Can Rental Markets Absorb a Major Voucher Expansion?

Will Fischer
Center on Budget and Policy Priorities

Abstract

Growing calls to expand housing vouchers or similar rental assistance and ultimately make them universal have raised attention on whether rental markets could absorb assistance for millions more households. In practice, the Housing Choice Voucher program has a long and continuing record of assisting additional households, and research—although limited—indicates that voucher expansion has done little to drive up market rents. This reflects several factors making vouchers easier to absorb and less prone to inflate rents than some critics assume, including the large share of families receiving vouchers who already rent housing, although often with very high rent burdens. There is no indication that the program has hit a limit on expansion, so absent a major change, it is reasonable to expect that markets could continue to absorb substantial numbers of added vouchers. Making rental assistance available to all eligible households, however, would require an unprecedentedly large expansion. There are strong reasons to believe this expansion would be feasible, but guaranteed assistance would likely be more successful if accompanied by rental assistance reforms giving participants access to more of the housing stock and broader interventions in tight rental markets to expand supply and limit excessive rent growth.

Introduction

Housing vouchers are a highly effective, evidence-based form of assistance that reduces homelessness, housing instability, and overcrowding and improves a range of other outcomes for participants (Fischer, Rice, and Mazzara, 2019). Expanding vouchers or similar rental assistance to reach all low-income people who need it will be crucial both to addressing housing-related hardship and to broader efforts to ensure that everyone has enough resources to meet their basic needs and thrive (Collyer, 2023; Cunningham, 2020). However, as a demand-side subsidy, vouchers' effectiveness depends on the availability of units that voucher holders can rent.

Calls have grown to expand rental assistance and ultimately make it universal, which has increased attention on the question of whether rental markets could absorb assistance for millions of additional households. In practice, the voucher program has a long history of assisting an increasing number of households (including growth of at least 59,000 in 2023 alone), with the number of vouchers in use limited mainly by funding constraints rather than market capacity. In addition, the available research—while limited—indicates that voucher expansion has done little to drive up overall market rents.

This article examines that record and discusses several reasons why vouchers are easier to absorb and less prone to inflate rents than critics sometimes assume: most people who use vouchers and most unassisted families who need them already occupy a housing unit, although often precariously; markets have substantial capacity to absorb new households despite supply constraints; and the program has administrative controls designed to prevent vouchers from paying above-market rents.

Although it is not possible to predict future trends with certainty, there is no indication that the program has hit a limit on the capacity of markets to absorb vouchers. As a result, absent a major shift in how expansions play out, it is reasonable to expect that vouchers could continue to assist many additional families, as they have during periods of relatively rapid growth in the past. Making rental assistance universal, however, would break new ground, requiring that many participants rent from owners who do not accept vouchers today and significantly increasing rental housing demand even in supply-constrained regions.

There are reasons to believe that an expansion on that scale would be feasible (including the same factors noted above that have facilitated voucher absorption to date), but the number of families who successfully use assistance would likely be considerably higher and the risk of market rent increases lower if expansion were accompanied by other policy changes. Such changes include rental assistance reforms to make it easier to use assistance in a wide segment of the housing stock as well as broader interventions to expand housing supply and limit excessive rent increases, particularly in tight markets.

The Voucher Program Has a Long Record of Successful Expansion

The number of households assisted through the Housing Choice Voucher program and its predecessors has grown almost continuously since the enactment of Section 8 of the U.S. Housing Act in 1974. Housing vouchers currently assist 2.42 million households,[1] which means that the program has expanded by an average of about 50,000 households per year since it was established. That expansion was concentrated in the first 3 decades of the program's history, when more than 100,000 vouchers or certificates were added in some years, and has slowed since due to a reduction in the number of new vouchers funded (Collinson, Ellen, and Ludwig, 2015). Nonetheless, the number of households assisted has continued to grow in most years. In the 5 years through 2023, an average of 35,000 additional vouchers were put to use annually, including

[1] In addition to regular Housing Choice Vouchers, which assisted 2.30 million households in November 2023 (the last month for which data are currently available), this figure and the estimates in this paragraph of the number of vouchers added include two subprograms that fund Section 8 vouchers: Mainstream vouchers, which assisted 56,000 households in November 2023, and Emergency Housing Vouchers, which assisted 63,000 households as of February 28, 2024. Data are from HUD's Housing Choice Voucher and Emergency Housing Voucher dashboards.

59,000 in the portion of 2023 for which data are available, so there is no indication that the program has bumped up against a ceiling that prevents further expansion.[2]

The Number of Vouchers in Use Is Constrained by Funding, Not Market Capacity

Vouchers and other federal rental assistance still reach only about one-fourth of households in need, and voucher waitlists are long in nearly all parts of the country (Acosta and Gartland, 2021). However, the main constraint preventing vouchers from helping more households is limited funding, not market capacity or other barriers to using vouchers. Congress sets appropriations for vouchers each year, and the state and local public housing agencies (PHAs) that administer vouchers receive fixed funding allocations based on their subsidy costs in the previous year, adjusted for inflation.[3] PHAs use somewhat less than all their funding in some years and somewhat more in others (by drawing down reserves), but on average from 2013–22, they spent 99.5 percent of the voucher subsidy funding they received.[4]

In markets with low vacancy rates, voucher holders and other households have more difficulty renting units, but well-run agencies in tight markets still use virtually all their voucher funds. For example, the PHAs for Boston, Massachusetts, and Los Angeles, Orange, and San Diego Counties in California all had budget utilization rates above 99 percent in 2022.

This should not be oversimplified. PHAs often manage funds conservatively, partly because program funding rules encourage it (Sard, 2024), and are sometimes particularly reluctant to draw on reserves, with the result that some have accumulated large reserve balances. Utilization rates can decrease temporarily because of tightening rental markets or unusually large funding increases—which both occurred in 2021, when use of funds fell to 96.2 percent before recovering to 98.0 percent in 2022. The overall trend is clear, however: budget utilization percentages have remained in the high 90s or higher even as the amount of funding and the number of vouchers in use have grown—rather than dropping, as would be expected if the program had hit a limit on the capacity of markets to absorb vouchers (exhibit 1).

Two statistics are sometimes misread as indicating that the voucher program cannot use the resources available to it. First, PHAs consistently use far less than 100 percent (85 percent in 2022, for example) of the vouchers they are authorized to administer, which is the sum of the new vouchers awarded to the PHA over the years. However, that occurs mainly because most agencies do not receive enough annual funding to cover all their authorized vouchers; nearly all *funded* authorized vouchers are used.

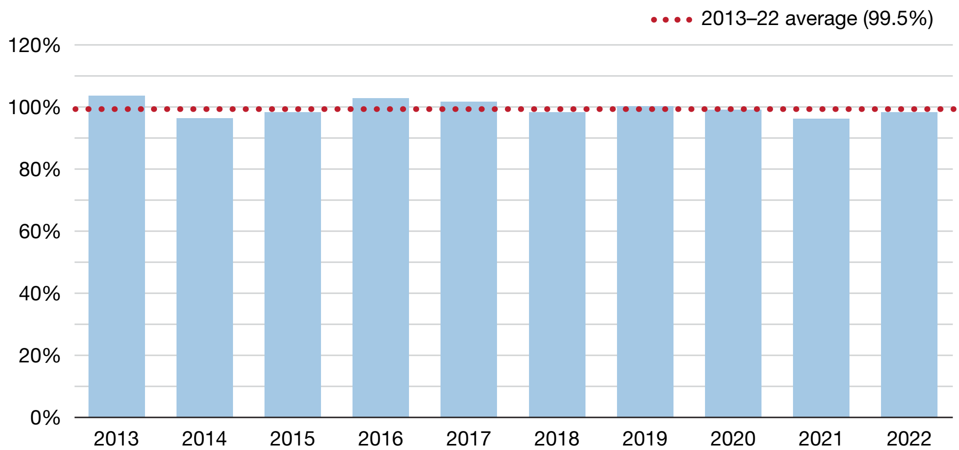
[2] Center on Budget and Policy Priorities (CBPP) analysis of HUD's Housing Choice Voucher and Emergency Housing Voucher dashboards.

[3] PHAs can request added funding from HUD to cover shortfalls, but the amount set aside for that purpose is capped and is low relative to the overall amount of voucher funding. Agencies participating in the Moving to Work (MTW) demonstration are funded using different formulas.

[4] The budget utilization figures in this article use data from HUD's Housing Choice Voucher dashboard and exclude MTW PHAs, which are allowed to shift voucher funds to other purposes.

Exhibit 1

Percentage of Annual Housing Voucher Assistance Funding Spent



Notes: Figures do not include agencies participating in the Moving to Work demonstration, which allows agencies to shift voucher funds to other purposes. The share of annual voucher assistance funding spent can be more than 100 percent because agencies can use unspent funds left over from previous years.
Source: Center on Budget and Policy Priorities (CBPP) analysis of HUD data

Second, more than one-third of families issued vouchers are not able to use them before the voucher expires.[5] Black and Hispanic families, who often are discriminated against by landlords, have even lower success rates (Ellen, O'Regan, and Strochak, 2024). This is a major shortcoming that unnecessarily burdens people who are struggling to afford housing. Policymakers should make raising success rates a top priority, and there are promising policy options that have the potential to do so (including many of the reforms discussed later in this article). However, even when some families cannot use their vouchers, PHAs can still use all their funds by issuing vouchers to additional families from their waiting lists and could be expected to serve more families if they had the funds to do so.

Emergency Housing Vouchers (EHVs) illustrate how a sizable voucher expansion can be absorbed. This temporary, separately funded subprogram was enacted in 2021 as part of the American Rescue Plan Act to assist people experiencing or at risk of homelessness and survivors of violence. The initiative faced headwinds, including unusually low vacancy rates in much of the country, competition from the large short-term Emergency Rental Assistance Program that was scaling up simultaneously, and the need to set up referrals from the homelessness system to PHAs.

As a result, the use of EHVs grew slowly after they were first allocated to PHAs in July 2021. Growth then accelerated, however, and as of February 28, 2024, the program was assisting more than 63,000 households—94 percent of the total EHVs awarded. Utilization rates varied across PHAs and regions, but overall, agencies were able to use the bulk of their EHVs even in tight rental

[5] In 2019, 63 percent of voucher holders were able to use their vouchers successfully within 240 days (Ellen, O'Regan, and Strochak, 2021). That percentage is somewhat lower than an estimate in an earlier study that the national success rate in 2000 was 69 percent, although, due to differences in methods and samples, those figures may not be directly comparable (Finkel and Buron, 2001).

markets (exhibit 2). That success was aided by supports, flexibilities, and alternative requirements that HUD established to make EHVs easier to use, many of which could be extended to the program as a whole. EHV funding is limited, and the program will soon begin to shrink through attrition because PHAs were not permitted to reissue EHVs to new households after September 30, 2023. Absent those constraints, however, the number of households assisted with EHVs would likely continue to grow.

Exhibit 2

Data for the 10 Metro Areas With Largest Number of Emergency Housing Vouchers

Metropolitan Area	Average 2022–23 Rental Vacancy Rate (%)	Locally Administered EHVs in Use on February 28, 2024	
		Number	As Percentage of EHVs Awarded to PHAs (%)
New York-Newark-Jersey City	3.7	8,236	99
Los Angeles-Long Beach-Anaheim	4.0	7,391	93
San Francisco-Oakland-Hayward	6.0	2,203	95
Seattle-Tacoma-Bellevue	4.5	1,819	>100
Chicago-Naperville-Elgin	5.8	1,794	97
Miami-Fort Lauderdale-West Palm Beach	7.4	1,161	93
Philadelphia-Camden-Wilmington	4.7	1,139	88
Washington-Arlington-Alexandria	5.4	1,098	86
Houston-The Woodlands-Sugar Land	9.9	1,003	91
San Jose-Sunnyvale-Santa Clara	4.0	946	92
Dallas-Fort Worth-Arlington	7.7	922	82
National Total	6.1	63,351	94

Notes: Metro area numbers include all vouchers administered by local agencies that HUD's 2023 Picture of Subsidized Households database indicates are located in the area. Vouchers administered by state agencies are not included in the metro area counts.

Source: Center on Budget and Policy Priorities (CBPP) analysis of U.S. Census Bureau Housing Vacancies and Homeownership data and HUD administrative data

Voucher Expansion Appears to Have Had Little Impact on Market Rents

Rents have grown sharply in recent decades, rising more rapidly than overall inflation in all but 6 years from 1998 through 2023[6] and causing a record number of households to pay more than one-half of their income for rent (Alvarez and Steffen, 2023). For reasons of timing and scale, however, it is not plausible that vouchers were a significant factor in that surge. Rents rose most rapidly in the decade from 2013 to 2023, when, on average, the voucher program was experiencing some of the slowest growth in its history, with the number of added vouchers used each year amounting to just 0.06 percent of renter households. Even the voucher program as a whole amounts to only 5 percent of the rental market, too little to be a major driver of overall trends. Instead, analyses suggest that rent inflation has resulted mainly from factors affecting the broader market, particularly the failure of housing supply to keep up with demand in many regions (Been, Ellen, and O'Regan, 2023; Parrot and Zandi, 2021).

[6] CBPP analysis of Consumer Price Index data.

Vouchers could have contributed to rent inflation on the margins, but research that has sought to isolate the effect of rental assistance on market rents suggests that it has little impact. The first major study of this issue examined the Housing Allowance Supply Experiment (HASE), a 1970s demonstration that made rental assistance available to all eligible households in two cities and found no significant impact on market rents (Barnett, 1979). That demonstration tested housing allowances with significantly different rules from those for today's vouchers, but a voucher-specific study by economists Michael Eriksen and Amanda Ross (2015) reached similar findings. That study looked at voucher expansions that added more than 200,000 vouchers nationally from 2000 to 2002 and found that the new vouchers had no significant overall effect on market rents.[7]

Eriksen and Ross did find that added vouchers were associated with modest rent growth for some categories of units, but this was offset by reductions for other units. First, rents rose somewhat for units in the middle price range, where voucher holders are most likely to rent, but fell for lower-cost units. (Specifically, rents rose for units costing between 80 and 120 percent of the Fair Market Rent, or FMR, which HUD sets each year at the 40th percentile of local market rents and which is used to determine voucher payment standards, but fell for units below 80 percent of the FMR.) Second, rents rose modestly in rental markets where supply was most constrained (13 of the 94 metropolitan areas examined) but fell in other metropolitan areas (Eriksen and Ross, 2015).[8]

Several Factors Ease the Absorption of Vouchers and Limit Rent Impacts

The body of research on this topic is limited, and additional studies updating and expanding on the HASE and the Eriksen and Ross findings would be useful. The conclusion that markets appear to have been able to absorb new rental assistance with little overall impact on market rents, however, is consistent with the effects predicted by economists who have carefully assessed the role of rental assistance in housing markets (Rothenberg et al., 1991), and likely reflects several factors that keep effects on rents far more limited than some critics expect.

Most People Who Use Assistance Already Rent Homes but Struggle to Afford the Cost

First, most households that use vouchers—about two-thirds in one study—already rent a housing unit, so their vouchers do not increase the number of households demanding units in the market (Mills et al., 2006). Little data are available on how many voucher holders rent the *same* unit they were already renting, but a 2001 study estimated that 21 percent "lease in place" in this manner (Finkel and Buron, 2001). These households typically have a very high rent burden before receiving assistance, so using a voucher can enable them to spend more on other necessities, reduce pressure to accumulate debt, and make it less likely that they will be evicted or become

[7] An earlier study found that vouchers raised market rents substantially (Susin, 2002), but assessments by other researchers have generally concluded that this finding resulted wholly or partly from weaknesses in the study's methodology and that it is more plausible that vouchers have little overall impact on market rents (Glaeser and Gyourko, 2008; Olsen, 2003; Shinn and Khadduri, 2020).

[8] The study categorized areas based on housing supply elasticities—that is, by how responsive the supply of housing in the area is to increases in housing costs—and found that rent rose in markets where the price elasticity of supply was lower than 0.83 (Eriksen and Ross, 2015).

homeless. Providing vouchers to these families has little or no effect on housing demand, however, and it allows some vouchers to be easily put to use even in the tightest of markets.

Other voucher holders move from one unit to another—for example, to relocate to a neighborhood that better matches their needs or from an overcrowded home to one with adequate space. Such moves are likely to reduce demand for low-end units that unassisted low-income households often occupy, and to add demand closer to the middle of the market. However, they do not increase the total number of units demanded because other households can occupy the units the voucher holders vacate. These shifts likely contribute to the trend Eriksen and Ross observed, in which voucher expansion raised rents modestly for mid-market units but reduced them at the bottom of the market.[9]

Rental Markets Can Absorb Some New Households

Sometimes, vouchers do increase the number of occupied units, by enabling people who are doubled up or homeless to afford housing. It would be imperative to assist these populations even if the result were tighter markets and higher rents because homeless and doubled-up people experience some of the most severe hardship in the United States today. However, the impact on rents would likely be dampened by the fact that rental markets have significant capacity to absorb new voucher households, just as they absorb other new renters, such as young people moving out of their parents' homes or workers relocating from other regions.

This is partly because many parts of the country have relatively soft markets. The rental vacancy rate exceeded 5 percent (often used as a rule of thumb to identify tight markets) in 52 of the 75 largest metropolitan areas in 2023 and exceeded 7.5 percent in 27 of those areas.[10] When vacancy rates are high, absorbing added renter households is easier, and doing so can benefit the community by filling units that might otherwise deteriorate and contribute to blight.

Other areas have far less slack. New vouchers can still be put to use in tight markets, as the EHV experience shows, partly by helping families keep their current homes (Whitford, 2024). However, tight conditions raise the odds that added demand will inflate rents to some degree and increase the importance of pairing rental assistance expansion with measures to expand supply.

Even in those markets, however, new households do not simply bid up rents for a fixed number of units, because owners of land and buildings still respond to added demand by making more units available than they otherwise would—although at a lower rate than in less supply-constrained markets (Saiz, 2010). Along with building more units, owners may respond by targeting a larger share of units as rentals, repairing deteriorated units that would have become uninhabitable, building accessory dwelling units, or converting a garage or a basement into an apartment. Some of those responses could happen quickly, but others would play out over several years, suggesting that

[9] Eriksen and Ross found that rents dropped more for low-end units than they rose for mid-market units. The authors note that this may be explained by owners' tendency to be slower to take housing units out of use when demand drops (as it does at the bottom of the market when voucher holders move out) than they are to provide more units when demand increases. As a result, rents and housing prices tend to drop more rapidly in markets and submarkets with declining demand than they rise in markets with growing demand (Eriksen and Ross, 2015; Glaeser and Gyourko, 2005).

[10] CBPP analysis of U.S. Census Bureau Housing Vacancies and Homeownership data.

even when voucher expansion in tight markets raises rents modestly in the near term (as Eriksen and Ross found), the effect could fade over time as markets adjust.

Safeguards Limit Rents in Voucher Units

Vouchers' impact on rents is also limited by programmatic safeguards designed to prevent them from paying more for a unit than it would be worth on the unsubsidized market. Because vouchers currently reach only a small share of rental units, overpaying would be unlikely to influence overall market rents except in neighborhoods with unusually high voucher concentrations. The effects of overpayments would grow, however, if vouchers were expanded sharply. Even at the program's current size, preventing overpayments can enable vouchers to reach more families with available resources.

Voucher payment standards, which cap subsidies at levels based on typical rents in the local market, provide one check against excessive rents. PHAs generally must set payment standards between 90 and 110 percent of the HUD-determined FMR.[11] A family using a voucher may rent a unit somewhat above the payment standard, but it must pay all of the excess rent itself, so it has the same incentive as an unassisted household to avoid paying more than the unit is worth.[12]

In addition, before a voucher holder can rent a unit, the PHA must certify that the rent is reasonable compared with those charged for similar unassisted units.[13] Agencies vary in how they conduct these reviews, and some are likely more effective than others, but they appear to significantly affect the rents voucher holders pay. One indication of this is that the majority of landlords charge voucher holders rents well below the payment standard, even though the voucher rather than the tenant would pay the full rent up to 100 percent of the payment standard.[14]

To be sure, some landlords do inflate rents closer to the payment standard when the market rent is lower, and qualitative research suggests that overcharging is especially likely in lower-rent, higher-poverty neighborhoods (Rosen, 2020). One study estimated that from 2009 to 2011, owners of voucher units in Milwaukee charged an average of $51 to $68 a month above the market rent (Desmond and Perkins, 2016). Even with overcharging at that level, the reduction in the family's rent payment due to the voucher (likely more than $500 a month for the Milwaukee sample) would dwarf the above-market rent going to the landlord. A national study using data from 2000, however, found voucher rents to be *lower than* market rents on average (ORC/Macro, 2001), and

[11] PHAs can set payment standards outside this 90-to-110-percent "basic range" if they meet certain criteria and receive approval from HUD. Since December 2021, HUD has established an expedited process that allows most PHAs to set payment standards up to 120 percent of the FMR if they wish to do so.

[12] Voucher holders are not permitted to rent a unit above the payment standard if doing so would cause them to pay more than 40 percent of their income for rent at the time of initial lease up.

[13] MTW PHAs are not required to follow the rules regarding payment standards and rent reasonableness that apply to other PHAs, and there have been high-profile instances of MTW agencies that used this flexibility to pay rents far above market levels (Manchir, 2014; Thompson, 2023).

[14] In 2020, 51 percent of voucher holders paid less than 95 percent of the payment standard, including 38 percent that paid less than 90 percent, according to CBPP analysis of HUD administrative data. Just 18 percent of voucher holders paid rent between 95 and 100 percent of the payment standard, and another 31 percent paid more than 100 percent of the payment standard and consequently covered the excess rent themselves. Those figures include contract rent and (for households with tenant-paid utilities) utility allowances and exclude project-based vouchers.

a review that examined those studies and several others concluded that "some find an aggregate overpayment and others an aggregate underpayment" and "the weight of the evidence is that these average differences are modest" (Olsen, 2019: 100).

Moreover, nearly all of this research used data that preceded a major recent policy change: the use of Small Area Fair Market Rents (SAFMRs). SAFMRs are based on the 40th percentile of market rents in a particular ZIP Code in metropolitan areas, so they reflect neighborhood rents more accurately than the metro-level FMRs used historically in the voucher program. Because rents vary much less within a ZIP Code than across an entire metropolitan area, SAFMRs leave less room for landlords in lower-rent ZIP Codes to overcharge without exceeding the payment standard.

A 2018 study examining both SAFMRs and metro-level FMRs found that a HUD policy raising certain metro-level FMRs to the 50th percentile (from the usual 40th) increased costs without enabling voucher holders to live in higher-quality units or in neighborhoods with more amenities and resources. The same study, however, found that switching to SAFMR-based payment standards enabled families to rent in better-resourced neighborhoods without raising costs (Collinson and Ganong, 2018). That finding has been supported by other research on the impact of SAFMRs (Dastrup et al., 2018).

SAFMRs are playing a growing role in the voucher program. HUD began testing the policy in 2011 at a small number of housing agencies and required that agencies in 24 metropolitan areas use them starting in 2018. An October 2023 notice increased the number of metro areas where SAFMRs will be required to 65, extending the policy to cover 45 percent of the nation's vouchers starting in 2025 (HUD, 2023b). Some PHAs outside the required areas already use SAFMRs voluntarily,[15] and regulations require HUD to consider adding more mandatory SAFMR areas every 5 years. Consequently, the use of SAFMRs will likely become increasingly widespread, further reducing voucher overpayments.

Reforms Could Facilitate Rental Assistance Expansion

Based on the evidence discussed above, there is no indication that markets have reached a limit on their capacity to absorb vouchers or that voucher expansion is driving up overall market rents. This suggests that it would be feasible to continue to expand the voucher program at a similar pace or somewhat more rapidly, as a number of recent proposals would do. For example, the Build Back Better bill passed by the House of Representatives in November 2021 would have added an estimated 300,000 vouchers over 5 years (Fischer, 2022), legislation introduced by Senators Chris Van Hollen and Todd Young would authorize 250,000 additional vouchers over 5 years for families with young children (NLIHC, 2023), and the Biden Administration's fiscal year 2024 budget proposed guaranteed assistance for former foster youth and extremely low-income veterans that would add several hundred thousand vouchers over 10 years (HUD, 2023a).[16]

[15] According to HUD's SAFMR dashboard, as of December 22, 2023, 85 agencies use SAFMRs voluntarily in all or part of their jurisdiction, some in areas where SAFMRs will be required starting in 2025.

[16] HUD estimated that 20,000 youth who exit foster care each year would be potentially eligible for the guaranteed assistance and that there are 450,000 extremely low-income veteran households. HUD stated that the veteran expansion would provide 50,000 vouchers in 2025, followed by further expansion in later years, but it did not estimate how many households would receive assistance at the end of the expansion (HUD, 2023a).

The annual increases under these proposals would be in line with those during years of relatively rapid growth over the voucher program's history (including the 59,000 additional households assisted during the part of 2023 for which data are available) and could likely be absorbed in a similar manner. As with EHVs, the exact pace of absorption would depend on a range of factors, but unless these expansions played out very differently from moderately large expansions over the voucher program's 5-decade history, there is little doubt that most or all of the new vouchers would ultimately be put to use without overwhelming rental markets and, as a result, would provide access to stable, affordable housing for hundreds of thousands of people with low incomes.

Guaranteeing rental assistance to all low-income people across demographic groups, however, would require a far more ambitious expansion. The Congressional Budget Office (CBO) estimated in 2015 that making vouchers available to all renters with incomes below 50 percent of the median would add 8 million vouchers over 10 years, more than quadrupling the current program (CBO, 2015). That figure would likely be somewhat higher today because of increased need and would be even greater if a larger share of eligible households participated than CBO assumed and if the guarantee covered all low-income households (defined by HUD as those with incomes at or below 80 percent of median). As of 2021, 18 million unassisted low-income renters paid more than 30 percent of their income for rent or lived in overcrowded or inadequate homes (Alvarez and Steffen, 2023).[17]

Even at this scale, rental assistance expansion would be aided by the same factors that have helped markets absorb vouchers in the past. The great majority of households who need assistance already have homes, so most of the new assistance could be provided without additional units (although demand would likely shift from lower-quality units to the middle of that market).

Also, while providing rental assistance to people who do not already have homes would fill more units, housing markets absorb many added households each year. Assisting all people who are doubled up or homeless would likely add about 2.4 million households.[18] Universal rental assistance proposals typically phase in assistance over as long as 10 years, however, which would add about 240,000 households per year—just a fraction of the 1.7 million added households that markets absorbed annually from 2016 to 2021 (McCue, 2023). Moreover, although such projections are always uncertain, slowing population growth is expected to reduce the number of households added in future years to fewer than 1 million per year by some estimates, potentially creating more space to house people who have been denied housing because they cannot afford it (Goodman and Zhu, 2021; McCue, 2018).

[17] Those renters included 7.1 million extremely low-income renters (with income below the federal poverty line or 30 percent of the local median, whichever is higher), 5.2 million additional very low-income households (with incomes up to 50 percent of the median), and 5.5 million additional low-income households (up to 80 percent of the median) (Alvarez and Steffen, 2023). Today, all very low-income households are income-eligible for vouchers, and PHAs are required to ensure that at least 75 percent of households admitted each year have extremely low incomes, but PHAs also have broad flexibility to increase the overall voucher eligibility limit to 80 percent of the median, so a guarantee of assistance for all eligible households would go up to that limit in at least some places. Take up of guaranteed income-based benefits, however, tends to be much lower among households with relatively higher incomes. For example, 94 percent of eligible households with incomes below the federal poverty line participated in the Supplemental Nutrition Assistance Program in early 2020, compared with just 19 percent of those with incomes above 130 percent of the federal poverty line (Vigil, 2022).

[18] An estimated 3.9 million people in 1.9 million households lived doubled up with other households because of economic hardship or housing loss in 2021 (Molly Richard, email to author, November 22, 2023; Richard et al., 2022), and 58,000 families with children and 467,000 other individuals were homeless on a single night in January 2023 (de Sousa et al., 2023).

These numbers suggest that universal rental assistance is a feasible goal, but implementing it would still pose significant challenges. Throughout the country, extending rental assistance to millions of added households would require many more landlords to rent to assisted families than do today. Furthermore, supply-constrained regions would have greater difficulty absorbing even the moderate number of additional households than would other areas. If a rental assistance guarantee backed by mandatory funding were established, with no other policy changes, the guarantee would still reach many people over time who would not have been assisted without it by eliminating the funding constraints that currently limit the reach of rental assistance. However, other people would be unable to use the assistance for which they are eligible, and rents could rise to some degree in tight markets.

Fortunately, policymakers could reduce those risks by enacting reforms alongside a major rental assistance expansion, with two major goals. First, the reforms should enable families to use rental assistance in a far wider segment of the existing stock than they do today. That goal could be advanced through targeted changes to the existing voucher program and by experimenting with alternative models that provide assistance directly to renters. Second, the reforms should seek to support rental assistance expansion by increasing supply and limiting excessive rent increases, particularly in tight markets.

Rental Assistance Reforms

Of those two goals, enabling households to use rental assistance in a wider range of units is the more critical to implementing an expansion. If most unassisted low-income households could use rental assistance to help them afford their current home or move to another existing one, and if most homeless or doubled-up people could readily use assistance in existing units as they become vacant, this alone would be enough to absorb the bulk of an expansion. However, achieving those results would require major policy changes.[19]

Research suggests that many additional landlords would be willing to rent to voucher holders if the benefits and costs of doing so compared more favorably with those of renting to unassisted tenants (Garboden et al., 2018). A number of policy changes could shift that balance, both by easing administrative burdens (for example, by streamlining inspection requirements) and by ensuring that voucher subsidies are sufficient to compete with non-voucher applicants (as by setting adequate payment standards and allowing the use of voucher subsidies for security deposits).

Policymakers could also strengthen rules prohibiting landlords from discriminating against voucher holders. Such discrimination is illegal today in 17 states, more than 100 cities and counties, and most units built or rehabilitated using federal affordable housing subsidies, but those bans leave out many of the nation's rental units, and even where they apply, enforcement often is inadequate (PRRAC, 2023). In addition, because a large majority of voucher holders are people of color or fall into other protected classes, robust fair housing enforcement would also help protect them from discrimination.

[19] This section focuses on changes that would make it easier for families who receive rental assistance to use it. It is important to note, however, that under current policies some income-eligible households would not even be able to receive assistance because of rules strictly limiting eligibility based on citizenship status, a history of substance use, or involvement with the criminal justice system. Achieving truly universal assistance or moving as close as possible to it would require additional policy changes to ease those limits.

Better support for voucher holders would also help families find and successfully rent available units. Research shows that housing navigators who provide customized search assistance to voucher holders can be highly effective (DeLuca, Katz, and Oppenheimer, 2023), and federal, state, and local governments could all provide or expand search assistance funding. In addition, extending search times—which allow vouchers today to be revoked as soon as 60 days after they are issued—would likely enable more families to use vouchers successfully.

Other changes would enable more vouchers to be used in housing types other than traditional rental units. PHAs can allow vouchers to be used for a variety of "special housing types," including homeownership, single-room occupancy units, and several forms of shared housing, but this is not required, and the share of vouchers used for these purposes is small. Federal policymakers and PHAs could open up a substantial additional share of the housing stock to voucher holders by making these options available to more families, although they should also take care to protect tenants' rights and continue prioritizing assistance for those with the greatest need.

Project basing (that is, tying some vouchers to particular developments through long-term contracts) can also help put vouchers to use, particularly in markets with low vacancy rates. PHAs have increased project basing in recent years, but many agencies in tight markets could still project-base more vouchers, and expanding the voucher program as a whole would allow even greater use of this option (because the number of project-based vouchers is capped as a percentage of the PHA's authorized vouchers). Project basing has limitations, however, because it constrains the choices available to participants, has historically been less effective than tenant-based vouchers at reaching families with children, tends to be located disproportionately in high-poverty neighborhoods, and is rarely used in the single-family and small multifamily properties that account for a large share of the nation's rental units. For those reasons, rental assistance expansion should be implemented primarily by expanding tenant-based rather than project-based assistance (Sard, 2023).

Finally, increasing administrative capacity is a key foundation for efforts to expand voucher use because it would help PHAs more effectively implement all of the approaches described above. Policymakers could strengthen voucher administration by fully funding administrative fees and reforming the formula to match fees more closely to need, strengthening the program's performance measurement system, and encouraging consolidation of some smaller agencies (Sard and Thrope, 2016).

The reforms and policy changes outlined above could occur within the existing voucher program, but policymakers should also test a more fundamental change: provision of rental assistance directly to tenants, with no requirement that owners enter a subsidy contract with the PHA or meet other administrative requirements of the current program (Fischer and Sard, 2021; McCabe and Shroyer, 2023). Direct rental assistance could potentially enable assisted families to rent from many landlords who do not now accept vouchers and, particularly, allow more households to use assistance in their current homes. Notably, direct rental assistance proposals typically eliminate the requirement that PHAs ensure that rents are reasonable compared with the local market, so other mechanisms would be needed to limit above-market rents (such as allowing participants to keep some savings if their rent is below the maximum subsidy).

Broader Market Interventions

Although enabling people to use rental assistance in a larger segment of the housing stock would be enough to extend assistance to most eligible households, an expansion will be more successful if it is accompanied by a set of broader housing market interventions to increase supply and limit excessive rents, particularly in tight markets. These measures could help increase participation further, reduce the risk of even modest impacts on market rents, and make expansion more feasible by lowering subsidy costs.

First, policymakers should seek to expand the supply of housing in tight markets, in effect reducing the degree to which areas fall into the category of supply-constrained markets that are more prone to rent increases from rental assistance expansion. Most fundamentally, state and local governments should ease regulatory barriers that limit development of both market-rate and subsidized housing, such as multifamily housing bans and large minimum lot sizes. New market-rate units are typically occupied by higher-income households, but they also prompt chains of moves that free up housing and ease price pressures further down the market, including in the mid-range units where most vouchers are used (Been, Ellen, and O'Regan, 2023).

Subsidizing affordable housing development through programs such as the Low-Income Housing Tax Credit (LIHTC), HOME, and the National Housing Trust Fund can also increase supply in tight markets. In units built through each of those programs, owners are prohibited from discriminating against voucher holders. These subsidies can also play a role in less supply-constrained areas because they can help rehabilitate and preserve deteriorating housing.

Policymakers could also act to limit excessive rent increases. Especially in tight markets with limited developable land, owners often have market power enabling them to raise rents well above the cost of providing the unit—and this problem would be unlikely to go away completely even with aggressive steps to expand supply as suggested above. Well-designed "anti-gouging" rent regulations could limit such increases without deterring owners from building or maintaining units (House, Murphy, and O'Regan, 2021).

Affordable housing subsidy programs (along with supporting construction and rehabilitation) can also limit rent increases for an extended period if they are accompanied by long-term or permanent affordability protections or provisions requiring public or community ownership or control. This could be achieved through new initiatives to create "social housing" with these characteristics or by strengthening protections in existing programs—for example, through requirements in state LIHTC qualified allocation plans (Lindsay, Taylor, and Tegeler, 2023).

If they are successful, strong measures to expand supply or limit excessive rent increases could constrain costs enough to enable some families to afford housing *without* rental assistance, reducing the size of the expansion needed. This will not be the case, however, for most people with incomes around or below the poverty line, who make up a majority of those with severe housing needs.[20]

[20] Among unassisted renter households paying more than one-half their income for housing or living in severely substandard housing in 2021, 59 percent—6.1 million—had extremely low incomes (Alvarez and Steffen, 2023). In addition, the great majority of the 653,000 people experiencing homelessness in January 2023 likely had extremely low incomes (Meyer et al., 2021).

Households at that income level typically cannot afford enough rent to cover even the ongoing cost of operating and managing rental housing.[21]

As a result, even if development subsidies cover the full cost of construction or if regulatory reforms allow many additional units to be built, the new units will not be affordable to millions of families who struggle to afford housing today unless those families also receive a voucher or other rental assistance. Similarly, even if rent regulation or socially controlled housing curtails windfall profits, the rents required to keep a unit in good condition will still be beyond the reach of many unassisted households. Consequently, those policies will not address the nation's most pressing housing needs unless they are accompanied by more rental assistance—and for purposes of allocating new federal housing investments, rental assistance expansion should generally be the top priority (Fischer, Acosta, and Gartland, 2021).

Conclusion

Two broad conclusions can be drawn from the analysis in this article. First, it supports the notion that expanding rental assistance toward the goal of reaching all eligible households would be operationally feasible if the political will exists to do it. Second, it makes clear that for a rental assistance guarantee to fully meet its potential (that is, to reach the great majority of those in need while minimizing rental market impacts), it should be part of a broader policy agenda that includes rental assistance reforms to give participants access to a larger segment of the housing stock and measures to expand supply and constrain rent increases in tight markets.

Importantly, the pieces of this agenda can, and in some cases must, move forward independently. It is unclear when a political window might open for a major rental assistance expansion, but the political dynamics for many of the complementary policy changes described here are different, and opportunities to enact them could open up sooner. Moreover, there are often strong arguments for making those changes independent of the role they would play in facilitating rental assistance expansion.

For example, many needed rental assistance reforms have little or no budgetary cost and could be put in place through authorizing legislation that could potentially receive broad bipartisan support,[22] or in some cases through HUD administrative or regulatory action or by PHAs directly. These reforms could deliver powerful benefits even in advance of a major rental assistance expansion by increasing success rates and expanding housing choice. Similarly, state and local governments could move forward on their own with actions to ease barriers to development and constrain rent increases — and these policies are needed to address the more general shortages and affordability challenges that affect supply-constrained areas, in addition to facilitating rental assistance expansion.

[21] The average extremely low-income renter household had an income of $11,451 in 2021, according to CBPP analysis of American Community Survey data. Government programs and private-sector owners and lenders often consider housing affordable if it costs no more than 30 percent of household income, which for this household works out to $286 a month for rent and utilities. Many households, including those most at risk of homelessness, have much lower incomes and can afford even less in rent. In 2021, the median operating cost for units included in an apartment industry survey was $566. (IREM, BOMA, and NAA, 2023; data from Income Expense IQ 2021, provided to author on December 6, 2023).

[22] For example, the substantial package of rental assistance reforms in the 2016 Housing Opportunity Through Modernization Act was passed unanimously in both chambers of Congress.

There is also no need to hold off on accelerating rental assistance expansion (whether by providing additional incremental vouchers through appropriations legislation or by enacting legislation to phase in a rental assistance guarantee) to wait for the full slate of complementary policy changes to be put in place. Implementing a guarantee could take as long as a decade even if legislation establishing it were enacted immediately, and longer under other scenarios, so there would be time to make other reforms alongside the expansion. Because the voucher program has a long record of successful expansion that has been constrained mainly by funding limitations and that continues today even in tight markets, moving forward with the first stages of expansion —even in advance of other changes—can be expected to enable many more families to receive the assistance they urgently need.

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Author

Will Fischer is Senior Director of Housing Policy at the Center on Budget and Policy Priorities.

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