

POLICY BRIEF | JULY 2020

Allocation of the Limited Subsidies for Public Housing

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Introduction

The need for subsidized, affordable housing in the U.S. far outstrips supply. Only one in four households eligible for federal assistance gains access to subsidized housing, often after waiting for years on waitlists.¹ The U.S. Department of Housing and Urban Development (HUD) permits considerable discretion on which types of households to prioritize for this scarce resource to the public housing authorities (PHAs) implementing HUD's largest programs. The statute governing waiting list priority and administration is the Quality Housing and Work Responsibility Act (QHWRA), passed by Congress in 1998. As part of broader efforts to deregulate public housing, QHWRA repealed a set of mandatory federal preferences for those with the greatest housing needs, preferences which were believed to contribute to the concentration of poverty in public housing. Instead, QHWRA authorized PHAs to determine their own admission plans to reflect local housing priorities, including allowing PHAs to establish site-based waiting lists.²

1. Housing and Department of Urban Development. "PHA Homelessness Preferences: Web Census Survey Data." 2012.

2. Department of Housing and Urban Development. "Summary of the Quality Housing and Work Responsibility Act of 1998 (Title V of P.L. 105-276). Retrieved from https://www.hud.gov/sites/documents/DOC_8927.PDF

Despite the fact that over two decades have passed since QHWRA, we know very little about how well local priority systems work in meeting local needs and allocating public housing.

In our research, we sought to answer four foundational questions about the effectiveness of local priority systems in allocating public housing:

1. Are local priority systems effective in increasing a prioritized group's access to public housing?
2. Which other groups lose access as a result?
3. Do priority systems have other unintended consequences, such as impacting the demographic composition of the public housing site, or impacting spatial concentrations of poverty or racial groups?
4. Does this federal approach of providing local flexibility work well for public housing?

Methodology

To answer these questions, we need to account for the supply of public housing units in a jurisdiction, the characteristics of the eligible population, and how those who are eligible will make decisions about applying for public housing under different priority systems. For this analysis, we selected three public housing agencies with different socioeconomic conditions, geographic locations, and scale of public housing stock: Cambridge, MA; Detroit, MI; and Phoenix, AZ.

Using publicly available data on eligible and renter households for these three jurisdictions, we developed a waitlist model that accounts for the available supply of public housing units and the decisions of applicants. Using the estimated model, we ran policy simulations to predict how alternative priority systems will affect who does and does not gain access to public housing, as well as their exposure to poverty concentration in neighborhoods and within public housing developments in each of these cities.

Specifically, we considered the effects of four hypothetical priorities:

1. for households with incomes below 30 percent of AMI (to maximize poverty alleviation),
2. for households above 30 percent AMI but still income eligible (to minimize poverty concentration),
3. for households with an elderly head or spouse (to target specific housing needs), and
4. for households with children (who may experience the greatest long-run benefits).

Findings

Our model demonstrated a number of findings of interest to policymakers:

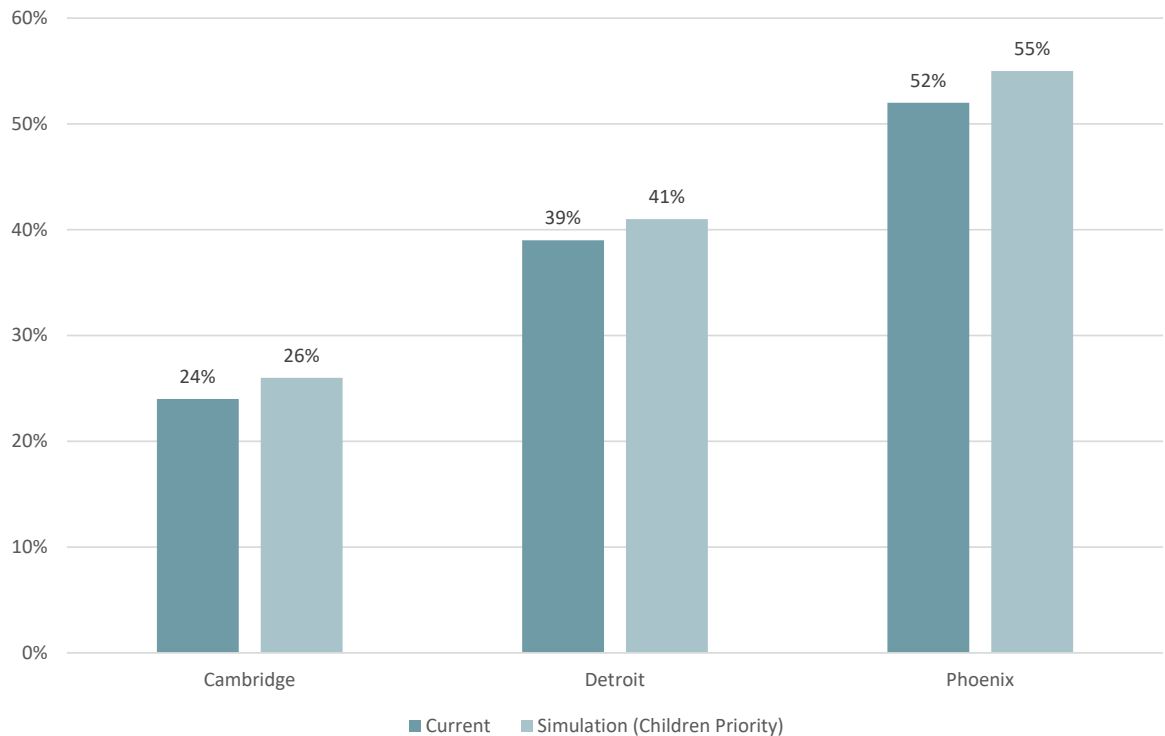
1. Prioritizing families with children has almost no effect on their access to public housing.

When we simulate a scenario where the case study PHAs prioritize families with children over all other eligible applicants ('complete priority'), we find very minimal increases in the proportion of households with children in public housing developments. In the three cities we review (Cambridge, Detroit, and Phoenix), prioritizing children results in no more than a 2-3 percentage point increase in the share of households with children who eventually receive public housing placements. According to our simulations, the key constraint for housing families is the number

of units with multiple bedrooms. Unfortunately, within the current public housing stock there are few appropriately-sized units that do not already house families. The takeaway for policymakers is clear: if PHAs want to increase access to housing for families, they need to build or renovate their housing stock to create more units with two or more bedrooms.

Our simulations also show that prioritizing families with children results in a very small decline in the share of elderly households in public housing. The weak relationship between households with children and elderly households is likely due to limited competition between the two groups for the same units; families with children require units with multiple bedrooms, while the elderly typically require studio or one bedroom units.

Households with Any Children



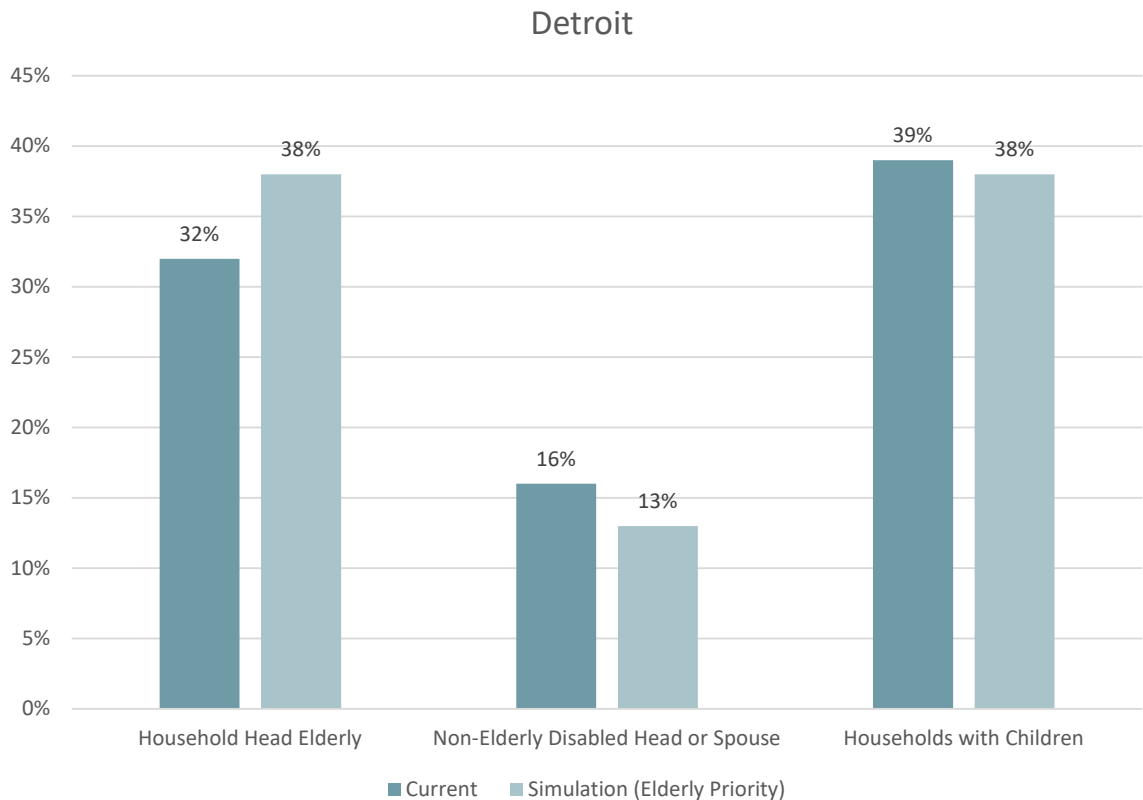
In addition, elderly households show a strong preference for units in elderly developments, and rarely apply to family developments.

2. Prioritizing seniors has a modest effect on their access to public housing, and comes at the expense of the disabled rather than families with children.

In our three case study cities, our models predict that prioritizing the elderly over all other eligible applicants would increase their access to public housing by between 10 and 13 percentage points. Due to a lack of competition for similarly-sized units, the notable impact on the share of elderly households has little to no effect on the share of families with children in public housing. Detroit offers a clear example of this dynamic—while the share of elderly increases by 6 percentage points, the share of families with children only drops by 1 percentage point. However, the elderly priority did result in a decline of 3 percentage points in

the share of non-elderly disabled households in Detroit, due in large part to competition for studio or one-bedroom units. This trend is similar to our Phoenix and Cambridge simulations, which saw declines of 7 and 9 percentage points for non-elderly disabled, respectively.

Similar to the previous scenario, this finding highlights the role of unit size of the public housing stock in determining who gets access to housing. While PHAs can prioritize different groups, if there are few additional suitable units (studios and one-bedrooms for the elderly, and multiple bedrooms for families with children) the priorities will have little effect for the targeted populations. However, if multiple groups are in competition for similarly-sized units - in this case, the elderly and the non-elderly disabled - priorities may have unintended consequences,



such as limiting access to public housing for the competing group.

3. Income-based priorities have much larger effects in terms of promoting access to affordable housing for targeted groups.

Our research finds that prioritizing lowest-income households would result in almost all—between 96 and 100 percent—of public housing households having incomes under 30 percent of the AMI. The average public housing household income would decrease by 39 to 48 percentage points, and in all three cities the average public housing household would have an income at or below 15 percent of the local AMI.

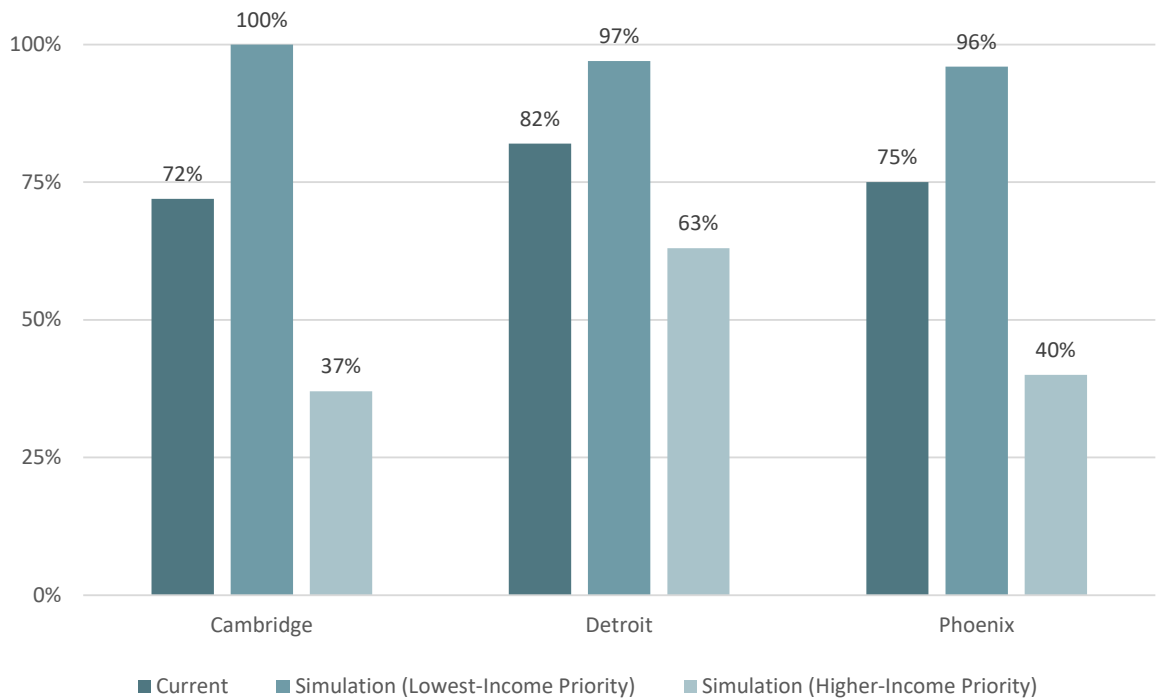
Conversely, prioritizing higher-income (those with incomes above 30 percent of AMI but still income eligible) households also effectively increases access to public housing for that group. That priority simulation results in between a 19 to 35 percentage point reduction

in the share of households with income below 30 percent AMI in each of our three case study cities. While the decrease in households earning under 30 percent AMI is notable, it is less dramatic than the corresponding increase seen in the lowest-income household priority scenario, even with complete prioritization of this group. This is largely due to differences in preferences between the two groups; higher-income households are less likely to apply for public housing, and may be more selective in terms of which developments they will apply for and ultimately accept. Still, achieving more mixing of incomes in developments—by prioritizing higher-income households—results in less access to public housing for households with extremely low incomes.

4. While income-based priorities have very large effects on tenant composition by income, they have little effect on other aspects of composition, such as race and ethnicity.

The racial and ethnic composition of public

Households with Income Below 30% AMI



housing tenants changes very little in response to either of the income priorities, despite the significant effects those priorities have on household composition by income. While a slightly lower share of public housing tenants tends to be minority when higher-income households are prioritized, most changes for race or ethnic shares are no larger than 2 to 3 percentage points.

This result seems to be driven by differences within racial groups in who is likely to select into public housing at various income levels. Due to racial disparities in income in the overall population in these cities (and in the U.S.), whites make up a greater proportion of the higher-income eligible pool. But prioritizing higher income households does not result in a large increase in the proportion of public housing residents who are white, due to a weaker preference for public housing in higher-income eligible white households (relative to lowest-income white households, and relative to non-white higher income households). Patterns among public housing tenants support this finding. In 2012, in the three case study cities, public housing households with incomes above 30 percent of AMI were slightly *less likely* to be white than public housing households with incomes below 30 percent of AMI.

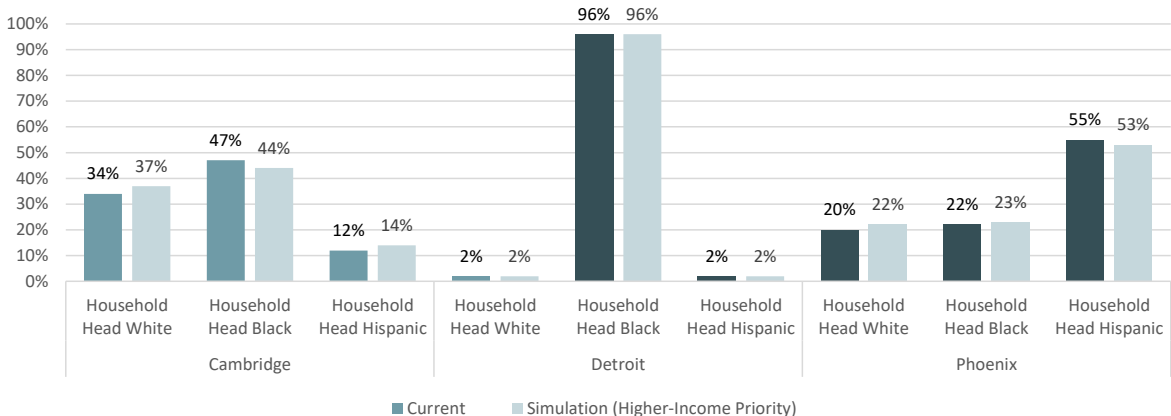
5. Prioritizing lowest income households (who

may have the greatest need) would result in high concentrations of poverty within public housing, and possibly in very high poverty neighborhoods, particularly for families with children.

Similar to PHAs across the county, the large majority of public housing tenants are poor in our case study cities, and prioritizing lowest-income applicants only increases the concentration of poverty within public housing developments. Indeed, through QHWRA Congress intended to mitigate concentrated poverty in public housing developments by removing the federal requirement for such prioritization and by setting a lower requirement for serving lowest-income households in public housing than for the voucher program.

Concentrated poverty raises particular concerns for families, due to its impact on socioeconomic outcomes for children. The lowest-income priority results in extremely concentrated poverty inside public housing for families. In Cambridge, for example, the share of public housing residents who are poor increases from 59 percent to 84 percent for the average public housing family with children. In Phoenix and Detroit, the lowest-income priority results in increasing the poverty rate in public housing for the average family with children from 75 to 95 and 82 to 96 percent (respectively). This highlights a central tension in serving the lowest income households

Share of Public Housing Tenants by Race and Ethnicity



in supply-side housing policies: those programs, such as public housing, cannot prioritize the lowest income households without creating extreme concentrations of poverty within their buildings.

Of course, the environment that families raise their children in is defined not only by the public housing in which they live, but also the neighborhoods where that housing is located. Public housing in the three case study cities is located in neighborhoods with very different baseline levels of poverty. Families with children residing in public housing in Cambridge live in census tracts where only 19 percent of non-public housing residents are poor, a stark contrast to Detroit and Phoenix where the tract poverty rate for public housing families with children is 50 percent and 41 percent, respectively. It is worth noting that the lowest-income priority has almost no effect on the share of public housing households who have children or which developments they live in, given the limited number

of developments with units with multiple bedrooms for families. Rather, the priority would mean that nearly all of these families would be poor, with no change in the average tract poverty rates among non-public housing neighbors of families with children. Hence, even after a lowest-income priority, poverty rates in the surrounding neighborhood for public housing families with children in Cambridge would be 19 percent. Since the vast majority of those public housing families are poor, it is possible that the poverty rate surrounding public housing is lower than that in the neighborhoods many of these families would have left.

This means that the impact of a lowest-income priority for public housing on the overall concentration of poor families in a city ultimately depends on the existing poverty levels in neighborhoods with public housing. Prioritizing lowest-income families in a city such as Cambridge results in a high level of poverty concentration for families with children within

Tract Poverty Rate for Public Housing Residents with Children



public housing, but may enable poor children to leave high poverty neighborhoods. However, in cities similar to Detroit and Phoenix, where the poverty rates in neighborhoods surrounding public housing are also quite high, prioritizing lowest-income families is likely to increase poverty concentration for poor families.

Conclusion

Our simulations affirm that HUD's requirement to prioritize households with the lowest income prior to QHWRA would increase the concentration of poverty within public housing. Similarly, they affirm that even within its existing public housing stock, a PHA can have a large effect on the composition of public housing tenants in terms of income. Adopting income priorities that decrease poverty concentration, however, comes with the difficult tradeoff of serving fewer of those with the greatest need: lowest income households. This highlights that local priorities for allocating public housing and other unit-based rental assistance units face additional trade-offs, and may work 'less well' than for tenant-based programs.

A second way in which local priorities do not work well for public housing is attempting to prioritize households along some non-income dimensions, such as for seniors and most particularly for families with children. The size-composition of the existing stock plays a large and somewhat determinative role along those dimensions. Prioritizing families with children, for example, has almost no effect on their gaining access to subsidized housing. Allowing PHAs to have flexibility along one dimension (their selection priorities) may be severely limited by their lack of flexibility along a key other dimension (unit versus tenant based). We argue that for affordable housing policy to meaningfully permit localities to best meet local needs, there needs to be flexibility in the *form* of assistance that works best for local conditions

and priorities. In the meantime, PHAs can focus on additional tools for better matching their existing public housing stock to current needs. While raising other tradeoffs and concerns, PHAs can work to better match current household size with current housing allocations (so called 'right sizing.')

There is considerable work to be done on that front; for example, despite the agency's focus on improving right sizing³ in 2017 nearly one-third of New York City Housing Authority (NYCHA) units were "underoccupied", with more bedrooms than necessary given the household size.⁴ PHAs can also consider modifying their existing stock in ways that better meet current needs. Indeed, a large share of public housing units are currently slated for renovation: in 2018 Congress increased the cap for perhaps the most likely path to renovation, HUD's Rental Assistance Demonstration (RAD) program. The cap is now 455,000 units, almost 45 percent of public housing stock;⁵ in late 2019, more than 120,000 of those units had been converted and 90,000 units had begun the process of converting to RAD.⁶ Given its ambitious scale, RAD presents a unique opportunity for PHAs to reassess the size-composition of their developments in light of local and federal priorities for serving public housing residents.

3. *Testimony from NYCHA Executive Vice President of Operations Carlos Laboy-Diaz, Right-Sizing: NYCHA's Policy of Transferring Tenants in Under-Occupied Apartments.* New York City Council Committee on Public Housing, (October 2017). <https://www1.nyc.gov/assets/nycha/downloads/pdf/right-sizing-testimony-10-23-17.pdf>

4. Elisabeth Brown, *How Many Apartments in the City's Public Housing Developments are Underoccupied?* New York City Independent Budget Office, (December 7, 2017). <https://ibo.nyc.nyus/cgi-park2/2017/12/how-many-apartments-in-the-citys-public-housing-developments-are-underoccupied/>

5. Chris Hayes and Matt Gerken, *The Future of Public Housing: Rental Assistance Demonstration Fact Sheet.* Urban Institute, (October, 2019). https://www.urban.org/sites/default/files/publication/101436/the_future_of_public_housing_rental_assistance_demonstration_1.pdf

6. Matthew Gerken, Susan J. Popkin, and Christopher Hayes, *How Has HUD's Controversial Rental Assistance Demonstration Affected Tenants?* Urban Institute, (October 30, 2019). <https://www.urban.org/urban-wire/how-has-huds-controversial-rental-assistance-demonstration-affected-tenants>