Testimony of Ben Metcalf
Managing Director, Terner Center for Housing Innovation
Before the United States House of Representatives
Committee on Financial Services
Hearing Entitled: Ending Homelessness and Expanding Economic Opportunity in America
June 9, 2021

Introduction

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, I am pleased to join you today to speak to the value of housing choice voucher expansion. My name is Ben Metcalf. I am the Managing Director of the Terner Center for Housing Innovation, a research and policy center dedicated to the vision of a country in which we live in vibrant, sustainable and affordable homes and communities. I also speak today from the perspective of having run the State of California's Department of Housing and Community Development and from having overseen multifamily housing programs for the United States Department of Housing and Urban Development during the Obama Administration. In my testimony, I will be speaking to the ways in which an expansion of the housing choice voucher program could have a transformative impact on our current affordable housing crisis, offering a potential to functionally end homelessness, remediate housing cost burden for low-income households, and spur construction of new desperately needed housing. I will also be noting five key areas of reform that would aid such an expansion in work more effectively, which include:

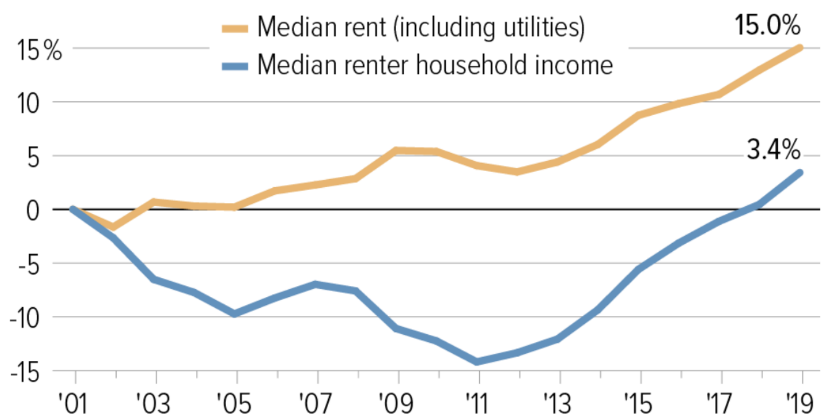
- *Accelerating deployment of known, critical fixes to the existing housing voucher program;*
- *Prioritizing the most vulnerable populations as we undertake expansions toward universal vouchers;*
- *Accompanying voucher expansion with a targeted renters tax credit for those low income households who are approaching a phase-out of eligibility for rental assistance as their incomes rise;*
- *Mandating minimal capacity standards for voucher administering entities and having new vouchers administered by the same entities that are overseeing state and local affordable housing programs wherever possible; and*
- *Pairing vouchers with a robust production-oriented strategy.*

Our Housing Affordability Challenges Today

First, let me set the stage as to what we know of the housing affordability crisis nationally. With wages for those below the median income having not kept pace with rising housing costs, today we see a seemingly ever growing population of households experiencing severe housing cost burdens that limit their ability to afford food, health care, invest in their children's education, save for retirement and recover in the wake of natural disasters.

Nationally, the median income of renters has only slowly climbed since the Great Recession, and in fact only recently recovered to its level before the dot com crash at the start of the 2000s. At the same time, growing rental costs have significantly outstripped changes in income. Low-cost units, defined as renting for $600 or less per month, are in decreasing supply, with the share of rental units that are low-cost dropping to only 25% in 2017. The share of apartment rentals for $1,000 or less dropped over this time as well, and without an accompanying growth in income, families are left overly cost-burdened.

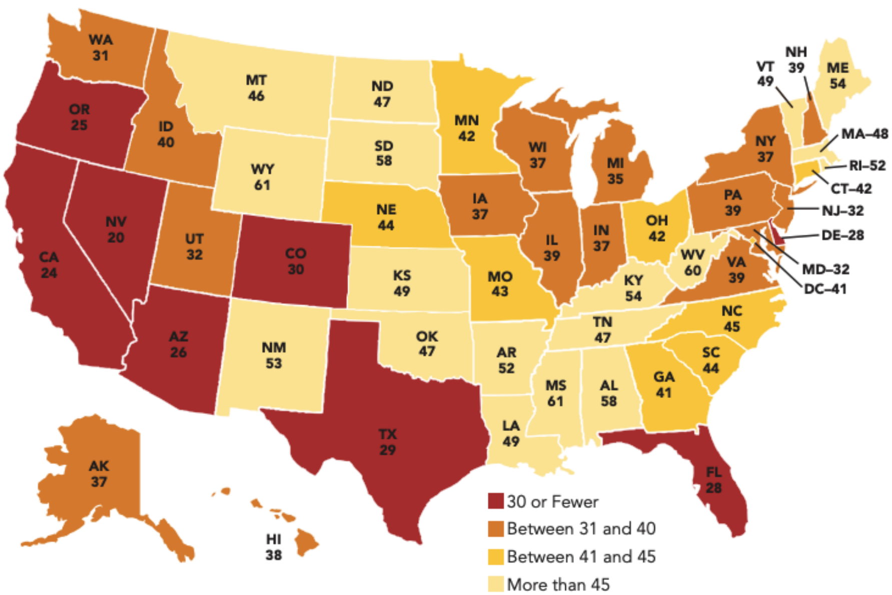
Renters' Incomes Haven't Caught Up to Housing Costs
(Percent change since 2001, adjusted for inflation)



Source: Center for Budget and Policy Priorities tabulations of the Census Bureau's American Community Survey

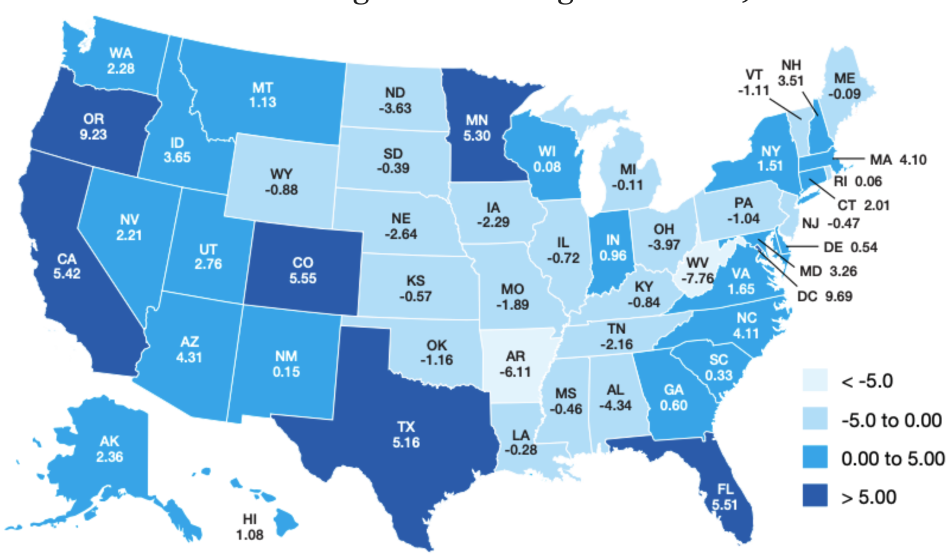
Coastal states, such as California, Washington, Oregon, New York, and Massachusetts, are top ranked for both having the largest percentage residency of extremely low-income renters, as well as the least available, affordable rental-housing. The housing shortage in these states extends up the income ladder, hurting those making up to the area median income as well. One of many factors driving the significantly larger housing shortages in these areas, and as a result the increasing number of cost-burdened households, is the lack of HUD investment into subsidization of affordable housing for low-income households. Research has demonstrated a clear linear relationship between the percentage of extremely low-income renters who are cost-burdened and HUD investment in rental subsidies, such that the greater HUD's investment in rental stock the smaller the proportion of extremely low-income renters are cost-burdened in a given metro.[1]

Rental Homes Affordable and Available per 100 Extremely Low Income Renter Households by State



Source: National Low Income Housing Coalition Tabulations of 2019 ACS PUMS Data

Housing Stock Deficit as Proportion of a State's Housing Stock (Dynamic Estimate Considering interstate migration flows)



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[1] See Citation 3; National Low Income Housing Coalition (March, 2021). The Gap: A Shortage of Affordable Homes. Retrieved from https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2021.pdf

Source: Freddie Mac, based on CPS, HVS and Moody's Analytics estimated data (based on 2018 figures)[2]

California is home to seven of the top ten most expensive cities for renters. Even during the pandemic, when housing costs were dropping nationally, California renters saw a 12% increase in average rent prices. Despite softening rental prices due to COVID-19, in San Francisco, average rental costs are still $3,500 per month for a two-bedroom apartment, a widely unattainable price for most renters to meet. To put the average renter income and rental cost disparity in California into perspective, since 2000, rents in California have grown by 37%, while average wages have only increased by 8% (the figure for income growth includes high-income renters, many of whom are salaried, as well as minimum-wage workers).[3] The National Low Income Housing Coalition estimated nearly 1.3 million California renter households are extremely low-income, 76% of which are severely cost-burdened, and the state lacks nearly 1 million rental homes that would be affordable and available to these renters.[4]

The housing affordability crisis has translated into a growing homelessness crisis, with California at the forefront. 2020 marked the fourth consecutive year homelessness rose in the United States, with the growth entirely concentrated in the unsheltered population.[5] Nearly a third of the country's homeless population resides in California. From 2019 to 2020, California saw the largest absolute growth in homelessness compared to any other state, with an additional 10,270 residents experiencing homelessness. In addition, California's homeless population is more likely to be unsheltered. HUD's 2020 Annual Homeless Assessment Report (AHAR) found that 70% of California's residents experiencing homelessness sleep outside, representing roughly 113,000 unsheltered residents out of 161,000 individuals experiencing homelessness within the state.

Continuums of Care (CoC) with the Highest Percentages of People Experiencing Homelessness who were Unshletered in each CoC Category

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[2] Freddie Mac (February, 2020). "The Housing Supply Shortage: State of the States." http://www.freddiemac.com/fmac-resources/research/pdf/202002-Insight-12.pdf

[3] Tobias, M. (April, 2021). Californians: Here's why your housing costs are so high. CalMatters. https://www.cbs8.com/article/news/local/california/calmatters/why-is-housing-so-expensive-in-california/509-e463dd3f-4041-43b9-8983-4226caee88e2

[4] National Low Income Housing Coalition. Housing Needs By State: California. https://nlihc.org/housing-needs-by-state/california

[5] Meghan Henry et al., "The 2020 Annual Homeless Assessment Report (AHAR) to Congress," U.S. Department of Housing and Urban Development, January 2021, https://www.huduser.gov/portal/sites/default/files/pdf/2020-AHAR-Part-1.pdf.

CoC Name	Total homeless people	Percent of all homeless people who were unsheltered	CoC Name	Total homeless people	Percent of all homeless people who were unsheltered
Major City CoCs			**Other Largely Urban CoCs**		
San Jose/Santa Clara City & County, CA	9,605	82.5%	Oxnard, San Buenaventura/ Ventura County, CA	1,787	70.8%
Long Beach, CA	2,034	77.8%	Napa City & County, CA	464	65.3%
Oakland, Berkeley/Alameda County, CA	8,137	77.6%	Eugene, Springfield/Lane County, OR	1,606	64.6%
Fresno City & County/Madera County, CA	3,641	73.6%	Bakersfield/Kern County, CA	1,580	63.5%
Los Angeles City & County, CA	63,706	72.3%	Santa Rosa, Petaluma/Sonoma County, CA	2,745	62.0%
Largely Suburban CoCs			**Largely Rural CoCs**		
Imperial County, CA	1,527	87.4%	Lake County, CA	357	94.1%
Fort Pierce/St. Lucie, Indian River, Martin Counties, FL	1,379	86.4%	Jackson/West Tennessee	861	93.0%
San Luis Obispo County, CA	1,423	82.4%	Hendry, Hardee, Highlands Counties, FL	403	88.1%
Vallejo/Solano County, CA	1,162	80.2%	Alpine, Inyo, Mono Counties, CA	184	88.0%
Pasco County, FL	898	76.6%	Columbia, Hamilton, Lafayette, Suwannee Counties, FL	578	85.5%

Source: 2020 Annual Homeless Assessment Report to Congress; PIT Estimate 2007 - 2020

In addition to the toll on individuals and families, rising housing costs in economically-productive areas, driven by housing supply restrictions, can negatively impact employment growth and productivity.[6] According to research by economists Chang-Tai Hsieh and Enrico Moretti, the lack of affordable housing in cities like San Francisco and San Jose costs the U.S. economy about $1.6 trillion a year in lost wages and productivity.[7] In addition, research is increasingly showing that local growth controls and local discretion in the permitting process are significantly associated with rising residential segregation and inequality.[8] While land use regulations can serve important purposes (such as green space conservation), excessive regulations constrain supply and largely benefit existing property owners at the expense of renters and working-class households.[9]

[6] Hsieh, C. T., & Moretti, E. (2019). Housing constraints and spatial misallocation. American Economic Journal: Macroeconomics, 11(2), 1-39. https://pubs.aeaweb.org/doi/pdfplus/10.1257/mac.20170388

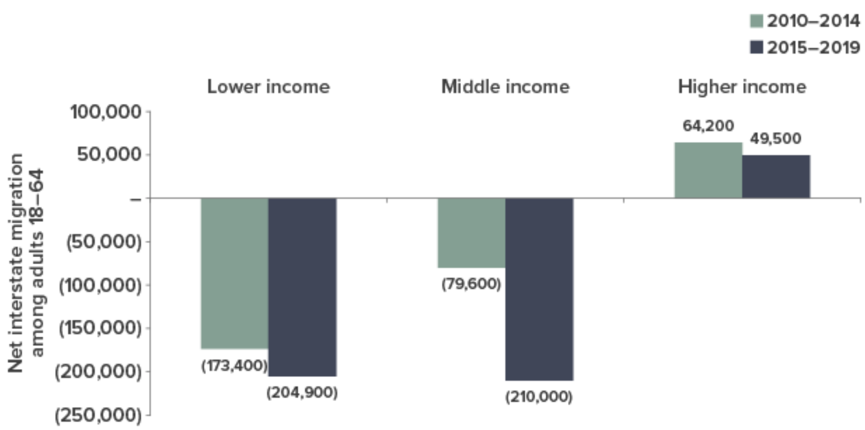
[7] Chang-Tai Hsieh & Enrico Moretti, Why Do Cities Matter? Local Growth and Aggregate Growth (Nat'l Bureau of Econ. Research, Working Paper No. 21154 2015).

[8] Michael C. Lens & Paavo Monkkonen, Do Strict Land Use Regulations Make Metropolitan Areas More Segregated by Income?, 82 J. Am. Plann. Assoc. 6–21 (2016); P Ganong & D Shoag, Why Has Regional Income Convergence in the U.S. Declined? (Harvard Kennedy Sch. Working Paper No. RWP12-028 2015).

[9] Jason Furman, U.S. Chairman of Council of Economic Advisers, Barriers to Shared Growth: The Case of Land Use Regulation and Economic Rents, Remarks at The Urban Institute (Nov. 20, 2015) (transcript available at www.whitehouse.gov).

Furthermore, the lack of affordably-priced housing supply has led to an increase in net domestic out-migration from economically productive regions, such as those found in California. The loss of lower- and middle-income residents from California, over 400,000 in 2019, eclipses the relatively small in-migration of higher-income residents, totalling around 50,000.[10,11] Throughout the 2010s, the Census Bureau's Current Population Survey found that roughly 23% of out-migration in California was explained by housing costs. In March of this year, the Public Policy Institute of California conducted a statewide survey, finding 43% of Californian's considered moving due to housing affordability, with 33% considering moving out of the state completely. Residents concentrated in high cost cities such as the San Francisco Bay Area (49%), San Diego (44%), and Los Angeles (39%) are most likely to report housing affordability as a source for considering a move.[12] Out-migration from California has also impacted housing costs in neighboring states, such as Idaho.[13]

California Lost Middle- and Lower- Income Adults, Gained Those with Higher Incomes



Source: Public Policy Institute of California, based on American Community Survey Data

The national housing crisis has only been exacerbated as communities face an ever-growing risk of displacement due to wildfires, earthquakes, flooding and other natural disasters. For example, in a recent study evaluating the impact of rising sea levels on affordable housing in coastal communities, the authors found that small

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[10] Johnson, H. (May, 2021). Who's Leaving California - and Who's Moving In? Public Policy Institute of California. https://www.ppic.org/blog/whos-leaving-california-and-whos-moving-in/

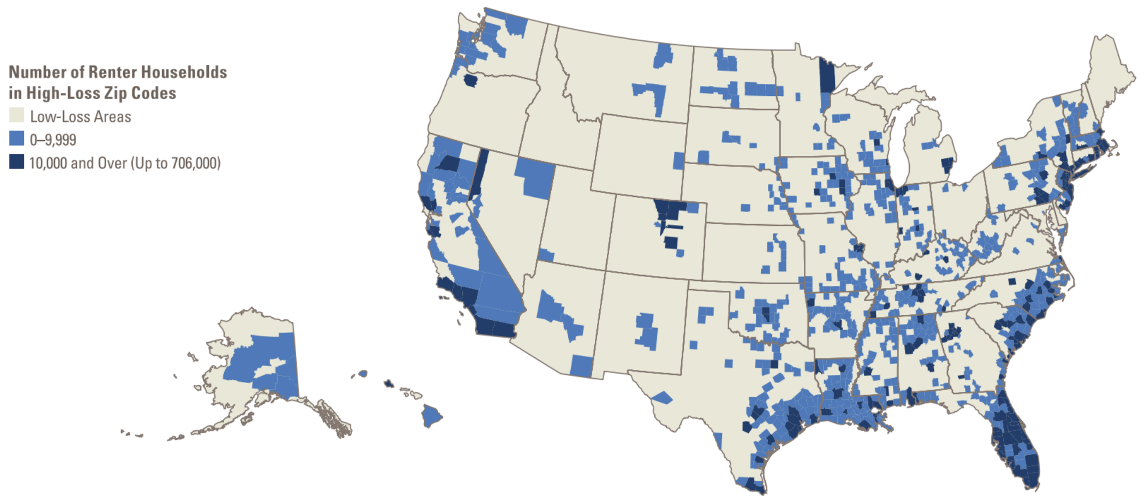
[11] Johnson, H., McGhee, E., & Cuellar Mejia, M. (March, 2021). California's Population: Just the Facts. https://www.ppic.org/publication/californias-population/

[12] Baldassare, M., Bonner, D., Lawler, R. Thomas, D. (March, 2021). PPIC Statewide Survey: Californians and Their Government. Public Policy Institute of California. https://www.ppic.org/wp-content/uploads/ppic-statewide-survey-californians-and-their-government-march-2021.pdf

[13] Dougherty, C. (February, 2021). The Californians Are Coming. So Is Their Housing Crisis. New York Times. https://www.nytimes.com/2021/02/12/business/economy/california-housing-crisis.html

Californian and northeastern cities are at highest risk of flooding.[14] For instance, in nearly all cities examined in this study, affordable housing units are at greater risk of flooding than general housing units, with 40% of affordable housing units in California predicted to be at risk of flooding by the year 2050. Affordable housing complexes are less likely to be resiliency-ready in response to flooding and natural disasters as a result of the increased costs to fortify existing structures, and renters of these affordable housing units are less likely to be insured.

More than 10 Million Renters Live in Areas Prone to Natural Disasters



Source: Joint Center for Housing Studies tabulations of US Small Business Administration; Disaster Loan data; US Census Bureau, American Community Survey 5-Year Estimates.

Why an Expansion of the Housing Choice Voucher Program is Needed

Given the multifaceted negative consequences that result from the current housing affordability crisis, the federal government should make the expansion of housing assistance a priority. Housing assistance--through both demand and supply side subsidies--works. Renters with financial assistance are less likely to experience homelessness, housing instability, or overcrowded, unsafe housing conditions. Government-funded rental assistance reduces poverty and improves overall health outcomes for children. Children in families who received rental assistance demonstrated more prosocial behavior and fewer negative behavioral problems and sleep disruptions.[15] In limited longitudinal studies, children who received rental assistance to

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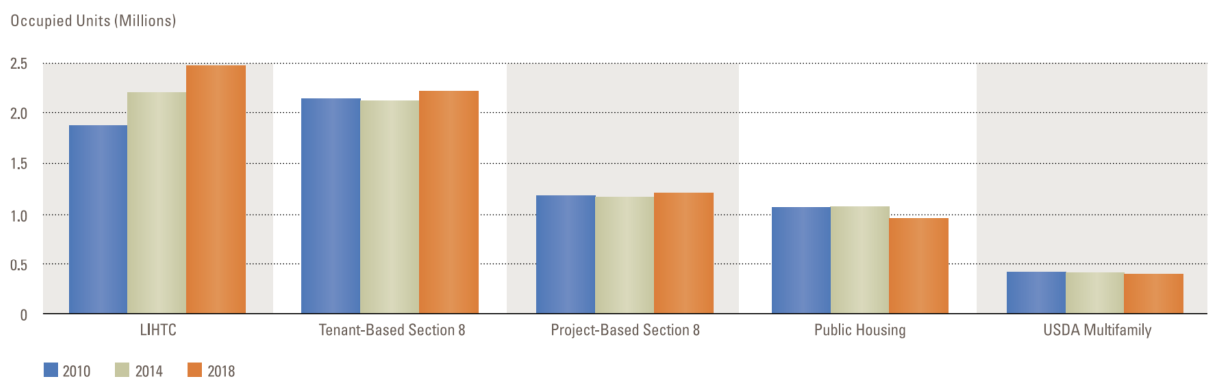
[14] Buchanan, M. K., Kulp, S., Cushing, L., Morello-Frosch, R., Nedwick, T., & Strauss, B. (2020). Sea level rise and coastal flooding threaten affordable housing. Environmental Research Letters, 15(12), 124020. https://ph.ucla.edu/sites/default/files/attachments/2020_Environ._Res._Lett._15_124020.pdf
[15] Daniel Gubits et al., "Family Options Study: 3-Year Impacts of Housing and Services Interventions for Homeless Families," prepared for Department of Housing and Urban Development, October 2016, https://www.huduser.gov/portal/sites/default/files/pdf/Family-Options-Study-Full-Report.pdf.

move to low-poverty neighborhoods earned more in adulthood and were more likely to attend college than children who remained in their original census tract whose families did not receive housing aid.[16,17] Adults too benefit from rental assistance, experiencing lower rates of diabetes, obesity, and reporting significantly lower rates of anxiety and depression. And research done by the Terner Center shows that when living in high-quality, affordable housing, households invest in their own economic mobility as well as their childrens.[18]

But federal rental assistance has been inadequate to meet the need for some time. Today, approximately 1 in 4 eligible households are receiving assistance under the current system, with many cities' housing choice waitlists either years long or closed entirely.[19] Despite this persistent deficit in available housing-assistance opportunities for eligible households, from 2010 to 2020, the quantity of federally subsidized tenant-based housing vouchers remained stagnant.[20]

The Supply of Federally Subsidized Units Has Remained Essentially Flat Since 2010



Source: Joint Center for Housing Studies tabulation of HUD, Picture of Subsidized Households and Low-Income Housing Tax Credit Database; USDA, Multi-Family Housing Annual Fair Housing Occupancy Reports.

[16] Chetty, R., Hendren, N., & Katz, L. F. (2016). The effects of exposure to better neighborhoods on children: New evidence from the Moving to Opportunity experiment. American Economic Review, 106(4), 855-902. http://www.equality-of-opportunity.org/images/mto_paper.pdf

[17] Shonkoff, J. P., Garner, A. S., Siegel, B. S., Dobbins, M. I., Earls, M. F., McGuinn, L., ... & Committee on Early Childhood, Adoption, and Dependent Care. (2012). The lifelong effects of early childhood adversity and toxic stress. Pediatrics, 129(1), e232-e246. https://pediatrics.aappublications.org/content/129/1/e232.full?utm_source=TrendMD&utm_medium=TrendMD&utm_campaign=Pediatrics_TrendMD_0&casa_token=InzP08lr138AAAAA:KYRJ6exxAGQbEpDWGktaabyEAzJfbJFipyBMbFLI00SgU2HvQLQUlLr9WvdjB62j9V69GxdYSQJZ

[18] Reid, Carolina (September 2020). "Recession and Recovery: The Critical Role of Housing Assistance in Promoting Economic Security for Low-Income Households," Berkeley, CA: Terner Center for Housing Innovation, September 2020.

[19] Cunningham, M. K. (2016). Reduce poverty by improving housing stability. Urban Wire: The Blog of the Urban Institute. https://www.urban.org/urban-wire/reduce-poverty-improving-housing-stability

[20] See Citation 1; Joint Center for Housing Studies (2020). America's Rental Housing: 2020. https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2020.pdf.

Housing choice vouchers are an important component of the overall system for delivering housing assistance, complementing project based subsidies such as the Low Income Housing Tax Credit (LIHTC), HUD multi-family, and public housing. The most important advantage of housing vouchers is that they give recipients the freedom to choose the kinds of housing and the locations that best meet their needs. Federal housing construction programs have historically clustered assisted families in low-income, central city neighborhoods, contributing to both concentrated poverty and racial segregation. Housing Choice Vouchers -- by providing tenants with the option of finding housing in the private market in many different neighborhoods -- have the potential (if not fully realized) to help counteract patterns of poverty concentration and racial segregation by enabling low-income renters to find and afford housing in neighborhoods throughout a metropolitan region.[21]

In addition, housing vouchers serve as an important complement to the resources that local and state governments use to build more affordable housing. Additional project based vouchers can help affordable housing projects pencil, by increasing the amount of commercial debt a project can leverage to assist with construction, and by offsetting the need to find additional gap funding sources to accompany low income housing tax credit equity. In particular, through LIHTC, local bond measures, and inclusionary zoning ordinances, state and local governments can fund the production of new affordable units, but often struggle with finding funding to support ongoing operating subsidies, especially for very-low income households. This creates a barrier to housing the most vulnerable households -- including formerly homeless individuals, especially in higher cost regions, where the gap between income and LIHTC rents requires additional subsidy. For example, in 2017, California enacted No Place Like Home, a $2 billion bond funded program intended to provide permanent supportive housing to formerly homeless individuals. But because of a lack of available vouchers, the state was compelled to authorize funds that would otherwise have been used to build much needed new units to be used as a capitalized operating subsidy reserve. This reserve is only a temporary stopgap measure, since the operating reserves run out after 15 to 20 years, forcing a subsequent expensive recapitalization. The upshot: funds that could be used to build more affordable housing now sit idle in project bank accounts as reserves. An expanded voucher program could solve this operating revenue/expense mismatch, and make more affordable units available for individuals experiencing homelessness.

[21] Turner, M. A. (2003). Strengths and weaknesses of the housing voucher program. http://webarchive.urban.org/publications/900635.html

Expansion of the Housing Choice Voucher Program Must be Accompanied by Program Reform

While we work to expand the housing voucher program, it is important to recognize and address challenges with the existing housing voucher system that limit its effectiveness in its current form. And we must anticipate unintended negative consequences that are likely to accompany any significant expansion.

Even today, a significant share of households who receive vouchers struggle to readily use those vouchers to access appropriate housing. This is especially true in supply constrained, high cost markets. For example, according to HUD's new online tool to evaluate Housing Choice Voucher programs at the national, state and local levels, California currently has a leasing potential of 11,285. Leasing potential is the number of additional units that could be leased for a full year while still maintaining HUD's recommended reserves. The Housing Authority of the City of Los Angeles alone has a leasing potential of 2,337.[22]

Nationwide, an estimated 10 percent of vouchers are unused (despite the affordability crisis), due to difficulties in finding units that meet minimum quality standards or fair market rents, limits on where voucher holders can live and the short-time frame allowed to find a unit, as well as landlord discrimination and/or unwillingessness to deal with HUD rules and inspections.[23] In a pilot study conducted for HUD, researchers screened more than 341,000 online listings in 5 cities and found fewer than 9,000 that appeared to be eligible for voucher use.[24]

As further detailed in the Terner Center's recent published Federal Framework, below are five actions that should accompany increased investment into the voucher program[25]:

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[22] Office of Public and Indian Housing, (February, 2021). Housing Choice Voucher - Leasing Potential. https://app.powerbigov.us/view?r=eyJrIjoiM2Y2OTQ2MTAtODVkNC00YmM2LThhOWEtZWY4MGU5YWFmZDFmIiwidCI6IjYxNTUyNGM1LTIyZTktNGJjZC1hODkzLTExODBhNTNmYzdiMiJ9

[23] https://www.huduser.gov/portal/publications/UrbanLandlords.html; https://www.urban.org/research/publication/pilot-study-landlord-acceptance-housing-choice-vouchers

[24] See 26, Cunningham, M., Galvez, M., Aranda, C. L., Santos, R., Wissoker, D., Oneto, A., Pitingolo, R., & Crawford, J. (2018). "A Pilot Study of Landlord Acceptance of Housing Choice Vouchers." U.S. Department of Housing and Urban Development. Retrieved from: https://www.huduser.gov/portal/pilot-study-landlord-acceptance-hcv.html.

[25] Terner Center for Housing and Innovation. (February, 2021). Building a Better Ladder of Housing Opportunity in the United States A Framework for a Holistic, Equitable, and Sustainable Approach to Federal Housing Policy. https://ternercenter.berkeley.edu/wp-content/uploads/2021/02/Federal-Framework-Brief-February-2021.pdf

First, accelerate deployment of known, critical fixes to the existing housing voucher program, including:

- Updating and refining HUD's process for setting Fair Market Rents. Fair Market Rents set the maximum level for rents allowed under the voucher program. HUD calculates these rents every year at the county level, but the process is ill-equipped to address markets with rapidly rising or dropping rents, nor has it served markets with significant rent variation at the sub-county level. Set the rents too high and program costs can increase significantly (as well as push rents upward), but if they are set too low, households will be unable to find adequate units or be constrained to living in poorly resourced neighborhoods. HUD's Small Area Fair Market Rent demonstration, which calculates fair market rents at the zip code instead of the county level, holds important lessons for improvements in FMR calculations, and current research efforts by HUD to investigate methods for increasing the accuracy and timeliness of the FMR setting process are critical to continue and expand.[26,27]
- Making the current housing quality standard program less onerous for owner participation. The voucher program currently requires that landlords must meet a minimally acceptable level of physical quality for participating units. These housing quality standards can be a major challenge to owner participation and can cause a time delay such that a voucher holding household falls out of the program. HUD must improve its ability to quickly resolve housing quality standards, by employing technology solutions such as video inspections or random sampling to lower the bar to participation -- differentiating minor issues from more profound health and safety issues. Pushing for significant upgrades can force units and/or owners out of the program, particularly in cases where Fair Market Rents are close to existing market rents. The federal government should instead support local governments in building out their own building code inspection capacity in order to more broadly serve the housing market and protect renters.

- Making it harder to directly or indirectly discriminate against voucher holders seeking to rent housing. Today in much of the country it is permitted to discriminate against voucher holders without penalty. And, even in states and jurisdictions where voucher non-discrimination laws are now formally in place (such as California), landlords are able to sidestep that obligation to rent to voucher-holding households by imposing high security deposit amounts, credit

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[26] Reina, V., Acolin, A., & Bostic, R. W. (2019). Section 8 vouchers and rent limits: Do small area fair market rent limits increase access to opportunity neighborhoods? An early evaluation. Housing Policy Debate, 29(1), 44-61. https://doi.org/10.1080/10511482.2018.1476897

[27] Reina, V. J. (2019). Do Small Area Fair Market Rents Reduce Racial Disparities in the Voucher Program?. Housing Policy Debate, 29(5), 820-834. https://doi.org/10.1080/10511482.2018.1476897

standards, and/or by listing their units at rents just above the Fair Market Rent. The bipartisan Choice in Affordable Housing Bill, authored by Senators Coons and Kramer offers a number of fixes to these issues, including providing landlords with signing bonuses and better aligning financial incentives for voucher administering entities.

- Investing heavily in renter counseling and landlord outreach. Today, inadequate marketing to landlords, along with little support for them in understanding the mechanics of the voucher programs or their legal obligations greatly limit uptake. Scalable models exist with high-performing public housing authorities. Similarly, a significant expansion of renter counseling for renters who receive vouchers to help them better understand their rights and options has been shown to greatly increase the likelihood of timely leasing and geographic mobility.[28]

Second, prioritize the most vulnerable populations as we undertake expansions toward universal vouchers. This includes requiring that new vouchers be prioritized for formerly homeless populations or other vulnerable or extremely low income populations, in alignment wherever possible with state and local affordable housing programs. And this may also include priorities for other special populations that align with other areas of capital investment where vouchers can be beneficially project based, such as individuals with disabilities, youth aging out of foster care, the elderly, or those with extremely low-incomes living in communities at risk of displacement who can't otherwise be readily housed within LIHTC developments.

Third, accompany voucher expansion with a targeted renters tax credit for those low income households who are approaching a phase-out of eligibility for rental assistance as their incomes rise. Expanded voucher assistance should be paired with a renters tax credit for those with low to moderate incomes who still struggle with housing burdens. Creating a targeted tax credit could ensure expanded assistance avoids the twin challenges of the "subsidy cliff" and asset limits, where renters lose their assistance if their income goes above a certain level and where they are prohibited from building savings that can facilitate greater economic mobility. Research has shown that these cliffs can serve as a disincentive to work, particularly when even moderate incomes are insufficient to cover the gap between subsidized and market rents. Enacting a renter's tax credit targeted at working households who earn low incomes yet still face high housing cost burdens would create a more robust ladder of housing opportunity. This type of credit could support transitions out of rental assistance and potentially into affordable, entry-level homeownership, if

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[28] See, eg, Peter Bergman, Raj Chetty, et al. (March, 2020) Creating Moves to Opportunity: Experimental Evidence on Barriers to Neighborhood Choice.
https://opportunityinsights.org/wp-content/uploads/2019/08/cmto_paper.pdf

those renters were able to accumulate more savings for a down payment. Lastly, while the existing operational complexity of vouchers may be a worthwhile trade-off for very-low or extremely low-income households, that complexity may be harder to justify if and as more vouchers are made available to those earning between 50-80% of area median income, especially when the share of rent those households can afford approaches the fair market rent standard in their jurisdictions. In these cases, the tenant share of rent may substantially outweigh HUD's share of rent. At a certain point, that relatively modest benefit may become too cumbersome to justify, either from a renter or landlord's perspective.

Fourth, mandate minimal capacity standards for voucher administering entities and have new vouchers administered by the same entities that are overseeing state and local affordable housing programs wherever possible. The current system requires HUD to work through thousands of voucher administering public housing authorities (PHAs) to implement the voucher program. Many of these are low capacity, with inadequate technology platforms, and don't otherwise engage in new housing construction. Ensuring PHAs that do administer vouchers have quality staffing and robust systems in place to monitor and manage new vouchers is critical. In addition, today PHAs often sit outside of the mainstream affordable housing capital subsidy delivery structure, meaning that opportunities to couple vouchers with production-based subsidies for greater impact are lost. HUD must have the flexibility to allocate new vouchers to state or regional governments, or other non-traditional entities such as community development financial institutions or project based rental assistance contract administrators, in order to better coordinate tenant based assistance with other efforts to address gaps in affordable housing.

Fifth, pair vouchers with a robust production-oriented strategy. Broader purchasing power by a growing number of voucher holding households risks further driving up rents, which could lead to higher program costs and greater housing cost burdens for non-voucher holding households. Addressing constraints to housing supply at the lower end of the market is therefore paramount for avoiding market distortions, especially where supply is most constrained, and to make sure the housing stock that is coming online creates access to a diverse array of communities and in ways that support climate imperatives and racial equity. This requires the federal government to work constructively with local governments to do away with exclusionary housing policies and local regulatory barriers. It also requires a larger share of new housing vouchers, whose rents would be pegged to market rents, to be project based into new rental housing communities. For traditional affordable housing, including permanent supportive housing, the additional commercial debt facilitated through project based vouchers is already used to close funding gaps that otherwise complicate the production of new low income tax credit funded affordable housing, particularly in higher cost markets. But an expanded voucher program should also be used to spur otherwise market-rate construction to take on project based vouchers for a share of their units, enabling such developments to offer mixed-income housing while financing against the voucher enabled revenue stream. By functionally de-risking a share of a multifamily market-rate project's forecasted rental revenue, a voucher expansion could stimulate construction of new housing, particularly if paired with expanded federal investment into shallow subsidy programs such as those used by market rate developers, including the tax-exempt bond program, the Federal Housing Administration's 221d4 or 236 programs, and/or a more aggressive set of debt products that might be made available by Fannie Mae and Freddie Mac. Programs like these require less regulatory oversight than traditional affordable housing capital programs, are available "over the counter", and cost far less on a subsidy per unit basis. By leveraging commercial debt secured by project based voucher revenue, more expensive deep capital subsidy sources can be avoided, while still achieving the same depth of affordability for the residents of those project based voucher units.

Conclusion

In summary, our current housing voucher program plays a critical role in helping vulnerable individuals and households to affordably access needed housing. An expansion to that program should markedly help to remediate widening inequality and reverse place-based racial and income segregation. Furthermore it would directly complement efforts to address homelessness in high cost states, where the gap between production based subsidies and very low incomes profoundly limit the ability to reach the most vulnerable families.

But any effort to move towards universalizing vouchers must be accompanied by reforms to the voucher program to increase its effectiveness. Above all, we must move in tandem to unlock and enable new housing supply in our most supply-constrained and economically vital regions.

Taken together, these changes to federal housing policy could put us on a path toward having a country where all families have a shot at the middle class and can live in homes and communities that are vibrant, safe, and affordable.