Commonsense Changes to Low-Income Housing Policy

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Thank you, Chairwoman Waters and Ranking Member McHenry. It is an honor to submit my testimony for today’s hearing, titled “Universal Vouchers: Ending Homelessness and Expanding Economic Opportunity in America.” I appreciate the opportunity to testify on the legislation being considered by the House Financial Services Committee and to speak more broadly about federal housing policy and economic mobility. I will specifically address the idea of converting the housing choice voucher (HCV) program from an annual appropriation to an entitlement.

My name is Howard Husock, and I am an adjunct scholar at the American Enterprise Institute, where I focus on local government, civil society, and urban housing policy. Before joining AEI, I was vice president for research and publications at the Manhattan Institute and director of case studies in public policy and management at the Harvard Kennedy School. I am the author of America’s Trillion-Dollar Housing Mistake: The Failure of American Housing Policy and a forthcoming book, The Poor Side of Town—and Why We Need One. I have spent my career committed to thinking and writing about housing policy and its implications, particularly for the urban poor.

My forthcoming book argues for a “poor side of town.” It combines a critique of more than a century of housing reform policies, including public and other subsidized housing and exclusionary zoning, with the idea that simple low-cost housing—a poor side of town—helps those of modest means build financial assets and join in the local democratic process. This is a deeply important book to me, and I encourage everyone listening today to consider its implications.

Too many low-income households find it difficult to afford housing. At the same time, an entitlement-based approach to housing assistance risks overpromising and under-delivering, while repeating mistakes of the past. What’s more, commonsense adjustments to the current HCV program can increase its reach without major new spending while providing incentives and encouragement for low-income households to improve their economic status.

First, a comparison. We can all remember just a few months ago when the coronavirus vaccine had miraculously become available—but millions found themselves qualified to receive the shot but unable to schedule an appointment to get one. Demand was far higher than supply. This has long been a characteristic of our low-income housing markets, a function of overly restrictive zoning laws and building codes, among other things. But providing a check that can be used for only one purpose—rental housing—provides no assurance that additional supply will come online or that voucher holders will be able to find an available unit.

Indeed, even at the current appropriation level, a report by the Center for Budget Policy and Priorities acknowledged that some voucher holders have been unable to use their vouchers. As noted in a March 2019 report: “Yet low success rates among families that receive housing vouchers remain a legitimate and serious concern. Moreover, while housing vouchers are well utilized overall, a small number of individual housing agencies do not use all of their funding consistently.”

A universal housing voucher risks increasing the number of locations where this problem will exist. A new entitlement program may simply put more low-income households in competition with each other for few available units without addressing the more fundamental issue afflicting our housing markets today,
the lack of supply.

Fundamentally, low-income households face an income problem. Providing a coupon that can be used only for rental assistance limits how they can use this new income while failing to address the root causes of why that income is low in the first place. We cannot forget the steps it takes to truly encourage economic mobility of poor households—by providing the skills training needed for the 21st century, ensuring that every child has access to a high quality public education, encouraging safe and healthy communities, and reducing racial barriers. But we can and should make some commonsense adjustments to the current HCV program.

We should not assume that poverty is a life sentence in America, and we should build on the lessons we’ve learned from successful welfare reform efforts in the 1990s. That suggests that we employ vouchers not on a permanent entitlement basis but as a transitional program.

That leads me to two proposals. First, allow voucher households to sign the same type of rental leases as nonsubsidized households enjoy: a flat rent for a fixed period. As it stands, as voucher or public housing tenants earn more income, they pay more rent—34 cents on each new dollar. This has all sorts of ill effects: discouraging finding a higher-paying job, forming two-income families, and building savings.

To better use our housing vouchers, we should follow the example of the Delaware State Housing Authority, which, as part of its Moving to Work program, combines capped rent and savings account escrows with a five-year ceiling on assistance. A similar program has been adopted by the housing authority of San Bernardino, California, which specifically sets out as a key goal the encouragement of tenants’ economic independence, including what it calls a shift from “entitlement to empowerment.” Longitudinal studies out of San Bernardino reports the following positive results:

- Earned income for families in the program increases by an average 31.4% during their five-year term of assistance;
- Full-time employment increased by 20%;
- Unemployment decreased by 26.5%.

Of course, as households move out and up, so, too, do vouchers become available for other needy families. This healthy turnover should be a core part of the voucher program. Poverty should not be viewed as inevitable, nor should entitlements be seen as universal. As matters stand, HUD reports an 8 percent turnover rate annually among voucher units which has risen to as high as 15 percent in some years. Increasing turnover while improving the situation of voucher households should be key goals of the program.

As President Joe Biden has emphasized in his time in office so far, we are in the midst of a rapid economic expansion as the coronavirus pandemic wanes and vaccine distribution accelerates. Job openings are going unfilled, and many have lamented the expansion of the federal unemployment insurance benefit as a drag on our labor market recovery. This is the time to use our housing voucher program in the context of encouraging improved job skills and household savings, so Americans see
government assistance as a hand up, not a handout.

Finally, a word about our homelessness epidemic. While it is tempting to conclude that the streets of Los Angeles are filled with homeless encampments because of a failure of the housing market, we know that far too many of these street sleepers suffer from untreated mental illness and substance abuse—and may not be ready to maintain an independent household. We are failing to provide the services and compassionate programming they need and deserve. A universal voucher entitlement is not the answer to the needs of those on the streets of Los Angeles, Manhattan, Portland, and Seattle. Rather, we should be discussing improved treatment and adjustments to Medicaid reimbursement policy for treating the incarcerated and newly released citizens. Conflating housing policy with the issues of those sleeping on the street will not lead us on the right path forward.

It is an honor to testify in front of the committee today, and I look forward to your questions.

Endnotes


