Finally Voting with Their Feet: Unleashing Market Discipline by Providing Choice to Public Housing Residents

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Many of us take for granted the right to move when we want to take a new job, be closer to family, enroll our children in a better school, or simply make a change in our lives. But for most residents of public housing, this option is off the table. Moving out means losing the housing subsidy that ensures their families’ stability.

This phenomenon has delivered a virtually captive market to the managers of publicly owned and publicly assisted properties. Coupled with the chronic underfunding of public housing over the years (Finkel et al. 2000; Rice and Sard 2009), it has provided little incentive to adequately maintain buildings, improve management practices, or respond to tenants’ concerns (Howell and Leonard 1999).

HUD’s new draft legislation, the Preservation, Enhancement, and Transformation of Rental Assistance Act of 2010 (PETRA) seeks to address these issues directly for the first time. PETRA provides access to private financing that could facilitate sorely needed capital improvements, empowers and funds the organization of tenants, and gives the residents of converted properties the option to move with Housing Choice Vouchers after two years in their unit.

Critics of PETRA’s resident choice option worry that implementing the policy will produce a mass exodus from converted units of publicly assisted housing that will overwhelm Housing Choice Voucher wait lists and threaten the preservation of affordable housing stock (Martens 2010; Montanez 2010). However, this may not be the case. Not everyone who has the option to move is likely to do so.

A recent Urban Institute study on how residents exercise a similar resident choice option in an existing HUD program gives us some important insights into what we might expect to happen (Cunningham and Scott 2010). Residents currently receiving project-based vouchers commit to stay in their unit for a minimum of a year, after which time they may either stay on or move when a Housing Choice Voucher becomes available.

Not surprisingly, elderly and disabled residents in project-based units exercise the choice option less often than young families. However, even among more mobile families, there is a substantial amount of variation across jurisdictions and housing developments.

The type and quality of the housing units themselves matter. Families living in high-quality units developed through substantial rehabilitation or new construction, much
like the improvements to be leveraged by federal funds under PETRA, are much less likely to move on than those living in older or badly maintained properties.

We also see that families living in tight housing markets prefer to stay in their project-based units, even if they are not the newest properties on the block, most likely because their Housing Choice Voucher cannot buy them the same quality or size unit at the same price in the open market.

In addition, residents of converted PETRA units may actually be more likely to stay on than the residents of project-based units because of the combination of enhanced tenant organization and the longer period they are required to live in their units before having the option to move with a Housing Choice Voucher. Families who have roots in their communities tend to stay (Dawkins 2006; Kleinhans 2009).

Regardless, it is high time that families living in public housing be empowered to make the same rational economic decisions as other consumers. There are sure to be cases where the units themselves are not the problem—where the neighborhood is too unsafe or the schools too bad or where the logical choice for most families is to take a Housing Choice Voucher and rent a single-family home. In those cases, the resident choice option will signal to policymakers where it might make more sense for HUD to get out of the property management business and expand the Housing Choice Voucher program instead.

In the other cases, adding the resident choice option will simply ensure that those who manage publicly owned and publicly assisted properties are accountable to both their tenants and U.S. taxpayers. Those who run PETRA properties will have many of the same incentives as managers of mixed-income developments, who constantly work to maintain their properties and attract unsubsidized families (Howell and Leonard 1999; Smith 2002). This has the potential to transform quality of life for low-income families who would otherwise be trapped in substandard public housing.

We shouldn’t pass up that opportunity.

References


Martens, Betsey. 2010. Written Statement of Betsey Martens, Senior Vice President, National Association of Housing and Redevelopment Officials (NAHRO), before the U.S. House of Representatives Financial Services Committee, May 25.

Montanez, Judy. 2010. Testimony of Judy Montanez, Board Member of the National Alliance of HUD Tenants, before the U.S. House of Representatives Financial Services Committee, May 25.
