Transforming the Housing Choice Voucher System in California
A Path to Universal Housing?

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What Are Vouchers?

Vouchers are rental subsidies available to individuals of low-income households. Functionally, vouchers reduce the cost of rent so that housing becomes affordable for individuals who otherwise could not pay market price. In the tenant-based housing choice voucher (HCV) program, which is the largest single form of federal housing assistance, recipients of vouchers are free to choose any housing that meets the program’s price cap and other requirements, as long as the landlord accepts vouchers. Vouchers represent one of several available tools to meet individuals’ housing needs in the United States.

In this Perspective, we review the impact of the HCV program, explain shortcomings of today’s voucher system, and examine the potential effects of a reformed voucher system to stabilize access to housing for the most-vulnerable Californians. Past research has shown that stable housing is associated with health, educational and vocational benefits, and reduced criminal justice involvement.

Benefits

1. Vouchers support individuals with incomes below the federal poverty line or at 30 percent of the median local income—i.e., individuals at the greatest risk of experiencing homelessness. Vouchers significantly reduce homelessness—by as much as 80 percent.
2. Vouchers contribute directly to poverty reduction. Researchers have estimated that a universal voucher system would reduce the national poverty rate by nearly 25 percent.
3. Vouchers cost the government less than other types of housing assistance, in part because recipients rent existing housing rather than require the construction of new housing. Administrative costs are approximately 10 percent of the total monthly rental unit costs.
4. Vouchers are difficult to abuse. The U.S. Department of Housing and Urban Development (HUD) and local agencies have strong income-verification requirements. Payment errors account for less than 0.5 percent of program costs.
5. Vouchers respect recipient choice. Recipients of vouchers select housing from the private market that is most suitable to their needs and interests.
6. When paired with other supportive programs, vouchers can create opportunities for families to move to lower-poverty, higher-opportunity neighborhoods. Vouchers also enable over 1 million elderly and disabled individuals to live independently.

Limitations

1. Vouchers are demand-side financial incentives. Vouchers do not directly address the supply shortage of affordable housing present in many parts of the United States.
2. Vouchers are a direct response to individuals’ housing needs. On their own, vouchers do not address underlying social determinants that could contribute to individuals’ housing needs.
3. Most households that are eligible to receive a voucher do not receive one. In many settings, vouchers are awarded by lottery to qualifying individuals on long waitlists.
A Voucher Shortfall: The Status Quo

California

- Over 600,000 people in 300,000 households are currently leasing properties through the HCV program in California. The HCV program represents the largest single form of federal housing assistance in the state.\(^{14}\)
- About one in four low-income households receives housing assistance.\(^{15}\) The remaining eligible individuals are left out of the system because congressional appropriations are insufficient to cover them.\(^{16}\)

Los Angeles County

- The population of individuals experiencing homelessness in Los Angeles (LA) County is larger than in any other U.S. county. As of 2020, an estimated 66,436 people experienced homelessness—up 13 percent from 2019.\(^{17}\)
- Over 500,000 renter households in LA County spend over 50 percent of their incomes on rent.\(^{18}\)
- Demand for vouchers far exceeds supply. When the Housing Authority of the City of Los Angeles (HACLA) reopened the voucher waiting list for new applications in 2017, almost 200,000 households submitted applications for 20,000 available slots. For context, HACLA has about 50,000 vouchers, and only 2,400 of these vouchers become available in a typical year\(^{19}\)—although the American Rescue Plan of 2021\(^{20}\) has temporarily expanded the number of available vouchers.\(^{21}\)
- The imbalance of housing supply and demand, as estimated by a 2019 McKinsey Global Institute report, results in $32 billion to $36 billion in lost economic output each year.\(^{22}\)
How to Transform the Housing Voucher System in California

We outline three potential pathways to transform the housing voucher system in California. If implemented, these pathways have the potential to significantly reduce homelessness across the state.

**PATH 1**

**Adopt a universal housing voucher system—so that everyone who qualifies for a voucher receives one**

Federal programs that provide food assistance and health care—such as the Supplemental Nutrition Assistance Program (SNAP), the Nutrition Program for Women, Infants, and Children (WIC), and Medicaid—are available to anyone who meets eligibility criteria: They are entitlements. Not so for housing assistance. The federal government could provide funding to ensure that all income-eligible renters receive assistance. How much would that cost? A recent estimate is $62 billion to $100 billion per year. When compared with the $24 billion allocated for tenant-based rental assistance in 2020, this suggests that the cost for a universal HCV system would entail a three- to fourfold increase in spending if other housing assistance programs were held at their current funding levels.

While large, this figure is half the cost of the affordable housing infrastructure expenditure proposed in the American Jobs Plan, though a universal HCV system would represent a recurrent—rather than one-time—cost. This expansion would represent money transferred directly from public housing authorities (PHAs) to landlords, ensuring that landlords are paid on a timely basis, that mortgages can be paid down, and that housing infrastructure can be repaired. In California, specifically, the cost to provide vouchers to everyone who qualifies—3.5 million people in 1.2 million households—would be roughly $14.5 billion per year.

**PATH 2**

**Enhance the voucher system—so that housing leads to opportunity**

Innovative experiments have shown that enhancements to housing voucher systems can improve health, social, and economic well-being outcomes for voucher recipients. For example, a large randomized controlled trial in Seattle found that search assistance, landlord engagement, and short-term financial assistance tripled the number of families that relocated to high upward-mobility neighborhoods and that the $2,600 per family cost of these system features was only 2.2 percent of the lifetime cost of a voucher—though this was not inclusive of increased housing assistance payments (an additional $234 per month over the lifetime of the voucher). Whether these added components to the HCV program would successfully translate in cities such as LA and San Diego remains an open question, though preliminary studies offer positive findings.

In another example, the adjustment of rental subsidies based on zip code–level market rates—known as the small area fair market rents (SAFMRs)
program—has improved location outcomes for Black and Hispanic voucher-eligible households.\textsuperscript{31} Depending on the setting and payment standard set by PHAs, SAFMRs also have the potential to lower costs or be cost neutral. The final HUD evaluation of the SAFMR program found that subsidy reductions from SAFMRs in low-rent neighborhoods exceeded increases in high-rent neighborhoods.\textsuperscript{32} This same report also observed modest increases in administrative costs to implement SAFMRs—such as training staff and setting payment standards, quantified as up to several weeks of staff time and several thousand dollars in expenditures.\textsuperscript{33} Whether specific PHAs have the resources to assume these costs might vary throughout California.

In short, if the HCV program were expanded throughout California, experiments could identify ways to strengthen the program and help improve the lives of voucher recipients. These experiments could be complemented with place-based investments to create more high-opportunity areas over time or expand housing supply within existing high-opportunity areas.\textsuperscript{34}

\textbf{PATH 3}

\textbf{Enforce and encourage landlord participation—so that vouchers are as good as cash}

Many landlords discriminate against voucher holders because of their negative perceptions of such tenants, the stigma associated with voucher program participation, and concerns about PHAs’ bureaucratic requirements.\textsuperscript{35} One secret-shopper survey found that more than three-quarters (76 percent) of landlords in LA County refused to rent to voucher holders.\textsuperscript{36} By contrast, in Washington D.C., where a source-of-income law was in place at the time of the survey, only 15 percent of landlords refused to rent to voucher holders.\textsuperscript{37}

There is a two-step solution to overcome landlord hesitancy. First, stringently enforce recently ratified source-of-income laws in California that compel landlords to accept housing vouchers.\textsuperscript{38} Three mechanisms are available to achieve this: (1) the expansion of fair-housing enforcement budgets to directly investigate landlord practices,\textsuperscript{39} including through HUD’s Fair Housing Organization Initiative (FHOI) program grants;\textsuperscript{40} (2) lawsuits brought by district attorneys, attorneys general, and housing rights advocacy groups against landlords with large real estate holdings for voucher discrimination;\textsuperscript{41} and (3) database tracking of landlord applicant and tenant lists to identify anomalies.

Second, work with landlord associations in California to understand and alleviate landlords’ concerns. This path has been taken, successfully, in several initiatives\textsuperscript{42}—suggesting that a formal structure for dialogue could prove fruitful. Congress’s mandated expansion of the Moving to Work demonstration program is another example of a successful initiative in which PHAs are experimenting with landlord incentives to boost participation in the HCV program.\textsuperscript{43}
Vouchers: Critiques and Relevant Context and Evidence

PATH 1

Adopt a universal housing voucher system

Critique 1.A

Housing assistance leads to long-term dependence. One recent article claimed that holders of vouchers have received assistance for an average of 9.1 years. It also conflates current tenure among existing voucher recipients with the average duration of assistance. Among working-age, nondisabled individuals, the median duration of a housing subsidy is only 2.8 years in the United States. Additionally, the literature examining the effect of housing subsidies on recipients’ employment, work hours, or earnings is mixed—with multiple studies finding no significant relationships. Recent research also finds that HUD housing assistance is associated with improved access to health care.

Evidence 1.A

This average of 9.1 years obscures a distinction between voucher recipients who are elderly or disabled and those who are not disabled or retired. It also conflates current tenure among existing voucher recipients with the average duration of assistance.
Critique 1.B
A universal housing voucher system would drive up prices in the overall housing rental market—particularly if housing supply remains static.50

Evidence 1.B
Evidence of driving up prices in the overall housing rental market has been mixed, as indicated in a 2020 literature review.51 In parts of the country with tight housing markets, such as LA, a large influx of vouchers would likely increase rental market prices at the lower end of market—although an expansion of this scale has no precedent.52 By contrast, in parts of the country with less tight housing markets, a large influx of vouchers might have a negligible effect or even lower rental market prices. To ensure that a universal voucher system does not generate significant price inflation, equal attention could be paid to increasing the local housing supply while phasing in voucher expansion.

Increased rental market prices could potentially be curbed by an increase in the stock of affordable housing, which could occur through a subset of the broader housing provisions in the American Jobs Plan as originally proposed, although it has not passed in the House of Representatives, and—as of this writing—the proposal is subject to potential change through ongoing congressional negotiations. Affordable housing stock also might be increased through the repeal of exclusionary and restrictive zoning laws.53 Two 2019 working papers describe how increasing the housing supply affects prices and residential mobility among individuals of lower-income households.54 An article from that same year provides a broader overview of the debate concerning the relationship between housing supply and prices.55

Critique 1.C
Making housing a right would place too large a strain on the federal budget.

Evidence 1.C
An annual, recurrent expenditure of $62 billion to $100 billion per year is not a trivial amount. However, according to the Congressional Budget Office’s report of the 2020 federal budget, this would represent 1.5 percent of the U.S. $6.6 trillion annual outlay for housing.56 Whether the magnitude of this expenditure is warranted and appropriate is a normative question upon which individuals may disagree. Ultimately, though, there is also a cost of inaction: leaving hundreds of thousands of individuals homeless, which creates its own set of societal costs.57

PATH 2
Enhance the voucher system

Critique 2.A
Enhancements to the HCV system would be costly, and the benefits are unclear.

Evidence 2.A
In scenarios like the Seattle experiment, benefits have been well documented—including the potential for long-term changes in earnings.58 Likewise, the introduction of the SAFMR program principally modi-
ffed the algorithm for assessing the fair market value of rents—which has the potential to lead to higher voucher payments in some zip codes and lower voucher payments in other zip codes.59 New experiments on program innovation, such as those underway at HUD,60 could provide additional information about the magnitude and scale of the benefits of enhancing the HCV program. The more pilots, the more data from which policymakers can learn and adapt program features.

**Critique 2.B**
The government should not force people to move out of neighborhoods where their friends and families live simply because they are deemed “low opportunity.”

**Evidence 2.B**
The goal of tenant-based vouchers is to provide recipients with choice, including the choice to move to areas that might offer a new set of benefits or to stay in their current neighborhood, if that is their preference. These enhancements are intended to provide recipients with options and relevant information to make informed decisions, not to force them to move to one location or another.

**PATH 3**

Enforce and encourage landlord participation

**Critique 3.A**
Renting to voucher recipients is more costly and time-consuming than it is worth for landlords—especially if they can choose tenants without vouchers.61

**Evidence 3.A**
Research shows that landlords’ perceptions of voucher recipients might be influenced by misinformation and biases that could be mitigated through education and outreach.62 This includes misperceptions about costs. In the context of the HCV program, rent comes from a public agency that ensures timely payment, and rental units with voucher recipients often have lower turnover.63 Both of these benefits lessen landlords’ financial risks in accepting voucher holders as tenants. Landlords have also expressed concerns about the opportunity costs incurred as a result of the administrative burden of HCV program participation and delays in leasing. However, PHAs have been experimenting with reducing administrative burdens, such as annual inspection requirements.64

**Critique 3.B**
Vouchers make a community less attractive by bringing in risky tenants. Voucher tenants are more prone to commit crimes and damage property.65

**Evidence 3.B**
Overall, the evidence indicating a relationship between receiving a housing voucher and committing a crime is weak, with mixed findings across studies.66 For example, a study of over 200 U.S. cities found no indication that subsidized housing contributes to higher crime rates.67 Conversely, housing vouchers give recipients the opportunity to move to safer neighborhoods.68

In addition to providing landlord education to counter negative perceptions of voucher recipients, certain states and PHAs have addressed landlords’ concerns head-on. For example, Oregon created a landlord mitigation fund to reimburse landlords for tenant-caused property damage in limited circumstances and appointed an advisory committee to oversee the fund.69 Washington passed a similar landlord mitigation law in 2018.70
Where to Start

**RECOMMENDATION 1**

As the evidence base on the potential impacts of a universal housing voucher system continues to accrue, this information can be shared with federal policymakers considering legislation.71 The Biden presidential campaign stated that a universal housing voucher system was one of its priorities.72 As Congress considers bills to address broad-sweeping societal issues, the magnitude and scope of Americans’ access to affordable housing is likely to be top of mind for the Biden administration.

Policy considerations, such as a **phased-in expansion of housing vouchers over several years**, would also reduce the potential for price distortions in the local housing market. Such incrementalistic strategies have been successful in other contexts, such as the establishment of minimum wage laws,73 and the strategies would give the housing market time to adjust supply.

**RECOMMENDATION 2**

According to the Office of the California State Auditor, the California State Homeless Coordinating and Financial Council (Homeless Council) has made slow progress in implementing a statewide plan to address homelessness.74 Nevertheless, the Homeless Council holds a unique mandate to support homelessness prevention throughout the state, and the housing voucher system plays a critical role in this. If the state legislature were to equip the Homeless Council with the relevant mandate, as it did in 2019,75 such a mandate could help state agencies coordinate with PHAs to **fund, incentivize, and evaluate programmatic innovations** in the HCV program in the 44 local continuum of care systems throughout California.

At the local level, HACLA and the LA County Development Authority could establish a research divi-
sion or assign personnel responsible to **review best practices and evaluate initiatives to strengthen the HCV and other programs**—akin to the Performance Management and Analytics Division within New York City’s Housing Authority.\(^76\) Funding for this would need to be secured through local, state, or federal channels, such as competitive HUD grants.\(^77\) The present federal and state budgets are insufficient to support experiments that could meaningfully improve the HCV program in California. Likewise, the LA Homeless Services Authority’s research and evaluation budget could be supported through the Homeless Council to execute such work. To date, evaluations from efforts such as the LA County Homelessness Initiative have largely been limited to tallying outputs, such as the number of individuals sheltered, rather than assessing the causal effects of program innovations.\(^78\) More-sophisticated analyses are necessary to identify successes and invest in improvements over time.

**RECOMMENDATION 3**

States and local jurisdictions could continue to **consider legislation to curb discriminatory practices among landlords** and actively engage with landlords and landlord associations to **discuss ways to promote greater landlord participation** in the HCV program. Successful models of landlord engagement can be found in the literature—\(^79\)—including in Marin County, California.\(^80\) However, enacting these exemplar models would require PHAs to have sufficient staffing and latitude to execute landlord engagement activities, which would likely entail increased administrative fees for PHAs.\(^81\)

Attorneys general and district attorneys could also assign members of their offices to identify and prosecute the most-egregious violations, complemented by secret-shopper surveys that identify landlords who are gaming the system.\(^82\) To achieve this, fair-housing enforcement budgets could be substantially increased through such mechanisms as HUD’s FHOI program.\(^83\)

### Abbreviations

- **FHOI**: Fair Housing Organization Initiative
- **HACLA**: Housing Authority of the City of Los Angeles
- **HCV**: housing choice voucher
- **HUD**: U.S. Department of Housing and Urban Development
- **LA**: Los Angeles
- **PHA**: public housing authority
- **SAFMR**: small area fair market rent
Notes


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12. Rebecca Gale, “Housing Mobility Programs and Health Outcomes,” Health Affairs, June 7, 2018.

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About This Perspective

This Perspective provides a brief overview of the housing choice voucher (HCV) program, with a particular emphasis on its role in providing affordable housing to Californians. This Perspective also discusses potential benefits and challenges associated with the existing HCV program, as well as potential opportunities to modify the program to strengthen its impact. This Perspective may be of interest to legislators and public officials serving in the state of California, as well as those in public, private, and nonprofit sectors who are engaged in housing and housing development issues.

Community Health and Environmental Policy Program

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