MOVING TO WORK DEMONSTRATION AGREEMENT

This Agreement is entered into by and between the United States of America through the Department of Housing and Urban Development ("HUD") and the Lawrence Housing Authority (the "Agency"). The term of this Agreement shall begin on the Date of Execution by HUD and continue for five (5) years unless otherwise specified herein.

WHEREAS, Section 204 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Pub. L. 104-134) (the "1996 Appropriations Act") establishes the Public Housing/Section 8 Moving to Work Demonstration program ("MTW"); and

WHEREAS, Section 204(a) of the 1996 Appropriations Act provides that public housing agencies ("PHAs") and the Secretary of the Department of Housing and Urban Development (the "Secretary") shall: have the flexibility to design and test various approaches for providing and administering housing assistance that reduce cost and achieve greater cost effectiveness in Federal expenditures; give incentives to families with children whose heads of household are either working, seeking work, or are participating in job training, educational or other programs that assist in obtaining employment and becoming economically self-sufficient; and increase housing choices for low-income families; and

WHEREAS, HUD may permit agencies to combine funds from several HUD programs, and may exempt agencies from existing public and Indian housing and Section 8 certificate and voucher rules under Moving to Work Demonstration authority; and

WHEREAS, the Secretary has the authority to select up to thirty (30) agencies that administer the public housing and Section 8 programs to participate in the Moving to Work demonstration program; and

WHEREAS, the Secretary has determined that the Agency's application satisfies the Secretary's selection criteria as set forth in the Notice of Moving to Work Demonstration program and invitation to apply, published December 18, 1996 (61 Fed. Reg. 66856), and selected the Agency to participate in the Moving to Work demonstration; and

WHEREAS, the parties have previously entered into one or more annual contributions contracts ("the ACCs") setting forth the terms and conditions under which the Agency participates in the public housing and/or Section 8 certificate and voucher programs administered by HUD; and

WHEREAS, it is the aim of this demonstration to design and test innovative methods of providing housing and delivering services to low-income families in an efficient and cost effective manner, HUD and the Agency agree to fully cooperate with each other in order to make the MTW demonstration a success; and

WHEREAS, the parties desire to state the terms and conditions under which HUD will permit the Agency to participate in the Moving to Work Demonstration program as set forth in the Agency's HUD-approved Statement of Authorizations, attached hereto as Appendix . The Statement of Authorizations is hereby incorporated into this Agreement.

NOW, THEREFORE, in reliance upon and in consideration of the mutual representations and obligations hereunder, the parties do agree as follows:

ARTICLE I. HUD Program Requirements and Other Federal Requirements.

A. This Agreement supersedes the terms and conditions of the ACCs and the provisions of the United States Housing Act of 1937 (the "1937 Act") and HUD requirements to the extent necessary for the Agency to implement its MTW demonstration, as approved by HUD in this Agreement. All authorizations contained in this Agreement are for the length of the demonstration only, unless otherwise specified. Except as necessary to implement the Agency's activities described in the Statement of Authorizations, the Agency is subject to the requirements of the ACCs, the 1937 Act, and other HUD requirements. Notwithstanding anything in this Agreement, the following provisions of the 1937 Act , as otherwise applicable, shall continue to apply to the Agency and/or assistance received pursuant to the 1937 Act:

1. The terms "low-income families" and "very low-income families" shall continue to be defined by reference to Section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2));

2. Section 18 of the 1937 Act (42 U.S.C. 1437p, as amended by Section 1002(d) of Public Law 104-19, Section 201(b)(1) of Public Law 104-134, and Section 201(b) of Public Law 104-202), governing demolition and disposition, shall continue to apply to public housing notwithstanding any use of the housing under MTW; and

3. Section 12 of the 1937 Act (42 U.S.C. 1437j), governing wage rates, shall apply to housing assisted under MTW unless tenant-based assistance is the only assistance received by participating families and the housing in which they reside receives no other assistance.

B. To the extent described in the Statement of Authorizations, as applicable and as approved by HUD, the Agency may combine operating subsidies provided under Section 9 of the 1937 Act (42 U.S.C. 1437g), modernization funding provided under Section 14 of the 1937 Act (42 U.S.C. 1437l) and assistance provided under Section 8 of the 1937 Act for the certificate and voucher programs (42 U.S.C. 1437f) to fund HUD approved MTW activities.

C. Unless otherwise provided herein, this Agreement does not apply to Section 8 assistance that is required: (a) to meet existing contractual obligations of the Agency to a third party (such as Housing Assistance Payment contracts with owners under the Agency's Section 8 certificate and voucher program); (b) for payments to other PHAs under Section 8 portability billing procedures; or (c) to meet particular purposes for which HUD has expressly committed the assistance to the Agency.

D. The Agency agrees to comply with HUD requirements governing the MTW program. Such HUD requirements include, but are not limited to management, financial, accounting, or other requirements designed to adequately track and monitor the Agency's use of HUD assistance. Notwithstanding other provisions of this Agreement, the Agency will be required to submit reports and financial statements as necessary in forms prescribed by HUD.

E. The Agency agrees to cooperate fully with HUD and its contractors in the monitoring and evaluation of the MTW demonstration, to keep records and to submit reports and information to HUD as required of PHAs participating in the MTW program. Except as otherwise provided in this Agreement, the Agency shall submit an Annual Plan and Report as required by Section 5A of the 1937 Act (as amended), which shall include a separate section fully describing activities and uses of funding the Agency is undertaking through the MTW demonstration.

F. Pursuant to the 1996 Appropriations Act, the amount of assistance that the Agency receives for public housing operating subsidies, public housing modernization grants, and Section 8 assistance for certificates and vouchers will not be diminished by the Agency's participation in the MTW program.

G. Any HUD assistance that the Agency is authorized to use in the MTW demonstration must be used in accordance with the Agency's HUD-approved Statement of Authorizations (Appendix). The Agency hereby certifies that this Agreement has been approved by the Agency's governing board, and that a copy of such board approval has been provided to HUD.

H. As required by the 1996 Appropriations Act, the Agency agrees that at least seventy-five percent (75%) of the families assisted by the Agency under the MTW demonstration program will be very low-income families. The Agency agrees to comply with the requirements of Section 16(a) (3) of the 1937 Act (as amended). The Agency agrees to continue to assist substantially the same number of eligible low-income families under MTW, and to maintain

a comparable mix of families by family size, as would have been served or assisted if HUD funding sources had not been used under the MTW demonstration. The Agency agrees that housing assisted under MTW will meet housing quality standards established or approved by HUD.

I. The Agency may adopt and implement any reasonable policies for setting rents for public housing, or rents or subsidy levels for tenant-based assistance, notwithstanding the U.S. Housing Act of 1937, provided that the Agency submits the policy to HUD annually, and upon any material change to the policy, and provided that:

1. the Agency's board approves of the policy, and any material changes, and approved an analysis of the impact of the policy on current households, and households on the waiting list, including an analysis of the severity of rent burdens on such households (such as an estimate of the number of households that would have rent burdens greater than 30 percent of adjusted income);
2. the Agency reevaluates its rent and subsidy level policies annually, including preparing a revised impact analysis;
3. the Agency adopts a policy for addressing hardship cases;
4. the Agency provides a reasonable transition period for rent increases for existing tenants; and,
5. a public hearing is held regarding the policy; provided however, that in the first year of the demonstration, this may be the same public hearing that was held regarding the Agency's MTW application, as long as the policy was included in the MTW application.

The rent policy, or any material changes to the rent policy will be effective upon submission to HUD of a board resolution as provided above. In the first year of the MTW demonstration, this may be the same board resolution as that approving the MTW Agreement.

J. If applicable to activities under the Statement of Authorizations, the Agency agrees to provide HUD with any documentation that HUD needs to carry out its review under the National Environmental Policy Act (NEPA) and other related authorities and otherwise will assist HUD in complying with 24 CFR Part 50 environmental review procedures. The Agency further agrees (a) to carry out mitigating measures required by HUD or select an alternate eligible property, if permitted by HUD, and (b) not to acquire, rehabilitate, convert, lease, repair or construct property, or commit HUD or local funds to program activities involving eligible property without HUD's approval under 24 CFR Part 50.

K. The Agency will comply with all applicable nondiscrimination and equal opportunity requirements set forth in 24 CFR 5.105(a), and will administer its programs and activities in a manner affirmatively to further fair housing. In particular, the Agency must make reasonable modifications and accommodations needed by applicants and residents and must make units accessible in accordance with the Needs Assessment and Transition Plan as required under Section 504 of the Rehabilitation Act of 1973 and its implementing regulations.

ARTICLE II. Revision and Termination of Agency MTW Program

A. With written HUD approval, this Agreement and the Statement of Authorizations may be revised by the Agency during the course of the demonstration. The Agency shall request approval of a revision by written notification to HUD (delivered to the Office of Policy, Program, and Legislative Initiatives, or its successor, in the Office of Public and Indian Housing), accompanied by an approved board resolution, or equivalent, and certification that the Agency has satisfied all resident participation requirements. HUD will review proposed revisions within a reasonable period of time. When proposing amendments to this Agreement, the Agency will provide notice and a reasonable period within which residents may comment. The Agency will consider these comments prior to amending this Agreement.

B. HUD will cooperate with the Agency to extend successful demonstration activities beyond the term of the MTW demonstration where feasible. To the extent that MTW activities will not continue past the term of the demonstration, the Agency shall fully cooperate with HUD in developing and implementing a transition plan for terminating the Agency's MTW demonstration program and providing for the continued administration of the public housing and Section 8 programs, as applicable.

C. At any time HUD may terminate this Agreement, and the Agency's MTW demonstration, or take any corrective or remedial action as described in Article III.C. of this Agreement, for Agency default, or other good cause as determined by HUD after providing the Agency with notice and a reasonable opportunity to be heard, unless HUD determines the nature of the default requires that HUD take immediate action.

ARTICLE III. Default.

A. Definition of Default. Use of funds subject to this Agreement for a purpose other than as authorized by this Agreement; noncompliance with legislative, regulatory, or other requirements applicable to this Agreement; other material breach of this Agreement; or a material misrepresentation in the MTW Plan submission by the Agency shall be a default under this Agreement.

B. HUD's Determination of Default. If HUD determines that the Agency is in default, HUD will give the Agency written notice of the default and of the corrective or remedial action required or ordered by HUD.

C. Corrective or remedial actions HUD may require or order under this Agreement for Agency default include, but are not limited to the following:

1. Requiring the Agency to prepare and follow a HUD approved schedule of actions and/or a management plan for properly completing the activities approved under this Agreement;

2. Canceling or revising the affected activities, revising the budget for activities as necessary, and substituting other eligible activities;

3. Prohibiting payment or reimbursement for any MTW demonstration activities or for those activities affected by the default;

4. Requiring reimbursement by the Agency to HUD for amounts used improperly.

5. Terminating this Agreement;

6. Changing the method of payment to the Agency;

7. Suspending the Agency's authority to make draws or receive or use funds for affected activities;

8. Reducing the Agency's funding in the amount affected by the default;

9. Terminating the Agency's funding as to further activities under the MTW demonstration;

10. Taking any other corrective or remedial action legally available; and

11. Taking action, as applicable, pursuant to the Section 8 and/or public housing Annual Contributions Contract.

This Agreement is effective upon execution, except as otherwise provided herein.

LAWRENCE HOUSING AUTHORITY

By Barbara Huppe

Its Executive Director

Date of Execution by Agency 3-16-99

UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

By

Its Assistant Secretary

Date of Execution by HUD 3-30-99

APPENDIX
TO
MOVING TO WORK DEMONSTRATION AGREEMENT
BETWEEN
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
AND
THE LAWRENCE HOUSING AUTHORITY

Statement of Authorizations

SECTION 1 - GENERAL CONDITIONS

This Statement of Authorizations describes the activities that the Lawrence Housing Authority (LHA) may carry out under the Moving to Work Demonstration program (MTW), subject to the terms and conditions of the Moving to Work Demonstration Agreement (MTW Agreement) between the LHA and the U.S. Department of Housing and Urban Development (HUD).

1. All information regarding the features of the MTW demonstration will be provided to current tenants, participants and applicants in advance of their effective date or entry into LHA programs.
2. As provided in this Agreement, LHA's MTW demonstration applies to all of LHA's public housing units and tenant-based Section 8 assistance.

SECTION 2 - PLAN ELEMENTS

A. MTW Participation

1. MTW Plan elements pertain to all LHA public housing tenants and Section 8 participants who are eligible for the MTW Assisted Housing Program (MTW-AHP), except as otherwise noted.
2. **Eligible Tenant/Participant Households**
   a. All families in which there is an adult under age 62 who is not the primary care taker for a disabled/elderly family member will be required to participate in the MTW program as a condition of receiving housing assistance. Disabled and elderly persons may choose to participate in MTW. Tenants in the LHA Family Housing public housing program will participate under project-based assistance procedures contained herein. Participants in the LHA tenant-based Section 8 program will participate under the tenant-based procedures contained herein.

   b. Families with more than one adult member where one of the adults is over age 62 or has a documented condition that prevents them from working may still meet MTW participation criteria. The family will be subject to

all MTW requirements and at least one adult in the family will be subject to the work requirement, unless that adult is the primary caretaker of the disabled or elderly family member. The elderly or disabled adult will be exempt from the work requirement. The family will receive a $400 deduction from income or the currently applicable income deduction for elderly/disabled head of household or spouse through the public housing or Section 8 programs.

4. **Exemptions From Participation in MTW-** The following persons are exempt from participation in MTW. Exemptions from MTW participation will be reviewed annually.

   a. Adults who, due to limitations of employment experience, education or training, are determined to be unable to earn sufficient income to meet the rent requirement will be exempted from the MTW rent structure and work requirement. This determination will be made on a case-by-case basis by the LHA in consultation with the family and applicable local support service providers.

   b. Adults who are exempt from participation in the current State of Kansas Temporary Assistance to Families (TAF) work requirement will be exempt from the rent structure and work requirement unless they are a member of a family with a non-exempt adult.

   c. Families who are not required by the State of Kansas Department of Social and Rehabilitation Services (SRS) to seek employment or to be employed because of participation in job readiness/training programs will be exempted from the MTW rent structure until such a time as SRS either determines them "job ready" or closes their case for violations of the TAF requirements.

5. **Current Tenants/Participants**

   All LHA tenant/participant families meeting the MTW criteria will be required to participate in MTW-AHP at the time the MTW Agreement becomes effective.

6. **Applicants**

   a. In determining who is eligible to receive housing assistance (tenant-based and public housing), LHA will apply the same tenant suitability requirements currently used to determine whether or not applicants are eligible for public housing.

   b. A decision as to whether a family on the LHA waiting list, who is eligible to receive housing assistance, is eligible for the MTW program will be made before a family is offered housing assistance.

7. **Changes in Eligibility for MTW**

The LHA will consider, on a case by case basis, changes in eligibility for MTW which occur as a result of changes in family circumstances. Households determined to be ineligible for continued participation in the MTW program will be transferred to the appropriate program.

B. Rent Policies

1. No new rent policy may be implemented unless all procedures described in Article I. I. of the MTW Agreement are followed.

2. **Rent Structure**

The LHA MTW program will have a tenant-based and a project-based component. Both components will feature a rent structure with minimum rents and maximum rents based on the value of the unit being rented. Tenants participating in the MTW program will pay either the minimum rent, 30% of their adjusted monthly income or the maximum rent for the unit they rent. Tenant rents will be reviewed and adjusted annually. Tenants receiving tenant-based assistance will get a housing grant which will be paid to their landlord as a housing assistance payment. Up to half of the family public housing units at Edgewood Homes will be vouchered out and the residents will be given tenant-based assistance. Residents will be given tenant-based assistance only if they choose to transfer from their public housing unit. Units that become vacant through this process will be rented at affordable market rental rates to moderate income families.

3. **Approximation of Local Rental Market Costs**

The MTW rental assistance structure will base tenant rent on income, within the parameters of minimum and maximum rents based on local rental market factors. The most current HUD established Fair Market Rents (FMR) for Douglas County, Kansas will be used to determine specific amounts within the rent structure.

4. **Contract Rents for LHA Public Housing Units**

a. Contract rents approximating affordable market rents will be established for LHA public housing units at Edgewood Homes and in scattered sites.

b. Contract rents for project-based families will be set at a percentage of the FMR based on the bedroom size of the unit.

c. Contract rents will be charged to families terminated for program violations and for LHA public housing units rented to moderate income families not receiving LHA rental assistance. (Up to 50% of the units at

Edgewood Homes starting with 20 units in year one of this MTW Plan, as described in Section 2.C.5. of this Agreement.)

5. **Contract Rents for Private Market Rental Units**

The LHA will approve contract rents for private market rental units on the basis of rent comparability to units of similar size, condition, and amenities in the same census tract.

6. **Minimum and Maximum Rents**

a. Minimum and maximum rents will be based upon the number of bedrooms in the unit rented.

b. The minimum and maximum rents will be based on percentages of the FMR's.

c. Minimum and maximum rents will apply to the unit size the family rents, regardless of the unit size they are eligible for under LHA Occupancy Guidelines.

6. **Housing Grants**

a. Tenant-based assistance will be provided in the form of a housing grant based upon the unit size the family qualifies for under LHA occupancy guidelines. The housing grant the family is eligible for will be the maximum housing assistance paid on behalf of participating families.

b. The maximum housing grant for each unit size will be the difference between the payment standard established for the MTW program and the tenant's contribution to rent. The MTW payment standard will be a percentage of the FMR less the minimum rent for that unit size.

c. Families renting units larger than the unit size they are eligible for will not be awarded a larger unit housing grant. Families renting a unit smaller than the unit size they qualify for will be awarded the housing grant for the size of unit they rent.

7. **Annual Review and Adjustments to Rent Structure**

Minimum rents, maximum rents, contract rents, and payment standards will be reviewed and adjusted annually throughout the term of this demonstration to reflect changes in the FMR and/or changes in local rental market costs based upon comparable rental units.

8. **Housing Assistance Payments**

Owners of private market rental units rented to participating families will receive a monthly housing assistance payment equal to the difference between the contract rent for the unit and the mandatory tenant contribution to rent, up to the maximum housing grant the family qualifies for.

9. **Rent Responsibility for All Families**

a. All MTW families will have a mandatory tenant contribution to rent equal to the greater of the minimum rent for the unit size they occupy, or 30% of monthly adjusted income, up to the maximum rent for the bedroom size of the unit the household occupies. For families participating in the project based program (renting at Edgewood Homes or in a scattered site) this will be the tenant rent.

b. Tenant rent to owner in the tenant-based program will be the difference between the contract rent for the unit and the housing assistance payment.

10. **Effective Date of Rent Requirement**

a. Current tenants/participants will have a total of six (6) months from the date of notice to the date of full MTW rent obligation. The rent requirement will become effective on the first day of the month that is at least ninety (90) days after written notice of the new rent amount is given by the LHA to families who meet the criteria for MTW participation.

b. Current residents who will experience more than a $25 increase in their rent as a result of mandatory participation will have the option of staging in the rent increase in equal monthly increments over three (3) months from the effective date of their new rent amount. Residents who move in after the beginning of the MTW program will immediately pay according to the MTW rent structure.

c. Families who stop participating in MTW, either as a result of suspension or termination for program violations, because they have entered the Participation for Homeownership Program or because they have voluntarily given up their housing assistance, will be notified of their obligation to pay the full contract rent for the unit they occupy on the first of the month at least 30 days from the date of the notice.

11. **Rent Loss Protection**

Where a family renting from a private owner is evicted for non-payment of rent, the owner may claim reimbursement from the LHA for up to two months unpaid tenant rent to owner in the event that the allowed security deposit is not sufficient to cover the unpaid tenant rent to owner.

12. **Annual Housing Assistance and Rent Determination**

Housing grants, tenant contribution to rent, contract rents, tenant rent to owner and housing assistance payments will be determined at the time the family enters the MTW program and annually thereafter upon the anniversary date of their lease, throughout the term of this MTW Plan. Rents and assistance payments determined as part of the annual recertification will be in effect until the next anniversary date of the lease. Tenants/participants will not be required to report changes in income between annual recertifications.

13. **Interim Housing Assistance and Rent Redetermination**

The LHA will not conduct interim reexaminations for tenant contribution to rent and housing grant amounts except in cases of hardship or where the family's MTW eligibility status changes.

14. **Annual Income**

a. For the sole purpose of determining tenant contribution to rent in the MTW-AHP, all income to the family will be counted as annual income. Earned income of a dependent under the age of 18, or of a dependent between the ages of 18 and 21 who is a full-time student, will not be included in the determination of annual income. Nothing in this Section shall be construed as affecting the applicability to LHA of the definitions of "low-income families" and "very low-income families" as described in Article I.A.1. of the MTW Agreement.

b. Monthly income from all sources will be annualized. In cases where the family has an income source that fluctuates, the annual income amount for that source will be derived from an average for the six (6) months prior to an initial or annual determination of tenant contribution to rent and housing assistance.

C. OCCUPANCY POLICIES

1. **Section 8 Portability**

Portability will be restricted as follows: MTW families may not move outside LHA's jurisdiction except if a family applies for and receives an exception from this rule as a reasonable accommodation for a disability, or for other good cause.

2. **Waiting List**

a. The LHA will maintain one waiting list for all programs and units except those at Babcock Place and Peterson Acres which are restricted to occupancy by persons who are elderly or disabled.

b. Applicants will be offered the first available type of housing assistance. In the event that both tenant-based and project-based assistance are available, the applicant will be given a choice.

c. Applicants that reject two offers of assistance will be dropped from the waiting list. Families that accept an offer of assistance will be removed from the waiting list.

d. Applicants will be housed from the waiting list in order of locally adopted preferences according to the date and time of application.

3. **Work Requirement**

a. Adults must work or participate in work related activities under the same criteria as required by the State of Kansas TAF program.

b. Adults not working and not participating in TAF work activities must participate in the LHA Family Focus Program, as discussed in Section 2.D.3. below.

c. Adults who are enrolled full time in a post secondary, vocational, technical or degree seeking program meet the work requirement.

4. **MTW Transfers**

A family may transfer between project-based and tenant-based assistance depending on available funding and/or units, as described in LHA's transfer policy.

5. **Vouchering Out Edgewood Homes**

Up to one half of the tenants at Edgewood Homes may elect to transfer to tenant-based assistance. Up to twenty units will be vouchered out in year one of this MTW demonstration. Additional units (up to half of the units at Edgewood Homes) may be vouchered out in subsequent years of the demonstration. All tenants at Edgewood Homes will be given information regarding the opportunity to receive tenant-based assistance. The first twenty families who volunteer will receive tenant-based assistance. Families who volunteer after the first twenty families, will be given the next available opportunity to receive tenant-based assistance under this program of vouchering out units.

6. **Moderate Income Families**

Up to half of the available units at Edgewood Homes (no more than 63 units at any one time) that become available as a result of the vouchering out program will be rented to moderate income families (families with an annual gross income between 80% of area median income and the median family income for Douglas County, Kansas.) During the first year of the MTW demonstration, a maximum of 20 units at Edgewood Homes will be rented to moderate income families.

Moderate income families will not be considered participants in the LHA programs.

7. **Families Above 50% of the Median Family Income**

a. Participating families who have an annual gross income that exceeds 50% of the area median family income will be offered an opportunity to join the Participation for Homeownership Program (PHP), as described in Section 2.D.4. below. PHP families may remain in the MTW-AHP for up to three (3) years, or until they complete their home purchase, whichever occurs first, provided that the LHA adopts a hardship policy and tenants whose assistance is terminated as a result of time limits are allowed to reapply for housing assistance.

b. Families who do not join the PHP may remain in their rental unit and in the MTW program until their annual gross income reaches 80% of the median income. At 80% of median income, the family will become responsible for paying the full MTW contract rent amount. When a family's gross annual income reaches 100% of median income, the family will pay rent according to an income based rental structure. When an MTW family's gross annual income reaches 100% of the median income, and has been in LHA housing for at least three years, the family must leave LHA housing assistance programs. If the family is receiving tenant-based assistance the housing assistance payment contract between the LHA and the landlord will end. Families whose housing assistance is terminated as a result of time limits may reapply for housing assistance, and LHA must adopt a policy to address hardship cases.

8. **Suspension of Housing Assistance**

a. Housing assistance will be suspended and the family required to pay the full contract rent for the unit they occupy for the following violations of family program obligations:

1. An adult family member refuses to participate in the Family Focus Program as described in Section 2.D.3. of this Agreement

2. An adult family member fails to meet the work, school or TAF requirements.

3. The family fails to pay their tenant rent to owner, provided that all applicable state and federal laws are followed.

4. The family fails to correct serious program and/or lease violations, provided that all applicable state and federal laws are followed.

b. Families that have their housing assistance suspended will have 30 days to correct the program violation before termination action will begin.

c. Families that have their housing assistance suspended more than once must leave the MTW-AHP and pay the full amount of contract rent for the unit they occupy.

9. **Termination of Housing Assistance**

Families receiving housing assistance through the LHA will have their assistance terminated for serious and repeated violations of program obligations. Families notified of an action to terminate housing assistance will be offered an opportunity to demonstrate that the action is in error or should otherwise not be carried out due to a change in family circumstances through the current grievance process.

D. SELF-SUFFICIENCY PLANS

1. **Family Self Sufficiency Program**

The LHA's Renter Certification, Family Focus and Participation for Homeownership programs described below will replace the mandatory Family Self-Sufficiency Program. However, if LHA receives funds for an FSS coordinator, a self-sufficiency coordinator must be employed.

2. **Renter Certification Program**

a. The LHA will develop a program to educate families in the obligations and responsibilities of rental housing. The program will focus on care and maintenance of rental property and tenant lease obligations.

b. All applicants for housing assistance must complete a renter certification program before being housed in any LHA program.

3. **Family Focus Program**

a. The LHA, in conjunction with local family social service, educational and employment service providers, will provide a program of family services designed to prepare and support non-working families for the transition from welfare dependence and poverty to the highest level of self-sufficiency possible for the family.

b. All families participating in the MTW-AHP where an adult is not working, going to school full time, or participating in TAF work-related activities will be required to participate in the Family Focus Program. Families that are exempt from TAF because they have a child under one year of age in the home must participate in the Family Focus Program prior to entering the MTW-AHP. Working families in the MTW-AHP in need of support services may participate in the Family Focus Program.

4. **Preparation for Homeownership Program**

a. Eligibility: Families in the MTW-AHP who pay the maximum rent for 24 months or who have a gross annual income above 50% of the median family income for Douglas County, Kansas will be offered an opportunity to participate in the Preparation for Homeownership Program (PHP).

b. Contract of Participation: Families entering the PHP will be required to sign a Contract of Participation with the LHA. The LHA will develop contract terms based upon those in the FSS Program Contract of Participation. The term of the Contract of Participation will be no longer than 3 years. The family's final program goal must be to purchase a home. Family members will not be required to undergo employment training unless such training will further enhance the family's earning capability. The family will be provided with homeownership and loan qualification training through the Tenants to Homeowners program of the City of Lawrence.

c. Family Rent Responsibility: Upon entry into the PHP, the family must pay the full contract rent for the unit they occupy. If a family defaults on their monthly rent obligation, they will be terminated from the PHP and will lose all amounts in their escrow account (described below).

d. Escrow Account and Housing Grant: The family's housing grant will pay the difference between the contract rent and the maximum rent into an escrow account for the family for a period of no more than 36 months. Upon completion of their Contract of Participation, the family may use their accumulated escrow account for down payment or other expenses associated with purchase of a home, including modifications to a home in order to make that home accessible for disabled persons. Families who withdraw from the PHP or violate their PHP Contract of Participation will not be entitled to the funds in their escrow account.

e. Down Payment Match: The City of Lawrence Tenants to Homeowners program will provide up to $3,000 to match down payment funds for families who complete their PHP Contract of Participation.

E. ADMINISTRATIVE ISSUES

1. **Public Housing Units Rented to Moderate Income Families**

As provided in Section 2.C.6., a maximum of 50% of the units at Edgewood Homes may be rented to families with an annual gross income between 80% of the area median income and the median income for Douglas County, Kansas. These families may participate in the Renter Certification program, but will not be considered participants in MTW.

2. **Family Self Sufficiency (FSS) Requirement**

The Renter Certification, Family Focus and Participation for Homeownership programs described herein meet the FSS participation requirements for all current LHA projects.

3. **PHAS**

a. LHA will report information for all PHAS indicators, however LHA will not be scored on the following indicators under PHAS:

1. Indicator II- Financial Conditions, iii-Days Receivable Outstanding
2. Indicator III- Management Operations, 3-Rents Uncollected
3. Indicator IV- Resident Service and Satisfaction

b. LHA will submit all data for, and be scored on the following indicators. However, the public housing building Edgewood Homes, will be excluded for purposes of scoring these indicators.

1. Indicator II, iv- Vacancy loss
2. Indicator III, 1-Vacancy Rate

c. With prior HUD approval, additional PHAS indicators may be modified.

4. **SEMAP**

The LHA will report on all SEMAP indicators, however LHA will not be scored on the following indicators:

a. Indicator 8. FMR and Voucher Payment Standard Limits - Gross rent, rent to owner plus utility allowance, will not be calculated for MTW participants and the application of the FMR or Payment Standard limit will not apply.

b. Indicator 10. Correct Tenant Rent Calculation - The LHA MTW tenant rent calculations will not use the same formula as Section 8 rent calculations.

c. Indicator 13. - Lease Up - The formula to determine percentage of allocated/budgeted units that are leased will not apply to the LHA once MTW vouchers are issued.

d. Indicator 14. - FSS - While the LHA MTW program will require FSS participation from all families not meeting work requirement criteria, escrow accounts will only be established for families participating in the Preparation for Homeownership Program.

With prior HUD approval, other indicators may be added to this list if implementation of SEMAP certification and verification procedures reveals conflicts between SEMAP criteria and LHA MTW operations.

5. **MTCS Reporting**

The LHA will continue to submit Multifamily Tenant Characteristics System (MTCS) data. HUD will cooperate with the LHA to correct any errors in MTCS reporting which result from the MTW demonstration.

6. **Reporting Requirements**

The LHA may propose, for prior HUD approval, modifications to the following reports:

a. form HUD-52683 and 52685 - Section 8 Utilization reports

b. form HUD-51234 - Public housing Occupancy report

c. form HUD-52295 - Tenant Accounts Receivable report

d. form HUD-52723 - Public housing Calculation of Performance Funding

e. form HUD-52722 A & B - Calculation of Allowable Utility Expense Level & Adjustment for Utility Consulting Rates

f. form HUD-52673 - Estimate of Total Annual Contribution

g. form HUD-52672 - Supporting data for Annual Contribution Estimates

h. Calculation of Estimated Investment Income

Attachment A

Calculation of Subsidies

Definitions in this Attachment

Initial Year = The first Agency fiscal year in which the Agency begins operating under its MTW authority, which may be the same year as that in which the Agreement is executed.
Base Year = The most recently completed Agency fiscal year prior to the Initial Year.
MTW Units = Units authorized for participation in MTW activities, as provided in Section 1 of the Appendix to this Agreement.

1. Scope

The subsidy calculation mechanisms provided below apply only to the portion of the HA's assisted housing units that are included within the scope of the authorized demonstration ("MTW units"), as provided in Section 1 of the Appendix to the MTW Agreement.

2. Methodology

a) Operating Subsidy

The calculation of Operating Subsidy under the Performance Funding System will be modified in the following manner.

Initial year of MTW Participation:

Take the average dwelling rental charge per unit (Line 14) of the approved HUD-52723 for the most recently completed Agency fiscal year. Multiply this figure by the inflation factor (Line 06 of the HUD-52723) for the HA's initial fiscal year under the MTW demonstration. The result of this calculation is the per unit dwelling rental income for all MTW units (MTW PUM).

Combine the MTW PUM in a weighted average with the PUM for all non-MTW units in the Agency's stock. Enter the result of this calculation (the Agency's MTW-weighted average dwelling rental charge per unit) on line 14 of the HUD-52723.

Second and Subsequent Years of MTW Participation:

Repeat the calculation procedure from the initial year, except that, in each year,

the MTW PUM will be the product of the previous year's MTW PUM multiplied by the current inflation factor (Line 06 of the HUD-52723).

b) Modernization Funding

The agency may use modernization funds for MTW activities authorized by this Agreement, up to an amount that represents the same proportion of the Agency's total modernization funding as the proportion of the Agency's public housing units in MTW are to the total number of the Agency's public housing units.

All funds programmed for MTW purposes will be recorded and drawn down from MTW-designated line items on relevant HUD forms.

c) Section 8 Tenant Based Assistance

Units Eligible for Inclusion

Conversion of existing Section 8 certificates and vouchers to Moving to Work units will be conducted according to instructions provided by HUD. A list of Section 8 units eligible for inclusion in the block grant ("MTW units") upon execution of this Agreement will be provided by HUD along with the instructions.

Calculation of Annual Subsidy

Initial year of MTW Participation:

a) For the certificate and voucher programs, respectively, divide Total Funds Required by the Number of Unit Months, as provided in year-end settlement data for the base year. Combine the sum of these calculations in a weighted average to calculate a weighted, base year per unit cost (PUC). Multiply this amount by the inflation factor established for the calculation of renewals to arrive at an inflation-adjusted, MTW program per unit cost (MTW PUC) for the initial year.

b) Multiply the MTW PUC by the total number of MTW units and the number of months [MTWPUC x MTW Units x 12] to arrive at a total MTW subsidy amount to be disbursed that year

Second and Subsequent Years of MTW Participation:

a) Multiply the total MTW subsidy from the previous year by the annual inflation factor established for the calculation of renewal of Section 8 contracts to arrive at the current year's inflation-adjusted subsidy.

Reserves

a) An amount equal to two months' program costs (PUC x MTW units x 2) will be made available from existing Agency reserves for use as project reserves for MTW-eligible units.

b) There will not be a year-end settle-up of annual funds provided for MTW units. All funds provided through this calculation will remain available for authorized purposes