

# Safety net? The use of vouchers when a place-based rental subsidy ends

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# Overview of the project-based Section 8 program

- Created under the Housing and Community Development Act of 1974
- Subsidized private owners
- Over 1.2 million units were developed
- Over 115,000 households lived in properties that exited the stock prior to 2011
- Vouchers are offered as a tenant protection when the subsidy ends

# Motivation: the affordability problem

- The share of affordable private-market rental units has decreased, and rent burdens have increased (Schwartz et al. 2016; Joint Center for Housing Studies 2017)
- There is increased demand for subsidized housing, while the number of properties where owners will be eligible to end their existing subsidy contracts will increase going forward (Reina 2018)
- We know little about what happens to households who live in these properties

# Research questions

1. How many households use their voucher?
2. Do households who use their voucher move?
3. Do households who use the voucher move to lower poverty neighborhoods?
4. Do these outcomes vary based on household demand, market supply, or household demographic factors?

# Existing literature: subsidy expirations

- Properties are more likely to exit a subsidy program in areas with:
  - Increasing price appreciation
  - Rising rents
  - Improving neighborhood characteristics

(Finkel et al. 2006; Reina and Begley 2014; Ray 2015; Reina and Lens 2016)

# Existing literature: voucher use

- Approximately 81 percent of households offered a voucher used it 1993 (Kennedy and Finkel 1996), 69 percent did in 2000 (Finkel and Burron 2001) and 62 percent did in 2001 (Shroder 2002)
- Voucher use varies based on:
  - Household demand
  - Market supply
  - Household demographics

(Popkin and Cunningham 1999; Finkel and Buron 2001; Shroder 2002; Galvez 2010)

# Existing literature: voucher moves

- Households:
  - Delay moves until they receive a voucher
  - Move multiple times with their voucher
  - Move to slightly lower poverty neighborhoods

(Newman and Schnare 1997; Devine et al. 2003; Jacob and Ludwig 2012; Eriksen and Ross 2013)

# Data

- Constructed a national tenant-level database with proprietary HUD data from 1996-2010
- Combined the HUD data with American Community Survey data



# Models

- Dependent variables:
  - Odds of using a voucher
  - Odds of moving
  - Tract-level poverty rate
- Independent variables:
  - Household demand
  - Market supply
  - Household demographics

# Results: How many households use their voucher?

- **48 percent** use their voucher
- Those who do not use their voucher **lose over \$400 per month in rental assistance**, which is equivalent to **41 percent of their effective income**
- Those households with the highest rents, lowest income, dependents, and a Black or Elderly head of household are associated with **lower** voucher use rates

# Results: Do households who use a voucher move?

- **56 percent** of households who use their voucher move to another tract
- Of these households who move:
  - 72 percent move once
  - 21 percent move twice
  - 7 percent move three or more times
- Households with dependents, and those where the head was older than 62 or Black had **higher odds of moving** one or more times

# Results: Do voucher households move to lower poverty neighborhoods?

- The average poverty rate of a tract where a household lived when the contract ended was 26.8 percent
- On the whole households moved to lower poverty neighborhoods
- Controlling for moves, Black and Hispanic households were still associated with living in higher poverty tracts, while those with dependents were associated with living in slightly lower poverty tracts

# Results: Summary

- 52 percent of households **do not use a voucher** and on average lose 41 percent of their effective income
- 56 percent of households who use their voucher move
- Moving is associated with a **lower** tract-level poverty rate
- Those with the highest demand for a rental subsidy have **lower** odds of using it
- Households where the head is older than 62 are **less likely** to use a voucher and **more likely** to move multiple times
- Households where the head is Black are **less likely** to use a voucher, **more likely** to move multiple times and are associated with a **higher** tract-level poverty rate

# Limitations

- We lose our counterfactual
  - What happens to those households who do not use their voucher?
- Other outcomes of interest
  - Education outcomes
  - Health impacts

# Policy recommendations

- Invest in data to better understand which properties are at risk of losing subsidies
- Develop networks that will:
  - Use these data
  - Ensure HUD regulations and fair housing laws are being followed
- Incorporate all the potential losses in calculating the amount of subsidy offered to preserve existing affordable units
- Account for demand, supply, and demographic factors when administering vouchers

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