

INVEST BUT REFORM

Streamline Administration of the Housing Choice Voucher Program

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Summary

The Section 8 Housing Choice Voucher program, the federal government's primary tool for addressing the housing needs of low-income renters, is administered by thousands of local public housing agencies (PHAs), most of which serve individual cities, towns, or counties. This balkanized system seriously undermines the potential of the housing voucher program while at the same time raising administrative costs. The U.S. Department of Housing and Urban Development (HUD) should replace the current system by competitively awarding the operation of the voucher program to one well-qualified organization or consortium that will administer the program throughout an entire metropolitan area. In the near term, HUD can and should more vigorously encourage the formation of regional consortiums, mandate regional administration in metros where large shares of eligible households are served by failing PHAs, and strengthen existing performance standards to create incentives for voluntary regionalization.

Background

Since the 1970s, rental vouchers (originally called certificates) have been a mainstay of federal housing policy. Today, the housing voucher program supplements rent payments for approximately 2.2 million low-income families and individuals.¹ Recipients choose a house or apartment available in the private market and contribute roughly 30 percent of their incomes toward rent, with the program paying the difference up to a locally defined "payment standard." When families first receive a voucher, they are responsible for finding a house or apartment that meets the program's housing quality standards with a landlord who is willing to participate in the program.² Once they find a qualified housing unit, families or individuals can begin receiving housing assistance.

Three-and-a-half decades of experience have shown that providing rental assistance directly to tenants is an extremely effective and efficient mechanism for addressing the housing needs of low-income families and individuals. The majority of households who receive a voucher are successful in finding a house or apartment for which they can receive assistance, and recipients generally live in better quality housing and pay more affordable rent than similar, unassisted households. The voucher program is particularly important now, when a record number of households—8.48 million in 2011—experience "worst case housing needs," defined as either paying more than half their income for rent or living in substandard housing.³ This represents an increase of roughly 69 percent since 2001.⁴

The value of vouchers, however, goes beyond their role in promoting housing affordability. In principle, vouchers give low-income families the ability to move to neighborhoods of their choice. Housing mobility can benefit families by improving their access to safe and healthy environments and to educational and employment opportunities, potentially reducing poverty and contributing to a region's prosperity over the long term. New evidence from the decade-long Moving to Opportunity (MTO) demonstration shows that families who received vouchers and housing search assistance to move from distressed public housing developments to homes and apartments in low-poverty neighborhoods enjoyed significantly better health and well-being than members of a control group.⁵ Moreover, those that were able to remain in lower poverty neighborhoods for longer periods of time saw higher rates of employment, higher incomes, and better educational achievement.⁶ In addition to these family-level benefits, evidence suggests that an entire region is better off when fewer people live in neighborhoods of concentrated poverty.⁷

Although research has consistently shown that vouchers are cost-effective compared to other HUD programs that subsidize the construction and maintenance of rental housing, concerns have been raised in recent years about the increased size of the voucher budget. From FY 2005 through FY 2011, for example, voucher program appropriations increased by about 4 percent annually, from \$14.8 billion to \$18.4 billion. However, these increases largely reflect rising rent levels in metro areas across the country; the average cost per voucher actually went up less than rents over that time.⁸ During the same period, the number of households using vouchers increased only 6 percent annually.⁹ About one-fourth of those eligible for voucher assistance participate.¹⁰ Cutting the number of vouchers or the average subsidy to participating families would have severe consequences, worsening housing hardship and cutting off mobility opportunities in the face of growing needs. Nonetheless, given the current constrained fiscal environment, it is imperative that responsible cost savings be found to ensure that the program remains a stable source of support for low-income renters.

In most parts of the United States, the housing voucher program is administered by local public housing agencies (PHAs). These agencies were originally established to build and manage public housing developments, which remains the primary function of most PHAs. Although they are governed by a complex set of federal rules and procedures, local PHAs have considerable discretion over how the voucher program operates within their jurisdictions. Each PHA, for example, accepts applications, maintains its own waiting list, establishes local selection preferences, recruits landlords to participate in the program, and conducts housing inspections. Most PHAs serve individual cities or counties, so that in many metropolitan areas, several different PHAs operate within a single housing market. Of the 2,338 PHAs that administer housing voucher programs nationwide, 1,506 are located in metro areas.¹¹ These PHAs administer programs that range in size from more than 96,000 vouchers to only five vouchers.¹² In the 51 metropolitan areas with more than 1 million residents, 753 different PHAs administer voucher programs.¹³

The Problem

The fragmentation of housing voucher program administration is poorly aligned with the geography of metropolitan housing markets today, and creates duplication, overlap, and inefficiency. In addition, because local PHAs have a near monopoly over voucher program administration, few face strong incentives to commit their limited resources to improvements in voucher program administration. As a consequence, the voucher program is not currently achieving its potential for families and communities.

The appropriate administrative geography for housing vouchers has changed dramatically over the last several decades due to the rampant decentralization of economic and residential life in the United States. Between 2000 and 2010, 22 of America's 25 largest cities gained population at a slower rate than their metropolitan areas, or actually lost population while their metropolitan areas gained population. Even Sun Belt cities such as Phoenix, Dallas, and Houston are growing more slowly than their suburbs.

The suburbs also dominate employment growth, while 91 of the 100 largest metropolitan areas in the United States saw declines in the share of jobs located within 3 miles of downtown between 2000 and 2010.¹⁴

As metro economies have decentralized, the geography of metropolitan poverty has also shifted. While central cities still harbor a disproportionate share of the low-income families living in metropolitan areas, suburban areas have experienced faster growth in poverty than cities. In 2011, the poor population grew by 6.8 percent in the suburbs of the 100 largest metropolitan areas, while the poor population in cities grew by 4.7 percent.¹⁵ In total, 55 percent of the metropolitan poor lived in suburbs in 2011, 2.6 million more than in cities.¹⁶ Suburbs also experienced a growing number of extreme poverty neighborhoods last decade, although cities still contain over 80 percent of extreme poverty neighborhoods, and have an overall concentrated poverty rate four times higher than suburbs.¹⁷

When several independent agencies administer the voucher program in a single market area, duplication of effort and inefficiencies inevitably occur. Each agency accepts applications and maintains its own waiting list, although these lists may include many of the same needy households. Each agency certifies and recertifies households' eligibility, enters data into HUD's management information system, and conducts briefings for voucher recipients. In addition, each agency pays its own staff to conduct inspections, even though they are all applying the same federal housing quality standard.

One of the most important strengths of housing vouchers is their potential to empower recipients to escape from high-poverty and distressed neighborhoods, and to choose locations that better meet their needs. Although housing vouchers clearly outperform project-based subsidy programs at helping poor families escape high-poverty neighborhoods, the current system of program administration creates numerous hurdles for families that live in high-poverty central-city jurisdictions. The process of moving to a different PHA jurisdiction is administratively burdensome for both PHAs and families. The receiving PHA may apply different or more rigorous screening criteria or require the family to attend another orientation briefing, duplicating steps for both parties. At the same time, PHAs may use a different application form and calculate subsidy levels differently, all of which makes it more difficult for families to find a unit and negotiate a lease in the limited search time.

The fact that vouchers are often administered by many different PHAs operating within the same regional housing market also interferes with outreach to area landlords. Central-city PHAs may not have the capacity to identify and reach out to small housing providers in low-poverty suburban areas, and even if they attempt to do so, they may have difficulty convincing landlords of any size to accept central-city Section 8 recipients. PHAs sometimes find themselves in competition for area landlords rather than working together to recruit the largest possible pool of participating landlords. Moreover, landlords are often confused by the multiplicity of local programs, and may hesitate to participate in the program at all because of uncertainties about who is administering it and how reliably it operates.

Proposal

In the wake of the Great Recession and amid the ongoing fiscal crisis, cash-strapped states and local governments must find new ways of delivering services and programs and the federal government must explore cost-saving innovations in essential safety-net programs. The administration of the housing voucher program appears ripe for re-invention and competition. Therefore, we propose **streamlining Section 8 housing voucher administration by shifting governance of the program to one organization or consortium at the metropolitan level through a competitive process.**

Although the arguments against the current system of balkanized local administration of the voucher program are strong, there is no single, obvious alternative that makes sense for every metropolitan region. Ideally, a metropolitan housing agency would administer the program region-wide, but few metro areas in the United States today have regional housing agencies, and building this capacity

everywhere would be costly and slow. However, several other types of organizations could potentially administer vouchers effectively at a regional scale, with the best choice differing from one metro area to the next depending on their particular circumstances.

In some metros, a single PHA might have the capacity to administer the voucher program region-wide, taking over the vouchers for other PHAs in the region, which would continue to administer the public housing program. Alternatively, a region's various PHAs might join together in a formal consortium, eliminating administrative overlap and improving program performance by establishing a common set of forms and procedures across their individual jurisdictions. Despite administrative challenges in current HUD rules, four formal consortiums already exist in Northwest Ohio, Pima County (AZ), Covington (KY), and, intriguingly, across state lines in The Dalles (OR) and Dallesport (WA).

At present, many states administer the federal housing voucher program in areas where there is no local agency (mostly rural counties and small towns) and in areas that overlap with the jurisdiction of one or more local PHAs. Some states, including densely populated Massachusetts and New Jersey, administer voucher programs in metropolitan areas also served by many smaller PHAs. State administration in metro areas offers a number of potential advantages, including the ability to maintain a consolidated waiting list for the state as a whole or for major geographic sub-regions; flexibility for recipients to move without confronting portability barriers; the capacity to shift assistance between sub-areas to better match the distribution of needy households and adjust for effects of portability flows; and, if states are the sole administrators of housing vouchers in a metro area, the potential to improve landlord outreach and relations.

Non-profit housing counseling or social service agencies offer another option. A number of PHAs have contracted with non-profit agencies to administer some elements of the voucher program and to provide enhanced housing counseling and mobility assistance. For example, in the MTO program, which was designed to help residents of public and assisted housing projects in high-poverty neighborhoods move to low-poverty neighborhoods anywhere in their metropolitan region, non-profit partners were responsible for landlord outreach and recruitment, mobility counseling and assistance, and post-move supportive services. The participating non-profits differed from site to site, but their activities were regional in scope and integrated non-housing supportive services and self-sufficiency strategies with the housing assistance.

In some metropolitan areas, for-profit firms may also offer a viable alternative for administering the voucher program regionally. Some states already subcontract administrative functions to for-profit and non-profit entities, and some local housing agencies contract out some or all administrative functions. HUD and local PHAs have also frequently relied on for-profit administrators to handle troubled PHA voucher programs. In Baltimore, for example, a special allocation of housing vouchers mandated by a litigation settlement is administered regionally by a for-profit firm, which has responsibility for all aspects of conventional program operations as well as mobility counseling and post-move supports.¹⁸

Given the diversity of potentially capable administrative entities, shifting the housing voucher program to regional governance in metro areas should be accomplished through a HUD-administered competitive process.¹⁹ Such a process would allow HUD to ensure that all for-profit and non-profit contractors adhere to the same standards for access to records and procedural rights that apply to government agencies, and meet obligations to pursue programmatic goals and broader objectives of the program.

Budget Implications

Given the high level of fragmentation in voucher program administration at the local level, it seems likely that considerable cost savings could be realized through consolidation. A March 2012 GAO report noted that HUD "dedicated from more than half to two-thirds of its level of oversight to 10 percent of its

units (generally those housing agencies that administer 400 or fewer vouchers), and an even lower level of risk in relation to the amount of subsidy funds they administered (about 5 percent of total program funds).”²⁰ Unfortunately, however, there is no reliable estimate available of potential budget savings attributable to a shift to regional administration of housing vouchers. Theoretically, increasing economies of scale and eliminating duplication will ultimately generate substantial savings, but would likely require significant spending up front to fund the transition to regional administration.

State of Play

The Housing Choice Voucher program is among the many discretionary programs affected by the \$85 billion sequestration that went into effect on March 1 2013. In FY 2013, the program will be cut by \$938 million, creating the possibility that as many as 140,000 low-income families could no longer receive rental vouchers by the beginning of 2014.²¹ These cuts are in addition to a substantial reduction in funding for voucher program administration enacted through the regular appropriations process, with most housing agencies expected to receive only about 70 percent of eligible administrative funds.²²

These cuts, which will only be compounded if sequestration continues for an additional nine years as scheduled under current law, make reform to program administration even more important. However, although metropolitan or regional governance of the Housing Choice Voucher program can help increase efficiency in a program facing continued budget cuts for the next decade, it cannot make up for the scale of cuts under sequestration, nor can it restore assistance to the hundreds of thousands of low-income people likely to be affected.

Implementation Requirements

HUD should move as quickly as possible to reduce the administrative costs and improve the performance of the Section 8 housing voucher program by establishing a competitive process for selecting a single entity to administer the program regionally in metro areas.

Eligible Institutions: The competition for voucher administration should be open to a variety of public agencies (including existing PHAs, state governments, metropolitan planning organizations, councils of governments, and other regional governmental entities), non-profit organizations, and for-profit firms. Applicants could compete alone or as part of a consortium of institutions with clearly delineated responsibilities.

Criteria for Competition: HUD should first rank applicants based on their ability to carry out the basic tasks involved in administration of the voucher program, including certifying recipient incomes, screening potential tenants, making rent calculations, ensuring the quality of housing units, administering subsidy payments, and establishing and maintaining necessary information and reporting systems. In addition, HUD should assess applicants’ ability to advance the broader goals of the voucher program. To what extent does the applicant have the demonstrated ability to administer a mobility counseling program and help more voucher recipients find suitable housing in high-quality neighborhoods? Does it have the capacity to engage with landlords throughout the region and increase their willingness to accept voucher recipients? Can it work effectively with social service providers, workforce agencies, and other key partners that can deliver needed services to voucher recipients?

Performance Measures: Two types of federal performance standards should govern the metropolitan administration of the housing voucher program. First, HUD should refine and strengthen existing standards set forth in the Section 8 Management Assessment Program (SEMAP) that measure whether the metropolitan administrator is meeting basic program requirements, including how well the administering entity is overseeing the determination of income eligibility, the enforcement of housing

quality standards, and the determination that rents are “reasonable.” Second, HUD should extend and clarify standards that measure progress towards meeting federal program objectives, particularly with regard to the goals of promoting housing choice and self-sufficiency, including measuring the extent to which families with children are able to move to areas of low poverty, become homeowners, or experience year-to-year increases in earned income.

Program Requirements: The voucher program would continue to be governed by federal requirements on housing quality standards, subsidy calculation, and household eligibility. It is expected that metropolitan administration would bring a consistency to implementation of these federal requirements and eliminate the current parochialism in program admissions and reciprocity requirements.

Transition Process: Shifting to regional administration of housing vouchers for all metro areas nationwide cannot happen overnight. In fact, congressional authorization would be required to restructure most existing PHAs. In the near term, HUD can and should more vigorously encourage the formation of regional consortia, including its ongoing efforts to eliminate duplicate reporting requirements for consortium members.²³ In addition, HUD has the authority to reorganize PHAs that fail to meet SEMAP standards. As such, HUD could begin a transition by mandating regional administration in metros where large shares of eligible households are served by one or more failing PHAs. However, in metros where some PHAs are performing effectively while others are failing, it may be necessary to offer incentives for well-performing PHAs to assume voucher administration responsibilities from failing PHAs. Reforms to SEMAP could also help create pressure for regionalization. Measuring the achievement of programmatic objectives rather than adherence of process requirements would allow HUD to better target regionalization to metros that need it most while simultaneously moving all PHAs in the right direction.

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¹² GAO, "Housing Choice Vouchers: Options Exist to Increase Program Efficiencies."

¹³ This number is skewed by the Boston (86) and Providence/New Bedford MSAs, with 86 and 79 PHAs respectively. Excluding those MSAs, there are 588 PHAs in the remaining 49 most populated metros.

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¹⁸ Lora Engdahl, "New Homes, New Neighborhoods, New Schools: A Progress Report on the Baltimore Housing Mobility Program," (Poverty and Race Research Action Council (PRRAC) and The Baltimore Regional Housing Campaign, 2009).

¹⁹ Although cost savings can potentially be realized through consolidation of some small PHAs serving small towns and rural communities, the competitive system proposed here would apply only to administration of the voucher program in metropolitan areas.

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