



Statement before the United States Senate Committee on Banking, Housing, and Urban Affairs
Hearing on “Examining Bipartisan Bills to Increase Access to Housing”

Making Housing Vouchers More Effective

Howard Husock

Adjunct Scholar, American Enterprise Institute

June 24, 2021

The American Enterprise Institute (AEI) is a nonpartisan, nonprofit, 501(c)(3) educational organization and does not take institutional positions on any issues. The views expressed in this testimony are those of the author.

Greetings. Thank you, Chairman Brown and Ranking Member Toomey. I appreciate the opportunity to testify on the legislation being considered by the committee. It is an honor to submit my testimony and answer questions for today's hearing. I will specifically address those proposals related to the expansion of the housing choice voucher program and the proposed terms of the Community Development Block Grants (CDBG).

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. Before considering a major expansion of the housing choice voucher program, we should make the existing program more effective. What's more, the past year has seen unprecedented spending on federal housing initiatives. The American Rescue Plan expanded the housing voucher program by allocating \$5 billion dollars for 70,000 housing vouchers, referred to by Secretary Fudge as a "once in a generation investment."¹ In the two most recent COVID relief packages, over \$46.5 billion has been spent on emergency rental assistance, which rivals the annual HUD budget. As Jason DeParle of the New York Times has documented, the rental assistance aid has been mired in both political and practical problem in its distribution leaving renters and rental property owners in limbo.² Another \$300 billion dollars (which includes tax credits) in "housing infrastructure" has been proposed by the Biden administration, much of it that has little to do with incentivizing upward mobility or emphasizing the transitional natures of these programs.³ This all to say that our current focus should be on making sure the money in pandemic housing assistance is distributed as effectively as possible. Commonsense adjustments can increase the voucher program's reach without major new spending while, crucially, providing incentives and encouragement for low-income households to improve their economic status.

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 housing choice voucher program. We should not assume that poverty is a life sentence in America. That suggests that we better allocate vouchers by seeing them as a transitional program. That leads me to two proposals.

First, the time has come to 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 those who would seek a higher-paying job, the formation of two-income families, and savings.

To make better use of our housing vouchers, we should follow the example of the Housing Authority of the State of Delaware, which as part of its Moving to Work program combines capped rent and savings account escrows with a five-year ceiling on assistance.⁴ 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.

We have seen positive outcomes since implementation, including:

- 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%.⁵

This healthy turnover should be a core part of the voucher program. Poverty should not be viewed as inevitable and forever. Indeed, as matters stand, the US Department of Housing and Urban Development (HUD) reports an 8 percent turnover rate annually among voucher units. In years past, that rate has reached as high as 15 percent.⁶ Steps to increase turnover while improving the situation of voucher households should be key goals of the program. A transition to work and increased income is today, more than ever, a practical goal, as the nation enjoys widespread labor shortages.

Second, we should resist expanding the program and be cautious in giving priority to low-income single parents, as is suggested. It is understandable that we seek to respond to need. But we must take care not to foster need by sending a signal that low-income single parenthood will qualify one for a subsidized rental—which is, in most jurisdictions, a lifetime eligibility. The life chances of those born to single mothers in poverty are such that this is not a choice we should inadvertently encourage. Indeed, a time-limited program for young married couple might be a better option.

The proposal to link federal CDBG assistance to the encouragement of affordable housing is, on one level, an understandable response to the inflexible zoning found in too many municipalities. But there are several reasons not to adopt this approach and to proceed with caution.

The idea that there is a "missing middle" in our housing supply is rapidly gaining adherents, as officials respond to concerns that young adults cannot afford to live in the towns where they grew up and public servants cannot afford to live in the towns they serve. Cities, such as Minneapolis, and states, such as Oregon, are already beginning to move away from strict large-lot single-family zoning. States like California have seen the proliferation of the YIMBY ("yes in my backyard") movement, which has successfully sought to make the economic case for loosening restrictive zoning to increase housing supply in the state's most high-cost cities.

A one-size-fits-all Washington review of local zoning risks stifling this creative change. Woodrow Wilson, a Democratic president, observed that, in the United States, localities are not governed; they govern themselves. This historic tradition brings with it democratic accountability. And perhaps most importantly, CDBG eligible communities are largely those already providing a great deal of affordable housing.

As Jenny Schuetz of the Brookings Institute wrote in 2018 about then-Secretary Ben Carson's proposed rule revision to make receipt of HUD funds, particularly from the CDBG program, contingent on local zoning reform, "HUD's interest in persuading local governments to reform exclusionary zoning is

admirable. But withholding CDBG would not be an effective mechanism, because exclusionary communities receive very little CDBG funding.”⁷

A better approach embraces the spirit of localism and adaptability of American municipalities and acknowledges the growing success of state-level movements to increase housing supply. HUD may want to provide useful models and technical assistance to zoning officials, rather than subjecting them to costly review.

I appreciate this opportunity to present my views. Thank you very much, and I look forward to your questions.

Endnotes

¹ US Department of Housing and Urban Development, “HUD Announces \$500 Billion Dollars to House People Experiencing Homelessness,” press release, May 17, 2021,

https://www.hud.gov/press/press_releases_media_advisories/HUD_No_21_087.

² Jason DeParle, “Federal Aid to Renters Moves Slowly, Leaving Many at Risk,” *New York Times*, April 25, 2021, <https://www.nytimes.com/2021/04/25/us/politics/rental-assistance-pandemic.html>.

³ The White House, “Fact Sheet: The American Jobs Plan Will Produce, Preserve, and Retrofit More Than 2 Million Affordable Housing Units and Create Good-Paying Jobs,” May 26, 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/05/26/fact-sheet-the-american-jobs-plan-will-produce-preserve-and-retrofit-more-than-2-million-affordable-housing-units-and-create-good-paying-jobs/>.

⁴ Delaware State Housing Authority, “What Is Moving to Work?,” <https://laborfiles.delaware.gov/main/det/one-stop/MTW%20Program.pdf>.

⁵ Housing Authority of the County of San Bernardino, *2021 Moving to Work Annual Plan*, May 22, 2020, <https://14icnrm1xwspvm3t3c7830p2-wpengine.netdna-ssl.com/wp-content/uploads/2020/08/2021-mtw-annual-plan-05.22.20-for-public-comment.pdf>.

⁶ US Department of Housing and Urban Development, Office of Policy and Research, “Assisted Housing: National and Local,” https://www.huduser.gov/portal/datasets/assthsg.html#2009-2020_data.

⁷ Jenny Schuetz, “HUD Can’t Fix Exclusionary Zoning by Withholding CDBG Funds,” Brookings Institution, October 15, 2018, <https://www.brookings.edu/research/hud-cant-fix-exclusionary-zoning-by-withholding-cdbg-funds/>.