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LOW-INCOME HOUSING REFORMS: FEDERAL DOLLARS, LOCAL RELIEF

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Nationwide the number of households facing a severe housing cost burden increased 23% between the years 2001 and 2005. The deterioration in Americans' access to affordable housing in these years did not coincide with a significant decline in the nation's economy and *did* occur at a time of moderate rent growth and historically low home mortgage interest rates¹. Since this data has become available our economy has taken a downturn and more Americans are facing economic uncertainty, higher utility costs, and rising food costs.

While foreclosure rates and the credit crunch have garnered the attention of policy makers and the media, the number of Americans in the rental market is growing. In the wake of the mortgage crisis, former homeowners and renters displaced by foreclosure are turning to the rental markets, while current renters, reluctant to purchase or unable to meet tighter lending standards, are staying put in their rented homes². According to the U.S. Census Bureau, the fourth quarter of 2007 saw a decrease in the number of homeowners compared with the previous year, while the number of households renting their homes rose by more than 1.5 million. In fact, the homeownership rate fell below 68% in 2007, which is the largest decline since 2002³.

Here in Maine the state average Fair Market Rent (FMR) for a two-bedroom apartment is \$779 a month not including utilities. According to the National Low-Income Housing Coalition⁴, this means that a person earning the minimum wage in Maine, \$7 per hour, would need to work 86 hours per week to afford a two bedroom apartment at FMR without paying more than 30% of their income towards rent⁵. In addition to experiencing the national trend of higher housing costs and stagnant wages, low-income Mainers also have the added burden of higher heating costs and an older, less efficient housing stock. Because of these factors, Maine relies on housing assistance to keep many of its low-income people securely housed. The Housing Choice Voucher Program (also known as the Section 8 program) is the largest housing assistance program serving Maine.

The Section 8 program provides federal assistance to low-income Americans through rental subsidies. The program has two central components; mobile vouchers and project-based vouchers. The



Avesta's Fore River apartments

Maine's economy
benefits from
the \$68 million
in federal funds
that support
the Section 8
program.

mobile vouchers allow low-income families to rent modest apartments in the private market, while the project-based subsidies are tied to a specific housing unit. Because the Section 8 voucher program is the largest federal low-income housing assistance program in the United States, serving nearly 2 million households throughout the United States and almost 12,000 households here in Maine the way it is implemented has significant implications for both low-income households and the states in which they are issued.

The Section 8 program is administered at the federal level by the Department of Housing and Urban Development (HUD). At the local level, the program is run by approximately 2,400 local, state, and regional housing agencies throughout the country, known collectively as public housing agencies. Each housing agency must set the overall income cap between 50 percent and 80 percent of the local area median income for households admitted to its voucher program. Housing agencies are also required to ensure that 75 percent of households newly admitted to the voucher program each year have incomes at or below 30 percent of the area median (in Maine, 30 percent of area median income is \$16,794). In Maine, there are 21 housing authorities administering Section 8, one of which is MaineHousing, which sub-contracts to an additional 16 agencies.

Recently, the Maine Center for Economic Policy, under contract with the Maine Affordable Rental Housing Coalition, surveyed local housing authorities in Maine to determine how effectively the Section 8 program is meeting the needs of low-income people in

Maine. The survey was also used to detail how pending congressional legislation⁶ might impact the

Survey results produced strong evidence for the need to pass housing voucher

Jane, her husband George, and teen-age daughter Anna lost their house when they could no longer afford their mortgage payments after George became too sick to work. Jane, who is 50, still worked but found that “every penny that I made was going to trying to keep the roof over our heads and buying whatever food we could buy and making it stretch. We found that it was not stretching and [I] would look in the cupboards and [we] would have packets of Ramen and two potatoes and that was it. But we had our house. Then we lost our house. We lost it all.” After losing their home, the three of them lived in a tent in their friend’s back yard while waiting for a Section 8 voucher. When the weather started getting cold, they moved into an unfinished basement. The family slept on cement floors in a room heated with an electric heater. The poor living conditions exacerbated her husband’s illnesses, increasing the strain on the family. As Jane observed: “this situation has put us down so far it’s hard to get up out of it. . . It’s a vicious cycle and I am just hoping that we will be able to see the light”.

~ From a 2007 interview conducted by Bowdoin College students with a family on the waiting list for a Section 8 voucher in Brunswick.

program in our State. Due to the support of the Maine Association of Public Housing Authority Directors and MaineHousing, the survey had a 100% response rate, which allowed us to answer concrete questions regarding supply and demand, waiting periods, rent burdens, and cost cutting measures taken to deal with funding constraints.

reform legislation. There are several factors that prevent or hinder housing agencies from administering the Section 8 program to its full potential. Many of these factors are addressed fully or in part by the Section 8 Voucher Reform Act (SEVRA) under consideration in the U.S. Senate.

In Maine, there are 11,930 households currently using a Section 8 voucher and another 11,511 households that linger on one or more waiting list, indicating that at least half of the population who are both eligible and in need of housing assistance through Section 8 are not being served. While these lists will have some duplicated names, it is likely that this is less of an issue in Maine than in smaller states that allow for more mobility. It is also important to note that almost half of the waiting lists are closed, which keeps new people from applying. Housing authorities close their waiting lists when it is clear that they will no longer be able to serve applicants within a reasonable amount of time.

Because of the large and growing need for housing assistance, some housing authorities have implemented a preference system for their vouchers. A preference system can either flag the most urgent need (for example, the use of a homeless preference) or place priority on households that a housing authority deems most likely to be successful in renting an apartment (for example, a local preference or full-employment preference). The average wait time for an applicant who meets one of the preferences is 12 months if they are applying outside of MaineHousing’s jurisdiction, whereas a family’s homeless status gives them preference and they may be placed within a month. For people that do not meet the criteria used in a preference system, the wait for a voucher can be anywhere from a year to an indefinite amount of time.

Due to the overwhelming demand for housing assistance, the number of vouchers which are

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authorized here in Maine should be fully utilized. Unfortunately, faced with uncertainty over the amount of funding they are likely to receive, housing authorities have protected against future shortfalls by keeping more money in reserves than they have in the past. As a result, Maine has experienced utilization rates (the percentage of authorized vouchers actually in use) that are chronically lower than optimal. In 2007, Maine's Section 8 utilization rate was approximately 96%. While this figure exceeds the national average, it means that over 500 Maine households who could have received housing assistance did not. A stable and more predictable voucher allocation formula would give housing authorities more confidence to increase their leasing activities and serve more low-income Mainers.

The goal of the Section 8 program is to hold housing costs to 30% of a participant's income. Waivers are allowed for participants who need to pay up to 40 % of their income in high cost markets and additional waivers allow participants to pay above 40% if they experience rent increases while housed and comparable housing is unavailable. In Maine, almost half of all voucher holders are paying more than 30% of their income toward housing. These rent burdens are particularly problematic because of the severely limited household budgets that Section 8 recipients must stretch in order to meet the balance of their needs, including food, clothing, childcare, and transportation. Due to the eligibility requirements noted earlier, Section 8 participants are extremely low-income; and therefore, using more than 30% of their incomes for housing allows only a small portion to cover other basic needs.

The number of voucher holders paying more than 30% of their incomes toward rent may replicate a national trend, but the magnitude of this impact is greater on households that are income eligible for the Section 8 Program. A person with a net income of \$40,000 per year who is paying 40% of their income toward housing costs will be left with \$24,000 a year to spend on other portions of their budgets. A household with income of \$10,000 per year, paying 40% of their income toward housing costs will have just \$6,000 annually to spend on other basic needs.

Many of the problems that voucher holders face have been exacerbated by the funding constraints and funding

shortfalls, housing agencies across Maine have been forced to take benefit-restricting measures to keep programs functioning. Almost half of the housing authorities reported the need to limit portability. Portability allows a voucher holder to take the voucher to a new jurisdiction. The administration of a portability system has proven cumbersome for housing authorities and in many cases the complexity of the system has interfered with the ability of tenants to easily move from one jurisdiction to another. Families are also likely to experience problems including duplicative paperwork, delays in approval of units, and differing certification requirements.

freezes on rent increases, and having to ask landlords to reduce rents. Another 25% of Maine's housing authorities have either cut staff or left vacancies open. Half of the housing authorities indicated concern regarding their ability to maintain high standards of client service. All of these measures were instituted in order to deal with shortfalls that stem from an unpredictable funding formula that would be streamlined under SEVRA.

SEVRA legislation will benefit the Section 8 program in several ways. First, the 100,000 new incremental housing vouchers authorized nationwide under SEVRA would provide desperately needed housing for Maine people who now wait on very long wait lists or have not even had the opportunity to be placed on a list. Second, SEVRA offers an opportunity to improve the state's implementation of the Section 8 program. Proposals to re-evaluate payment standards to eliminate excessive rent burdens would assist the large percentage of Maine voucher holders paying more than 30% or 40% of their income toward housing. Proposed administrative changes in voucher portability would reduce administrative burdens and streamline funding. And proposed changes in reserve fund requirements would provide housing authorities with increased flexibility to meet the needs of their communities.

Finally, the voucher allocation formula under SEVRA would serve to stabilize the program and allow housing agencies to issue more of their currently authorized vouchers. Assured that their annual budgets will be based on voucher lease rates and costs in the previous year, agencies will no longer need to protect themselves from future

An Overview of Section 8 in Maine

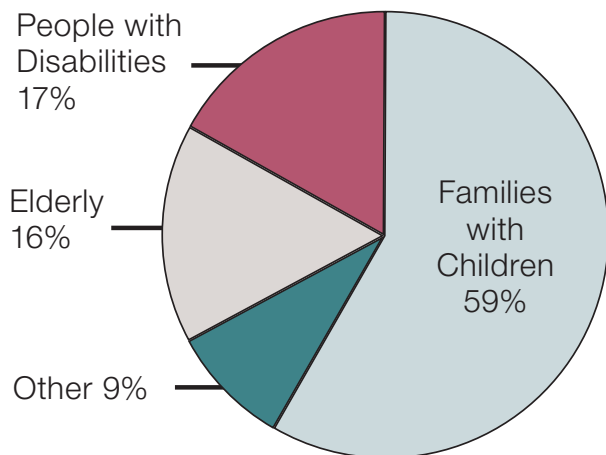
- Because of the Section 8 program, almost 12,000 households in Maine who could not afford decent housing are now safely housed.
- The demand for Section 8 vouchers is nearly twice as large as the supply. There were 12,600 vouchers authorized for use by housing agencies in Maine, yet 11,511 households remain on waiting lists and almost half of those lists are closed.
- The average amount of time a household in Maine will wait for a voucher if they meet a preference and are not homeless is 12 months. The wait for households without a preference, whether you are homeless or not, varies from 12 months to an indefinite amount of time.
- Almost half of all voucher holders in the Section 8 program in Maine pay more than 30% of their income for housing. By HUD's own standard this is unaffordable.
- The Section 8 program brings more than \$68 million in federal funding into Maine, which both alleviates housing instability and spurs economic activity.
- New policy changes prescribed by pending national legislation (SEVRA) would allow housing agencies to issue more of their currently authorized vouchers as well as authorize new, incremental vouchers.

formulas that keep housing authorities guessing from year to year. Due to past funding

Housing authorities have also reported having to keep rental payment standards low, place

SECTION 8 VOUCHER REFORM

Who is Helped by Housing Vouchers?



Center on Budget and Policy Priorities 2007

funding shortfalls by issuing fewer vouchers than they are authorized to administer. Instead, there would be an incentive to serve as many households as their funding allows.

Maintaining a healthy Section 8 program is not just in the best interest of low-income households, but also has implications for state and local budgets, landlords, and

even local retailers. Studies, such as those funded through MaineHousing, document the enormous costs of homelessness.⁶ The cost of increased health care spending, emergency services, and educational disruption is monumental for a family and high for state and local governments. The Cost of Homelessness study found that it is less expensive and more effective to house people who were homeless and offer them

services than it is to leave them on the street or in precarious housing situations.

Maine received \$68,011,825 in federal funding for the Section 8 program in 2007. That money spurs economic activity in Maine by increasing activity in the housing market and allowing participants in the program to free up the portion of their budgets that should be spent on food, transportation, childcare, and other basic necessities. SEVRA legislation would streamline the administration of the Section 8 program to serve greater numbers of households in a more substantial way, allowing them to spend more on other necessities thereby increasing economic activity.

The Section 8 Voucher Reform Act, H.R. 1851, passed the U.S. House of Representatives on July 12, 2007 with support from Congressmen Allen and Michaud. The bill was referred to the Senate Banking Committee in March of 2007. Senators Snowe and Collins have historically

supported the Section 8 program and have recently signed a letter encouraging the budget committee to appropriate emergency funds to accommodate shortfalls in the project-based Section 8 program. SEVRA currently awaits final passage in the Senate.

- 1 American Community Survey, 2006
- 2 The National Low-Income Housing Coalition, 2007-2008 Out of Reach Report
- 3 U.S. Census Bureau's Housing Vacancy Survey: Fourth Quarter 2007.
- 4 The National Low-Income Housing Coalition, 2007-2008 Out of Reach Report. The United States Department of Housing and Urban Development regards housing as affordable if it costs no more than 30% of a household's income.
- 5 The Section 8 Voucher Act also known as SEVRA
- 6 MaineHousing. Cost of Homelessness. September, 2007. <http://www.mainehousing.org/Documents/HousingReports/CostOfHomelessness.pdf>

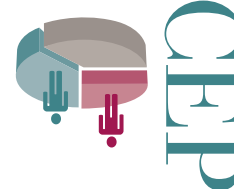
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