

Where are they going? A national analysis of what happens to subsidized renters when their place-based subsidy ends

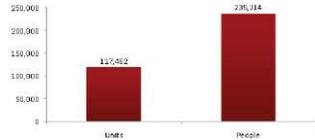
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Background

- The U.S. Department of Housing and Urban Development (HUD) financed thousands of units of privately-owned affordable housing across the country through the project-based Section 8 program
- Tenants in these properties pay 30 percent of their income in rent and HUD pays the difference between the tenant payment and the market rent
- After a fixed period of time, owners of these properties can decide to convert their properties to market-rate, otherwise known as "opting out"
- HUD may also terminate the rental subsidy contract due to poor building conditions or foreclosure

Units and people affected by a HUD contract ending since 2000



- Households who live in these properties are offered a voucher to rent a unit on the private market
- Little is known about:
 - What happens to households when their subsidy is converted to a voucher
 - Whether this event increases or decreases their mobility and economic welfare

Research Questions

- How many households successfully use their voucher?
- Do households who use a voucher move?
- Do households who use this voucher move to lower poverty neighborhoods?
- Do the outcomes for these questions vary based on:
 - The share of a household's income comprised by the subsidy
 - The share of a household's rent paid by the subsidy
 - Local market vacancies
 - The reason the HUD contract ended
 - Household demographics

Summary Statistics

Households who live in properties where the project-based Section 8 contract ended tend to be (1) poorer and (2) have a higher share of household heads who are Black than the overall population of project-based Section 8 households

| | Contract ended | All HUD project-based Section 8 | Difference |
|---|----------------|---------------------------------|------------|
| Average tenant payment per month | \$220 | \$260 | -\$40 |
| Average HUD subsidy per month | \$513 | \$633 | -\$120 |
| Average household income | \$8,795 | \$10,406 | -\$1,611 |
| Distribution by income level (in %) | | | |
| < \$5,000 | 34 | 12 | 22 |
| Between \$5,000-9,999 | 37 | 40 | -3 |
| Between \$10,000-19,999 | 23 | 41 | -18 |
| \$20,000+ | 5 | 8 | -3 |
| Distribution by the head of household age (in %) | | | |
| <25 | 6 | 8 | -2 |
| Between 25-61 | 38 | 36 | 2 |
| 62+ | 56 | 56 | 0 |
| Distribution by race (in %) | | | |
| Black | 51 | 26 | 25 |
| Native American | 1 | 1 | 0 |
| Asian | 3 | 4 | -1 |
| Hispanic | 12 | 12 | 0 |

How many households successfully use their voucher?

- 48 percent** of households successfully use their voucher
- On average those who do not use their voucher **lose \$434 per month in rental assistance**, which is **equivalent to 41 percent of their effective income**
- The odds of successfully using a voucher are **lower** for households with:
 - the highest share of income comprised by the subsidy
 - the highest share of their rent paid by the subsidy
 - dependents
 - a head of household older than 62
 - a Black head of household

Variation in the likelihood of using a voucher

| | Odds of using a voucher** |
|---|---------------------------|
| Rental subsidy < 10 percent of effective income | 0.49 |
| Rental subsidy > 90 percent of effective income | 0.82 |
| Rental subsidy > 90 percent of rent | 0.66 |
| Rental subsidy < 10 percent of rent | 0.70 |
| Number of dependents | 0.71 |
| Head of household older than 62 | 0.02 |
| In the top 10 percent of vacancy for sample | 0.25 |
| Black | 0.77 |
| Asian | 1.38 |
| Male | 0.76 |
| Poverty rate of census tract | 1.93 |
| Contract ended due to poor building conditions | 0.69 |
| Contract ended due to foreclosure | 0.25 |

**All coefficients shown are significant at a p-value < .05

Do households who use a voucher move?

- 56 percent** of households make one or more moves with this voucher
- The odds of making multiple moves are **higher** for households with:
 - the highest share of their rent paid by the subsidy
 - a Black head of household
 - a non-wage primary sources of income

Variation in the likelihood of moving with a voucher

| | Odds of never moving** | Odds of 2 moves** | Odds of 3+ moves** |
|---|------------------------|-------------------|--------------------|
| Rental subsidy < 10 percent of effective income | 1.79 | | |
| Rental subsidy > 90 percent of effective income | 0.77 | | |
| Rental subsidy > 90 percent of rent | 0.67 | 1.21 | 1.47 |
| Rental subsidy < 10 percent of rent | 1.47 | | |
| Number of dependents | 0.75 | 1.06 | 1.11 |
| Head of household older than 62 | 1.82 | 0.55 | 0.45 |
| In the top 10 percent of vacancy for sample | 0.41 | 1.12 | 1.49 |
| Black | 0.46 | 1.41 | 1.62 |
| Asian | 0.62 | | |
| Hispanic | 1.42 | 1.26 | 1.17 |
| Male | 1.12 | 0.75 | 0.58 |
| Poverty rate | 0.59 | 0.76 | 0.45 |
| Primary income source: | | | |
| Welfare | 0.66 | 1.30 | 1.59 |
| Social Security or Pension | 0.80 | | 1.17 |
| Child support | 0.79 | 1.11 | 1.17 |
| Unemployment | 0.86 | 1.19 | 1.34 |

**All coefficients shown are significant at a p-value < .05

Do these voucher households move to lower poverty neighborhoods?

- Moving is associated with a **lower poverty rate**
- Slightly higher** poverty rates are associated with households with:
 - the highest share of their income comprised by the subsidy
 - a Black or Hispanic head of household
 - welfare, social security, or pension as the primary income source

Variation in the tract-level poverty rates

| | Poverty rate of neighborhood** |
|---|--------------------------------|
| Number of moves: | |
| 1 | -0.03 |
| 2 | -0.04 |
| 3 | -0.05 |
| Rental subsidy > 90 percent of effective income | |
| Number of dependents | -0.01 |
| Black | 0.01 |
| Hispanic | 0.01 |
| Male | 0.01 |
| Contract ended due to poor building conditions | -0.02 |
| Contract ended due to foreclosure | -0.04 |
| Primary income source: | |
| Welfare | 0.01 |
| Social Security or Pension | 0.01 |
| Child support | -0.01 |

**All coefficients shown are significant at a p-value < .05

Conclusion

- The conversion of a rental subsidy to a voucher likely has negative economic impacts on most households who live in these properties
- 52 percent of households do not successfully use a voucher and on average lose 41 percent of their effective income
- 56 percent of households who use their voucher move
- These moves tend to be to slightly lower poverty neighborhoods on average, but result in more moves to slightly higher poverty neighborhoods for households where the primary source of income is welfare, social security, or a pension
- Households where the head is Black are less likely to use a voucher and more likely to move multiple times and live in higher poverty neighborhoods if they do use a voucher
- A rental voucher is not an effective safety net for all households who live in properties where the place-based subsidy ends, and this conversion may decrease some households' overall welfare.

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