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## Section 8 Voucher Program At Crossroads

For years, HUD's Section 8 housing voucher program has been the fastest growing budget item representing nearly \$34 billion of the \$52.7 billion Congress approved for the department in FY 2018.

Two-thirds of the appropriation pays for individual housing voucher subsidies and the balance covers contract payments to Section 8's private landlords.

Since Section 8 was created by the Housing & Community Development Act of 1974 as part of the Housing Act of 1937, it has been expanded to include homeownership subsidies, voucher portability, and additional vouchers under the HUD-Veterans Affairs Supporting Housing voucher program.

Section 8 subsidies, including rent and utilities, cover nearly 5 million families.

On April 1, the Small Area Fair Market Rent took effect after much legal wrangling, roiling the Section 8 market. HUD first introduced SAFMR in 2011 as an anti-segregation practice to avoid confining voucher holders exclusively to low-rent areas.

SAFMR rental calculations would be based on zip codes rather than the larger metropolitan statistical area formula. It was to be tested in 24 markets after a trial run in Dallas, TX, but HUD Secretary Ben Carson suspended SAFMR in August 2017. The suspension was overturned in December, and HUD decided against a challenge.

The new rent calculations to allow poor families to move to affluent neighborhoods with voucher levels inflated to meet the higher rents means voucher levels would have to be reduced to tenants living in already poverty-ridden neighborhoods or vouchers would have to be eliminated entirely. That turmoil is still underway in the program.

And now Section 8 is being expanded to include public housing units converted to private sector ownership and management under the Rental Assistance Demonstration program.

RAD is now being considered by Congress as a permanent program to ultimately convert all of HUD's 1.1 million public housing units to private control. So far, 100,000 units have been converted. Congress has authorized conversion of up to 485,000 units.

Congress now appropriates \$3 billion annually for public housing repairs and maintenance and nearly \$5 billion for administration. But that covers government administration of housing which has fewer overhead costs than private housing.

Housing economists are beginning to worry about how the Section 8 program will be financially sustained under the new burdens.

Most public housing tenants pay rent based on their income, with rent levels determined by public housing authorities. About one-tenth of the nation's 1.1 million families living in public housing pay flat rents. Tenants pay 30% of their income, and the government pays the balance of the area's fair market rent which is generally higher than income-based rents.

With home prices escalating and pricing out the average prospective homebuyer, mortgage rates increasing, rental costs escalating as the housing supply evaporates, and homelessness soaring as a result of those and other factors, the demand for government rental assistance is expanding exponentially.

At the same time, the federal government is pressing its limits on the national debt and the amount of money it can keep borrowing annually to cover the growing gap between tax and other revenues and spending obligations.

With that in mind, and with lawmakers getting increasing pressure to limit and cut spending, will there be sufficient money to meet the expanded Section 8 obligations, let alone cover existing commitments?

With rental housing increasingly pushing the homeownership sector aside, investors rushing to reap returns on rental housing investments, builders increasingly targeting their developments to rental housing both single family and multifamily construction, and with developers still holding swaths of foreclosed homes as rental housing in the wake of the 20008 housing market crisis, the rental housing sector likely will remain highly competitive and expensive.

That expense will translate into government subsidized housing as well. That cost will be compounded by the increasing budgetary constraints among states, counties, and municipalities regarding their housing commitments.

Those questions and the lack of answers or even discussions leave millions of families in a vacuum wondering whether the current value of their vouchers will increase to cover anticipated additional costs, and other families wondering if they ever will receive housing aid.

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