

## MTW Research Advisory Committee Meeting

**Thursday, January 25, 2018, from 1-3:30 p.m. EST**

### **Proposal to consider studying within the MTW expansion the effects of a lower HCV subsidy level on residents and communities in order to achieve greater cost-effectiveness in federal expenditures.**

The housing choice voucher (HCV) program provides a substantial benefit to those who receive it, but leaves many equally needy households unassisted. Almost 16 million renter households are income-eligible for HUD assistance, but only 4.5 million households receive HUD assistance.<sup>1</sup> Similarly, HUD's most recent Worst Case Housing Needs Report estimates that in 2015, 8.3 million households had worst case housing needs, but did not receive HUD assistance.<sup>2</sup> The national average subsidy to the poorest recipients exceeds \$1,000 a month, but less than 25 percent of extremely low-income households receive housing assistance. A shallow, flat subsidy would provide a less generous subsidy than what is typically provided through the HCV program, but could stretch out limited resources to serve a greater number of people.

Motivated by the long waiting lists for public housing and the HCV program, some of the current 39 MTW agencies have used their flexibility authority to reduce their HCV payment standards. The Tacoma Housing Authority, Housing Authority of the County of Tulare, and the Minneapolis Public Housing Authority have all implemented initiatives that provide housing assistance conceptually similar to a shallow subsidy.

Project Independence in Alameda County, CA is a shallow subsidy program that has been studied. In the program, participants were given a \$225/month subsidy for a one bedroom instead of the \$421/month subsidy they would have received through the current HCV program. Participants had an average rent burden of 42 percent, but the Project Independence found that this shallow subsidy was effective at providing stable housing for 96% of the participants over two years, compared to a 10% stable housing rate for eligible non-participants. Over the five-year study period, Project Independence participants spent 3.9 years in stable housing arrangements versus 1-year for eligible non-participants.

Beyond this study, rigorous data and research on the tradeoffs and effects of a lower housing assistance subsidy is scant. Evidence on the effects of lower payment standards on the recipients and characteristics of the housing and neighborhoods of voucher recipients would enable more informed decisions about appropriate subsidy levels.

In HUD's 2010 *Study of Rents and Rent Flexibility*, PHA staff were surveyed about their attitudes on the tradeoff between providing a deep subsidy to fewer households, or a shallow subsidy to a greater number of households. Many respondents were conflicted, recognizing the benefits and drawbacks to each approach. This suggests that there is value in testing and evaluating small-scale initiatives that would vary the subsidy level and examine the effects.

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<sup>1</sup> *Study of Rents and Rent Flexibility*, 2010. US Department of Housing and Urban Development.

<sup>2</sup> *Worst Case Housing Needs 2017 Report to Congress*. 2017. US Department of Housing and Urban Development.

Producing more information about the effects of a shallow subsidy would help HUD and PHAs better understand the merit of the approach.

A shallow subsidy demonstration would not target households currently receiving assistance or near the top of the waiting list. One possible design is to announce that after a certain date the shallower subsidy would be the housing authority's default, but to determine the effect of the reform, randomly selected families on the waiting list would receive subsidies of the current generosity. Alternatively, participants could be selected randomly from the waiting list (beyond those near the top) to receive a lower subsidy or the current subsidy. This would offer a clean comparison between families coming off the waiting list and ignore current residents.

Depending on the type of shallow subsidy, the demonstration could compare the treatment and control groups, examining the following outcomes:

- Community and resident housing stability, including eviction rates, incidences of homelessness, and number of moves
- Voucher utilization and success rates
- Housing quality
- Housing costs and rent burden
- Employment and earnings
- Voucher utilization and success rates
- Quality of neighborhoods where assisted households are located