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ADDITIONAL HOUSING VOUCHERS NEEDED TO STEM INCREASE IN HOMELESSNESS

By Douglas Rice

“One of the changes in attitudes that I want to see here in Washington and all across the country is a belief that it is unacceptable for children and families to be without a roof over their heads in a country as wealthy as ours.”
— President Obama, speaking to reporters on March 24, 2009.

“An extensive body of careful research has demonstrated that housing vouchers are critically important both for preventing families with children from becoming homeless and for helping those who enter the shelter system to leave it for permanent housing and not become homeless again.”
— Jill Khadduri, noted researcher and former HUD Policy Director.¹

With strong evidence that poverty and homelessness are rising, Congress should consider realigning budget priorities to provide rental assistance to more low-income families by funding new housing vouchers.

Rental assistance is key to reducing homelessness among families with children. Housing vouchers are a particularly effective form of rental assistance because they are flexible and cost-effective, making housing affordable even for families with very low incomes, according to numerous studies.

The Obama Administration will not release the full details of the President’s 2010 budget until next month, but early indications suggest that it will not propose new rental assistance. Thus, the responsibility to do so will fall to Congress.

Homelessness Rising as Job Losses Mount

During the last three recessions, the number of Americans living in poverty — and the number living below *half* of the poverty line — has risen markedly, with the largest increases occurring in recessions with the highest unemployment.² Families with incomes below half of the poverty line face the greatest risk of becoming homeless, as they have the most difficulty paying rent. For example, a family of four with income below half of the poverty line has a monthly income of less than \$833, which itself falls below the \$900 average cost of a modest two-bedroom apartment.³

As job losses have mounted in recent months, rising numbers of families are falling into poverty and losing their homes.

- Since the recession began 16 months ago, the number of unemployed or underemployed Americans has risen by 10 million.⁴ Unemployment will almost certainly get worse before the job market recovers. Goldman Sachs recently projected that the unemployment rate, now at 8.5 percent, will rise to 9.6 percent by the end of 2009 and 10 percent by the end of 2010. Most economists anticipate that the unemployment rate will remain above pre-recession levels for several years.
- Historically, changes in food stamp enrollment have closely tracked changes in poverty.⁵ Since the recession began, the number of people receiving food stamps has risen by 4.6 million, or 16.8 percent. In 19 states, at least one-fourth of children are now enrolled in the food stamp program. This is strong evidence that poverty is rising substantially.
- New data indicate that homelessness among families with children is climbing sharply in many communities. In the nation's capital, for example, the number of families with children living in emergency shelters or transitional housing or on the street increased by 25 percent in the past year.⁶ While no comprehensive national data are available, these and other local reports are supported by two recent national surveys. One showed that one in five responding school districts reported having more homeless children in the fall of 2008 than over the course of the entire 2007-2008 school year.⁷

This spike in homelessness is worsening what was already a large and persistent problem. Even before the current recession, an estimated 1.6 million people, including 340,000 children, were homeless and living in emergency shelters or transitional housing over the course of a year. Many more adults and children were living on the street, in shelters for victims of domestic violence, or temporarily in the homes of friends and relations.⁸

Homelessness can have adverse long-term consequences for children. Housing instability and homelessness lower school performance, increase the chances of a child having to repeat a grade, and reduce high school completion rates. Homelessness also puts children at greater risk of serious physical health problems.⁹

Expanding the Voucher Program Can Help Fight Homelessness

Created in the 1970s, the Housing Choice Voucher Program has become the dominant form of federal low-income housing assistance. Currently, about 2 million low-income families use vouchers to help pay for housing they find in the private market.

Housing vouchers are flexible, cost-effective, and successful in making rental housing affordable even for families with very low incomes, and numerous studies show they can play a critical role in reducing homelessness among families with children.¹⁰ Because families can use vouchers almost immediately, vouchers can rapidly address rental housing needs when homelessness is rising. (Production subsidies are also essential, particularly for housing populations such as the elderly or people with disabilities, or where decent quality rental housing is in scarce supply.¹¹ Directing such

subsidies through the newly-created National Housing Trust Fund would ensure that the investments benefit high-risk families.¹²⁾

Until recently, Congress made substantial annual investments to expand rental assistance, funding an average of about 80,000 new vouchers every year from 1976 to 2002. Congress funded *no* new vouchers, however, during the five years from 2003 to 2007 — even though the number of poor households spending at least half of their income for housing increased by 940,000, or 25 percent, during this period.¹³

To alleviate the current increase in homelessness and reduce homelessness over the longer term, the federal government should expand the voucher program. Congress could start by funding 200,000 new housing vouchers this year as part of the 2010 HUD appropriations act or a 2009 supplemental spending bill.

Housing Assistance in Stimulus Legislation Not Sufficient to Meet Rising Need

In recent months, the Administration and Congress have done much to strengthen the safety net and ease the hardships that families have experienced during the recession. The American Recovery and Reinvestment Act (ARRA) temporarily expanded unemployment and food stamp benefits, for example, and provided \$1.5 billion for a new Homelessness Prevention and Rapid Re-housing Program (HPRP). This temporary program will help families cover one-time costs such as security deposits or moving costs, short- or intermediate-term rental assistance, and housing search assistance or other services.

Yet these resources will fall well short of addressing the increase in housing instability and homelessness. As rising numbers of people lose jobs and fall into poverty during the recession, the number of homeless American households — which already exceeds 1 million over the course of a year — could increase by a third in 2009 and 2010 according to one estimate by the National Alliance to End Homelessness. Homelessness will likely remain elevated in 2011 as well. The HPRP funds can assist roughly 500,000 households over the next three years, or about 167,000 households per year — a significant number, but one that meets only a fraction of the likely increase in need.¹⁴

In addition, families may not receive rental assistance under HPRP for longer than 18 months. With a number of forecasters projecting that unemployment will remain above pre-recession levels into 2014, and with a significant share of families being at risk of homelessness due to limited job skills (which makes it hard for them to compete in markets where jobs are scarce), many families will need rental assistance for a longer period.

A portion of the assistance under HPRP also will be needed to offset the expected decline in turnover in federal rental assistance caseloads during the recession. In the voucher program, for example, about 220,000 vouchers become available to families on waiting lists in a typical year as other families exit the program. As job losses and worsening employment prospects make it more difficult for families to “graduate” from the program, however, fewer families leave. Consequently, the number of housing vouchers that become available due to turnover could fall by as much as

100,000 per year during this recession.¹⁵ Similar trends would reduce the number of assisted units available in other programs such as public housing.

The nation may be on the cusp of the largest increase in homelessness since the surge experienced during the deep recession of the early 1980s. Additional housing vouchers will be needed to stem this increase, as well as to address the persistent, long-term problem of homelessness.

Notes

¹ “Housing Vouchers Are Critical for Ending Family Homelessness,” *Research Matters*, January 2008 (Homelessness Research Institute).

² Sharon Parrott, “Recession Could Cause Large Increases in Poverty and Push Millions into Deep Poverty,” Center on Budget and Policy Priorities, November 24, 2008; <http://www.cbpp.org/cms/index.cfm?fa=view&id=1290>.

³ The 2008 poverty line for a family of four in the continental United States is \$21,200. HUD publishes annual estimates of the median (50th percentile) and 40th percentile “gross rent” (rent and utilities) of recently rented non-luxury dwellings for each metropolitan area and non-metropolitan county. For most metropolitan areas and all non-metropolitan counties, HUD sets the “Fair Market Rent” (FMR) at the 40th percentile of the rent charged for recently rented non-luxury dwellings; for 28 metropolitan areas where voucher holders have tended to concentrate in a small portion of the area’s census tracts, HUD sets the FMR at the 50th percentile to give voucher holders a larger choice of units. The \$900 average rent figure was calculated by the National Low Income Housing Coalition using HUD’s FMR estimates for 2008, weighted by the number of renter households in each county in 2000. Keith E. Wardrip, Danilo Pelletiere, and Sheila Crowley, “Out of Reach 2007-2008,” National Low Income Housing Coalition, April 2008.

⁴ Bureau of Labor Statistics. “Underemployed” people refers to people who are working part time involuntarily, i.e., for economic reasons.

⁵ Food stamp participation data are from FNS program data for January 2009, available at <http://www.fns.usda.gov/pd/29SNAPcurrPP.htm>. On the historical relationship between food stamp enrollment and poverty, see “Policy Basics: Introduction to the Food Stamp Program,” Center on Budget and Policy Priorities, April 3, 2009; available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=2226>.

⁶ Petula Dvorak, “In D.C., Number of Families Without Housing Jumps,” *Washington Post*, March 19, 2009. For a survey of recent reports from across the country, see Wendy Koch, “Homelessness up as families on the edge lose hold,” *USA Today*, April 6, 2009. The National Alliance to End Homelessness is also tracking reports from communities that have just completed the HUD-mandated annual homelessness census; these are available at: <http://www.endhomelessness.org/section/news/press/2009countsmap>.

⁷ Barbara Duffield and Phillip Lovell, “The Economic Crisis Hits Home: The Unfolding Crisis in Child & Youth Homelessness,” First Focus and the National Association for the Education of Homeless Children and Youth, December 2008; <http://www.naehcy.org/dl/TheEconomicCrisisHitsHome.pdf>. See also Abt Associates, “U.S. Conference of Mayors 2008 Status Report on Hunger and Homelessness,” December 2008, http://www.usmayors.org/pressreleases/documents/hungerhomelessnessreport_121208.pdf.

⁸ HUD, *The Third Annual Homeless Assessment and Report to Congress*, July 2008. Data collected by public schools and reported to the U.S. Department of Education suggest that three times as many children are living “doubled up” with other families, in hotels/motels, or on the street, as are living in emergency shelters or transitional housing. See National Center for Homeless Education, “Education for Homeless Children and Youth Program: Analysis of Data,” July 2008.

⁹ Jeffrey Lubell and Maya Brennan, “Framing the Issues — the Positive Impacts of Affordable Housing on Education” and Jeffrey Lubell, Rosalyn Crain, and Rebecca Cohen, “Framing the Issues — the Positive Impacts of Affordable Housing on Health,” Center for Housing Policy and Enterprise Community Partners, 2007. See also The National Center on Family Homelessness, *America’s Youngest Outcasts*, 2008.

¹⁰ On the general effectiveness of housing vouchers, see: U.S. General Accounting Office (GAO), *Federal Housing Assistance: Comparing the Characteristics and Costs of Housing Programs*, GAO-02-76, 2002; Bipartisan Millennial Housing

Commission, *Meeting Our Nation's Housing Challenges*, 2002; and U.S. Department of Housing and Urban Development, "Congressional Budget Justifications for FY 2009." For a brief review of research on the effectiveness of vouchers in reducing family homelessness, see the article by Jill Khadduri cited in note 1.

¹¹ However, for any production subsidy to succeed in creating or rehabilitating housing that is affordable for the low-income families most at risk of homelessness, rental assistance must usually be layered on top of the production subsidy.

¹² Under the National Housing Trust Fund, 90 percent of funds must be used for the preservation or production of rental housing, and 75 percent of the resulting rental housing must benefit families with extremely low incomes (i.e., below 30 percent of the area median income, which is roughly equivalent to the federal poverty line). Most other federal production programs are targeted to households with significantly higher incomes.

¹³ Housing cost data are from the American Housing Survey for 2003 and 2007. The only other period during which Congress has failed to fund a significant number of new housing vouchers each year was 1995 to 1998. In 2008 and 2009, Congress funded a modest number of new housing vouchers, about 30,000 in total. (This excludes so-called "tenant protection" vouchers, which are provided to households forced to leave their existing federally supported housing, for such reasons as that the public housing project in which they reside is being demolished.)

¹⁴ The actual number of households assisted under HPRP could be significantly higher or lower, depending on the types of assistance that local agencies choose to provide. The figures cited here assume that about one third of the funding is used for short or intermediate term rental assistance, one third for financial assistance such as security deposits, and one third for other services and administration.

¹⁵ HUD Office of Public and Indian Housing, *Seventh Annual Report to Congress on Public Housing and Rental Assistance Programs: Demographics, Income and Work and Rent*, 2008. HUD reports that between 2003 and 2006, an average of 11.2 percent of voucher recipients exited the program each year. The lowest turnover rate was 8.8 percent (2003) and the highest was 13.8 percent (2006).