approximately 1 in 4 eligible households are receiving assistance under the current system, with many cities' housing choice waitlists either years long or closed

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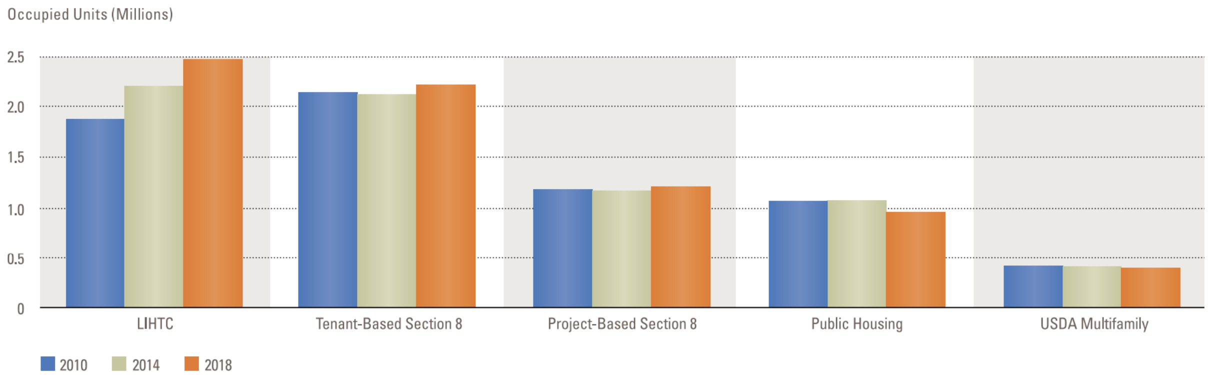
[20] Daniel Gubits et al., "Family Options Study: 3-Year Impacts of Housing and Services Interventions for Homeless Families," prepared for Department of Housing and Urban Development, October 2016, https://www.huduser.gov/portal/sites/default/files/pdf/Family-Options-Study-Full-Report.pdf.

[21] Chetty, R., Hendren, N., & Katz, L. F. (2016). The effects of exposure to better neighborhoods on children: New evidence from the Moving to Opportunity experiment. American Economic Review, 106(4), 855-902. http://www.equality-of-opportunity.org/images/mto_paper.pdf

[22] Shonkoff, J. P., Garner, A. S., Siegel, B. S., Dobbins, M. I., Earls, M. F., McGuinn, L., ... & Committee on Early Childhood, Adoption, and Dependent Care. (2012). The lifelong effects of early childhood adversity and toxic stress. Pediatrics, 129(1), e232-e246.
https://pediatrics.aappublications.org/content/129/1/e232.full?utm_source=TrendMD&utm_medium=TrendMD&utm_campaign=Pediatrics_TrendMD_0&casa_token=InzP08lr138AAAAA:KYRJ6exxAGQbEpDWGktaabyEAzJfbJFipyBMbFLl00SgU2HvQLQUlLr9WvdjB62j9V69GxdYSQJZ

entirely.[23] From 2010 to 2020 funding for housing choice vouchers grew by 12%, but the rise in households receiving vouchers only rose from 2.1 million to 2.3 million over the same time period.[24]

The Supply of Federally Subsidized Units Has Remained Essentially Flat Since 2010



Source: Joint Center for Housing Studies tabulation of HUD, Picture of Subsidized Households and Low-Income Housing Tax Credit Database; USDA, Multi-Family Housing Annual Fair Housing Occupancy Reports.

As an instrument to address housing affordability, vouchers have an inherent conceptual benefit over capital investments into affordable housing buildings by giving families far more choice in where to redeem their subsidy. In a 2008 experimental evaluation of housing vouchers, families were assigned to receive Housing Choice Vouchers and collected five-years of follow up data on health, work, and housing outcomes. The study found that families who had received the housing voucher were significantly more likely to experience safe, secure housing (additionally significantly less likely to be housing insecure or in overcrowded housing conditions), reported less anxiety, were equally likely to continue working, and experienced reduced poverty.[25] Families given access to subsidized housing are less likely to make multiple, disruptive moves which not only impacts the family members but the involved educational systems. The higher a schools' student turnover rate, the harder it is to gauge progress and respond accordingly. Turnover ultimately puts educators at a disadvantage and

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[23] Cunningham, M. K. (2016). Reduce poverty by improving housing stability. Urban Wire: The Blog of the Urban Institute. https://www.urban.org/urban-wire/reduce-poverty-improving-housing-stability

[24] Joint Center for Housing Studies (2020). The State of the Nation's Housing: 2020. https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2020_Report_Revised_120720.pdf.

[25] Wood, M., Turnham, J., & Mills, G. (2008). Housing affordability and family well-being: Results from the housing voucher evaluation. Housing Policy Debate, 19(2), 367-412. https://www.tandfonline.com/doi/pdf/10.1080/10511482.2008.9521639?casa_token=ef7Ac3PMZsUAAAA:X3pK0Yp8opdTMaAJG3AmFwm-mmSbSn1AJm2YsSq4KBe7Mmiv42tGYgMcXoxnUjPlERTkbLKkwouoTA

leads to worse educational outcomes for students, largely measured by test scores and disruptive classroom behaviors.[26]

Lastly, housing vouchers serve as an important complement to the resources that local and state governments can put on the table to address affordability. State and local governments typically do not have a budgetary mechanism to fund ongoing rental assistance commitments. And while affordable housing capital funds from state and local governments can help get affordable housing built, that housing will be limited in who it can serve absent ongoing operating subsidy or tenant rental assistance. For the most vulnerable households -- including formerly homeless individuals and/or extremely low-income families --- the rent they can afford to pay is likely to be inadequate to cover the operating expenses. In 2017, California enacted No Place Like Home, a $2 billion bond funded program intended to provide permanent supportive housing to formerly homeless individuals. But because of a lack of available vouchers, the state was compelled to authorize funds that would otherwise used for capital costs to be used as a capitalized operating subsidy reserve. In a recent Notice of Funding Availability, the state allowed up to $186,000 per unit to be "parked" in a bank account to pay out-year operating expenses to meet the gap between project revenues and project operating expenses. For many awarded projects this has the effect of nearly doubling the subsidy per unit required to make a project work, resulting in the funding of far fewer project altogether. Furthermore, this solution is only a stop gap measure as the operating reserve runs out after 15 to 20 years forcing a subsequent expensive recapitalization. This issue looms again with a recent budget request by California Governor Newsom to invest $3.5 billion of budget surplus into the Project Homekey Initiative which proposes to fund the acquisition and conversion of commercial buildings such as motels into permanent supportive housing. Much of these funds will be at risk of sitting "idle" in project-level controlled bank accounts to be drawn from over the next decade to address an operating revenue/expense mismatch rather than being deployed to add to the stock of new permanent supportive housing.

Expansion of the Housing Choice Voucher Program Must be Accompanied by Program Reform

While we work to expand the housing voucher program, it is important to recognize and address challenges with the existing housing voucher system that limit its current effectiveness as well as to anticipate the unintended negative consequences that may accompany any significant expansion. Today, just under the status quo, voucher

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[26] Brennan, M., Reed, P., & Sturtevant, L. A. (2014). The Impacts of Affordable Housing on Education: A Research Summary (Insights from Housing Policy Research, p. 16). Center for Housing Policy. https://nhc.org/wp-content/uploads/2017/03/The-Impacts-of-Affordable-Housing-on-Education-1.pdf

utilization rates and participation already drop to bracingly low levels, particularly in supply constrained, high housing cost markets. For example, according to HUD's new online tool to evaluate Housing Choice Voucher programs at the national, state and local levels, California currently has a leasing potential of 11,285. Leasing potential is the number of additional units that could be leased for a full year while still maintaining HUD's recommended reserves. The Housing Authority of the City of Los Angeles currently leads California PHAs in potential leasing units at 2,337.[27] In a pilot study conducted for HUD, researchers screened more than 341,000 online listings and found fewer than 9,000 that appeared to be eligible for voucher use.[28] These problems will only grow in magnitude with any expansion.

As further detailed in the Terner's Center recent Federal Framework, provided below are five actions that should accompany increased investment into the voucher program[29]:

First, we need to accelerate deployment of fixes to the existing housing voucher program that we know work. These include:

- <u>Updating and refining HUD's process for setting fair market rents.</u> The current rent setting mechanism is based on a calculation of fair market rents that is calculated by HUD at the county level. This rent setting process needs further refinement as it has not worked well in markets with rapidly rising or dropping rents, nor has it served markets with significant rent variation at the sub-county level. Current research efforts by HUD to investigate methods for increasing the accuracy and timeliness of this rent setting process are critical to continue and expand. And the Small Area Fair Market Rent demonstration, which calculated fair market rents at the zip code instead of the county level, launched during the Obama Administration, must be nationally scaled.

- <u>Making the current housing quality standard program less onerous for owner participation.</u> The voucher program currently requires that landlords must meet a minimally acceptable level of physical quality for participating units. These

[27] Office of Public and Indian Housing, (February, 2021). Housing Choice Voucher - Leasing Potential. https://app.powerbigov.us/view?r=eyJrIjoiM2Y2OTQ2MTAtODVkNC00YmM2LThhOWEtZWY4MGU5YWFmZDFmIiwidCI6IjYxNTUyNGM1LTIyZTktNGJjZC1hODkzLTExODBhNTNmYzdiMiJ9
[28] See 26, Cunningham, M., Galvez, M., Aranda, C. L., Santos, R., Wissoker, D., Oneto, A., Pitingolo, R., & Crawford, J. (2018). "A Pilot Study of Landlord Acceptance of Housing Choice Vouchers." U.S. Department of Housing and Urban Development. Retrieved from: https://www.huduser.gov/portal/pilot-study-landlord-acceptance-hcv.html.
[29] Terner Center for Housing and Innovation. (February, 2021). Building a Better Ladder of Housing Opportunity in the United States A Framework for a Holistic, Equitable, and Sustainable Approach to Federal Housing Policy.
https://ternercenter.berkeley.edu/wp-content/uploads/2021/02/Federal-Framework-Brief-February-2021.pdf

housing quality standards can be a major challenge to owner participation and can cause a time delay such that a voucher holding household falls out of the program. HUD must improve its ability to quickly resolve housing quality standards, by employing technology solutions such as video inspections or random sampling to lower the bar to participation -- differentiating minor issues from more profound health and safety issues. Pushing for significant upgrades can force units and/or owners out of the program, particularly in cases where fair market rents are close to existing market rents. The federal government should instead support local governments in building out their own building code inspection capacity in order to more broadly serve the housing market and protect renters.

- Making it harder to directly or indirectly discriminate against voucher holders seeking to rent housing. Today in much of the country it is permitted to discriminate against voucher holders without penalty. And, even in states and jurisdictions where voucher non-discrimination laws are now formally in place (e.g., California), landlords are often able to sidestep an obligation to rent to voucher-holding households by imposing high security deposit amounts, credit standards, or by listing their units at rents just above the Fair Market Rent. The bipartisan Choice in Affordable Housing Bill, authored by Senators Coons and Kramer offers a number of fixes to these issues, including providing landlords with signing bonuses and better aligning financial incentives for voucher administering entities.

- Investing heavily in renter counseling and landlord outreach. Today, inadequate marketing to landlords, along with little support for them in understanding the mechanics of the voucher programs or their legal obligations greatly limit uptake. Scalable models exist with high-performing public housing authorities. Similarly, a significant expansion of renter counseling for renters who receive vouchers to help them better understand their rights and options has been shown to greatly increase the likelihood of timely leasing and geographic mobility.[30]

Second, we should prioritize the most vulnerable populations as we undertake incremental expansions in any journey toward universal vouchers. This includes requiring that new vouchers be prioritized for formerly homeless populations or other vulnerable or extremely low income populations, in alignment wherever possible with state and local affordable housing programs. And this may also include priorities for other special populations that align with other areas of capital investment where

[30] See, eg, Peter Bergman, Raj Chetty, et al. (March, 2020) Creating Moves to Opportunity: Experimental Evidence on Barriers to Neighborhood Choice.
https://opportunityinsights.org/wp-content/uploads/2019/08/cmto_paper.pdf

vouchers can be beneficially project based, such as individuals with disabilities, youth aging out of foster care, the elderly, or those with extremely low-incomes living in communities at risk of displacement who can't otherwise be readily housed within low-income housing tax credit funded communities.

Third, accompany voucher expansion with a targeted renters tax credit for those low income households who are approaching a phase-out of eligibility for rental assistance as their incomes rise. Expanded assistance for very low-income households should be paired with a renters tax credit for those with low to moderate incomes who still struggle with housing burdens. Creating a targeted tax credit could ensure expanded assistance avoids the twin challenges of the "subsidy cliff" and asset limits, where renters lose their assistance if their income goes above a certain level and where they are prohibited from building savings that can facilitate greater economic mobility. Research has shown that these cliffs can serve as a disincentive to work, particularly when even moderate incomes are insufficient to cover the gap between subsidized and market rents. Enacting a renter's tax credit targeted at working households who earn low incomes yet still face high housing cost burdens would create a more robust ladder of housing opportunity. This type of credit would also bring more parity in the use of tax expenditures. It could be executed with far lower administrative costs. And it could support transitions out of rental assistance and potentially into affordable, entry-level homeownership, if those renters were able to accumulate more savings for a down payment. Lastly, it is worth noting that while the existing operational complexity of vouchers may be a worthwhile trade-off for very-low or extremely low-income households, that complexity may be harder to justify if and as more vouchers are made available to low-income households, when the share of rent those households can afford approaches the fair market rent standard in their jurisdictions. In these cases, the tenant share of rent may substantially outweigh HUD's share of rent. And at a certain point, that relatively modest benefit may become too cumbersome to justify, either from a renter or owner's perspective.

Fourth, mandate minimal capacity standards for voucher administering entities and have new vouchers administered by the same entities that are overseeing state and local affordable housing programs wherever possible. There are far too many existing voucher administering public housing authorities (PHAs) out there, including many with inherently low capacity. In addition, PHAs are often outside of the mainstream affordable housing capital subsidy delivery structure. Ensuring PHAs have robust systems in place to monitor and manage new vouchers is critical. Likewise, HUD must have the flexibility to allocate new vouchers to state or regional governments, or other non-traditional entities, in order to better align with existing affordable housing capacity.

Fifth, pair vouchers with a robust production-oriented strategy. Broader purchasing power by an ever wider swath of low-income households risks further driving up rents, forcing the federal government to pay ever more and/or pushing voucher holding households ever farther away from those economically productive regions where they can most likely access jobs and provide quality education for their children. Addressing supply needs is essential to avoid market distortions, especially where supply is most constrained, and to make sure the housing stock that is coming online creates access to a diverse array of communities and in ways that support climate imperatives and racial equity. A universal housing voucher that can be project based and has rents pegged to market rents, also opens up a potential for more federal investment into lighter touch subsidy deployment programs such as those historically played by the 4% Low Income Housing Tax Credit Program, tax-exempt bond program, and the Federal Housing Administration's 221d4 or 236 programs, as well as Fannie Mae and Freddie Mac. These are subsidy programs that require much less regulatory oversight than traditional affordable housing capital programs, are available "over the counter", and cost far less on a subsidy per unit basis to the taxpayer. By leveraging commercial debt secured by project based voucher revenue, more expensive deep capital subsidy sources can be avoided.

Conclusion

In summary, our current housing voucher program plays a critical role in helping vulnerable individuals and households to affordably access needed housing. An expansion to that program should markedly help to remediate widening inequality and growing place-based racial and income segregation. Furthermore it will directly complement efforts in places like the State of California who are able to put significant housing subsidies on the table but only in the context of up-front capital costs and are therefore profoundly limited in serving the most vulnerable, including formerly homeless. But any effort to move towards universalizing vouchers must be accompanied by reforms to the voucher program to increase its effectiveness.

Above all, we must concurrently move to unlock new housing supply -- primarily by working with local governments to unlock local regulatory barriers to supply as well as through a significant expansion and deepening of our 4% LIHTC and tax-exempt bond authorities as well as FHA and GSE loan products which can offer low-cost debt and equity to spur new workforce multifamily rental housing.

Taken together, investments of this nature could put us on a path toward having a country where all families have a shot at the middle class and can live in homes and communities that are vibrant, safe, and affordable.