



Trends in Housing Problems and Federal Housing Assistance

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October 2017

In the 1930s, many American families lived in seriously deficient housing. To address that challenge, the federal government began building subsidized housing, and in the decades that followed, a complex array of federal programs evolved to tackle the continuing housing problems of low-income renters. Almost 10 years ago, the Urban Institute prepared a “primer” to assess this evolution. This brief is an update of major sections of that report, focusing on trends in national housing problems and federal housing assistance over the past decade. It shows that renter housing needs have grown substantially—almost totally because of unaffordably high rents rather than physical deficiencies—and federal housing assistance is not keeping up. The number of low-income renters that actually receive federal housing assistance has dropped notably as a fraction of the low-income households that need it. Evidence indicates that this gap will worsen.

Like its predecessor (Turner and Kingsley 2008), this brief explains the basics of US housing assistance to those unfamiliar with the field. After a summary, it (1) reviews recent changes in the number of US households by tenure and the nature of the housing problems renters face, (2) identifies the nation’s major federal housing assistance programs and explains how they work, (3) examines changes in the scale and spatial patterns of federal housing assistance and the characteristics of assisted households, and (4) identifies recent policy shifts and issues affecting future directions for these programs and pointing out literature offering fuller explanations.

Main Findings and Conclusions

- **Household formation has slowed, and the renter share has significantly increased (mostly among the lowest-income groups).** The number of US households increased an average of 1.02 million a year from 1999 to 2005, but the rate slowed to 0.94 million over the next decade, bringing the total to 118.3 million in 2015. Perhaps the most noteworthy change was that the homeownership rate declined from 69 to 63 percent. The number of renter households increased an unprecedented amount, from 34.0 million to 43.9 million. Also important was that low-income households (with incomes less than 80 percent of the area median income, or AMI) were dominant among renters, reaching 27.9 million in 2015 (64 percent of the total).
- **Physical housing problems decline as the affordability challenge increases.** Housing problems include physical problems (overcrowding and facility and structural deficiencies) and affordability problems (having to pay more than 30 percent of income for housing). Between 2005 and 2015, the share of renters with an affordability problem went up from 45 to 48 percent. In contrast, the share of renters in physically inadequate housing declined from 11 to 7 percent.
- **There are many more households with housing needs.** Households with housing needs include low-income renters who either have one or more of the above problems or say they receive government housing assistance. That number increased a troubling 24 percent between 2005 and 2015 from 18.0 million to 22.3 million households. It accounted for just over half of all renters in 2015.
- **Since 2007, the number of households receiving HUD project-based assistance (in public housing or in privately owned subsidized projects) remained stable, while the number receiving housing vouchers increased.** The US Department of Housing and Urban Development (HUD) offers three forms of deep-subsidy assistance to help low-income households. They have been on different trajectories. The number of households in public housing dropped from 1.14 million in 1993 to 1.00 million in 2007, but over the next decade, it stayed about the same (reaching 1.02 million in 2016). The number assisted in privately owned subsidized projects suffered a larger net decline between 1993 and 2007 (from 1.72 million to 1.34 million, a 22 percent drop) but remained constant after that (1.37 million in 2016). In contrast, the number receiving housing vouchers has increased throughout, although more rapidly in the first decade (55,000 a year) than the second (36,800 a year), reaching a 2016 total of 2.30 million.
- **But the modest increase in HUD deep-subsidy assistance has been overshadowed by growth in the need; the housing assistance gap has widened significantly.** Households receiving HUD deep-subsidy assistance increased from 4.06 million in 2003 to 4.30 million in 2007 and to 4.69 million in 2016. Our estimate of the housing gap based on these figures indicates that the number of households receiving assistance under these three programs declined as a share of all low-income renters from 18 percent in 2005 to 16 percent in 2015. **Among low-income**

renters with housing needs, the share receiving assistance dropped from 24 percent in 2005 to 21 percent in 2015.

- ***The beneficiaries served by HUD programs is shifting away from families with children and toward the elderly and disabled.*** The characteristics of beneficiary households in HUD’s three deep-subsidy programs have many similarities, particularly with their focus on the lowest-income groups within the eligible population (although tenants in the privately subsidized programs are more white and elderly than in the other two programs). But all three face important and similar changes in their tenant base, with increases in the shares accounted for by the disabled and elderly and decreases in the shares for families with children.
- ***The Low-Income Housing Tax Credit has been the fastest-growing US housing program over the past two decades. It does not necessarily add to the number of households receiving assistance, but it allows deep-subsidy resources to be spread among more households than would be possible without it.*** Under the Low-Income Housing Tax Credit (LIHTC), operated by the US Treasury, the number of assisted households went up from 0.43 million in 2005 to 2.57 million in 2015. On its own, the LIHTC can only bring rents down to levels affordable to moderate-income groups, but in recent years, many households already assisted under one of the three HUD programs have been housed in LIHTC projects. In these cases, the LIHTC subsidy has allowed deep-subsidy resources to be spread among more households than would otherwise have been possible.
- ***Given forces at play, the housing assistance gap will likely worsen.*** Nothing in the conditions determining housing market behavior indicates that rents will decline. And this is a time of budget stringency. Current budget proposals suggest that, at best, the level of federal deep-subsidy housing assistance provided will remain about level in the face of rapidly expanding need. Although the LIHTC enjoys considerable political support, it does not proportionally reduce the housing assistance gap as defined here, and its size is threatened by proposed reductions in corporate tax rates, which would reduce its attractiveness to investors.

Growth in Households and Housing Problems

The period from 2005 through 2015 was a tumultuous one for US housing. These years included the housing crisis and Great Recession and then several years of slow recovery. In this section, we track changes in households and housing problems, all based on data from the American Housing Survey (AHS).

A slowdown in household formation but with a significant increase in the renter share (mostly among the lowest-income groups). Table 1 shows that the number of US households increased an average of 1.02 million annually from 102.8 million in 1999 to 108.9 million in 2005. Growth then slowed to an average of 0.94 million a year to reach 118.3 million in 2015. There are multiple reasons for the net slowdown (Goodman, Pendall, and Zhu 2015), but millennials’ decisions to postpone forming separate households played a part.

A more formidable change was the shift in composition by tenure. The US homeownership rate increased consistently from 1950 through 1980. It then remained fairly level through the onset of the Great Recession and dropped off thereafter. The number of owners had increased by 1.03 million a year from 1999 to 2005, to reach a 2005 total of 75.0 million and an overall share of 69 percent. Then, the number of owners dropped (by 60,000 a year, on average) over the next 10 years. That brought the owner total down to 74.4 million in 2015, and their overall share had dropped to 63 percent.

TABLE 1

Total US Households, Tenure, and Renter Incomes, 1999–2015

	Households (millions)			Change (millions of households/year)	
	1999	2005	2015	1999–05	2005–15
Total households	102.8	108.9	118.3	1.02	0.94
Owner households	68.8	75.0	74.4	1.03	(0.06)
Renter households	34.0	34.0	43.9	(0.01)	1.00
<i>Above 80% AMI</i>	12.0	10.4	16.0	(0.26)	0.56
<i>Low-income total</i>	22.0	23.6	27.9	0.26	0.44
50–80% AMI	7.3	7.5	8.7	0.04	0.12
30–50% AMI	6.2	6.3	7.9	0.02	0.16
<30% AMI	8.5	9.7	11.3	0.20	0.16

Sources: US Department of Housing and Urban Development (HUD), *Affordable Housing Needs 2005: Report to Congress* (Washington, DC: HUD, 2007); Nicole Elsasser Watson et al., *Worst Case Housing Needs: 2017 Report to Congress* (Washington, DC: HUD, Office of Policy Development and Research, 2017).

Note: AMI = area median income.

The number of renter households, in contrast, increased. Their numbers had declined by an average of 10,000 households annually between 1999 and 2005 but increased by 1.0 million households a year between 2005 and 2015. The renter total reached 43.9 million in 2015, their share of all households having increased from 31 to 37 percent. The reasons for this shift are also multiple, but again, millennials' slower household formation rate played a role, implying a smaller share of them would purchase homes than their same age cohort had done in the past. But homeownership declined after 2008 for other age cohorts as well (Goodman, Pendall, and Zhu 2015).

Shifts in the renter household income distribution. Renters have traditionally experienced more serious and widespread housing problems than owners and have been the intended beneficiaries of the housing assistance programs described in this primer. Table 1 breaks down the number of renters by income levels. Renters whose incomes are below 80 percent of the AMI are considered low income. Renters with incomes below 50 percent of the AMI are very low income (VLI), and those below 30 percent are extremely low income (ELI). The number of ELI households has normally been a fairly close approximation of the number of households below the federal poverty level. It includes particularly vulnerable families and individuals—people with high needs for social services and at risk of homelessness. Renters eligible for HUD deep-subsidy assistance include all VLI renters and many renters who earn between 50 and 80 percent of the AMI that meet special requirements (Eggers 2017, 2).

The table shows that households with incomes *above* the 80 percent threshold accounted for a significant share of the increase in renters between 2005 and 2015. That group had declined from 12.0 million to 10.4 million between 1999 and 2005 but increased to 16.0 million by 2015. But the number of low-income households increased substantially from 22.0 million in 1999 to 23.6 million in 2005 and to 27.9 million in 2015 (increasing between 2005 and 2015 by 440,000 a year). Within this group, the 2005–15 decade saw growth from 16.0 million to 19.2 million for VLI renters and from 9.7 million to 11.3 million for ELI renters (an increase of 160,000 a year).

Physical housing problems decline as the affordability challenge accelerates. For much of the 20th century, inadequate supply, deteriorated structures, and inadequate facilities were America’s dominant housing problems, but for at least the past 50 years, the primary and most rapidly growing problem for renters has been affordability.

By 1999, only 5 percent of renters lived in overcrowded housing, and 12 percent lived in housing that had facilities problems (e.g., deficient plumbing, kitchen, or heating) or was structurally inadequate. The number of households with these problems declined slightly through 2005 and again over the subsequent decade, reaching 3 percent overcrowded and 7 percent with facility or structural problems in 2015 (table 2).

TABLE 2

Renter Households by Housing Problem Status, 1999–2015

	Households (millions)			Percent		
	1999	2005	2015	1999	2005	2015
All renters by type of housing problem						
Total renters	34.0	34.0	43.9	100	100	100
Total with rent burden	13.4	15.4	21.1	40	45	48
<i>Burden >50% income</i>	6.3	7.9	11.0	19	23	25
<i>Burden 30–50% income</i>	7.1	7.5	10.1	21	22	23
Severely inadequate housing	1.2	1.1	0.8	4	3	2
Moderately inadequate housing	2.8	2.5	2.0	8	8	5
Crowded housing	1.7	1.6	1.1	5	5	3
Low-income renters by housing needs status						
Total low income	22.0	23.6	27.9	100	100	100
Total with housing needs	16.5	18.0	22.3	75	76	80
Unassisted, no problems	5.5	5.6	5.8	25	24	20

Sources: US Department of Housing and Urban Development (HUD), *Affordable Housing Needs 2005: Report to Congress* (Washington, DC: HUD, 2007); Nicole Elsasser Watson et al., *Worst Case Housing Needs: 2017 Report to Congress* (Washington, DC: HUD, Office of Policy Development and Research, 2017).

In contrast, the share with affordability problems (*rent-burdened households* who pay more than 30 percent of their income for rent) was larger and increasing rapidly. Rent-burdened households increased from 40 percent of renters in 1999 to 45 percent in 2005 and 48 percent in 2015. Within this group, the share that was *severely rent burdened* (paying more than half their income for housing) increased even faster, from 19 percent in 1999 to 25 percent in 2015.

Rents are rising faster than incomes for a growing segment of families in almost every part of the country. This trend is primarily the result of (1) widening income inequality, with incomes rising slower for low- and moderate-wage workers than for those in high-skill, high-wage jobs, combined with (2) the fact that new housing construction is not keeping pace with employment and population growth in many metropolitan areas, and constrained supply in the face of increasing demand inevitably implies increases in home prices and rents.

An increase in worst-case housing needs and a decline in units affordable and available to low-income families. An additional indicator of importance is the level of worst-case housing needs, which HUD reports to Congress every two years. The indicator includes all VLI renter households that do not receive government housing assistance and pay more than half their income for rent, live in severely inadequate conditions, or both. The worst-case housing needs total nationally hovered around 6.0 million from 2005 to 2007 but, because of the housing crisis and Great Recession, shot up to 8.5 million in 2011 (an increase of 42 percent). It dropped somewhat in 2013 but went up again to 8.3 million in 2015, still well above the prerecession level (Watson et al. 2017).

Another relevant analysis in the HUD report concerns the availability of affordable housing (Watson et al. 2017). HUD compared 2015 AHS data on rental households by income with breakdowns of rental housing units by rent level. It found, for example, that there were 92.6 units affordable to VLI renters (the units could be rented for less than 30 percent of household income) for every 100 households in that category. But many of these units were occupied by households with higher incomes. Only 62.1 of them were both affordable *and available* per 100 VLI renters (a decline from 65.2 in 2013).

A substantial increase in households with housing needs. The bottom panel in table 2 integrates data on renter housing problems and assistance status. *Households with housing needs* includes all low-income renters who (according to the AHS) either receive housing assistance or are not assisted but have one or more of the housing problems noted above. This category included 18.0 million households in 2005 but increased 24 percent to 22.3 million in 2015. It then accounted for 80 percent of all low-income renters.

The incidence of housing problems and needs is most serious for the lowest-income groups (table 3). In 2015, there were 11.3 million ELI renters, and 10.3 million of them (91 percent) had housing needs. The share with housing needs among the 7.9 million renters earning 30 to 50 percent of the AMI was 87 percent. In contrast, the share of the 16.0 million renters with incomes above 80 percent of the AMI that had housing needs was only 21 percent.

TABLE 3

Renters Assistance and Housing Problem Status, 2015

	Total	Households with Housing Needs			Unassisted, no problems
		Total	Assisted	Unassisted, with problems	
Renters (millions)	43.9	25.7	5.6	20.1	18.3
Above 80% AMI	16.0	3.4	0.3	3.0	12.6
Low income	27.9	22.3	5.2	17.1	5.6
50–80% AMI	8.7	5.1	0.4	4.6	3.6
30–50% AMI	7.9	6.9	1.1	5.8	1.0
<30% AMI	11.3	10.3	3.7	6.6	1.0
Percent of renters	100	100	100	100	100
Above 80% AMI	36	13	6	15	69
Low income	64	87	94	85	31
50–80% AMI	20	20	8	23	20
30–50% AMI	18	27	20	29	6
<30% AMI	26	40	67	33	5

Source: Nicole Elsasser Watson et al., *Worst Case Housing Needs: 2017 Report to Congress* (Washington, DC: US Department of Housing and Urban Development, Office of Policy Development and Research, 2017).

Note: AMI = area median income.

Federal Housing Assistance Programs: The Basics

Federal housing programs that address the housing problems enumerated above fall into four categories: (1) programs that provide deep, gap-filling rent subsidies, earmarked either for particular buildings or for individual households; (2) tax credits that produce new housing with moderate (below-market) rent levels; (3) block grants that provide flexible support to jurisdictions for local affordable housing initiatives; and (4) other shallow-subsidy programs. Understanding these program types is essential for identifying opportunities to strengthen, expand, or supplement affordable housing options at the community level.¹ For complete descriptions of these programs and how they function, see Schwartz (2015) and Khadduri (2015).

Deep, gap-filling rent subsidies provide the most generous and reliable support for low-income households. In these programs, federal subsidies cover the difference between what is considered affordable for the household to pay—currently set at 30 percent of monthly income—and the actual rent for a house or apartment. Families receive this kind of gap-filling subsidy in three types of programs, all administered at the federal level by HUD:

1. **Public housing**, where households live in housing developments owned and managed by a local public housing agency (PHA). Initially, the federal government only funded the capital costs of public housing, but operating subsidies were added in the 1960s when federal legislation (the Brooke Amendment) limited tenant rent payments to 25 percent of income (later increased to 30 percent), and it became clear that the initial subsidies could not cover public housing's operating costs.

2. **Privately owned subsidized housing**, where units are provided for low-income tenants in privately owned housing developments under long-term subsidy contracts between the owner and HUD. This category includes housing assisted under several programs, sometimes collectively termed *multifamily assisted housing* or *privately owned project-based housing*. The largest component was developed under the Section 8 New Construction and Substantial Rehabilitation initiatives.
3. **Housing vouchers** (now called Housing Choice Vouchers), which allow families to rent homes and apartments on the private market. The family contributes 30 percent of its income, and the federal government pays the rest, up to a locally determined maximum. Vouchers are unique among federal housing assistance programs in that they are tenant based, allowing the household to decide where to live, rather than project based, where the household must live in a specific housing project and will lose the subsidy if they move (as under the other two forms of deep-subsidy programs mentioned above). Voucher recipients can even receive their assistance in one jurisdiction and take it to another as they search for housing that best meets their needs.² The voucher program is also administered by PHAs.

The development of these programs has varied since public housing was initiated under the US Housing Act of 1937. During the first phase, extending from 1937 through the 1960s, public housing was the only form available, and almost all of its housing stock was built during that period. During the second phase, from the 1960s to the 1980s, the federal government shifted its emphasis to the privately owned subsidized approach and more often executed contracts directly with for-profit and nonprofit housing developers, rather than with PHAs. The contracts generally guaranteed subsidies and imposed affordability restrictions for up to 30-year terms. The housing voucher approach began in the 1970s (as Section 8 certificates) and is the only one of the three deep-subsidy programs that has expanded substantially since the 1980s.

Low-Income Housing Tax Credits provide an up-front subsidy to developers of rental housing (or their equity investors) in return for a commitment to charge below-market rent levels. Rents for these units must be set at levels deemed affordable for households with moderately low income levels for the local area, capped for at least 30 years. This approach has received broad political support and has been recommended for substantial expansion (Bipartisan Policy Center 2013). The ceiling rent has been set at 60 percent of the AMI, which, though substantially below the market level, is not affordable to beneficiaries of deep-subsidy programs whose incomes are below 30 percent of the AMI. For many years, efforts have been made to expand the share of LIHTC units occupied by low-income families by combining subsidies—for example, many LIHTC tenants receive deep subsidies, such as project-based Section 8 or vouchers, as well as benefitting from the LIHTC subsidy. In these cases, because of the formula, families require smaller deep subsidies than they would in market-rate units, allowing the overall pool of deep-subsidy funds to be spread among more families. Block grant funds can also be used to support low-income families in LIHTC units. The LIHTC program was initiated via the Tax Reform Act of 1986 and is administered at the federal level by the US Treasury, not HUD. Allocations are made to state housing finance agencies who deal directly with the developers who compete for LIHTC awards.

Housing-related block grants, providing flexible support for housing initiatives, are allocated to local jurisdictions every year. Specifically, the HOME Program allocates federal dollars by formula to state and local governments, which can use the money to buy, build, or rehabilitate rental housing targeted to low- or moderate-income households. The Community Development Block Grant (CDBG) program also provides formula funding to local jurisdictions. These dollars are mainly used to pay for infrastructure and community facilities (e.g., parks, recreation centers, and street improvements) that support affordable housing development, but they can also be used directly for housing assistance. HUD administers these programs.

Other shallow-subsidy housing programs include programs initiated at the federal level where private developers were given up-front subsidies (e.g., capital subsidies or loans at reduced interest rates) in return for their commitment to hold rents in their projects at below-market levels (as in the LIHTC program). Unlike the deep-subsidy programs, subsidy amounts did not vary with household income and generally could not make units affordable to the lowest-income groups.

HUD administered almost all these programs, which were typically named for provisions in the law that authorized them—for example, Section 236, Section 221(d)(3), and Section 202. But the US Department of Agriculture also administered a few comparatively small programs in this category (Scally, forthcoming), the Section 515 loan program being the most important.³

New projects have not been built under these programs for many years, and given age and obsolescence, many of the original units have dropped out of the stock. One group remains relevant. Although accounting for only a small proportion of the category, some tenants living in these buildings have been given deep-subsidy assistance under the privately owned subsidized housing category mentioned above (this includes households assisted by the US Department of Agriculture as well as HUD).

Another program that should be mentioned here is the Housing Trust Fund (HTF). The Housing and Economic Recovery Act of 2008 called for the establishment of a new national Housing Trust Fund to support development of rental housing affordable to VLI households. Resources for the HTF were to come from the profits of the two major housing-sector government-sponsored enterprises (Fannie Mae and Freddie Mac) and, therefore, would not be subject to the annual appropriations process. HUD would allocate available funds by formula annually to state agencies, who would administer the program.

Several difficulties prevented the start of HTF operations, and its first funding increment (\$174 million) was not allocated to the states until 2016. Political opponents have recommended eliminating or substantially curtailing the HTF. In the current environment, it is impossible to predict how much the HTF may contribute to future federal housing assistance.

Federal Housing Assistance: Scale, Spatial Patterns, and Characteristics of Beneficiaries

The level and characteristics of federal housing assistance have also changed over the past decade. Although the overall scale of assistance has not varied much, there have been important differences in size between programs and important differences in the types of households served.⁴

Since 2007, the number of households receiving HUD project-based assistance (in public housing or in privately owned subsidized projects) remained stable, while the number receiving housing vouchers increased. This section reviews changes in the number of households assisted by HUD's three major deep-subsidy programs and the LIHTC since the early 1990s (households, not physical housing units). For the HUD programs, data for 1993 and 2007 are from HUD datasets, as reported by Eggers (2017). Data for 2016 are calculated from HUD's "A Picture of Subsidized Households" data file. All data on the LIHTC come from HUD's LIHTC Database.

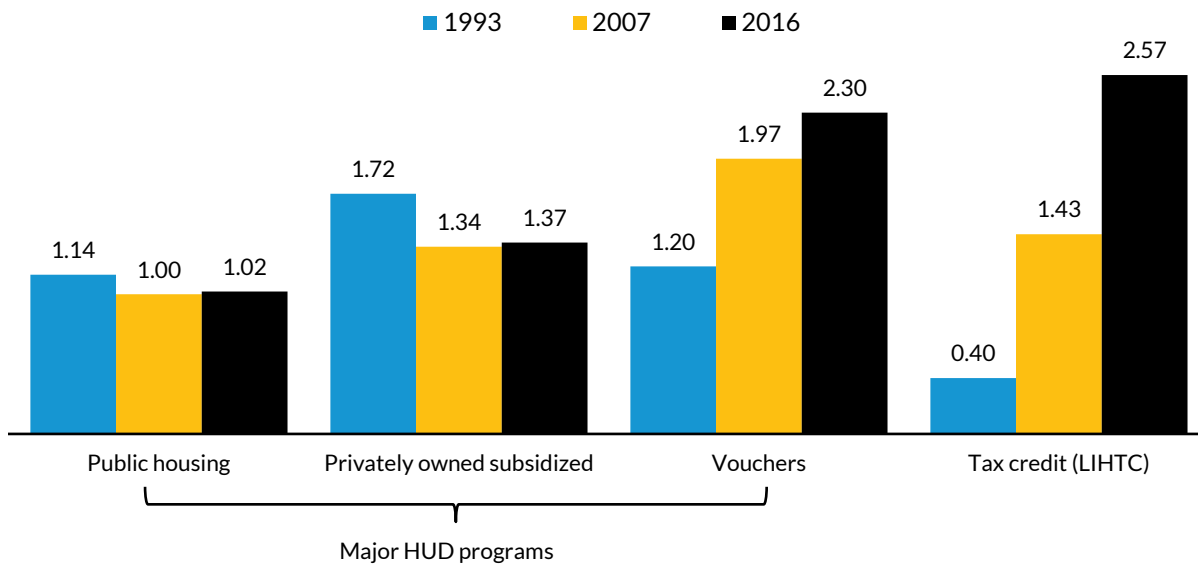
Most of the public housing inventory was built by the 1970s, and although there have been internal revisions to that inventory, no policy has supported building new public housing projects since then. The privately owned subsidized programs started producing units in the 1960s. Their production accelerated after 1974, when the most generous of these programs was established, but was drastically curtailed by the Reagan administration in the 1980s. Vouchers, also introduced in 1974, have been the main vehicle for expanding deep-subsidy assistance. The LIHTC program has grown even more rapidly since it began in 1987, but its production does not translate into net increases in the number of households assisted because many of its tenants are also assisted under deep-subsidy programs. Figure 1 shows trends for each of these programs since 1993.

By the 1980s, the **public housing** stock had deteriorated, but inadequate funding was provided for renovation, and a rigid "one-for-one replacement" rule prevented demolition and redevelopment by requiring construction of a new public housing unit for every unit removed from the stock. Circumstances changed with the 1993 introduction of the HOPE VI program, which provided funds to demolish the most severely distressed projects and replace them with attractive mixed-income developments (Cisneros and Engdahl 2009). Generally, HOPE VI built fewer new public housing units than were torn down (but many of the units demolished were vacant, so the reduction in households assisted was proportionally less than the reduction in physical units⁵). Also, associated initiatives allowed the demolition or sale of other deteriorated projects without replacement. Altogether, however, most public housing was not touched by these initiatives—that is, the initiatives did not dramatically reduce the inventory.

Figure 1 shows that the number of households living in public housing dropped from 1.14 million in 1993 to 1.00 million in 2007, by 10,000 a year, on average. Over the next decade, the number stayed about at the same level (reaching 1.02 million in 2016.)

FIGURE 1

Change in Households Assisted: Major Housing Assistance Programs (millions of households)



Sources: For the HUD programs, 1993 and 2007 data are from Frederick J. Eggers, *Characteristics of HUD-Assisted Renters and Their Units in 2013* (Washington, DC: HUD, 2017). 2016 data are from “A Picture of Subsidized Households,” HUD, accessed October 16, 2017, <https://www.huduser.gov/portal/datasets/picture/about.html>. LIHTC numbers are the author’s calculations based on data from “LIHTC Database Access,” HUD, accessed October 16, 2017, <https://lihtc.huduser.gov/>.

Note: HUD = US Department of Housing and Urban Development; LIHTC = Low-Income Housing Tax Credit.

Since the 1980s, the inventory of *privately owned subsidized* housing has declined more proportionally. These projects receive assistance under multiyear contracts between private owners and HUD. When those contracts expire, they are often renewed, but owners can also opt out at that time. In markets where property values are rising and the surrounding neighborhood is in demand, owners may have strong financial incentives to let their subsidy commitments expire. HUD records show that, primarily for this reason, the number of households living in privately owned subsidized properties suffered a large net decline between 1993 and 2007 from 1.72 million to 1.34 million, a 22 percent drop over 14 years.

Starting in the 1990s, HUD officials and practitioners (local and federal) ramped up efforts to preserve as much of what remained of this inventory as possible. This included steps to reduce the opt-out rate and, where opt-outs could not be avoided, to get the property purchased by nonprofits and other entities who would accept a transfer of the subsidy and would have incentives to maintain affordable rents over the long term. Ray and coauthors (2015) document that the opt-in rate (share where landlords decide to renew assistance contracts as opposed to opting out) was higher between 2005 and 2014 than between 1998 and 2004. Part of this was because the remaining inventory in the older programs in this category (e.g., Section 236 Below-Market Interest Rate), which had accounted for a large share of the earlier losses, had substantially wound down and accounted for a smaller share of those that remained during the latter period.

But there were also additions to assisted households in these programs. Many households living in what remained of the privately owned shallow-subsidy programs were transferred over to deep-subsidy, project-based assistance. And new units were added, including under Section 202 for the elderly and Section 811 for the disabled. The net effect was that the number of assisted households in these programs remained stable from 2007 to 2016, when the total was 1.37 million (figure 1).

Figure 1 also shows that the number of households receiving **housing vouchers** increased rapidly through the 2000s. More recently, however, federal budget pressures have constrained the program's expansion rate. The number of voucher holders increased from 1.20 million in 1993 to 1.97 million in 2007, a 64 percent increase in 14 years and an annual net increase of 55,000 households receiving assistance. From 2007 to 2016, the number increased, but more slowly. The annual net increase dropped to 36,800 a year, the total reaching 2.30 million in 2016.

Growth in the voucher program through the 2000s was almost completely offset by the loss of units with deep, project-based subsidies (public housing and private subsidized). The number of households receiving deep, gap-filling assistance increased only 6 percent between 1993 and 2007, from 4.06 million to 4.30 million. Over the subsequent decade, expansion of the voucher program slowed, but the number of households with project-based assistance remained stable, in contrast to its decline in the earlier period. The number of households assisted under these three HUD programs increased, but only by a modest 9 percent, from 4.30 million in 2007 to 4.69 million in 2016.⁶

In contrast to the HUD totals, assistance under the **LIHTC program** has expanded markedly. The LIHTC database indicates that the cumulative number of units ever placed in service reached 2.97 million in 2015. Some projects have dropped out of the program since it began in 1987. The number of active LIHTC units in 2015 was 2.75 million.

Earlier records show that the number of active LIHTC units had reached 430,000 by 1995 and then increased to 1.53 million in 2005. Applying a reasonable assumption about vacancies,⁷ I estimate that the number of assisted households living in LIHTC units increased from 402,000 in 1995 to 1.43 million in 2005 and to 2.57 million in 2015. This implies annual net increases of 103,000 households over the first period and 114,000 over the second, growth that was quantitatively impressive and accelerating.

As noted, many LIHTC tenants also receive assistance under one of the deep-subsidy programs, so the number of new LIHTC households does not represent a net addition to the number of households benefiting under these forms of assistance. The database does not permit us to calculate this overlap precisely, but other information suggests a substantial overlap. The Bipartisan Policy Center (2013, 91) states that about 80 percent of LIHTC tenants have incomes at or below 50 percent of the AMI, and 41 percent have incomes at or below 30 percent of the AMI. Given the formula, having an LIHTC subsidy in a project reduces the deep subsidy required to support tenants at the lowest income levels, so the LIHTC enables available deep-subsidy funding to be spread among more families than would otherwise be possible.

The housing assistance gap has widened significantly. In the United States, housing assistance is not an entitlement. It is provided to eligible households on a first-come, first-served basis only up to the

level that can be covered by whatever funding has been made available by Congress. A major question for public policy is what share of the households that are eligible for and need housing assistance actually receive it (i.e., how big is the housing assistance gap)?

This gap is calculated in three ways (table 4). These relate the number of households that actually receive assistance under HUD’s three deep-subsidy programs (public housing, privately owned subsidized housing, and housing vouchers) to three alternative measures for the number of households that arguably need and deserve assistance.⁸ The first two are the upper and lower bounds of households officially eligible for assistance: households with incomes less than 80 percent of the AMI (low income) and households with incomes less than 50 percent of the AMI (VLI). The third is the group that has housing needs, which includes all low-income households except for those that do not have any of the housing problems (physical or affordability) identified by the AHS (see 2015 numbers in table 3). It could be argued that the need for assistance among households that do not have housing problems, even though they may be eligible, is less urgent than for those that do.

TABLE 4
Alternative Estimates of the Housing Assistance Gap

	Renters (millions)		Percent Change	Percent Assisted	
	2005	2015	2005–15	2005	2015
Low-income renters					
Total low income	23.6	27.9	18	18	16
Very low income	16.0	19.2	20	27	24
Low income with housing needs	18.0	22.3	24	24	21
Assisted households	4.3	4.6	7	100	100

Source: Author’s calculations from data in table 2 and figure 1.

Between 2005 and 2015, the share receiving assistance dropped from 18 to 16 percent for all low-income households, from 27 to 24 percent for all VLI households, and from 24 to 21 percent for households with housing needs.⁹ Over that decade, the number of households in the three need categories increased 18, 20, and 24 percent, respectively. The number receiving assistance, in contrast, increased only 7 percent.

Because the availability of housing assistance falls so far short of needs, waiting lists for public housing, privately owned subsidized projects, and vouchers are long. Eligible households typically have to wait years before they reach the top of a waiting list for subsidized housing. Waiting lists do not provide reliable information about the number or characteristics of households in need. Many PHAs maintain separate waiting lists for public housing and vouchers, neighboring jurisdictions have their own lists, the owners of privately owned subsidized projects keep lists, and households in need can put their names on multiple lists. Moreover, most PHAs and private providers close their waiting lists when they exceed the number of units likely to become available within three years. These lists are then

briefly opened to accept new applications and only occasionally purged to delete the names of people who have left the area, are no longer eligible, or have found some other solution.

Households receiving federal housing assistance are disproportionately in central cities and high-poverty neighborhoods. Public housing is concentrated in distressed inner-city neighborhoods in the Northeast and Midwest (Newman and Schnare 1997).¹⁰ When public housing was first introduced, it primarily targeted the older industrial cities of the Northeast and Midwest, where housing problems were severe. The younger, growing cities of the West received little public housing, and California banned public housing. Vouchers and privately owned subsidized housing, however, are more evenly spread across the country, more nearly in proportion to the rental stock overall. Public housing is also more concentrated in central cities (61 percent) compared with the other two deep-subsidy programs and compared with the overall stock of rental housing (all in the 45 to 47 percent range) (Eggers 2017).

But the distribution of these programs across different types of neighborhoods highlights what is among the most serious flaws in US housing programs. Federal housing policy has fueled concentrated minority poverty through the siting of public housing in neighborhoods that are predominantly black and poor. In the 1990s, more than half of public housing residents lived in high-poverty neighborhoods (with poverty rates above 30 percent), while only 8 percent lived in low-poverty neighborhoods (with poverty rates below 10 percent). The record was better for privately owned subsidized projects (22 percent in high-poverty neighborhoods) and better yet for vouchers (15 percent in high-poverty neighborhoods), but even these levels raise concerns given the high cost of concentrated poverty for families and for the nation as a whole (Ellen and Turner 1997).

Emerging evidence suggests that newer forms of affordable rental housing production are still reinforcing concentrated poverty in inner-city neighborhoods, although not as much as public housing. One analysis of the LIHTC program's performance in the 1990s revealed that central cities (where poverty rates are higher than the national or suburban average) received a disproportionate share of the units (Freeman 2004). Central cities housed 58 percent of metropolitan LIHTC units built during the 1990s, even though they contain only 38 percent of metropolitan residents.

At the neighborhood level, the spatial distribution of LIHTC housing presents a mixed picture. As of 2000, the average unit was located in a census tract with a poverty rate of 19 percent. Among central city units, the average tract poverty rate was higher (24 percent), but not as high as the tracts where other federally subsidized rental units are located (average poverty rate of 29 percent). Galvez (2010) reports that, as of 2004, the typical tract poverty rate for LIHTC units was 20 percent, almost identical to that found for units occupied by voucher holders.¹¹

Comparable detail on the spatial distribution of HOME units is not available, but the patterns appear to be similar. As of the 1990s, the average tract poverty rate for HOME-funded rental projects in cities and urban counties was 27 percent. And the average within central cities was 31 percent (Walker 1998). These figures should not be surprising. Community development corporations build affordable rental housing in the neighborhoods they serve because that is what the federal government pays for and because they believe housing production stimulates neighborhood revitalization.

The types of beneficiaries served by HUD programs is shifting away from families with children and toward the elderly and disabled. Eggers (2017) provides a detailed view of the characteristics of households assisted by HUD’s three deep-subsidy programs. Here, I note three areas that seem especially pertinent (table 5).

TABLE 5

Characteristics of Housing Assistance Recipients, 2007 and 2016

	Public Housing		Private Subsidized		Housing Vouchers	
	2007	2016	2007	2016	2007	2016
Percent by income relative to AMI						
50% AMI or above	10	10	4	4	3	6
30–50% AMI	18	19	21	21	19	21
Less than 30% AMI	72	71	75	75	77	73
Percent by race and ethnicity						
White	29	29	50	43	36	31
Black	46	45	32	33	43	48
Hispanic	23	23	13	15	17	17
Other	2	3	5	9	4	4
Percent by household type						
Families with children	41	38	33	25	54	45
Elderly (over 62)	N/A	32	N/A	52	N/A	24
Disabled (nonelderly)	N/A	31	N/A	37	N/A	36

Sources: For 2007, characteristics of public housing and voucher beneficiaries from the HUD Resident Characteristic Report, June 2008 (see “Resident Characteristics Report (RCR),” HUD, accessed October 25, 2017, https://www.hud.gov/program_offices/public_indian_housing/systems/pic/50058/rcr); 2007 characteristics of residents in privately owned subsidized housing from HUD Tenant Rental Assistance Certification Subsystem report, June 2008. For 2016, all data are from “A Picture of Subsidized Households,” HUD, accessed October 16, 2017, <https://www.huduser.gov/portal/datasets/picture/about.html>.

Notes: AMI = area median income; HUD = US Department of Housing and Urban Development; N/A indicates comparably defined data are not available for 2007. Whites and blacks are non-Hispanic.

First, all three target assistance to the poorest households among the low-income group. The table shows that roughly three-quarters of the 2016 beneficiaries in each program are ELI, and 90 percent (or more) are VLI. The basic relationships (shares served by income group) have changed little since 2007.

Second, there is a noteworthy difference in the racial and ethnic distributions of beneficiaries between programs. Distributions for public housing and vouchers are similar, with the African American shares making up 43 to 48 percent, Hispanics making up 17 to 23 percent, and whites making up 29 to 36 percent. But the distribution for the private subsidized programs is quite different, with minorities being much less dominant. For them, whites account for 43 to 50 percent, blacks for around 33 percent, and Hispanics for 13 to 15 percent. These basic proportions, too, have seen little change over the past 10 years.

Finally, there are differences in beneficiary household composition across programs and over time. Perhaps the most important relates to the share accounted for by families with children. In 2016,

families with children represented 45 percent of the households in the voucher program and 38 percent in public housing, but only 25 percent in the privately subsidized stock. These shares had dropped notably over the decade in all three programs, consistent with the nationwide decline in the share of all households that have children.

Also noteworthy is the higher share accounted for by the elderly (household head is age 62 or older) in the private subsidized program, which is about 50 percent in 2016, compared with 32 percent in public housing and 24 percent in the voucher program. Comparably defined data are not available for 2007, but they are available for 2009.¹² These show 2009–16 increases in the elderly shares from 30 to 32 percent in public housing, from 49 to 52 percent in privately owned subsidized housing, and from 10 to 24 percent in the voucher program.

One of the most pronounced features of the three HUD programs is the heightened level at which they serve the disabled. From 2009 to 2016, the share of beneficiaries accounted for by nonelderly households with a disabled household head or spouse increased from 30 to 31 percent in public housing, from 35 to 37 percent in privately owned subsidized housing, and from 33 to 36 percent in the voucher program. Significant here is the extent of the concentration rather than the rate of increase. Eggers (2017) reports that only 18 percent of renter households nationally in 2013 had any disabled members.

The characteristics of beneficiary households in these programs have many similarities, particularly their focus on the lowest-income groups within the eligible population (although tenants in the privately subsidized programs are more white and elderly than in the other two programs). All three are also facing similar changes in their tenant base, with decreases in the shares accounted for by families with children and increases in the percentages for the elderly and disabled.

The Policy Environment, Issues, and Program Directions

What can we expect for national housing problems and housing assistance in the future? Considerable uncertainty remains, but a few influential factors are worth noting.

As to the problems, nothing indicates that recent trends are likely to change. America's strict housing regulations that have brought down physical problems of existing housing (overcrowding and facility and structural deficiencies) to low levels, remain in force and are seldom questioned.

Increasingly recognized as problematic, however, is that regulations covering new development are constraining needed expansions of the housing supply in many metropolitan areas, particularly areas witnessing dynamic increases in economic activity. These constraints on supply in the face of burgeoning demand imply continuing increases in home prices and rents. This problem stifles economic growth and implies pain for the housing sector (Acolin and Wachter 2017). Although physical housing problems may continue to decline over the coming decade, affordability problems are highly likely to worsen.

As to federal housing assistance, prospects vary by program. Reform under way in public housing could dramatically alter the program's character. For many years, Congress has not allocated sufficient funding for repairs and maintenance in public housing, and a large capital backlog has built up. In 2009, HUD surfaced the design for a Rental Assistance Demonstration (RAD) that would address this issue in a portion of the public housing stock. Public housing agencies would transfer ownership of some of their properties to private developers and turn their public housing and capital subsidy streams into Section 8 housing assistance contracts on those properties. The rental income from the contracts could be used to amortize long-term mortgages as a part of financing packages that would normally include private equity investments using LIHTCs (Khadduri 2015, 79).¹³ Given that the most deteriorated parts of the inventory were eliminated under HOPE VI, it is thought that rehabilitation for most remaining developments would be economically viable under this approach.

Even if RAD is successful and the number of units converted under it is substantially expanded, it seems likely that PHAs will retain ownership of many public housing developments, particularly those heavily occupied by the disabled and the elderly (Khadduri 2015, 80). Nonetheless, the shift to RAD would mark a major change for public housing, one that would not expand the size of the stock but could improve its quality. With or without RAD, however, there are no proposals to make net additions to the public housing inventory, and, as such, its quantity will likely continue to dwindle.

The same is true for the privately owned subsidized programs. There are no major reforms or expansions anticipated for these programs. The emphasis on preservation will continue, with attempts to transfer the ownership of potential opt-out properties to entities more likely to sustain affordability over the long term and developing some new units under programs where doing so is feasible. At the same time, some attrition is inevitable as the inventory ages. Whether the aggregate number of households assisted contracts or expands will depend on the budget provided by Congress.

The budget will also be the deciding factor for the housing voucher program. No other barriers stand in the way of the program's growth. One proposed change to enable it to achieve its broader purpose more effectively should be mentioned. The number of voucher holders who have been able to move to the suburbs or to higher-income "opportunity" neighborhoods has been small. An important reason is that the fair market rent (the highest rent that landlords can charge for a unit under the rules) is set as a metropolitan average. Accordingly, it is lower than actual average rents in high-rent neighborhoods. This situation precludes voucher holders from securing units in those neighborhoods. HUD has experimented with establishing fair market rents at the zip code level, which would alleviate this problem. An analysis of a demonstration of this approach in Dallas concluded that "tilting the rent ceiling in Dallas causes voucher families to move to safer and less impoverished neighborhoods at zero net cost to the government" (Collinson and Ganong, forthcoming). The approach has been recommended for national implementation.

As of September 2017, HUD's budget for these programs is uncertain. Early in 2017, the administration proposed major cuts to most HUD programs for fiscal year (FY) 2018, but the House Appropriations Committee version would restore some of those cuts, and the August version by the Senate Appropriations Committee was even more positive.¹⁴ For example, the administration proposed

reducing the budget for Housing Choice Vouchers from their \$20.3 billion FY 2017 level to \$19.3 billion in FY 2018 (a 5 percent drop), but the House and Senate versions both contain modest increases (to around \$20.5 billion). The administration would cut the public housing budget from \$6.3 billion to \$4.5 billion, whereas the House proposes holding the level constant and the Senate proposes a modest increase for 2018 (to \$6.4 billion). The administration proposed eliminating funding for HUD's block grant programs altogether, but the Senate proposal restores them to FY 2017 levels (\$3.0 billion for Community Development Block Grants and about \$1 billion for HOME). Still, the Senate version overall represents more "barely holding its own" than expansion. Calculations by the Center for Budget and Policy Priorities suggest that, given anticipated rent increases in the housing market, even the Senate committee's proposal for vouchers may not be sufficient to renew all vouchers now in use, which means the number of households assisted may be reduced.¹⁵

Although no definite targets have been set, there appears to be bipartisan support for continued expansion of the LIHTC program. But the LIHTC faces a threat that emerged only recently. The administration proposes substantial reductions in corporate tax rates, which would reduce the credit's attractiveness to investors. One prediction indicates a 17 percent decline in LIHTC funding under the administration's proposal, unless per capita allocations are increased to compensate (O'Regan 2017). And, given their recent history of interaction, reductions in the LIHTC would also constrain the ability to preserve the numbers assisted under the deep-subsidy programs.

Notes

1. The federal government also provides funding to support emergency shelters, transitional housing, and permanent supportive housing for homeless individuals and families.
2. Public housing agencies can commit up to 20 percent of the tenant-based vouchers they administer to projects—in effect, converting them into project-based subsidies.
3. The US Department of Agriculture was first authorized to provide housing loans for farmworkers in 1937. Originally called the Farmers Home Administration, the responsible office is now the US Department of Agriculture Rural Housing Service.
4. Eggers (2017) touches on many of the topics in this section. His report offers more detail on the characteristics of units supported by HUD's three major programs, and their tenants, whereas this brief presents figures for more recent dates (2015–16 versus 2013) and offers more explanation and interpretation of programs and trends.
5. Kingsley (2009) shows that plans through September 2008 called for a reduction of hard public housing units on HOPE VI sites from 108,200 to 59,700, but only 73,600 of the original units had been occupied when the plans were made.
6. These numbers could be adjusted by two other factors. I did not estimate them here because source data are inadequate, and their net effect is almost certainly too small to influence interpretation of the housing gap estimates presented in table 4. First, although their numbers have decreased, some households still live in privately owned HUD-assisted projects and receive shallow subsidies only (i.e., they have not been converted to assistance under the deep-subsidy formula). Second, some households still receive deep-subsidy assistance through the Department of Agriculture's Section 521 program. These two factors offset each other (the first would decrease table 4's totals for the number of households that receive deep-subsidy assistance while the second would add to it). Eggers (2017, 2) notes that households receiving shallow subsidies in privately owned subsidized programs have traditionally accounted for one-quarter of those programs' total. Applying that share to the 2016 privately owned total would yield 341,000, a number that seems much too high, given the

changes that have occurred in that category since 2013. The counterbalancing number receiving Section 521 rental assistance in fiscal year 2004 was estimated to be around 264,000 (Eggers 2017). Also see Government Accountability Office (2012).

7. HUD reports that state housing finance agency data indicate a 6.5 percent vacancy rate for LIHTC units nationally. In my estimate, I have assumed that same rate in all years.
8. These numbers were calculated for 2005 and 2015 by straight-line interpolations from the totals for the three programs for other years as given in figure 1.
9. The AHS asks respondents about whether they receive housing assistance and, if so, what form of assistance they receive. In the past, AHS data on assistance levels have been used as the numerator in housing gap calculations, but these data are problematic. Analysis comparing AHS and HUD data has shown that respondents have trouble answering these questions; AHS responses are questionable and, in the aggregate, overstate the assistance provided (Weicher, Eggers, and Moumen 2010). I believe that using counts of the actual number assisted under the three HUD programs as the numerator, as done in this paper and by Eggers (2017), is a superior alternative.
10. There has been no recent comprehensive tract-level analysis of where housing assistance recipients are located, but a 1990s database developed by Newman and Schnare (1997) still offers a helpful picture of basic locational patterns for the older programs. See also US Department of Housing and Urban Development (1993) and Kingsley and Tatian (1999).
11. See also Martha M. Galvez, “Defining Choice in the Housing Choice Voucher Program: The Role of Market Constraints and Household Preferences in Location Outcomes” (PhD diss., New York University, 2011).
12. “A Picture of Subsidized Households,” US Department of Housing and Urban Development, accessed October 16, 2017, <https://www.huduser.gov/portal/datasets/picture/about.html>.
13. A precedent for private financing and joint public-private ownership of redeveloped public housing properties (often in conjunction with the LIHTC) was established in many HOPE VI projects in the 1990s.
14. Douglas Rice, “Senate HUD Funding Bill a Huge Improvement over House Bill, but Concerns Remain,” *Off the Charts* (blog), Center on Budget and Policy Priorities, August 8, 2017, <https://www.cbpp.org/blog/senate-hud-funding-bill-a-huge-improvement-over-house-bill-but-concerns-remain>.
15. Rice, “Senate HUD Funding Bill.”

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Acknowledgments

This brief was funded by the Urban Institute. The views expressed are those of the author and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute's funding principles is available at www.urban.org/support.

For their valuable comments and suggestions on earlier drafts, the author would like to thank Mary Cunningham and Brett Theodos.



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