Assessing Options for Federal Rental Assistance during the Pandemic

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In this brief, we examine options for federal rental assistance to stabilize the rental market and ensure low- and moderate-income tenants stay housed during the COVID-19 pandemic and the nation's recovery from its economic fallout. Drawing from data and research, we conclude that the Housing Choice Voucher and Emergency Solutions Grants programs are best suited to deliver relief rent efficiently and equitably during the pandemic and economic recovery. In the longer term, more investment in affordable housing production and preservation will also be vital to ensure a sufficient supply of rental housing affordable to low-income households.

Key Takeaways

- To date, unemployment insurance has stabilized many renter households and the rental market. However, unemployment insurance does not reach many of the lowest income renter households in need of stabilization.
- Rental assistance is needed as a complement to unemployment insurance to ensure that every low-income renter household can remain stably housed.
- Many programs distribute rental assistance, and no single program has the capacity to meet the scale of need of the current crisis.

- Two programs, Emergency Solutions Grants and Housing Choice Vouchers, emerge as having the most robust existing infrastructure to deliver assistance and the strongest evidence base for stabilization of low-income renters.
- A new program to provide emergency lending to building owners through a Federal Reserve 13/3 authority also ranks well. Because this authority has not been used in the rental market, there is no evidence of how it would perform to stabilize low income renter households.
- We conclude that a mix of supports is needed to ensure stability among low-income renter households. Immediately, continuation of unemployment insurance benefits as provided in the CARES Act would ensure that many renter households are stably housed.[1] In the intermediate term, rental assistance provided by the Emergency Solutions Grants or Housing Choice Voucher program would ensure housing stability for renter households not covered by income supports. In addition, preservation and production activities need support to ensure a ready supply of affordable housing. Emergency lending targeting building owners, HOME, project-based rental assistance, and Community Development Block Grants will all be part of any holistic solution.

Introduction

An estimated 6 million renter households have lost their jobs because of the COVID-19 pandemic, threatening their ability to pay rent.[2] Black and Latino renters have faced even greater economic and health losses from COVID-19 and are at heightened risk of eviction. Ample research demonstrates the need for federal assistance to stabilize housing for renters affected by COVID-19 job and income losses, and housing advocates and policymakers are increasingly raising the alarm about the anticipated surge in evictions when eviction moratoria and relief provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act expire.

While more and more policymakers and researchers are agreeing on the scale and urgency of the need, questions and competing recommendations remain for how the federal government should respond. Several organizations have pressed for new or dramatically expanded federal rental assistance. Most organizations propose scaling up existing federal housing assistance programs, such as the Housing Choice Voucher program or project-based rental assistance.[3] Others propose using Treasury programs to provide forgivable loans to building owners or a combination of such approaches.[4] Pending legislative proposals include the Health and Economic Recovery Omnibus Emergency Solutions Act, which would authorize substantial funding for rental assistance through the Emergency Solutions Grants (ESG) program and expand CARES Act loan programs to residental rental property owners.

About the Renters and Rental Market Crisis Working Group

The Urban Institute convenes the Renters and Rental Market Crisis Working Group to inform the development of federal policies to address the immediate and impending effects of the COVID-19 crisis on renters and the rental market. The working group comprises leaders from the housing field including housing providers, advocates, foundations, and capital providers. The group meets weekly to track trends in data and analysis about the crisis and sharpen policy development proposals.

Through the Rental Crisis Working Group, the Urban Institute has convened a subgroup of representatives from rental housing organizations and affiliated researchers to inform Urban's research questions.

To inform policymakers and the public dialogue about potential federal rental assistance investments, this brief asseses seven main options for scaling up assistance programs during the pandemic and ongoing economic recovery. We define federal rental assistance as funding to subsidize rent payments directly to low-income renters or their landlords. Box 1 (page 6) gives an overview of how federal rental assistance is delivered.

In the sections that follow we first discuss the need for rental assistance. We then assess the programs and funding vehicles suggested in proposals for federal rental assistance, and conclude by recommending the Emergency Solutions Grants and Housing Choice Voucher programs as best suited to deliver rent relief efficiently and equitably during the pandemic.

The Impact of COVID-19 on Renters and the Rental Market

Even before the COVID-19 pandemic, low- and moderate-income renters were facing an affordability crisis. By the time state and local stay-at-home orders were issued earlier this year, nearly half of all renters paid more than 30 percent of their income in rent, over two million evictions were filed, and over 560,000 people experienced homelessness on a given night (JCHS 2020).[5] Black and Latino households were more likely than white householdsto have high rent burdens, face eviction, and experience homelessness.[6]

While the federal government has long played a role in providing or supporting affordable housing, federal rental assistance has not kept apace of needs. Federal rental assistance only supports about one in five renters who qualify for it (Scally, Gold, et al. 2018), and no county in the country has sufficient housing affordable to the lowest-income renters (Aurand, Emmanuel, et al. 2020). And, vital components of the nation's affordable housing infrastructure were depleted over the past decade.[7]

The COVID-19 pandemic exacerbated these challenges and brought them to a massive scale. By the end of June, about 20 percent of all renters had reported missing or deferring their June rent payment, and over 30 percent expressed "slight or no confidence" in their ability to pay July's rent.[8] Rates were higher among Black and Latino renters.

More than 25 million people lost federal unemployment benefits when they expired on July 31st, 2020, although state benefits likely continued.[9] Unemployment benefits and the patchwork of federal, state and local eviction moratoria have helped keep people housed through the first four months of the pandemic,[10] and a wave of evictions and homelessness is expected as these expire.[11] Aspen Institute estimates suggest more than 20 million people are at risk of eviction.[12]

When rents go unpaid, landlords who rely on rent payments for their income and to pay their loans are also impacted. This is particularly true for individual investors or small "mom and pop" landlords, many of whom don't have operating reserves or access to credit needed to cover rent losses. Rental units owned by individual investors make up almost half of all rental units and over three quarters of two-to-four-unit rental buildings. Two-to-four-unit buildings have some of the lowest rents in the market (An et al. 2017) and are more likely to be owned by people of color and immigrants.[13] Renters living in two-to-four-unit buildings also have lower incomes and tend to work in industries more vulnerable to job loss due to COVID-19.

UNEMPLOYMENT INSURANCE IS VITAL BUT NOT ENOUGH TO MEET RENTAL MARKET NEEDS

Federal and state governments have helped renters in two main ways: income supports and rental assistance. Income supports, which restore some or all the income lost, include unemployment insurance, direct stimulus checks, and safety net programs. Rental assistance, which provides renters or their landlords with funds to pay the rent, include longstanding programs like Housing Choice Vouchers and newer state and local rental assistance programs launched to support newly burdened renters in the current crisis.[14] Income supports cost more per household than rental assistance, but they provide a greater level of financial support to cover a full range of needs including housing (Strochak et al. 2020).

Unemployment insurance is currently the largest source of income support for renters facing job losses from COVID-19. Unemployment insurance temporarily replaces a third to half of the wages of people who have lost their job while they look for work. The CARES Act expanded unemployment insurance in two critical ways. First, it provided an extra $600 weekly to eligible individuals on top of what they receive from states through July 31, 2020. Second, it provided an additional 13 weeks of unemployment benefits to individuals who had exhausted their state benefits.[15]

Research shows that unemployment insurance has helped keep many renters who have lost their jobs keep their homes, and has helped prop up the national economy. An Urban Institute report found that the combination of state unemployment insurance and the Federal Pandemic Unemployment Compensation program, which provided the $600 weekly supplement, filled approximately 80 percent of the income gap needed to return renters who recently lost their jobs back to their pre-crisis rent-to-income ratios (Strochak et al. 2020). According to survey data, renters' worries about paying the rent declined after receipt of unemployment insurance (Karpman and Acs 2020).

However, unemployment insurance has several shortfalls suggesting that rental assistance is needed to stabilize housing and prevent widespread evictions, whether to supplement or in lieu of extended unemployment benefits.

- Claiming and receiving unemployment insurance is cumbersome and discourages some eligible workers. A recent report found that for every 10 people who successfully filed a claim, three to four tried but failed to get through the system and two additional people did not try because it was too difficult.[16]
- Unemployment insurance only helps people who recently became unemployed. Much of the current assistance flowed to higher-income renter households because they were more likely to have previously participated in the labor force and were more susceptible to pandemic job loss. Approximately half of combined federal and state unemployment assistance goes to renter households earning more than their area median income, or AMI (Strochak et al. 2020).
- Unemployment insurance does not help low-wage workers who kept their jobs but lost hours, or who still face high rent burdens and potential health problems and medical bills related to the virus.
- Unemployment insurance does not account for local rents or costs of living. As a result, the CARES Act may provide more than enough benefit to cover housing costs in some markets but not enough benefit in others.[17] Similarly, the federal benefits may pay some workers more than they earned before the pandemic, and some workers less.
- Although the CARES Act includes self-employed and other workers typically excluded from unemployment insurance, some workers remain ineligible for unemployment insurance, such as undocumented workers or those with informal employment arrangements. Mixed-status households, who have a combination of authorized and undocumented family members, are also ineligible for federal stimulus checks.

Comparing Federal Assistance Options

We identified five existing programs that would expand under various rent relief proposals, along with one new approach that would use lending authority through a combination of the Federal Reserve and Treasury programs. All but the new lending proposal are administered by the US Department of Housing and Urban Development (HUD):

1. Emergency Solutions Grants
2. Community Development Block Grants
3. HOME Investment Partnerships Program
4. Housing Choice Vouchers (tenant and project based)
5. Project-based rental assistance
6. Federal Reserve lending facility (e.g., 13/3)

BOX 1

The Landscape of Federal Housing Assistance Programs

Federal rental assistance is distributed through several mechanisms with different goals, eligibility requirements, and state and local infrastructures.

The Housing Choice Vouchers program is the largest federal investment in direct rental assistance for low-income families. It is distributed through the national network of public housing authorities (PHAs).

The HOME Investment Partnerships Program, Community Development Block Grants (CDBG), and Emergency Solutions Grants (ESG) give states and local jurisdictions flexibility to prioritize how funds are spent. They are administered by different state or local agencies. Some block grants, such as ESG and HOME, are dedicated to addressing housing affordability and homelessness—including affordable housing development and activities to prevent or end homelessness. Emergency Solutions Grants–funded programs provide the most robust array of direct assistance to households experiencing or at risk of homelessness through local providers, including emergency shelter, rapid re-housing assistance, and homelessness prevention efforts. The CDBG and HOME block grants permit and encourage the use of funds for direct rental assistance but do not explicitly require or set aside funds for that use.

Project-based rental assistance is a funding stream where HUD directly subsidizes a portion of the rent for specific units in affordable rental properties, through long-term contracts with individual property owners. Some project-based rental assistance programs and properties target older adults and people with disabilities.

Finally, state and local housing finance agencies (HFAs) are quasi-governmental agencies that administer or distribute funds primarily from the Department of Treasury, such as the Low-Income Housing Tax Credit program, as well as housing bonds and state-level allocations of HOME Investment Partnerships funding. Most HFAs are nonprofit entities under the direction of a board appointed by a governor. HFA-supported programs range from homeownership assistance and rental assistance, to affordable housing production and preservation. As of July 2020, 22 HFAs had designated funds to state or local COVID-19-crisis-related rental and housing assistance programs.[a]

[a] For more information on HFAs, see "About HFAs," NCSHA, accessed August 3, 2020, https://www.ncsha.org/about-us/about-hfas/; and FDIC (Federal Deposit Insurance Corporation), *Affordable Mortgage Lending Guide, Part II: State Housing Finance Agencies* (Washington, DC: FDIC, 2017).

Criteria for Assessments

We examine publicly available information about each program's structure and evidence base (such as public datasets, evaluations, or descriptive information about program goals and requirements) to understand how they compare based on three broad criteria.

EASE OF IMPLEMENTATION

Any expanded housing assistance approach will face implementation or scaling challenges, given the unprecedented need and size of the investments. However, some programs may be better situated to expand rapidly than others—either because of the complexity of the subsidy delivery mechanisms or because of pre-pandemic capacity challenges facing some federal housing and community development programs.[18] We examine each program on three aspects of scaling up: (1) ease of program "stand-up," (2) current infrastructure or capacity to deliver rental assistance, and (3) whether state and localities can tailor assistance to their needs.

EQUITY CONSIDERATIONS

We consider whether programs target or prioritize the lowest-income, most rent-burdened households and whether eligibility exclusions based on criminal background, previous substance use, or immigration status for individuals or their household members might limit access. Assistance that prioritizes the lowest-income households and is sufficiently funded to meet the scale of need should reach renters of color and help address racial and ethnic inequities in access to stable housing and COVID-19 impacts. However, structural factors beyond income eligibility may constrain access to housing assistance by Black and Latino households, and those factors merit more rigorous consideration than is possible here.

ECONOMIC CONSIDERATIONS

Individual households' inability to pay their rent inevitably impacts landlords and rental markets more broadly, with smaller landlords in more precarious financial situations. A July 2020 report from Realpage states that small "mom and pop" landlords face the most difficulty with rent collections.[19] Further, they have less credit to fall back on in times of uncertainty.[20] Over three-quarters of two-to-four-unit multifamily housing is owned by "mom and pop" landlords. We analyze each program for its ability to support landlords of small, two-to-four-unit buildings by assessing how easily funding could reach these buildings.

How Programs Compare

Table 1 is a snapshot of how rental assistance options compare based on the three criteria. In the sections below, we describe the core components of the programs as they relate to the criteria.

TABLE 1

Comparison of Rental Assistance Programs

Criteria: *Do program features or evidence suggest…*	Emergency Solutions Grants	Community Development Block Grants	HOME Investment Partner-ships	Tenant-based HCVs	Project-based HCVs	Project-based rental assistance	Federal Reserve lending facility
capacity to scale	✓			✓			
state and local flexibility	✓	✓	✓				✓
targeting of lowest-income, cost-burdened households	✓			✓	✓	✓	
assistance has minimal eligibility exclusions	✓	✓					✓
reaches tenants served by small (2–4-unit) property owners	✓			✓			✓

EMERGENCY SOLUTIONS GRANT PROGRAM

The ESG program is the centerpiece of the current legislative proposals to provide emergency rental assistance, the House of Representatives' Emergency Housing Protections and Relief Act of 2020 and the Senate's Emergency Rental Assistance and Rental Market Stabilization Act of 2020.[21] Both bills provide $100 billion to ESG for short- and medium-term rental assistance to be spent over three years. These proposals closely mirror the Homelessness Prevention and Rapid Re-housing Program, which used ESG pathways to provide short- to medium-term assistance during the Great Recession.

As part of the American Recovery and Reinvestment Act (ARRA), Congress allocated $1.5 billion to a new Homelessness Prevention and Rapid Re-housing Program (HPRP). The program provided up to 18 months of rental assistance to prevent homelessness or rapidly re-house households already experiencing homelessness. The program was administered using the same formula and pathways as ESG and had the same 5 percent administrative cap. HUD granted funds to states and localities, most of which were housing and community development agencies. State and local agencies sub-granted funds most often to nonprofit direct service organizations to implement the program (Cunningham et al. 2015). These local grantees used 56 percent of funds for rental assistance payments and the remaining funds for a mix of activities including utility payments, moving costs, and hotel vouchers (HUD 2016). The program served over 1.3 million people in nearly 500,000 households. As shown in appendix table A.1, HPRP and the current ESG legislative proposal are very similar in design; the most significant difference is funding levels.

Ease of implementation. The HUD program office has experience quickly standing up an emergency rental assistance program in the context of ARRA and through the CARES Act. Under ARRA, HUD implemented emergency rental assistance by using administrative funds to hire staff and integrating the program into an existing structure, the Consolidated Planning Process (Cunningham et al. 2015). HUD executed grant agreements with state and local grantees within seven months (HUD 2016).

An important feature of the ESG program is that rental assistance does not have to reach the standard that tenants pay 30 percent of their income toward rent. The ESG program can provide a shallow subsidy, a full subsidy, one-time assistance, or pay rental arrears. In HPRP, many grantees used graduated subsidies, with households starting with their rents fully covered and the subsidy declining over time (Cunningham et al. 2015). This feature of the program provides the flexibility for grantees to support many households at shallower subsidies.

ESG is a homelessness prevention program, and funds are distributed by formula to states, counties, cities, and US territories. About three quarters are housing and economic development government agencies, and one quarter are government agencies that provide direct services, such as TANF and veterans affairs agencies. In the HPRP context, 93 percent of grantees sub-granted funds to at least one other organization, mostly nonprofit direct service organizations (Cunningham et al. 2015).

The connection of ESG providers to the local rental housing infrastructure varies. For example, an evaluation of HPRP shows that 60 percent of grantees worked as partners with public housing authorities (Cunningham et al. 2015). When HPRP was implemented, some grantees had little or no experience implementing a homelessness prevention and rental assistance program, and many lacked coordinated screening infrastructure and consistent training (Cunningham et al. 2015). HUD has required communities to create coordinated entry systems since then, and targeting capacity may have improved.

Equity considerations. The ESG program helps people quickly regain housing stability after experiencing a housing crisis or homelessness and supports the lowest-income households with incomes at 30 percent of AMI or lower.[22] However, in administration of HPRP, some local agencies targeted support to less needy households because HUD guidelines suggested that the funds serve households who could pay for housing once the emergency rental assistance ended. This standard sometimes led to implementing organizations screening out the most cost-burdened households (Cunningham et al. 2015).

The ESG program currently has no built-in equity assessment to capture possible limitations of the program by race, ethnicity, or immigration status of recipients; so far, there have been no evaluations of these aspects of the program, and no information about landlords who receive funds. However, ESG activities are permitted to support people at risk of homelessness, regardless of legal residency status, and many ESG programs support people who may face multiple barriers to housing stability.

Economic considerations. Rental assistance provided through this program can be tenant based or project based, allowing for flexibility in reaching many types of building owners. Further, administrative barriers for landlords are low, including for smaller landlords. For example, participating landlords need only pass a habitability and lead-based paint inspections in accordance with federal habitability standards to be approved for subsidy. Since ESG often operates through homeless prevention service providers, outreach is essential to broadly reach landlords, many of whom are unlikely to be familiar with those providers.

COMMUNITY DEVELOPMENT BLOCK GRANTS

The Community Development Block Grants (CDBG) program can be used for various activities that benefit people with low and moderate incomes (up to 80 percent of AMI); but it was not traditionally used for rental assistance until the CARES Act granted flexibilities. Each year about 25 percent of funding is spent on housing activities, broadly defined (HUD 2019). Of those activities, most funding is used for "sticks and bricks" infrastructure improvements, such as single and multifamily rehabilitation. In fact, rental housing subsidy accounted for .03 percent of the total disbursements in fiscal year 2019.

Ease of implementation. Despite CDBG's flexibility, using it for rental assistance has several drawbacks. First, as state and local revenues decline due to the COVID-19 crisis, governments will likely turn to sources like CDBG to fill gaps, making it an unstable source for rental assistance unless it is funded at a scale and direct housing assistance is a required use. Second, local CDBG program administrators are likely unfamiliar with implementing rental subsidy programs. Before the CARES Act issued waivers, emergency rental or utility assistance was subject to a 15 percent cap,[23] and HUD's interpretation of program rules meant that funding was rarely used to subsidize rental payments.[24] Finally, the amount of CDBG funding has been declining year over year since 1980, and federal capacity to administer new and innovative uses could be constrained (Theodos, Stacy, and Ho 2017).

Equity and economic considerations. There are questions about whether CDBG funds reach low-income households, even at the thresholds required by law, because grantees self-report and there is little oversight and monitoring on this component (Theodos, Stacy, and Ho 2017). There have been no rigorous evaluations of the CDBG program, especially that analyze its benefits for low-income households or people of color. However, HUD recently announced plans to evaluate CDBG and HOME Investment Partnership programs.[25] Currently, CDBG funds do not carry specific restrictions based on immigration status (NHLP 2020).

HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

The HOME program is also funded through a flexible block grant, but unlike CDBG it is dedicated to affordable housing creation or preservation.[26] HOME may be used for tenant-based rental assistance, but as with CDBG, funds tend to be used to purchase, renovate, or develop affordable units as opposed to helping renters directly.

Ease of implementation. The sparse research on how HOME funds are used suggests relatively little goes to direct rental assistance: about 22 percent of all HOME funds have gone to tenant-based rental assistance since the program was launched in 1990, and in 2015 the program directly supported only about 8,800 households with rental costs annually (Mickelson 2015).[27] Some states have used little to no HOME funds for rental assistance since the launch of the program.[28] The limited use of HOME for direct rental assistance in some places suggests jurisdictions may struggle to set up new programs quickly using HOME funds.

In addition, HOME funding has been cut significantly since 2000, impacting its administrative capacity both at HUD and at the more than 650 state and local agencies that administer HOME funds (Reich et al. 2017).[29] As part of the federal COVID-19 pandemic response, HUD provided waivers and guidance to encourage and facilitate using HOME for tenant-based rental assistance.[30] This includes waivers to standardize tenant selection processes, rent reasonableness calculations, requirements that subsidies begin at the start of a new lease, and public engagement requirements.[31] Nevertheless, expanding HOME direct rental assistance efforts substantially would require significant investment in new administrative infrastructure and capacity.

Equity and economic considerations. Detailed information about the households that receive HOME-funded rental assistance, or the characteristics of assisted units and landlords, is not available. For HOME rental assistance programs, 90 percent of funds must be used for households with incomes at or below 60 percent of AMI; housing production funds target households earning up to 80 percent of AMI. As such, states and local areas that do use HOME for rental assistance may use funds to support somewhat higher-income households compared with programs that prioritize renters with incomes closer to 30 percent of AMI. There is limited information concerning exclusions from HOME funds based on household members' immigration status or other personal background characteristics (NHLP 2020), and eligibility criteria applied may vary by jurisdiction or individual property owner.

HOUSING CHOICE VOUCHERS

The Housing Choice Vouchers (HCV) program—primarily tenant-based assistance, with a portion dedicated to project-based vouchers—is the nation's primary rental assistance program. This HUD-administered program aims to provide low-income households access to safe, affordable housing in opportunity neighborhoods. Tenant-based vouchers are provided to eligible households who use them to pay for private-market rental housing. Project-based assistance is provided through long-term contracts between PHAs and property owners, who receive subsidies for designated affordable units. Currently, funding is available for about one in five households eligible for a voucher, and PHAs commonly maintain long waiting lists for assistance (Scally, Batko, et al. 2018).[32]

HUD requires that PHAs use 75 percent of their vouchers for households earning at or below 30 percent of AMI, and voucher holders tend to be among the lowest-income households in their jurisdictions. HCV assistance cannot be applied to rent arrears, although tenant-based assistance by design can be applied to recipients' current rental housing. Some PHAs may prioritize families with children, disabled or elderly households, or households experiencing homelessness. The HCV program currently excludes undocumented immigrants from receiving assistance and HUD has proposed new regulations that would exclude mixed-status immigrant families—including eligible children—from housing assistance.[33] In addition, although HUD has removed the most stringent restrictions on people with histories of alcohol, drug, or criminal justice system involvement, individual PHAs may set their own priorities with more rigid requirements (Curtis, Garlington, and Schottenfeld 2013).

Several proposals provide cost estimates for expanded tenant-based HCV assistance.[34] They estimate that providing assistance to all 7.8–8.2 million qualifying low-income households would cost $100 billion annually. This assumes assistance meets both pre-COVID need (approximately $60–$70 billion annually) and that of households newly eligible due to the pandemic. They estimate the average annual rental subsidy cost for an HCV-assisted household is between $7,500 and $9,500 (Aurand, Emmanuel, and Threet 2020).[35]

TENANT-BASED VOUCHERS

Tenant-based voucher (TBV) subsidies are designed to ensure eligible renters pay no more than about 30 percent of their income in rent; the subsidies are paid directly to landlords of units that pass inspections and meet local rent limits. This process ensures renters live in units that meet quality standards and maintain reasonable rent burdens even as incomes change over time—and that landlords receive the full rent each month regardless of shocks to tenant income. In most jurisdictions, households may receive assistance as long as they remain eligible based on their income; the subsidy decreases to zero (and tenant contribution increases to cover the full rent cost) as household income increases.

Ease of implementation. Approximately 2.2 million tenant-based vouchers are currently administered by a dispersed network of approximately 2,300 local housing authorities nationwide (Galvez, Gourevitch, and Docter, forthcoming), with established procedures for distributing funds to agencies, managing applications and waiting lists, inspecting units, verifying eligibility, and making monthly rent payments directly to landlords. A rapid expansion could be challenging for some local public housing authorities—many of which administer relatively small numbers of vouchers (Galvez, Gourevitch, and Docter, forthcoming). But the infrastructure for administering ongoing rental assistance directly to landlords is in place in most urban and suburban jurisdictions nationwide. The CARES Act provided funds to housing authorities to cover the increased costs of providing Housing Choice Vouchers during the pandemic, as well as waivers and administrative flexibility to ease some program requirements. But, more flexibility to streamline administrative procedures and support for smaller agencies would be necessary to significantly scale the program.

Equity considerations. A well-established evidence base suggests vouchers improve key housing and stability outcomes for the lowest-income, rent-burdened households and for households experiencing homelessness (see, for example, Ellen 2018 and Gubits et al. 2016). The clear majority of voucher holders have incomes at or below 30 percent of AMI and rent burdens close to 30 percent of their income (Galvez, Gourevitch and Docter, forthcoming). Tenant-based vouchers have also been found to narrow racial disparities in neighborhood locations; Black and Latino voucher holders live in lower-poverty neighborhoods than unassisted renters of the same race or ethnicity (Galvez 2010; Sard et al. 2018). However, as noted, some eligibility requirements and exclusions based on family members' backgrounds vary by PHA and disproportionately impact Black and Latino households. Individual and household-level data describing recipients of tenant- and project-based assistance are publicly available from HUD, at various levels of geography, allowing researchers and the public to easily assess who vouchers are serving, and where.

Economic considerations. The tenant-based program requires relationships between tenants, landlords, and housing authorities, and it can be bureaucratic and administratively burdensome for all parties. There is evidence that in some markets, a significant share of TBV holders live in units owned by landlords of small (one-to-five-unit) rental buildings (Garboden et al. 2018). But there is also evidence that landlords routinely reject vouchers in some places (Cunningham et al. 2018). This may be driven partly by racial discrimination or negative stereotypes of voucher holders, or by negative perceptions or experiences with voucher program administration and housing authorities (Cunningham et al. 2018; Garboden et al. 2018; HUD 2018). It is unclear if the pandemic will make landlords more likely to accept vouchers because of the economic stability they offer, or if they will remain reluctant to accept them in some housing markets. Scaling of assistance will require effort on the part of HUD and PHAs to understand landlord perspectives on the program, and to reach landlords who may be unfamiliar with vouchers or previously reluctant to accept them.

PROJECT-BASED VOUCHERS

Project-based vouchers (PBVs) are a discretionary component of the HCV program authorized in 1998 as part of the Quality Housing and Work Responsibility Act. This component allows PHAs to apply 20 percent of their HCV funding to PBV assistance (up to 30 percent if the PHA provides service-enriched housing or housing in moderate-poverty neighborhoods). The total number of PBVs has risen significantly in the past decade, from around 43,000 units in 2010 to 140,000 in 2016, in part reflecting public housing conversions through the Rental Assistance Demonstration.[36] But relatively few PHAs—about 600 of the roughly 2,300 operating HCV programs—currently administer project-based vouchers, and as of 2016, very few maximize their allowable PBV assistance (Galvez et al., forthcoming; Mast and Hardiman 2017).

Ease of implementation. Large PHAs are more likely than smaller agencies to administer project-based voucher programs, possibly because of the difficulties awarding, negotiating, and managing complex PBV contracts. Project-based vouchers do offer PHAs some flexibility to tailor assistance to meet local needs for service-enriched or dedicated housing for people with special needs, or to preserve affordable units in tight markets or low-poverty neighborhoods. But it may be that relatively few PHAs may have the administrative capacity to manage PBV contracts.

Equity considerations. Project-based vouchers have some promise as an equity tool and a mechanism to serve more vulnerable households: they can be used to serve a mix of incomes in the same location, or to link housing and supportive services to households that may otherwise face challenges finding private-market units. Currently, PBVs tend to serve more elderly households than tenant-based assistance, while tenant-based vouchers support more families with children (Mast and Hardiman 2017). Project-based vouchers also offer stability for landlords and long-term affordable options through 20- to 40-year contracts. In some places, they have been used to preserve affordable units in expensive neighborhoods where TBV holders may otherwise have difficulty finding housing (Galvez et al., forthcoming).

Economic considerations. No publicly available information documents the characteristics of landlords or whether smaller property owners may manage PBV contracts. PBVs tend to be located in higher-poverty areas (Galvez et al., forthcoming; Mast and Hardiman 2017) and by design the program limits tenants' housing choices to properties with landlords that have established contracts with HUD—which may be cumbersome as a rapid pandemic response. It is unclear how feasible it is for households who are currently housed to access PBV assistance through their landlords. Landlords renting to eligible households would need to enter into new contracts with PHAs—which may be more feasible for owners of larger properties. In some jurisdictions, PBVs may be more viable if there are properties housing concentrations of residents in the same industries or employers affected by COVID-19 (e.g., health care, hospitality, or manufacturing)—allowing for a more streamlined application process and payments to landlords rather than requiring individual households to apply for assistance.

PROJECT-BASED RENTAL ASSISTANCE

Section 8 project-based rental assistance (PBRA) encompasses several programs that serve low-income households, including housing for seniors (Section 202) and people with disabilities (Section 811). At least 40 percent of PBRA units must be reserved for families with incomes at or below 30 percent of AMI. As of 2016, about 1.2 million low-income households lived in PBRA-subsidized units (CBPP 2017). Project-based rental assistance resembles project-based voucher assistance, with some key variations. Property owners enter into long-term contracts (e.g., 40 to 50 years) directly with HUD's Office of Multifamily Housing to provide affordable rental units, as opposed to HUD contracting with individual PHAs. And, Congress appropriates PBRA funds each year to support existing contracts, whereas PBVs are part of the HCV program, and individual PHAs decide whether or how extensively to use PBVs.

Ease of implementation. Project-based rental assistance is well-established, with processes in place to administer assistance and make ongoing rental payments to landlords. However, no new PBRA projects have been approved since 1983—although, as with PBVs, public housing units can be converted to PBRA through the Rental Assistance Demonstration. About 75 percent of PBRA units were constructed before 1985 (Eggers 2020). An expansion of PBRA would require a new contract mechanism and, as with PBVs, landlords already housing tenants eligible for PBRA assistance would need to establish contracts with HUD. As such, a significant expansion of the program would presumably require additional capacity at HUD to establish and manage new contracts. It is unclear how well PBRA or other place-based assistance programs would allow households to remain in their current housing and avoid disruptions.

Equity considerations. Project-based rental assistance targets the lowest-income households, and it is an important source of affordable housing for low-income elderly and disabled households (Eggers 2020). As with PBVs, PBRA can be used to preserve affordable units that may otherwise be lost. PBRA assistance has the same eligibility restrictions as the HCV and public housing programs, with undocumented immigrants and their families excluded from assistance (NHLP 2020). Detailed information about the characteristics of individuals and households living in PBRA-assisted units, consistent with information reported on HCV recipients, is available through HUD's Tenant Rental Assistance Certification System.[37]

Economic considerations. No publicly available information describes PBRA landlords or property owners, so it is unclear whether the program already reaches smaller landlords or is mainly provided through larger owners or nonprofit affordable housing providers. As with PBVs, this mechanism may be feasible mainly for larger landlords already housing multiple low-income households in a single property.

LENDING ASSISTANCE: FEDERAL RESERVE SECTION 13(3) EMERGENCY LENDING

The Federal Reserve emergency lending provision or Section 13(3) of the Federal Reserve Act (12 U.S.C. 344) allows it to extend credit to nonbank financial firms (CRS 2020). This provision was invoked most recently in the CARES Act to support several lending programs including the Paycheck Protection Program Liquidity Facility, which extended credit to eligible financial institutions that originate Paycheck Protection Program loans.[38] Section 13(3) was also used to support several lending programs during the great recession, including the Troubled Asset Relief Program.

Of the programs we analyze, this delivery mechanism is the only one that has not been used to provide housing assistance. Several stakeholders have proposed using this authority to allow building owners to provide rental assistance by reducing their monthly debt service payments or through a forgivable loan structured like the Paycheck Protection Program. For example, the National Council of State Housing Finance Agencies proposes that in exchange for a zero-interest rate loan that supports debt payments, building owners agree not to evict any tenant with a COVID-19 related job loss, agree to reduced rent payments, and forgive penalties associated with arrears.[39] This proposal would support first mortgages, permanent loans on multifamily rental properties owned by state HFAs, Fannie Mae, the Federal Housing Administration, Freddy Mac, Ginnie Mae, and "other regulated entities."

Ease of implementation. There are open questions about whether the Federal Reserve should extend credit to firms outside the banking system that it does not directly supervise (CRS 2020). Further, the Federal Reserve cannot make a loan without guarantee that it will be repaid.[40] Generally, it cannot extend credit on which it will take a loss. In such instances, the loans require a guarantor. Loans made to building owners that have a provision for forgiveness will need a guarantor. NCSHA proposes that the Department of Treasury take on this role in the rental housing context.

A lending program targeting building owners would likely be administered by a combination of the Department of Treasury at the national level and state HFAs locally. We have information about how state HFAs performed during the Great Recession. However, the emergency provisions in that context were focused mainly on homeownership and affordable rental housing production and not stabilization of existing units and renters.[41]

Equity and economic considerations. A lending facility would directly address the risk of mortgage default in the multifamily rental market, but it is difficult to evaluate the potential equity impacts of such a program, especially since it is untested. Any 13(3) loan program at the scale needed to address the current crisis would need adequate oversight to ensure that the funding reached the intended beneficiaries and that owners provided the agreed relief and rights to tenants. NCSHA's proposal states that tenants living in buildings receiving the assistance would be protected from eviction. There would need to be a mechanism by which state HFAs enforced that provision and an efficient way to ensure tenants in assisted buildings received information on their rights. Further, a loan to cover mortgage payments would reach fewer small-unit properties. Almost three-quarters of buildings with 50 or more units have outstanding mortgage debt compared with about half of 2–4-unit buildings.[42] So, while this resource would be available to small landlords, fewer would benefit from this type of assistance.

Key Takeaways and Conclusions

Our scan surfaced several insights about the federal rental assistance options that could help stabilize renters through the pandemic, and as the nation recovers from its economic fallout.

First, because housing is not a universal benefit in the United States, the housing assistance system is less nimble in an economic crisis. The housing assistance system is fragmented and complex—with different rules, income targets, eligibility criteria, timelines, administrative oversight, and reporting requirements across programs and funding streams. Each funding stream and program we assessed plays an important role in meeting the needs of low-income households, but renters or landlords in crisis may have trouble navigating the patchwork of federal, state, and local programs.

Related to this, some implicit differences emerged in proposals about the role of federal rental housing assistance. Some proposals address pre-pandemic housing needs in addition to emergence response needs, and others focus more narrowly on renters or landlords newly and perhaps temporarily affected by the pandemic. Limiting assistance to pandemic impacts would require less federal investment, but also potentially create implementation challenges by requiring states and local areas to differentiate and prioritize some households in need over others. This may be more challenging as the pandemic's economic impacts drag on, and raises troubling equity concerns about excluding the most vulnerable households whose needs pre-date the pandemic and will likely continue after.

Second, programs vary in the flexibility they provide state and local areas, with implications for targeting assistance to low-income renters. Absent new requirements, block grants allow local areas to determine the types of housing assistance to prioritize (e.g., housing production or preservation versus direct emergency rental assistance) and to set local eligibility and use criteria as well as the depth and duration of assistance. This may allow for some welcome flexibility to help renters with rent arrears or utility debt, for example, which is not possible through the HCV program. But this also relies on states and local areas prioritizing rental assistance over other uses. In contrast, the HCV, PBRA, and PBV programs are less flexible but targeted to rental assistance.

Third, some programs appear better positioned to expand than others because they are already providing ongoing rental assistance, but no program has been tested at the scale currently under consideration, and decades of disinvestment raise implementation concerns for all programs. Block grant programs and PHAs have seen substantial declines in administrative capacity and funding in the past decade and since their inception—and, as was seen with the systems that deliver unemployment insurance, capacity will inevitably vary across jurisdictions. As a result, investment in capacity building will be needed in conjunction with any investment in rental assistance—to streamline or establish new processes, upgrade technology, and expand staff capacity. For example, expanding PBRA would require additional capacity at HUD to administer contracts, while expanding tenant- or project-based HCVs would require expanded capacity at HUD as well as at local PHAs. Expanding HOME would require investment in state or local administrators. The CARES Act included waivers and flexibility to "facilitate speedy implementation" during the early months of the pandemic, as well as funds to accompany the ESG investment. Further expansion will similarly require funding to support program administration.

Fourth, the availability of data and evidence about existing housing assistance models varies widely, and there are several research and data gaps. Comparing programs is difficult due to uneven information about how rental assistance is delivered and who it serves. The HCV and ESG programs have a robust empirical literature, while others HOME, PBRA, and CDBG have much less. For example, as of July 2020, state and local governments have launched or modified nearly 200 emergency rental assistance programs in response to the pandemic, using a mix of funding (Aurand, Yae, et al. 2020). But, it is difficult to assess how jurisdictions have delivered rental assistance programs using CDBG and HOME funds, or housing stability outcomes for recipients. Local flexibility allows jurisdictions to tailor programs to meet local needs, but also complicates consistent tracking and evaluation. Future investments should be accompanied by consistent data tracking and evaluation requirements.

Finally, there are some tensions regarding how assistance reaches renters or landlords—meaning, whether renters or landlords are eligible applicants for help with rent payments. While landlords are undoubtedly at financial risk, it is unclear how efficient or practical it is for landlords who rent to one or more low-income, rent-burdened tenants to apply on their tenants' behalf or enter into subsidy contracts with HUD, PHAs, or other entities. Several proposals we analyzed recommended bypassing traditional housing delivery mechanisms altogether, in favor of using emergency authorities granted to the Federal Reserve to back a large-scale lending program to rental housing building owners in need. A program of this kind has never been tested, and there is no clear answer on the best organization to administer the program or federal agency to guarantee loans and provide oversight. If the Paycheck Protection Program is an example, significant changes would need to be made to improve equitable distribution of loans and ensure relief reached the most cost-burdened households.

Conclusions

Our assessment points to several conclusions and recommendations about the rental assistance options available to stabilize renters, and some considerations for federal investments related to the pandemic.

The Emergency Solutions Grants and tenant-based HCV programs emerged as having the most potential to efficiently and equitably meet the needs of the most low- and moderate-income renters and their landlords. The main strengths of these two programs, and aspects that will need adjustments if the programs are expanded, are summarized below.

- **They could be scaled.** Both programs already provide ongoing rental assistance. Expansion will undoubtedly require capacity-building to minimize rollout delays or complications, but these programs have a proven track record for delivering assistance directly to low-income renters.
- **They target the lowest-income renters and allow renters to remain in their housing**. Recipients are low-income renters—typically at or below 30 percent of AMI—who may use the assistance for either their current housing units or new housing. This should help reach landlords efficiently, minimizing disruptions for renters and landlords. There is some evidence that vouchers already reach smaller, independent landlords. In contrast, place-based assistance would presumably require landlords to pursue assistance individually, which may be onerous for smaller landlords or require renters to seek out landlords with assisted units.
- **Flexibility for adjusting subsidies.** The ESG program offers flexibility in setting the subsidy level and length, up to 2 years, to meet the needs of a tenant or local community—including the ability to adjust subsidy levels over time. The HCV program is more constrained in the types or depth of assistance provided, and cannot cover rent arrears, for example; it is structured to adjust rent payments as tenant income shifts or household composition changes. Both types of flexibility may be critical given the uncertainty about the pace of economic recovery, and variations in job loss and recovery by geography and industry.
- **Strong evidence base**. The HCV and ESG programs have the strongest evidence both on the programs' effectiveness stabilizing low-income households and examining their operational components, as well as the most transparent data on who receives assistance and the types of assistance provided. In the context of the need for a rapid emergency response we emphasize the potential benefits of leveraging existing assistance pathways over attempting new, untested options. We acknowledge this may overlook the potential of innovative new assistance approaches that merit further consideration as the economic recovery continues.

Trade-offs between ESG and tenant-based HCVs must be considered. At present, the ESG proposals would provide a relatively short-term investment, establishing approximately three years of rental assistance at a cost to the federal government of $100 billion. Some of the HCV proposals would provide a more structural, permanent change to the housing assistance safety net, at an annual estimated cost of up to $100 billion for universal assistance if incomes do not increase over time; others suggest a more modest expansion that would sunset after one to five years as households stabilize and leave assistance. It may be that shorter-term support (e.g., up to 24 months of assistance as currently provided through ESG programs) is sufficient to help households who are newly-experiencing housing instability due to the pandemic avoid eviction or homelessness. And, as some people return to employment, less assistance will be needed. But households who experienced high rent burdens prior to and through the pandemic may need longer-term assistance more consistent with HCVs.

Evidence on the cost tradeoffs for different types of assistance suggest that, at least in the context of families experiencing homelessness, short-term assistance is less expensive to provide per household than vouchers or emergency shelter (Gubits et al 2016). But, shorter-term assistance also has fewer sustained positive impacts on housing or individual-level outcomes, with access to permanent assistance offering more sustained housing stability and individual-level benefits in return for a larger federal investment (Gubits et al. 2016; Piña and Pirog 2018). If the pandemic's impacts are longer-term and structural, as some economists have suggested, the longer-term, deeper assistance may be needed to stabilize low- and moderate-income renters and their landlords.

Technical assistance and capacity-building will be needed. As noted above, funding and administrative support will be needed for either program to ensure efficient, uniform expansion across jurisdictions and to ensure assistance reaches renters in need. This includes technical assistance, additional waivers, and timely guidance from HUD for targeting households, identifying areas for operational improvements, and implementing streamlined procedures. For the HCV program, more deliberate attention to family- and landlord-friendly policies is needed to ease administrative hurdles. For example, streamlined application and unit inspection policies, flexibility to use subsidies for rent arrears or landlord incentives, and aligning voucher payment levels with local rents. For ESG, grantees, who are often direct service providers working with the homeless population, will need clear guidance from HUD to ensure they make connections to affordable housing stakeholders and PHAs where they aren't already, and support processes to provide ongoing assistance to households or landlords.

Finally, any program administering emergency rental assistance will need guidance and data analysis to determine how best to target funds to both communities experiencing COVID-related health and economic impacts and those experiencing housing insecurity before the pandemic. This includes guidance on how to directly target neighborhoods, communities of color, or industries that have been hardest hit, and how to balance existing need, such as waiting lists for assistance, with new applicants. Local administrators for both the ESG and HCV programs should review eligibility requirements and revise them to minimize exclusions based on households' personal backgrounds, and to ensure uniform application of eligibility requirements across jurisdictions. Lessons from the experience administering HPRP funding in the context of the Great Recession show that, absent clear income targeting, for example, assistance flowed to households with higher income levels who were often easier to serve.

The racial equity impacts of assistance must be tracked and measured. It is well-documented that the pandemic has exacerbated racial inequities in access to stable housing, and any rental assistance response should consider the racial equity implications of how the assistance is delivered. Currently, it is hard to assess the racial equity implications of different assistance options. Some programs serve large proportions of people of color, in part because of the disproportionate need within those communities. But other programs lack disaggregated data on who assistance reaches. Arguably, prioritizing assistance to rent-burdened, low-income households and those with pandemic-related income and health impacts should ensure assistance reaches communities that have been hardest hit, without direct targeting to the most impacted communities. But rigorous tracking and evaluation will be needed to fully understand the role that housing assistance programs play in alleviating or perpetuating racial inequality. This includes a deeper understanding of how people navigate and experience services, and structural barriers to access.

In the long term, sufficient supply of affordable housing is vital. Ultimately, both ESG and HCV rely on willing landlords and a sufficient supply of affordable housing to meet the needs of low-income households. As noted, there is currently a national shortage of affordable housing. In the longer term, as the economy recovers from the pandemic, ongoing investment in affordable housing production and preservation will be needed. With this in mind, the additional programs we assessed also rank well on our three criteria, and are undoubtedly part of the long-term solution to ensuring stability for the nation's low-income renters.

Appendix

APPENDIX TABLE A.1

Using Emergency Solutions Grants to Provide Emergency Rental Assistance: Comparing HPRP with COVID Relief Legislation

	Homelessness Prevention and Rapid Re-housing Program (HPRP)	H.R.7301, Emergency Housing Protections and Relief Act of 2020
Program size	$1.5 billion	$100 billion
Eligible households	Individuals up to 50 percent of area median income (AMI)	At least 40 percent of funds for individuals up to 30 percent of AMI; at least 70 percent of funds for individuals up to 50 percent of AMI; remaining for individuals up to 80percent of AMI (can reach 120 percent of AMI with waiver)
Eligible activities	▪ short and medium-term rental assistance (up to 18 months) ▪ housing relocation and stabilization activities (e.g., moving costs, security deposits, utility payments)	▪ short and medium-term rental assistance (up to 24 months) ▪ housing relocation and stabilization activities (e.g., moving costs, security deposits, utility payments)
Implementation timeline	60 percent expended within two years and 100 percent within three years	60 percent expended within two years and 100 percent within three years
Administrative funding	5 percent of the total, or $7.5 million	.5 percent of the total, or $15 million
Grantees	States, counties, cities, and US territories; subgrantees were primarily nonprofit direct service organizations	States, counties, cities, and US territories: subgrantees are likely to be primarily nonprofit direct service organizations

Source: H.R.7301 - Emergency Housing Protections and Relief Act of 2020

Notes

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