Source of Income Protections and the Housing Choice Voucher Program

Research Brief


Introduction

The Housing Choice Voucher (HCV) program is the largest low-income housing subsidy program administered by the U.S. Department of Housing and Urban Development (HUD), providing assistance to over 5 million people in approximately 2.3 million households. Rather than tying subsidies to specific housing units, the program provides households with a subsidy to rent units in the private market. Previous research shows that vouchers are associated with various benefits for low-income renters who receive them including reductions in rent burden, less crowding in homes, and lower risk of homelessness. However, the voucher program has been less successful in enabling voucher holders to reach a broader set of neighborhoods. Voucher holders tend to live in neighborhoods that have similar poverty rates, racial composition, and school performance as the neighborhoods of other low-income families.
One reason why voucher holders may be limited in where they are able to live is the willingness of landlords to rent to these households. The voucher program requires take-up not only from tenants but also from private market landlords, and there is evidence that landlords widely discriminate against voucher holders seeking to rent.\textsuperscript{5, 6, 7}

Local housing authorities and jurisdictions have adopted a variety of reforms to try to increase the number of landlords who accept tenants with vouchers, particularly in resource-rich neighborhoods. One approach is the passage of laws that prohibit landlords from discriminating against renters based on source of income. At the time of our analysis, 14 states and 60 localities had passed such source of income (SOI) laws.\textsuperscript{8} SOI laws have the potential to change the types of neighborhoods where voucher holders are able to live. To examine how the passage of SOI laws may affect the neighborhood outcomes of voucher holders, we pose the following three research questions:

1. **Voucher Movers:** Do SOI laws allow voucher holders to move to neighborhoods with lower poverty rates, fewer voucher holders, and more racially diverse populations?

2. **High Barrier Households:** Do these outcomes hold for households who typically face the highest barriers to renting in the housing market, including Black households, households with children, and households who start in the highest poverty neighborhoods?

3. **New Voucher Recipients:** Do households who newly receive vouchers reach lower poverty neighborhoods after the passage of SOI laws compared to new voucher recipients before the passage of SOI laws?

### Data and Methods

To test these relationships between SOI laws and the neighborhoods where voucher holders live, we observe the locational outcomes of voucher holders before and after the enactment of SOI laws in the 31 jurisdictions that passed SOI laws between 2007 and 2017. We compare changes in outcomes for these voucher holders to changes in outcomes for voucher holders in the 82 jurisdictions within the same metropolitan areas that did not enact SOI laws in order to control for any underlying programmatic or market trends.

We use annual administrative data from HUD on all Housing Choice Voucher households from 2004 through 2020. The data include information on the demographics of the household head, family composition, and the neighborhood where the household lives (represented by census tract). The data allow us to identify existing voucher holders who move to a new address, as well as those who are using a voucher for the first time. Our sample consists of annual cross sections of 736,000 voucher households who move (“voucher movers”) and 745,000 new voucher recipients across jurisdictions that did and did not pass SOI laws. We obtain neighborhood characteristics from the American Community Survey (ACS), using 2006–2010 five-year ACS data to capture characteristics of voucher holders’ neighborhoods between 2003 and 2012, and 2013–2017 five-year ACS data to capture neighborhood characteristics after 2012.\textsuperscript{9}


\textsuperscript{9} Our results hold when the 2006–2010 five-year ACS is used throughout.
We calculate differences in the characteristics of the origin and destination neighborhoods for every voucher mover, then compare these neighborhood differences for households who moved before versus after the enactment of SOI laws, relative to the evolution of neighborhood differences for voucher movers in non-SOI jurisdictions in the same metropolitan area. We then examine whether these impacts differ based on the race of the head of household, the presence of children in the household, and the poverty rate of the household’s original neighborhood. While the data do not allow us to observe the origin neighborhoods for households newly entering the voucher program, we also compare the destination neighborhoods of new voucher recipients before and after the passage of SOI laws.

**Findings**

1. **Voucher Movers**
   We find that after SOI enactment, voucher holders who move experience a larger decrease in neighborhood poverty rates between their origin and destination neighborhoods relative to voucher movers over the same time period in nearby jurisdictions without SOI protections. Specifically, we find that three years after the passage of SOI laws, voucher movers experience a 0.6 percentage point larger decrease in neighborhood poverty rate. This result is not statistically significant over shorter periods of time, suggesting that it takes time for SOI protections to affect the neighborhood outcomes of voucher movers. In addition to a decrease in neighborhood poverty rate, we also find that voucher movers reach neighborhoods with relatively lower shares of households with vouchers and higher white population shares. This result suggests that SOI laws open up a more racially diverse set of neighborhoods to voucher holders, most of whom are Black or Hispanic.

2. **High Barrier Households**
   We find somewhat larger impacts for households who have historically faced higher barriers in housing markets including Black households, households with children, and households originally living in the highest poverty neighborhoods. Our findings show that Black mover households are 2.7 percentage points more likely to experience a large decrease in neighborhood poverty rate by the third year after the enactment of SOI protections. These results are similar when we restrict the sample to voucher movers with children. We also find that voucher movers who start in the highest poverty neighborhoods are more likely to experience a large reduction in neighborhood poverty rate after the passage of SOI laws. We find no change in the likelihood of reduction in neighborhood poverty for households starting in the lowest poverty neighborhoods, suggesting that these overall reductions are driven by households starting in the highest poverty neighborhoods.

3. **New Voucher Recipients**
   When we compare destination neighborhoods of new voucher holders, we find no evidence that these households reach lower poverty neighborhoods after the passage of SOI laws compared to households who received new vouchers before the passage of SOI laws. However, it is possible that SOI laws disproportionately help new voucher recipients who originate in high poverty neighborhoods to use their vouchers in the first place, hence changing the composition of new entrants and their neighborhoods. Such a compositional change could conceal any improvement in destination neighborhoods, as voucher holders originating in higher poverty neighborhoods lease up in higher poverty neighborhoods on average.
Conclusions and Policy Implications

Our results suggest that SOI laws that prohibit landlords from discriminating against voucher holders based on source of income facilitate upwardly mobile moves, helping voucher movers reach neighborhoods with lower poverty rates and fewer voucher holders relative to their original neighborhoods. They also appear to facilitate pro-integrative moves as voucher holders of color move to neighborhoods with larger white population shares after the passage of SOI laws. These estimates are relatively small in magnitude and not statistically significant until three years after laws are enacted, indicating that it takes time for these laws to affect neighborhood outcomes, and even then, any impacts are modest. In general, the impacts appear to be driven primarily by voucher holders originating in the highest poverty neighborhoods. In addition, Black households and households with children who move after the passage of SOI laws experience greater reductions in neighborhood poverty, suggesting that SOI laws are at least as effective for households who have historically faced greater barriers in housing markets.

While we find no evidence that new voucher recipients reach lower poverty neighborhoods after SOI enactment, it will be important to further study how SOI laws may impact the ability of new voucher recipients, especially those coming from the most disadvantaged neighborhoods, to successfully use their vouchers in the first place. Finally, to realize even further upward mobility for voucher holders, jurisdictions may need to complement SOI laws with counseling and mobility assistance for voucher holders as well as potential programmatic reforms to make the voucher program easier to use for both renters and landlords.

The Housing Solutions Lab at the NYU Furman Center helps small and midsize cities plan, launch, and evaluate evidence-based local housing policies that advance racial equity, increase access to opportunity, and improve long-term health and wellbeing for residents. Support for the Housing Solutions Lab is provided by the Robert Wood Johnson Foundation.