

# Comment on William G. Grigsby and Steven C. Bourassa's "Section 8: The Time for Fundamental Program Change?"

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## *Abstract*

Grigsby and Bourassa suggest that the Section 8 Housing Choice Voucher Program is no longer needed in its current form and that it should become an entitlement program for low-income families and be integrated with other federal safety-net programs. We disagree. We believe that the reform Grigsby and Bourassa propose fails to appreciate the program's purpose, effectiveness, and importance in providing decent and affordable housing for low-income families.

While we agree that the program needs to be changed, we also believe that the fundamental elements that address housing policy goals should be preserved. Rather than merge the program into the existing network of income support programs and eliminate its major housing components, we argue that its eligibility requirements and rent structure should be simplified and that it should return to a true budget-based funding system.

**Keywords:** Federal policy; Rental housing; Section 8 housing programs

## **Introduction**

The tenant-based Section 8 program, now referred to as the Housing Choice Voucher Program, has offered housing assistance to low- and moderate-income households for over 30 years. During the past 2 years, the Department of Housing and Urban Development (HUD) has made two significant proposals to restructure this program in order to constrain its growing costs. The first, the Housing Assistance for Needy Families Program, offered states a block grant and administrative responsibility for a demand-side housing assistance program (HUD 2003; U.S. Office of Management and Budget [OMB] 2003a). This year, HUD offered the Flexible Voucher Program, which

would put housing assistance into a block grant to local housing authorities (PHAs) (HUD 2004; OMB 2004).

In the report accompanying its fiscal year (FY) 2005 appropriations bill, the U.S. House Appropriations Committee, Subcommittee on Veterans Affairs and Housing and Urban Development, and Independent Agencies, strongly urged congressional authorizing committees to take up the issue of HUD's reform proposals and expressed the belief that without voucher program reform, "the viability of all HUD programs, including the Section 8 program, will be compromised" (2004, 20). Grigsby and Bourassa offer a timely alternative reform proposal to encourage debate over the character and future direction of the Section 8 program.

### **The argument and the proposition**

Grigsby and Bourassa argue that the program has a number of shortcomings, primarily that "it does not materially improve housing conditions for most recipients" and that it has basically become an income support program (805). Other shortcomings include the lack of horizontal equity, high failure rates in finding a suitable unit, increases in housing cost burden for participants, and use of program resources to conduct unnecessary housing quality inspections. The authors also note that recent inattention to new-construction programs and focus on the voucher program may increase housing demand without a concomitant increase in supply. They further argue that the program has had little impact on five other severe and potentially worsening housing problems.

They then propose that the program become an entitlement, integrated into the federal safety net for extremely low income and very low income families. They envision full program integration as opposed to ongoing efforts to improve compatibility with other safety-net programs. Participants would consist of those eligible for Earned Income Tax Credit (EITC), Temporary Assistance for Needy Families (TANF), or supplemental security income benefits, or those whose housing circumstances require special attention (victims of domestic violence, homeless households, victims of reprisal or hate crimes, and households displaced by government action or natural disasters).

### **Housing Quality Standards (HQS) inspections and housing quality**

Grigsby and Bourassa argue that the required initial housing inspection is useful only for providing the PHA with information in the rent negotiation

process. Our experience suggests otherwise. While the initial inspection is one source of data to be used in rent negotiations, its primary purpose is to ensure that the unit meets HQS.

### *What is housing quality?*

Citing census and American Housing Survey (AHS) data, Grigsby and Bourassa argue that housing quality is no longer a problem because seriously inadequate housing and overcrowding have virtually disappeared. They state that the subsidy will not produce substantially better housing because the units in which participants live are already standard. The subsidy simply reduces their housing cost burden with an inefficient income transfer.

The census is a subjective self-reported measure of housing adequacy (hot and cold running water, flush toilet, stove, and refrigerator), and while AHS data provide more detail (water stoppages, toilet and sewage breakdowns, heating problems), compared with HQS, neither provides detailed measures of housing quality. These standards, found at 24 C.F.R. 982.401, encompass 13 elements of housing quality with detailed descriptions of acceptable conditions.

For example, HQS require that windows that are accessible from the outside or used for emergency egress be lockable, operable, and not blocked. Room heaters that burn gas, oil, or kerosene must be properly vented, and at least one smoke detector must be operational. The standards also address the environmental hazards of lead paint. Conditions that violate these standards are typically found in the homes of low-income families, particularly in older urban areas. Grigsby and Bourassa contend that these types of housing conditions are not substandard and instead fall in the category of “consumer protection” (815). We believe that the health and safety of participating low-income households depend on enforcing HQS.

Further, Grigsby and Bourassa argue that the inspections may “accelerate repairs that for the most part would have been done anyway at a later date, but mostly they add unnecessarily to program expense” (815). The experience of many PHAs, particularly those in older urban areas, does not support this claim.

The Baltimore City Housing Authority, with approximately 10,800 vouchers under contract, posts Section 8 inspection results on its Web site. From January through March 2004, an average of 51 percent of the units initially inspected for the voucher program failed, and 41 percent of the units under contract failed their annual inspections as well (Baltimore City 2004). Chicago’s experience is similar to Baltimore’s. According to William T. Riley,

Director of CHAC, Inc. (the firm that manages Chicago's voucher program), the firm conducts approximately 3,300 initial inspections a month; 50 percent of the units that are inspected fail. Moreover, 30 percent of the units that are inspected again fail a second time. In an attempt to reduce these rates, owners receive a "Top Inspection Fail Items" list that includes missing and boarded-up windows, inoperable light fixtures and door locks, and missing smoke detectors, and the failure rate still remains high (Riley 2004).

*What are the effects of the program on housing quality?*

In a historical overview of the Section 8 program, HUD (2000) noted that the 1970 Experimental Housing Allowance Program (the precursor to the current program) concluded that "[p]ayments had to be tied to housing standards to insure that households live in standard housing" (4). The program design has always included inspections and quality standards, which have paid off in that the units occupied by voucher holders and the neighborhoods in which they live are better than those occupied by their unassisted counterparts and, in some instances, are better than public housing (Newman and Schnare 1993, 1997; Van Ryzin and Kamber 2002). Van Ryzin and Kamber (2002) also note improved outcomes for overcrowding.

The Millennial Housing Commission (MHC), in reviewing the Section 8 program, also recommended continuing HQS:

The argument for maintaining HQS in the tenant-based program begins with the premise that housing quality is an important goal of the program, even if it compromises the goal of housing affordability. Further, the federal government has responsibility for ensuring that subsidized units minimize the health hazards to children from lead dust and lead-based paint in the home. (Turnham and Khadduri 2001, 3)

HQS protects against the use of public funds for substandard housing, emphasizes safety, and encourages property maintenance. It also addresses community concerns about the quality of subsidized housing and improves community support (Pisilli 2002).

The HQS inspection system could benefit from modifications to allow more local flexibility in determining the extent and frequency of inspections. In some communities, an annual inspection may not be necessary, while in others such as Baltimore and Chicago, a more rigorous inspection process may be required.

## **The program's impact on other severe and worsening housing problems**

The five problems that Grigsby and Bourassa note as being inadequately addressed by the current program (housing affordability, neighborhood and social decay, spatial dimensions of economic opportunity, involuntary residential mobility, and homelessness and the need for supportive housing) include only two real housing problems: affordability and the special problems of the homeless and those needing supportive housing. The other three are tangentially related but are not solely housing problems.

Grigsby and Bourassa state that “if the purpose of Section 8 today is primarily to make housing more affordable, not to improve it, then this is the wrong subsidy” (816). We would argue that the program does both: It makes housing more affordable for the households it serves and helps improve and maintain housing through a system of inspections and guidelines for quality standards. Does the current program increase housing affordability in general? Of course not, nor does Medicaid make general medical care more affordable or food stamps lower food costs.

Grigsby and Bourassa seem to believe that the Section 8 program's failure to provide housing assistance to every income-eligible person is due to a failure of will on the part of Congress and “lack of clarity regarding its role in housing subsidy programs and in the overall safety net” (830). Rather than a failure of will, we characterize this policy choice as an act of will. The U.S. Housing Act of 1937 states that “the Federal Government cannot through its direct action alone provide for the housing of every American Citizen, or even a majority of its citizens, but it is the responsibility of the Government to promote and protect the independent and collective actions of private citizens to develop housing and strengthen their own neighborhoods” (42 U.S.C. 1437(a)). This legislative sentiment has existed since U.S. housing programs were established and has persisted for over 60 years. Given this backdrop, we believe that the creation of an entitlement program would require an unlikely sea change in housing policy. Therefore, we choose to focus on reform designed to increase the efficiency and effectiveness of the current program.

As to the problems of homelessness and supportive housing needs, the current program has contributed to solving these problems. Many PHAs specifically give preference to homeless families in issuing vouchers, and there have even been special homeless programs such as those for veterans. In the area of supportive housing, there have been special program allocations such as Mainstream for people with disabilities, HOPE for Elderly Independence

for the frail elderly population, and Family Unification for families with children in foster care. Also, the new project-based assistance rules will allow PHAs to give preference in allocating vouchers to service-enriched housing.

### **Program goals**

Despite the claims of goal confusion and ineffectiveness, the authors grant that the current program has “at least partially achieved three important objectives: helping a large number of families at a reasonable cost per family, retarding residential decay in older neighborhoods, and broadening locational choice” (811). The claim is consistent with OMB’s assessment of the program as “moderately effective” (2003b, 158). The MHC was less restrained, characterizing the program as the flexible, cost-effective, and successful “linchpin of a national policy providing very low income renters access to the privately owned housing stock” (2002, 59).

There are federal assertions of need for both housing quality and housing affordability initiatives in the U.S. Housing Act of 1937, reinforced by the amendments of the Quality Housing and Work Responsibility Act of 1998 (QHWRA). The most recent revisions to statutory housing assistance policy (42 U.S.C. 1437 et. seq.) list several policy goals and constraints recognized in QHWRA. These goals, aimed at promoting the general welfare, include

1. Helping states and political subdivisions remedy unsafe housing conditions and the “acute shortage of decent and safe dwellings for low income families” and
2. Helping states and political subdivisions address the shortage of housing affordable to low-income families

Fortunately, the federal policy statement makes it clear that these policy goals are normative and do not rely on other instrumental justifications involving health, employment, crime prevention, economic independence, family stability, or educational attainment. Research on secondary or tertiary effects of housing assistance has produced equivocal outcomes at best (Acevedo-Garcia et al. 2004; McClure 2004; Orr et al. 2003; Shroder 2002).

As noted earlier, the current program solves the affordability problem for participants, ensures a basic level of housing quality for assisted units, and encourages and rewards ongoing maintenance of the units to sustain housing resources.

### *Contributions*

Other program contributions not previously mentioned include

1. Expanding fair housing enforcement through direct PHA action and referrals to fair housing organizations
2. Prohibiting the use of predatory and discriminatory lease language
3. Reducing the likelihood of retaliatory landlord actions for reporting maintenance problems or other tenant problems
4. Reducing the likelihood of gouging by requiring that the rent be reasonable

### *Challenges*

Despite its achievements, the Section 8 program faces at least two very serious challenges: Grigsby and Bourassa discuss one of them and the other they discount. Like virtually every federal housing assistance program, Section 8 suffers from horizontal inequity. Similarly situated citizens do not have equal access to assistance. In addition to the voucher program, this housing assistance lottery includes access to public housing, Section 202 elderly housing, and voucher assistance earmarked for people who are disabled, those who have AIDS, and those who are homeless.

Horizontal inequity contributes to the second challenge that the current program faces—its rising cost. In the conference report on the FY 2004 appropriations bill, the conferees expressed concern over the “spiraling increases in the costs” of the program (U.S. House Appropriations Committee 2003, 1044). That language has been repeated by the U.S. House Appropriations Committee, Subcommittee on Veterans Affairs and Housing and Urban Development, and Independent Agencies, in its report on the FY 2005 appropriations bill (2004). Despite Grigsby and Bourassa’s claim that “the fact that entitlement has not materialized over the past 30 years is less a reflection of fiscal constraints than of a lack of political interest” (812), policy makers have seemed particularly concerned with those fiscal constraints over the past two years. Although the sources of these cost increases have been subject to debate, two major sources are PHAs’ feeling congressional pressure to use all of their program appropriations each year and Congress’s encouraging PHAs to avoid concentrating voucher holders in poorer neighborhoods. While rising utilization has helped an additional 500,000 families, moving to less impoverished neighborhoods raises housing costs.

### **Problems with the proposed reform**

The authors' proposal to treat housing assistance as an entitlement tightly linked to other income support initiatives for a more narrowly defined population would result in a series of unappealing outcomes.

1. It would eliminate the components of the current program that have had a demonstrable impact on affordability and the improvement and maintenance of housing quality.
2. It does not clearly appear to overcome the five problems cited by Grigsby and Bourassa as deficiencies of current program design.
3. Since the authors appear to leave much of the detail of the housing subsidy intact, the proposal leaves broad elements of horizontal inequity in place. The proposal adds to that inequity by continuing assistance for eligible households after they lose their qualitative eligibility (TANF, EITC) as long as they remain income eligible.
4. The proposal exacerbates the current fiscal dilemma, proposing a "modest" increase in the funding for housing assistance at a time when Congress is expressing serious misgivings over current costs.

### **Alternative reform proposals**

We have argued that Grigsby and Bourassa's reform would eliminate important federal support for achieving housing goals that national policy makers have supported since 1937 and that their reform would fail to address two serious flaws in the program—horizontal equity and rising costs. We conclude with some suggested directions for reforming the current program to preserve its housing components, improve horizontal equity, and acknowledge contemporary fiscal constraints.

#### *Simplification of eligibility and rent determinations*

The current system, based on household income and a complex system of income exclusions and deductions, creates a series of problems. In the current system, a participant's housing subsidy varies according to the amount and sources of household income, the composition of the household, and the age and character of adult and minor members, among other things. For example, an elderly retiree with pension or Social Security income of \$10,000 and no medical expenses in excess of 3 percent of gross income would likely pay approximately \$240 a month in rent. A younger person who had two minor dependents, had no income for the previous 12 months, and became employed

at \$10,000 a year would pay no rent for the first year of employment (because of an earned income disallowance), approximately \$101 a month in rent for the second year of employment, and \$226 a month thereafter.

The admission and subsidy distribution system undermines participants' belief that the system is fair, causes confusion and misunderstanding among PHAs, is a major source of errors in determining rents and misapplying large amounts of federal housing assistance, and is a prime motivation in participants' fraudulent reporting of income and expenses. HUD has claimed that calculation errors and fraud cost the federal government \$1.04 billion in housing assistance in 2000 (ORC Macro 2001).

### *A real budget-based model for program funding*

HUD's budget submissions for FY 2004 and FY 2005 proposed block grants that would move program funding from a unit to a budget basis (HUD 2003, 2004). That is, PHAs would no longer be guaranteed a level of funding for all vouchers in use, but would be ensured a fixed budget, presumably adjusted over time for inflation. Congress tacitly accepted this change in funding protocol in its FY 2004 budget, and the U.S. House Appropriations Committee, Subcommittee on Veterans Affairs and Housing and Urban Development, and Independent Agencies, has explicitly endorsed this model in the report accompanying its recently passed appropriations bill (2004).

Although Congress and HUD have adopted budget-based rhetoric, program reality falls far short for several reasons.

1. Congress imposes a ceiling on the number of households PHAs can assist, even if funding would support such expansion.
2. A budget-based program would require that Congress provide HUD and PHAs with an allocation of funds before the FY begins, so that both HUD and the PHAs can prepare budgets and other plans consistent with Congress's intentions. That did not happen for FY 2004 and seems unlikely to happen for FY 2005.
3. HUD must provide required approvals or modifications of local sponsors' budgets before the beginning of the period in question. PHAs now sometimes wait months, if not several quarters, to discover whether a budget proposal is approved. A truly budget-based funding mechanism would require that Congress, HUD, and PHAs fulfill their responsibilities on time and would permit rational program implementation.

*Feasibility of proposed reforms*

We have claimed that Grigsby and Bourassa's reform proposal is not feasible. Congress has a lengthy history of explicit rejection of entitling housing assistance. We have also pointed out that even given the authors' claims of program efficiencies, fiscal constraints would appear to work against the proposal's adoption. What of the two alternative types of changes (rent reform and budget basing) discussed earlier?

Both represent significant reforms that demand broad and extended discussion. They bring the promise of mitigating fraud and erroneous calculations, improving policy transparency, and offering greater horizontal equity—treating comparably situated applicants and participants much more consistently than under the current system. Any modification to the system of calculating rent payments in affordable housing programs will produce groups that do better and groups that do worse, and we must evaluate those shifts in distribution carefully. Given the traditional opposition to treating housing assistance as an entitlement, rent reform could broaden the number of people able to access housing assistance and mitigate the capricious outcomes of the current admissions and benefit distribution protocols. The feasibility of this proposal rests with political decisions on the distribution of program benefits. Policy makers may choose to protect current participants or to distribute benefits in a more rational and equitable manner, reducing the benefits to some current participants and opening the door to some eligible nonparticipants.

The budget-based reform proposal would return the Section 8 program to a funding protocol used 15 years ago and provide PHAs with the flexibility they need to manage local housing assistance rationally. Congress and HUD seem very interested in this alternative for their own reasons. The change could rationalize program operation without closing the door on national debates over the nature and extent of federal commitments to the goals announced in the U.S. Housing Act of 1937 and reiterated in virtually every revision of that statute through the QHWRA of 1998:

It is the policy of the United States—

- (1) to promote the general welfare of the Nation by employing the funds and credit of the Nation, as provided in this Act—
  - (A) to assist States and political subdivisions of States to remedy the unsafe housing conditions and the acute shortage of decent and safe dwellings for low-income families;

- (B) to assist States and political subdivisions of States to address the shortage of housing affordable to low-income families (42 U.S.C. 1437(a) (1))

## Conclusions

Given some long-standing problems with the Section 8 program, such as its lack of horizontal equity and the contemporary fiscal constraints confronting it, we commend Grigsby and Bourassa for opening what we hope will be a vigorous debate on the future shape of demand-side housing assistance for extremely low income and very low income households. The U.S. House Appropriations Committee, Subcommittee on Veterans Affairs and Housing and Urban Development, and Independent Agencies, has expressed the view that, without a change in the program, virtually all federally assisted housing initiatives might be in jeopardy (2004). Grigsby and Bourassa argue for reforms that would make housing assistance an entitlement for some current participants and applicants, exclude other current participants in the future, and eliminate the housing elements in the program's design. We argue for reforms that will preserve the contributions of the Section 8 program to housing quality and affordability, while improving its fairness and transparency for participants and its manageability for local sponsors. It appears that the growth and policy success of the Section 8 Housing Choice Voucher Program helped bring national assisted housing policy to a critical juncture. Reform alternatives being discussed now may help shape demand-side housing assistance for some time to come.

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Opinions expressed in this comment are those of the authors and do not reflect those of their respective organizations.

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