

## **Fundamental Housing Policy Reform**

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Thank you, Mister Chairman. I welcome this opportunity to talk with you and the members of your committee about reform of the Housing Choice Voucher Program. I speak from the perspective of a taxpayer who wants to help low-income families, albeit a taxpayer who has spent the last 30 years studying the effects of low-income housing programs.

Given the current economic slowdown and the added expense of fighting international terrorism, it is clear that little additional money will be available for low-income housing programs over the next few years. The question is: How can we continue to serve the families who currently receive housing assistance and serve the poorest families who have not been offered assistance without spending more money? The answer is that we must use the money available more wisely.

Research on the effects of housing programs provides clear guidance on this matter. It shows that tenant-based housing vouchers provide equally desirable housing at a much lower total cost than any type of project-based

assistance under any market conditions. My written testimony summarizes the evidence.

These results imply that we can serve current recipients equally well (that is, provide them with equally good housing for the same rent) and serve many additional families without any increase in the budget by shifting resources from project-based to tenant-based assistance.

The magnitude of the gain from this shift would be substantial. The smallest estimates of the excess costs of project-based assistance imply that a total shift from project-based to tenant-based assistance would enable us to serve at least 900,000 additional families with no additional budget.

These findings have important implications for how the federal budget for housing assistance should be spent.

First, the money currently spent on operating and modernization subsidies for public housing projects should be used to provide tenant-based vouchers to public housing tenants, as proposed by the Clinton Administration and by Senator Dole during his presidential campaign. If housing authorities are unable to compete with private owners for their tenants, they should not be in the business of providing housing.

Second, contracts with the owners of private subsidized projects should not be renewed. Instead we should give their tenants portable vouchers and force the owners to compete for their business.

Third, the construction of additional public or private projects should not be subsidized. No additional money should be allocated to HOPE VI, there should be no new HUD production program, and the indexing of low-income housing tax credits for inflation should certainly be rescinded until a careful analysis of the cost-effectiveness of this program overturns the results of the recent GAO study.

Fourth, Congress should declare a moratorium on further project-based assistance under the Housing Choice Voucher Program until it can consider the results of a study that compares the cost-effectiveness of the already committed project-based vouchers with tenant-based vouchers.

Finally, if Congress decides to convert the HCV Program to a housing block grant to the states, it should require that the entire budget of the program be used for choice-based assistance. Evidence indicates clearly that states would devote the bulk of an unrestricted housing block grant to project-based assistance.

These reforms will give taxpayers who want to help low-income families more for their money by greatly increasing the number of families served without spending more money or reducing support for current recipients.

The usual objections to exclusive reliance on tenant-based vouchers have little merit. Tenant-based vouchers get recipients into adequate housing faster than production programs even in the tightest housing markets, and they are more cost-effective than production programs in all market conditions. Production programs do not have a perceptibly greater effect on

neighborhood revitalization than tenant-based vouchers, and we do not need production programs to increase the supply of adequate housing.

Unlike other major means-tested transfer programs, housing assistance is not an entitlement despite its stated goal of “a decent home and suitable living environment for every American family.” This feature of housing assistance is a historical accident, and it is not defensible given the methods currently available for delivering housing assistance. It is impossible to justify providing assistance to some families, while denying it to other families with the same characteristics. If we provide housing assistance at all, it should be an entitlement to everyone who is eligible. If anyone is eligible, it should be the families with the lowest incomes.

Contrary to popular opinion, this does not require spending more money on housing assistance. It can be achieved without additional funds by shifting money from less cost-effective methods for delivering housing assistance to choice-based vouchers as soon as current contractual commitments permit and reducing gradually the large subsidies received by current voucher recipients.

I urge the Committee to take the bold steps necessary to serve the poorest families who have not been offered housing assistance, and I appreciate the willingness of members of the Committee to listen to the views of a taxpayer whose only interest in the matters under consideration is to see that tax revenues are used effectively and efficiently to help low-income families.