Center on Budget and Policy Priorities

1275 First Street NE, Suite 1200
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

April 19, 2022

States Should Use Flexible Federal Pandemic Aid to Boost Access to Affordable Housing and Reduce Homelessness

By Ed Lazere

States across the nation are using flexible federal funds provided under the American Rescue Plan to help people stay stably housed and to increase access to decent and affordable housing. As of March 2022, 26 states, the District of Columbia, Puerto Rico, American Samoa, and the U.S. Virgin Islands have invested $12 billion of their Fiscal Recovery Funds (FRF) — about 10 percent of all states' FRF allocations to date — toward housing. This substantial investment reflects that housing is the foundation of stable communities and family economic security,[1] that millions of families with low incomes across the nation face housing affordability challenges, and that the pandemic threatened a tremendous increase in housing instability. Many states are using FRF to address homelessness and prevent evictions or foreclosures, and several are using this flexible resource to create, build, or rehabilitate affordable housing.

Housing should remain a priority as states consider using the remainder of their Fiscal Recovery Funds. Across the nation, states had $70 billion of the $195 billion FRF remaining to be allocated as of March 2022, and they have until December 31, 2024 to obligate those funds (that is, decide how they will be used — they have a longer period to then spend all of the resources). Investments in housing should be used to supplement the time-limited pandemic eviction prevention aid to help people remain stably housed and to make a dent in states' affordable housing needs. Increasing access to stable and affordable housing and helping families bridge the gap between their incomes and the cost of housing in their communities, at a time when rents are rising sharply across the nation, can support a robust and equitable long-term recovery from the pandemic.

Before the pandemic, 23 million people lived in households with low incomes that paid more than half of that income on rent and utilities.[2] Difficulty affording adequate housing affects households with low incomes in every state and in any area — rural, suburban, or urban. It especially affects

[1] Veronica Gaitán, "How Housing Affects Children's Outcomes," Housing Matters, January 2, 2019, https://housingmatters.urban.org/articles/how-housing-affects-childrens-outcomes.

[2] Will Fischer, "Housing Investments in Build Back Better Would Address Pressing Unmet Needs," CBPP, February 10, 2022, https://www.cbpp.org/research/housing/housing-investments-in-build-back-better-would-address-pressing-unmet-needs.

people of color due to a long history of discrimination in housing, employment, and other areas. Together Black and Latino people represent more than 60 percent of people experiencing homelessness and more than 50 percent of people in low-income renter households who are severely cost burdened — that is, who pay over half their income for rent and utilities — despite making up just 31 percent of the U.S. population.[3]

TABLE 1

State Uses of Federal Fiscal Recovery Funds for Housing

As of March 2022

Type of Use	Total State FRF Appropriations
Short-Term Aid to Renters and Homeowners	$3.6 billion
Services to People Experiencing Homelessness	$2.3 billion
Affordable Housing Production	$3.8 billion
Home Repairs and Weatherization	$200 million
Supportive Housing	$680 million

Households with unaffordable housing costs risk homelessness, eviction, overcrowding, and living in substandard housing, and are often forced to cut back on necessities like food and medicine to pay the rent. These housing problems are linked to serious harm on children's health and development. For example, children under 1 year old are the most likely age group to have spent time in an emergency shelter.[4] And during the 2019-2020 school year, 1.3 million school-age children lived doubled up with another family (often in unstable and overcrowded housing arrangements), in shelters or hotels, or on the streets.[5] Very young children who move frequently do worse than their peers on measures of behavioral school readiness, such as attention and healthy social behavior,[6] and children in severely rent burdened families or in overcrowded conditions score worse on cognitive achievement tests.[7]

To confront these important housing needs, several states have devoted flexible recovery funds to the following main categories. (The spending details in each category reflect examples of state choices and aren't exhaustive. Also see Table 1.)

---

[3] Will Fischer, Sonya Acosta, and Erik Gartland, "More Housing Vouchers: Most Important Step to Help More People Afford Stable Homes," CBPP, May 13, 2021, https://www.cbpp.org/research/housing/more-housing-vouchers-most-important-step-to-help-more-people-afford-stable-homes.

[4] Scott R. Brown, Marybeth Shinn, and Jill Khadduri, "Well-Being of Young Children after Experiencing Homelessness," U.S. Department of Health and Human Services, January 2017, https://aspe.hhs.gov/sites/default/files/private/pdf/255741/homefambrief.pdf.

[5] Fischer, *op. cit.*

[6] Shigehiro Oishi and Ulrich Schimmack, "Residential Mobility, Well-Being, and Mortality" *Journal of Personality and Social Psychology*, Vol. 98, No. 6, June 2010, pp. 980-994, https://www.apa.org/pubs/journals/releases/psp-98-6-980.pdf.

[7] Claudia D. Solari and Robert D. Mare, "Housing crowding effects on children's wellbeing," *Social Science Research*, Vol. 41, No. 2, March 2012, pp. 464-476, https://www.sciencedirect.com/science/article/abs/pii/S0049089X11001694?via%3Dihub.

Short-Term Aid to Renters and Homeowners: $3.6 Billion

Nine states, the District of Columbia, American Samoa, and the U.S. Virgin Islands allocated $3.6 billion to help residents avoid eviction, utility shut-offs, or foreclosure. Some examples include:

- **New Jersey** provided $500 for million for emergency rental assistance and $250 million for utility assistance. **Oregon** provided $100 million and **Washington State** $403 million.
- **California** devoted $2 billion to resolving unpaid water and utility bills.
- **California** is also using $80 million for legal services to help households prevent eviction. **Connecticut** is using $20 million for this purpose, and **Maine** is using $600,000.
- The **District of Columbia**, **Oregon**, **New Jersey**, and **Maine** devoted FRF resources to support special services related to eviction, such as offering services to families at risk of eviction but before an eviction notice has been filed, housing navigators to help residents find and secure new homes, and staffing for eviction prevention programs to meet rising demand.

Services to People Experiencing Homelessness : $2.3 Billion

Eleven states, the District of Columbia, and the Virgin Islands have set aside $2.3 billion of Fiscal Recovery Funds to address homelessness, with California allocating most of those funds. Some examples include:

- **California** devoted $2.2 billion from FRF for its Homekey program, which will be used to support the purchase and rehabilitation of hotels, motels, vacant apartment buildings, and other properties for conversion into permanent, long-term housing units for people experiencing or at risk of homelessness. **D.C.** is also using funds to purchase motels to convert them to affordable housing.
- Several states allocated funds to support shelters or other services for people experiencing homelessness: **Hawai'i** ($14 million), **Maine** ($10 million), **New Mexico** ($10 million), and **Wisconsin** ($6 million).
- **North Carolina** appropriated $15 million for rapid rehousing, a program that places people experiencing homelessness into housing quickly, with short- or medium-term subsidies while recipients get back on their feet.

Affordable Housing Production: $3.8 Billion

Fourteen states, the District of Columbia, and the Virgin Islands are using $3.8 billion of FRF to build or rehabilitate affordable housing, creating long-term affordable housing options that will last beyond the pandemic. Some examples include:

- **California** will use $2.7 billion to build new affordable housing, preserve existing affordable housing, use public land for affordable housing development, and for related activities.
- **Colorado** allocated $130 million to various programs to build or rehabilitate affordable housing, including providing funds to localities for this purpose.
- The **District of Columbia** allocated $323 million to its Housing Production Trust Fund, which normally receives around $100 million in local funding annually. The program supports rental and homeowner housing construction, with all housing targeted on

households with low or moderate incomes (primarily with incomes below 50 percent of median family income).

- **Utah** provided $35 million as matching funds for affordable housing development projects.

Home Repairs and Weatherization: $200 Million

Four states, D.C., and Puerto Rico have allocated $200 million collectively to improve housing conditions for homeowners with low incomes or renters in affordable housing, including funds to weatherize homes and improve energy efficiency. These are some examples:

- **Massachusetts** devoted $98 million for public housing repairs.
- Several states devoted FRF to support energy efficiency and home weatherization for homeowners with low incomes: **Connecticut** ($7 million), **D.C.** ($4 million), **New Mexico** ($15 million), and **Vermont** ($18 million).
- **Puerto Rico** allocated $50 million for home repairs for homeowners with low incomes.

Supportive Housing: $680 Million

Six states and D.C. have allocated FRF for various forms of supportive housing, programs that combine affordable housing and supportive services and often are targeted on specific populations, such as permanent supportive housing programs for people experiencing chronic homelessness. These states are using FRF to fund either the housing or supportive services parts of supportive housing programs, and in some cases both. Some examples include:

- **Illinois** allocated $28 million for supportive services connected to affordable housing.
- The **District of Columbia** is using $22 million of FRF to create 1,100 units of permanent supportive housing for youth, single adults, and families with children. It is also using $3 million of FRF for a new supportive housing program for victims of gun violence.
- **California** allocated $450 million for "community care" to support housing facilities for seniors, people with disabilities, and people with mental health conditions or substance use disorders.

Helping Those With the Greatest Need

In designing housing measures, states should prioritize assistance for people with incomes around or below the poverty line. People with incomes at that level — such as low-paid workers and seniors and people with disabilities who receive Supplemental Security Income benefits — are far more likely to pay very high shares of their income for rent and to experience overcrowding, eviction, and homelessness, compared to those with higher incomes. More than 70 percent of households who pay more the half their income for rent and utilities have extremely low incomes, defined by the U.S. Department of Housing and Urban Development as those below the federal poverty line or 30 percent of the local median income, whichever is higher. And housing needs at this income level are widespread across the country: large majorities of extremely low-income renters pay more than half of their income for housing in every state.

Generally, the single most effective housing policy to help people with the lowest incomes is rental assistance that covers the gap between the market rent in their communities and the amount the families can afford to pay (although some of the other investments noted above, such as homelessness services and supportive housing, are also crucial). Subsidies to build or renovate more affordable housing are needed in some areas of the country to address housing shortages; in many places the supply of housing is adequate but rents are still above the level that people with poverty-level incomes can afford. Moreover, even in areas that do face shortages, development subsidies typically aren't enough to make housing affordable to the lowest-income households unless they also receive ongoing rental assistance — in part because those households cannot afford rents that are high enough to cover even the ongoing costs of operating housing, such as utilities and maintenance. As result, it is important that states combine supply-side investments with rental assistance, including long-term rental assistance funded with sources — including state funds — beyond the temporary federal pandemic aid.

Conclusion

Millions of people with low incomes devote large shares of their income to keeping a roof over their heads, with devastating impacts on child development, food insecurity, and family and community stability.[8] Pandemic housing aid, such as emergency rental assistance, provided critical short-term assistance but was not intended to address the long-standing affordability challenges faced by many people with low incomes, and sharp increases in rents across the nation are making affordability challenges even greater for many.

For these reasons, states should continue to devote substantial amounts of their remaining federal pandemic aid to address both short-term housing instability — through homelessness services and eviction prevention — and to creating new affordable housing to support an equitable recovery.

[8] Erik Gartland, "Chart Book: Funding Limitations Create Widespread Need for Rental Assistance," CBPP, February 15, 2022, https://www.cbpp.org/research/housing/funding-limitations-create-widespread-unmet-need-for-rental-assistance?msclkid=03dba211bb5c11ecb91141d84c3bcec5.