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 Portage Metropolitan 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.

PORTAGE METROPOLITAN HOUSING AUTHORITY

By Thomas Sicuro, Vice-Chairman

Its Christie M. Anderson, Executive Director

Date of Execution by Agency 3-3-99

UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

By _____
Assistant Secretary, Office of Public and Indian Housing

Its _____

Date of Execution by HUD 3-15-99

Appendix
To
Moving to Work Demonstration Agreement
Between
U.S. Department of Housing and Urban Development
And
Portage Metropolitan Housing Authority

Statement of Authorizations

Section 1 - General Conditions

This Statement of Authorizations describes the activities that the Portage Metropolitan Housing Authority ("PMHA") 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 PMHA and the U.S. Department of Housing and Urban Development ("HUD")

A. All information regarding features of the MTW demonstration will be provided to current tenants and applicants in advance of their effective date or entry into the MTW program

B. Unless otherwise provided in this Agreement, PMHA's MTW demonstration applies to all of PMHA's public housing units and tenant-based Section 8 assistance.

Section 2 - Plan Elements

Plan elements pertain to all public housing and Section 8 non-elderly and non-disabled families, unless otherwise specified. Elderly persons or persons with disabilities may elect to participate in MTW.

A. **Occupancy Policies**

The PMHA may modify current public housing and Section 8 occupancy policies to use housing as an incentive for families who make economic progress, as follows:

1. **Public Housing Unit Designation Policy for Family Housing**

a. **Supportive Services Housing**

PMHA will enter into agreements with Social Service Agencies to provide targeted services to residents moving towards self-sufficiency at site #31-01, Community Estates and #31-15, Renaissance Place. Families with the following characteristics who are interested in receiving these services will be given a priority for units at these sites:

1. Homeless with dependent children;
2. Committed to working toward self-sufficiency through an established plan of action;

3. No violent crime or drug convictions within the last five years unless a significant change of behavior is evident; and
4. No active abuse of alcohol or drugs and a willingness to ensure a drug, alcohol and violence-free living environment.

The PMHA may enter into additional agreements to expand these programs to other sites. Elements of the self-sufficiency program offered at these sites are described in Section B.1. of this Statement of Authorizations.

b. Transfer to Scattered Site Units

1. Vacancies in scattered site units (single-family and duplex) will be filled through a transfer process where current public housing families who are making economic progress are transferred to these units if they volunteer to move. To be eligible for a scattered site unit, the family must be a public housing resident who has resided in public housing for at least 24 months and must meet criteria related to making economic progress, as established by the PMHA and its Board in its Tenant Selection and Assignment Plan, and communicated to residents through its transfer policy.

2. In order to make sure that all families, large and small, are able to take advantage of this incentive, PMHA will adopt standards for occupancy for the scattered site units, which enable small families to be housed in these three and four bedroom units; provided, however, that PMHA must use objective criteria in determining which families are transferred to scattered site units and to ensure that there is not an undue adverse impact on large families who reside in public housing or who are on the waiting list.

3. The maximum term for residents in scattered site housing is three years, provided that the PMHA must adopt a hardship policy, and residents whose housing assistance is terminated as a result of this time limit are permitted to reapply for housing assistance.

Occupancy Standards

The PMHA will establish and enforce standards for occupancy of public housing units by which the PMHA determines the appropriate size of units for both applicants and current residents. This policy will be enforced to ensure that the maximum number of multiple bedroom family units are available for appropriate

families. Enforcement of this policy may result in the transfer of public housing families who are over-housed as a result of changes in family composition to more appropriate sized units, or to the Section 8 program.

3. **Transfers from Public Housing to Section 8**

Preference for available Section 8 assistance will be given to the following applicants for Section 8 assistance who are currently public housing residents:

a. Those who secure employment in areas where there is no public housing, to enable the family to relocate closer to their employment.
b. Large families in public housing who are underhoused due to the limited availability of larger public housing units.
c. Families who are ready to participate in the homeownership program offered by the Portage Area Development Corporation or by the PMHA for Section 8 participants.
d. Families who are currently over-housed.

4. **Section 8 Assistance - Extension of Search Period to Secure Housing**

Tenants who do not find suitable Section 8 housing within 120 days will be offered an extended search period under the following conditions:

a. Tenants must undergo additional criminal records check.
b. Tenants must re-verify income.
c. Tenants must document an active search.

5. **Public Housing and Section 8 Applicants With No Income**

To encourage public housing and Section 8 waiting list applicants to seek public assistance if they qualify, the PMHA will delay admission for any applicant at the top of the waiting list who has reported zero income for a period of greater than sixty days. Until the applicant documents some source of income, proof that he or she has applied for such public assistance for which he or she is eligible, or proof that he or she is ineligible for public assistance, he or she will not be housed. During this time, the applicant will retain his or her date and time, and place on the waiting list. When the applicant provides the required documentation, the applicant will be offered the next available housing assistance. Any applicant who believes that housing assistance has been unduly delayed or denied may appeal through the established appeals process.

B. Self-Sufficiency Plans

1. **Supportive Services for Public Housing Residents**

a. PMHA will continue to offer on-site supportive housing services in conjunction with its partner Catholic Charities at Community Estates and Renaissance Place. Entry level housing is offered to new participants along with comprehensive support services. As a family becomes more

self-sufficient and require less intensive case management, tenants have the opportunity to move into more desirable housing through the PMHA's "Step Up" program. To assure on-going availability of units at these two sites, tenants will have a 2-year time limit for both transitional and Step Up units (for a total of four years). Those that exceed the time limit will be offered other housing assistance if necessary.

b. To ensure coordination and consistency between public housing lease requirements and supportive services program requirements, the following additions to the current public housing lease will also be made:

1. Violations of the supportive housing program requirement provision of the lease will result in eviction.
2. Tenants evicted for failure to comply with the self-sufficiency requirement of the program will still be able to maintain their place on the PMHA waiting list.

2. Section 8 Housing Incentives

a. Section 8 Homeownership Initiative

The PMHA is authorized to establish reasonable low-income homeownership programs, such as a lease-to-own program, that are not limited by the existing Nehemiah and 5(h) program requirements, provided that if the program includes five (5) or more units, PMHA will ensure that 5% of the for sale units are accessible to persons with mobility disabilities, and 2% are accessible to individuals who have visual or hearing disabilities.

Any disposition of public housing units must be approved in advance by HUD.

3. Section 8 Family Self-Sufficiency (FSS) Outreach

a. Contract of Participation

In the FSS Contract of Participation, the specific reference to job training as a mandatory element for the head of household's responsibilities will be removed.

b. Participant Outreach

Once all current households have been notified of program openings, FSS participation will be offered to incoming households from the PMHA's waiting list.

C. Funding Issues

1. Public Housing Security Deposit Minimum and Adjustments

All security deposits will be equivalent to one month's rent or a minimum of $200. The security deposit will be re-evaluated at the time of transfer and be adjusted in instances where a household's income has increased since initial entry into public housing.

2. Public Housing Community Space Expansion

The PMHA will make a unit available for resident use at each of its five public housing sites for family and supportive services and subsidy will be retained for those units.

3. Comp Grant Management Improvements for Section 8

The PMHA will use Comprehensive Grant funds for Section 8 management improvement activities to the extent the funds are available.

4. FSS Coordinator

The PMHA will assign the Section 8 FSS coordinator as a central social service position able to work with public housing and Section 8 residents.

D. Administrative Issues

1. Re-certification of Income

The PMHA will re-certify continued eligibility on a rolling basis for the 12 months following the last adjustment for a rent increase, and will continue to submit Multifamily Tenant Characteristics (MTCS) data annually.

2. Limited Section 8 Damage Claim Policy

If there are tenant damages, the PMHA's maximum liability will be an additional month's rent if the tenant's security deposit is not sufficient to cover the full amount of the court-determined assessment against the tenant. This damage claim policy will be applied to all Section 8 HAP contracts executed after October 2, 1995.

3. Project-Based Section 8 Program for Non-Profits Providing Supportive Services

Subject to applicable Federal procurement rules, in order to save the administrative burden of processing and reviewing applications annually, the PMHA may project-base up to 15% of its Section 8 certificates and vouchers for a five-year term to non-profit providers that own rental housing and provide supportive services. This provision is contingent upon the PMHA's availability of Section 8 assistance.

4. **Merging Section 8 Programs**

The Section 8 program will be merged and operated as the current HUD voucher system, except the PMHA may use a Payment Standard of up to a maximum of 105% of Fair Market Rents as justified in the Section 8 Administrative Plan.

5. **Section 8 Tenant Damage Responsibility**

To continue to receive assistance, current Section 8 recipients with an outstanding balance are required to make a down payment towards their assessment and sign a repayment agreement for the balance owed. Payments would have to be current at re-certification if the family desires to move to another unit.

6. **Section 8 HQS Inspections**

a. For multi-family units in Kent that are licensed under the City's Housing Code, which is more stringent than HQS requirements, the PMHA will accept the City's inspection report biannually.[1] The PMHA will conduct HQS inspections during alternating years, with the exception of new units that will continue to have a PMHA inspection prior to initial occupancy.

b. The PMHA will consolidate HQS annual re-certification inspections for units located at select multifamily complexes having a history of accepting a large number of Section 8 participants and annual HQS compliance. The PMHA will continue to inspect units before the tenant's move into the unit.

7. **Multifamily Tenant Characteristics System (MTCS) Reporting**

The PMHA will continue to submit MTCS data to HUD annually. HUD will cooperate with PMHA to correct any errors in MTCS reporting resulting from the MTW demonstration.

[1] The City of Kent's Housing Code considers a multi-family building to be one with more than 3 units. In addition, the city requires an inspection of every unit in the building not a representative sample.

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