

Obama Administration Unveils Proposed Changes to Section 8 Subsidy Program

The changes, which would take a more granular approach to aligning subsidies with market rents, have polarized housing officials



ENLARGE

The Obama administration proposed changes to the Section 8 voucher program on Wednesday. *PHOTO: KEVIN HAGEN FOR THE WALL STREET JOURNAL*

By

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The Obama administration on Wednesday proposed sweeping changes to the biggest federal subsidy program for low-income renters in an effort to encourage more poor renters to move to wealthier neighborhoods.

The changes in the Section 8 voucher program would give a bigger subsidy to tenants in expensive neighborhoods, helping them make up the difference between what they can afford and the high rents in areas that often have better schools and transportation.

But it would decrease subsidies in poorer neighborhoods, a move that landlords and tenant groups warned would increase evictions or force lower-income families to pay more for rent.

More than 2 million American households currently receive Section 8 rent subsidies. HUD for over five years has been studying and testing changes to the program with the goal of encouraging poorer Americans to move to wealthier neighborhoods.

Wednesday's announcement was greeted with outrage by an unlikely alliance of landlords, low-income tenant advocates and left-leaning local officials, especially in New York City, which has the country's largest Section 8 program. The changes could have a similar impact on other pricey markets included in the proposal, such as the San Jose, Calif., and Washington, D.C., metropolitan areas.

"The consequences could be catastrophic," said Ritchie Torres, a Bronx city councilman whose district has one of the largest concentrations of Section 8 vouchers in New York City. "It is a classic illustration of a public policy conceived in the ivory tower without any regard for how it would work in the real world."

Owners of apartment buildings in low-income areas say the changes would be unwelcome because they would increase the likelihood that tenants won't be able to make rent payments and owners will have to move to evict them, a lengthy and costly process.

“It is going to put landlords in an untenable position, where tenants through no fault of their own will see subsidies reduced” and have to pay more or face eviction, said Mitch Posilkin, counsel for the Rent Stabilization Association, a New York trade association representing landlords.

But supporters of the program pointed to research showing that children who grow up in higher-income neighborhoods fare better later in life.

“The main impetus was simply that in too many areas our housing-voucher families are concentrated in limited neighborhoods,” said Katherine O'Regan, HUD's assistant secretary for policy development and research.

An analysis by the New York City Housing Authority and Department of Housing Preservation and Development found that roughly half of the current Section 8 voucher holders in New York, or some 60,000 households, would see their subsidy levels go down, meaning they will either be forced to pay more rent or move.

The Section 8 program pays the difference between what tenants can afford to pay in rent—defined as 30% of their incomes—and what HUD determines to be market rents for the area.

Currently, those market rents are determined across a metropolitan area, meaning that tenants receive roughly the same subsidy, with some adjustments, no matter the relative expense of the areas in which they wanted to live.

The proposed changes would instead determine those market rents by ZIP Code, providing a much bigger range of subsidy levels depending on where tenants live.

Housing advocates and landlords say they fear that would make the program impractical.

“If you're searching for an apartment, then you have to figure out on this block how much a voucher is worth and, on the other side, how much it is worth,” said Rachel Fee, executive director of the New York Housing Conference.

HUD officials said that cities have an option to group ZIP Codes together. Cook County in Illinois, which has been testing the proposed changes for about a year, collapsed its 182 ZIP Codes into 21 different levels.

In Dallas, which has been piloting the policy since 2010, MaryAnn Russ, chief executive of the Dallas Housing Authority, described the first year as “extremely difficult and hellish.”

Nonetheless, Ms. Russ said the policy has transformed the lives of more than 5,100 families who moved to higher-income neighborhoods.

“This has been huge for families with kids,” she said. “It’s perfectly clear that moving kids to areas of opportunity when they’re little changes their life outcomes.”

In Cook County, where Chicago is located, officials also said the program has been a great success. Thus far, officials have moved 40 households since the beginning of the year to wealthier neighborhoods. Richard Monocchio, executive director of the Housing Authority of Cook County, said the program has been a “game-changer” for parents with children.

But New York officials aren’t impressed.

“This city is in the midst of a housing crisis,” said Melissa Grace, a spokeswoman for the Housing Preservation and Development Department. “That means there are few housing alternatives and our neediest residents will have no choice but to accept a rent hike—or leave town.”

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