

**Spectrum:  
Keene Housing  
Authority's Moving  
to Work Program**

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## Executive Summary

In October 1999, the Keene Housing Authority (KHA) joined the U.S. Department of Housing and Urban Development's (HUD's) Moving to Work (MTW) demonstration. KHA's MTW program, known as Spectrum, seeks to meet the goals of the demonstration by building work incentives into its rent and occupancy policies and by providing residents with intensive case management and services to support their efforts to increase their income. The main features of the Spectrum program are: step rents in public housing; a fixed subsidy that decreases over time in the voucher program; individualized case management and mandatory participation in skill development workshops; and a resident Safety Net that allows residents who are unable to pay rent but are otherwise in good standing with the program to earn rental credit by working for the KHA.

The goal of each of these components is to bring the public housing and voucher programs closer to what residents would experience on the private market, while giving residents the appropriate support to maintain their housing stability and develop the capacity for long-term self-sufficiency. After approximately a year and a half of operation in public housing, the Spectrum program has shown some promising results.<sup>1</sup> Overall, public housing residents have increased their employment and income since joining the program and have not faced excessive rent burdens under the step rent system. In particular, analysis of a database of Spectrum public housing participants from April 2001 found that:

- Just under half (47 percent) of residents were employed full-time at the time they joined the Spectrum program.<sup>2</sup> In April 2001, 65 percent of residents were employed full-time. Likewise, almost one third (32 percent) of residents were unemployed at the time they joined the program. In April 2001, this percentage had decreased to 15 percent. Overall, 68 percent of residents who were unemployed when they joined the program had increased their employment status to either part- or full-time employment by April 2001.
- At the time that they joined the program, 69 percent of residents had an annual household income of at least \$10,000. By April 2001, 86 percent of residents earned at least \$10,000 and 15 percent earned at least \$30,000. Median annual household income among program participants was 34 percent higher than when they joined the program.
- Residents paid an average of 30 percent of their monthly income in rent at the time they joined the Spectrum program. Under Spectrum's step rent system, rent as a percentage of monthly income increased for just under half (49 percent) of residents. Overall, the

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<sup>1</sup> KHA did not begin implementing the voucher component of the Spectrum program until March 2001.

<sup>2</sup> Two-thirds of the public housing residents in KHA's database joined the Spectrum program in October 1999. Most of the remaining residents joined the program in 2000, with two households joining in early 2001.

median rent burden in April 2001 was slightly lower (24 percent) than it was at the time residents joined the program (27 percent).

The Spectrum program has also had an organizational impact on KHA, fundamentally altering the way the agency views its role as a housing provider and member of the local community. KHA's goal has always been to provide sound housing and strong resident services, but Spectrum has given KHA the opportunity to extend its community partnerships and sell the program as a new kind of housing assistance, and itself as a new kind of housing agency. At the same time, the Spectrum program has not reduced KHA's administrative costs as had been anticipated at the start of the demonstration. In common with other MTW sites, KHA is performing new administrative tasks associated with Spectrum at the same time as doing all of the administration and reporting for the conventional public housing and housing choice voucher programs. In addition, the case management component of Spectrum is costly to run in the short term, although the agency expects that these costs will be offset by increased rental income and the benefits to residents of gaining access to a wider range of supportive services.

Given the success of the Spectrum program thus far, the question of whether it can be replicated elsewhere is of great interest. KHA's experience to date suggests that there may be only a few parts of the country in which the Spectrum program can be replicated in its entirety – perhaps places like Keene, where there is a tight-knit, economically healthy community, a relatively educated subsidized housing population, and a high performing housing agency. However, individual components of the program – such as the step rents and fixed subsidies and the resident Safety Net – may well be successful in a variety of local contexts.

With the Spectrum program, KHA is attempting to create a fundamental change in outlook and decision making among its residents and within the agency. Even at this early stage, important changes have taken place, and we may expect to learn more about outcomes for residents and the agency as KHA pursues its vision through the course of the demonstration.

## Introduction

In October 1999, the Keene Housing Authority (KHA) joined the U.S. Department of Housing and Urban Development's (HUD's) Moving to Work (MTW) demonstration. The MTW demonstration provides public housing agencies (PHAs) with the regulatory flexibility to design housing programs that achieve the broad goals of: providing work incentives to promote resident self-sufficiency; increasing housing choice; and reducing program costs. The PHAs participating in the MTW demonstration have experimented with a variety of modifications to their existing housing programs and, in some cases, have introduced new types of programs.

KHA's MTW program seeks to meet the goals of the demonstration by building work incentives into its rent and occupancy policies and by providing residents with intensive case management and services to support their efforts to increase their income. The regulatory and programmatic flexibility that MTW affords has enabled KHA to design a program that it believes is best suited to the characteristics of its residents and the local economy.

KHA's MTW program, known as Spectrum, has four features that distinguish it from HUD's current housing assistance programs:

- **Step Rents:** Participants in the Spectrum program in both public housing and tenant-based assistance pay an increasing share of the rent over time, regardless of whether household income increases. In public housing, participants pay a flat rent that increases by set increments after one and three years in the program. There is no time limit on assistance, and participants are given the opportunity to transfer to tenant-based assistance in the third year of the program. Spectrum participants who receive tenant-based assistance are given a fixed subsidy, based on the voucher payment standard, that decreases by set increments after one and three years in the program. This assistance is limited to five years, with the possibility of a two-year extension in exceptional circumstances.
- **Housing Assistance Coupon:** In lieu of a housing choice (Section 8) voucher, Spectrum participants receiving tenant-based assistance are given a Housing Assistance Coupon (HAC). The HAC differs from the housing choice voucher in that it is a fixed subsidy (as described above) and is given directly to the tenant rather than to the landlord. Further, landlords who rent to HAC recipients may self-certify compliance with HUD's Housing Quality Standards (HQS).
- **Resident Self Reliance Program:** Spectrum participants are required to join the Resident Self Reliance Program, through which they receive individualized case management, participate in goal setting and skill development workshops, and are connected to additional supportive services as needed.

- **Safety Net:** The Safety Net allows Spectrum participants who are in good standing with the program, but unable to pay rent due to circumstances beyond their control, to earn rental credit by working for the KHA.

The goal of each of these components is to bring the public housing and voucher programs closer to what residents would experience on the private market, while giving residents the appropriate support to maintain their housing stability and develop the capacity for long-term self-sufficiency.

KHA formally converted its public housing residents to the Spectrum program in January 2000 and has been enrolling families into the HAC program since March 2001. This case study describes the development and implementation of the Spectrum program and its progress to date in meeting the objectives of the MTW demonstration. The case study is based on interviews conducted with KHA staff and residents and a database of resident characteristics provided in April 2001.

## Local Context

The Keene Housing Authority is a high-performing agency that operates 354 public housing units and just over 400 housing choice (Section 8) vouchers in and around the City of Keene, in Cheshire County, New Hampshire. Just over half of KHA's public housing units house elderly/disabled households (227 units), while the remaining units house families (127 units). Of KHA's housing choice vouchers, about half are currently used by families, 25 percent by elderly households, and 25 percent by disabled households. KHA's jurisdiction encompasses the City of Keene and surrounding towns within six miles of the city limits. KHA also administers some housing choice and Welfare to Work vouchers on behalf of the New Hampshire Housing Finance Authority. KHA maintains separate waiting lists for Section 8 and public housing, with preference based on time and date of application and MTW income targeting requirements, which specify that at least 75 percent of the families at time of admission to the Spectrum program be at or below 50 percent of the area median income.

In addition to Spectrum program, which encompasses all of KHA's regular public housing and housing choice voucher units, the agency administers several other programs in the community. These include a Congregate Housing Services Program at two public housing developments that helps elderly and disabled families to live more independently by providing meals, social activities, and help with transportation. In addition, KHA has partnered with local social service agencies to develop the Family Planning Collaborative to reduce teen and unintended pregnancies. Further, KHA has Family Activity Centers at its two largest family housing developments, Harmony Lane (38 units) and North Street (29 units). The Clubhouse at Harmony Lane also serves as a childcare facility with capacity for 30 children (including some infants and toddlers). In addition, KHA plans to run a Milton S. Eisenhower Foundation Youth Safe Haven/Mini-station at the North Street Family Activity Center, in which staff and police officers will run after school programs for youth. KHA is also in the process of developing a homeownership program for graduates of its Spectrum program.

The city of Keene, with approximately 22,500 residents, is the main population center of Cheshire County. The city's population is predominantly White, non-Hispanic (97 percent in 2000), and in 1990 had a median household income of \$31,235.<sup>3</sup> Keene is currently enjoying a period of economic prosperity, and is home to several small manufacturers, medical firms, and the headquarters of two insurance companies, as well two colleges. Most employment is found in the center of town, where there is a limited public transportation system. However, as is the case in much of the rest of the state, entry-level wages are low. A recent study on wage rates in New Hampshire suggests that the cost of living in Cheshire County is above what entry-level positions often pay; it estimates that a two-parent, two-child family with one parent working would need to earn \$16.43 per hour (\$34,174 per year), and a single-parent,

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<sup>3</sup> U.S. Census Bureau, 1990 and 2000 data.

two-child family would need to earn \$18.56 per hour (\$38,605 per year) in order to achieve a “livable wage.”<sup>4</sup>

KHA’s residents reflect local demographics to some extent although the average household income is significantly lower and the percentage of households headed by women is higher. The majority of KHA residents are White, non-Hispanic, and about 80 percent of residents (excluding the elderly and disabled households) are employed either full or part time. Approximately 67 percent of families living in KHA housing are headed by women, compared to just over six percent for the city of Keene as a whole. The average income among family public housing residents at entry into the Spectrum program is \$14,544 per year.

Housing in Keene is reported to be expensive and in short supply, even though the city has the largest concentration of rental properties in the area and a relatively high proportion of rental housing. The 2000 rental vacancy rate is 2.6 percent, significantly lower than the state average of 3.5 percent.<sup>5</sup> KHA staff note that development of additional housing in the city is limited due to a lack of suitable lots. Outside the city, housing development faces other problems, such as the lack of transportation. The relatively tight rental market appears due in part to enrollment in the local colleges, which have only limited on-campus housing. KHA staff report that when Keene State College last built a new dorm, it resulted in a temporary 10 percent rental vacancy rate in Keene, and some anticipate that the completion of a new dorm in the near future will do the same. However, it is not clear that additional housing on-campus would make a significant difference to the rental market facing housing choice voucher program participants, as much of the private housing currently occupied by students does not meet HUD’s Housing Quality Standards.

The age of Keene’s housing stock further limits the supply of quality affordable housing. Sixty percent of Cheshire County’s housing was built prior to 1970, and 36 percent was built prior to 1940.<sup>6</sup> KHA staff report that most houses still contain lead-based paint, and that because state lead-based paint rules are more lenient than those at the Federal level, HUD regulations on lead abatement have discouraged some landlords from participating in KHA’s Section 8 program. As a landlord, KHA currently has the largest supply of certified lead-free housing in the area.

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<sup>4</sup> D.A. Kenyon, “New Hampshire Basic Needs and a Livable Wage,” June 2000.

<sup>5</sup> U.S. Census Bureau, 2000 data.

<sup>6</sup> U.S. Census Bureau, 1990 data.

## Program Design and Objectives

Keene Housing Authority designed its MTW program on the premise that most families live in subsidized housing because they do not have the resources to pay market rents, and that given the right incentives and supportive services, they can and will work toward private rental or homeownership. In a survey of residents conducted prior to developing its MTW application, KHA found that income-based rents were a disincentive to resident employment. Residents felt that the 30 percent “tax” on increased earnings prevented them from “getting ahead,” and rewarded job changes versus career development. Further, KHA felt that the protection that income-based assistance provides residents against the consequences of a drop in income does little to prepare residents to rent on the private market or to purchase their own homes. KHA staff also found some of the requirements of the current program, such as the income reporting requirement, was administratively burdensome and a source of resentment among residents. Indeed, the resident survey revealed that residents were willing to pay higher rents in exchange for not having to report changes in income.

This program treats people more like the market would – there are consequences for action and consequences for inaction.  
— KHA Executive Director

The MTW demonstration provided KHA with the regulatory and programmatic flexibility to test some of these assumptions while attempting to meet HUD’s objectives of giving work incentives to families with children and promoting economic self-sufficiency, increasing housing choice for low income families, and achieving greater cost effectiveness in program administration. KHA’s Spectrum program is designed to prepare residents for the realities of entering the private rental market by separating rent from household income and, in the case of tenant-based assistance, giving the family responsibility for spending the housing subsidy appropriately. At the same time, the program responds to the need for education, job training, childcare, and transportation identified in the survey as key obstacles to resident employment. The Resident Self Reliance program provides residents with the services and support that they need to work toward self-sufficiency without jeopardizing their current housing.

All residents in KHA’s public housing and housing choice voucher (Section 8) programs are expected to participate in Spectrum. All non-disabled families in public housing are currently enrolled in Spectrum, and all voucher families are eventually expected to convert to Housing Assistance Coupons as they move and as new families enter the program. Elderly and/or disabled households may continue to pay income-based rents in either program and do not need to comply with the requirements of the Resident Self Reliance program.

The following describes the key elements of KHA’s MTW program: step rents in public housing, the Housing Assistance Coupon program, the Resident Self Reliance program, and the Safety Net program.

## Spectrum in Public Housing

Under Spectrum, all families in KHA's public housing program pay a flat rent determined by bedroom size that increases by set increments over time. As this rent level increases, the implicit subsidy paid by the housing authority decreases, and the tenant pays a rent that is closer to (although still below) the market rate. Because program rents after the first year are not tied to income, Spectrum families do not need to report changes in income on an interim basis.<sup>7</sup> For evaluation purposes, program participants are asked to report their income on an annual basis, with formal income certification done by KHA staff bi-annually.

Table 1 provides the schedule of step rents by bedroom size for Spectrum participants.<sup>8</sup> KHA developed the Spectrum rent levels to be: affordable to the majority of public housing residents; high enough to act as an incentive to work, but still attractive compared to housing available on the private market; and sufficient to cover program operating costs. For participants entering the program, the initial rent is set at 30 percent of the resident's gross income, the welfare rent for TANF recipients, or a basement rent of \$125, whichever is greater. Residents at this rent level must report all income changes in writing to the property manager. After one year, the resident's rent increases to the First Step Rent, a flat rent based on bedroom size. After two years at this level, as the resident enters the fourth year of the program, the rent increases to the Second Step Rent, also a flat rent based on bedroom size.<sup>9</sup>

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**Table 1**

### Public Housing Rents in KHA's Spectrum Program

Unit Size	Initial Rent (1 <sup>st</sup> year)	First Step Rent (2 <sup>nd</sup> & 3 <sup>rd</sup> year)	Second Step Rent (4 <sup>th</sup> year & beyond)
2 bedrooms	The greater of: 30% of	\$300/month	\$438/month
3 bedrooms	adjusted income, the	\$390/month	\$564/month
4 bedrooms	welfare rent, or \$125.	\$460/month	\$677/month

*Sources: KHA Spectrum program materials.*

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<sup>7</sup> Residents at the initial rent, which is defined as the greater of 30 percent of gross income, the welfare rent, or \$125, must still report income changes to their Resident Service Coordinator.

<sup>8</sup> These rent levels include utilities. To date, Keene has been spared the spikes in energy costs seen in other parts of the country, and KHA does not anticipate that utility costs will have a significant impact on its finances.

<sup>9</sup> If the resident's initial rent level (calculated based on 30 percent of gross income) falls between the First and Second Step levels, the resident will enter the program at the First Step and move up to the Second Step at the start of their fourth year in the program. Similarly, if the resident's initial rent level is at or above the Second Step rent level, the resident will pay the Second Step rent and remain at that level for as long as her or she remains in public housing.

Since the implementation of the Spectrum program step rents, the median monthly rent of public housing families has increased significantly (see below, page 23). Although this increase may not be all attributable to the incentives of the program (which include the training and support provided through the Resident Self Reliance program), KHA was gratified to find that after the first year on the program, the vast majority of Spectrum participants were able to meet the First Step rent requirements. KHA anticipates that over time, this increased revenue may help to offset some of the cost of the Resident Self-Reliance Program and/or allow the agency to serve more families.

There are no time limits in the Spectrum public housing program. KHA staff firmly believe that even though the agency provides high quality, affordable housing in the community, residents do not want to live in public housing forever, and would choose to rent or purchase private market housing if they had the option to do so. For this reason, although they may remain in KHA public housing for as long as they wish, families that have been paying rent at the Second Step Rent for at least six months and are in good standing with the program are given the option to apply for a Housing Assistance Coupon to rent on the private market.<sup>10</sup>

Once KHA has implemented its Section 8 homeownership program, these families may be eligible to apply for homeownership assistance as well. In some ways, offering tenant-based assistance to successful public housing residents goes against the trend of recent housing policy (as reflected in the Quality Housing and Work Responsibility Act of 1998), which has identified tenant-based assistance as the program of choice for the lowest income families. However, KHA believes that the ability to receive a Housing Assistance Coupon may act as a powerful incentive among public housing residents to increase their income, and is using the MTW demonstration to test this hypothesis.

### **Housing Assistance Coupon Program**

Under Spectrum, Housing Assistance Coupons are issued in lieu of housing choice vouchers to all families eligible for tenant-based assistance. Like the housing choice voucher, the Housing Assistance Coupon (HAC) provides a rental subsidy that participants may use to rent units on the private market. However, the HAC has several key features that distinguish it from the housing choice voucher. These features are designed to remove some of the perceived obstacles to resident and landlord participation in the program – rent burden cap, annual HQS inspections, dual payments to the landlord – while encouraging residents to take greater responsibility for meeting their housing needs.

The Housing Assistance Coupon program follows a step rent approach similar to that in the Spectrum public housing program. However, because the rental assistance is offered in the form of a direct rental subsidy issued to the resident, rather than paying increasingly higher rents, participants in the HAC program “step down” to lower subsidy amounts over time. The result is the same in that the rent paid by the resident increases over time in fixed

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<sup>10</sup> RSR program staff track participant income and rent levels.

increments – be it in the form of a direct payment to the housing authority (public housing) or an increasing share of the total rent paid to a private landlord (HAC).

Table 2 provides the schedule of subsidy amounts in the HAC program. The HAC subsidies are tied to the local Fair Market Rent and payment standards used by KHA in its regular voucher program.<sup>11</sup> This ensures that the subsidies are sufficient to enable program participants to rent housing on the private market and within the range of the funding provided by HUD. For participants entering the program, the initial subsidy is set at 80 percent of the current Voucher Payment Standard (VPS) for the appropriate bedroom size.<sup>12</sup> After one year, the HAC is reduced to 55 percent of the VPS (First Step). Participants receive this subsidy in their second and third year of the program. At the end of the third year, the HAC is reduced to 35 percent of the VPS (Second Step). Participants receive this subsidy for two years.

**Table 2**

**Housing Assistance Coupon Payments in KHA’s Spectrum Program**

<b>Unit Size</b>	<b>Initial Subsidy (1<sup>st</sup> year)</b>	<b>First Step Subsidy (2<sup>nd</sup> &amp; 3<sup>rd</sup> years)</b>	<b>Second Step Subsidy (4<sup>th</sup> &amp; 5<sup>th</sup> year)</b>
1 bedroom	\$473/month	\$325/month	\$207/month
2 bedrooms	\$605/month	\$416/month	\$265/month
3+ bedrooms	\$788/month	\$542/month	\$345/month

*Sources: KHA Housing Assistance Coupon Handbook.*

Unlike the Spectrum public housing program, participation in the Housing Assistance Coupon program is limited to five years, with the possibility of a two-year extension in extenuating circumstances. After five years, HAC participants are expected to “graduate” to market rate rental housing or to homeownership. The time limits on the HAC program are consistent with the idea that the voucher program should function, in part, as a reward for families on their way to self-sufficiency. Currently, no landlord with an existing voucher contract is required to switch to the HAC program. As a result, although KHA hopes eventually to convert all non-elderly, non-disabled voucher holders to the HAC, there may be some families – perhaps those who do not expect their income to increase – who opt not to switch to the time limited program, despite the advantages of the fixed subsidy.

In addition to the step subsidy system, Housing Assistance Coupons have several other features that distinguish them from housing choice vouchers from the family’s point of view.

<sup>11</sup> As a result, they are subject to change on an annual basis. KHA’s voucher payment standard is currently 110 percent of the local Fair Market Rent.

<sup>12</sup> Elderly individuals and individuals with disabilities may choose to receive an income-based subsidy, as in the housing choice voucher program.

First, the HAC subsidy is deposited monthly into the families' bank accounts via an electronic funds transfer.<sup>13</sup> Families are then expected to write a check for the full amount of the rent each month, using the HAC payment to supplement their own funds. Second, while the HAC subsidy is predetermined for each bedroom size and step level, families may choose to rent any unit they choose that meets HUD's Housing Quality Standards. Unlike the housing choice voucher program, the HAC program places no cap on the percentage of a family's income that can be spent on rent, nor does the proposed unit have to go through a rent reasonableness test. However, before signing a lease, a family will typically consult with KHA's HAC Coordinator, who will help them to assess whether or not they can afford the rent.

The HAC program differs substantially from the housing choice voucher program from the landlord's point of view as well. First, the landlord receives one check each month from the tenant, rather than separate checks from the tenant and KHA. Second, landlords may self-certify to the housing authority that their unit meets HQS, rather than having KHA staff conduct an inspection. Landlords obtain a checklist and HQS reference guide in their briefing materials on the HAC program, which they can use to conduct their own inspection before the tenant moves in and on an annual basis thereafter. Landlords that self-certify their compliance with HQS are subject to spot checks by KHA inspectors – the housing authority expects to conduct quality control inspections on five percent of all units in the program. Landlords who opt not to self-certify will be subject to initial and annual HQS inspections by the KHA, as under the housing choice voucher program.

These features bring the HAC program closer to the private rental market than the current housing choice voucher program. The subsidy acts as an income transfer, with families taking full responsibility for finding a unit that they can afford and paying the entire rent themselves. And while HQS have not been eliminated, landlords may take the initial responsibility for providing safe and sanitary housing, as they might be expected to do on the private market. The design of the HAC program thus minimizes the KHA's involvement, placing more emphasis on the market transaction between landlord and tenant. However, the KHA still plays an important intermediary role, guiding the tenant through the housing search and rental payment process and providing assurances to both landlords and tenants that each party will fulfill its obligations.

For example, although the program is still in the early stages of its implementation, thus far the KHA HAC Coordinator has worked closely with each family in the program to make sure that they understand their responsibilities. Families are given a packet of information about the program, which they discuss in detail with the Coordinator. This packet includes information on the step rent system and Safety Net program, required documents (such as the

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<sup>13</sup> If necessary, KHA staff will work with families once they have joined the program to set up a bank account so that they will be able to receive the HAC subsidy. Elderly or disabled participants, who may choose either a stepped or income-based subsidy, may also request to have the subsidy sent directly to the landlord, as in the housing choice voucher program.

HAC contract, HQS checklist, and Apartment and Landlord Certification form), and educational materials related to finding safe, affordable housing. In addition, the HAC Coordinator reads the entire HAC contract to each family, explains the program's time limits, and strongly encourages participants not to sign any lease until they have met with her. Once a family is in a unit, the Resident Service Coordinator (RSC)<sup>14</sup> reminds the family to make their rental payments on time, perhaps even sitting with them personally as they write the check. For the first few months, the RSC will also call the landlord on the fifth of the month to ensure the rent has been paid on time.

The HAC Coordinator also works closely with landlords to encourage their participation in the HAC program. All KHA landlords are sent an information packet that outlines their responsibilities in the program and includes information on the self-certification process, a copy of the HQS Checklist, an HQS reference guide, and a sample residential lease that the landlords may use for renting units to HAC participants.<sup>15</sup> The HAC Coordinator is also available as a point of contact for landlords, answering their questions about the program and addressing any issues related to tenants. Finally, the HAC Coordinator administers a Landlord Protection Fund so that landlords participating in the HAC program may be compensated for lost rent.

KHA developed the Landlord Protection Fund in response to feedback provided by landlords during the design phase of the HAC program. The Fund guarantees that if a tenant fails to pay the rent within the timeframe specified on the lease and the landlord begins the eviction process and notifies the KHA, KHA will cover the full rent for that month. The Fund also stipulates that KHA will pay the subsidy directly to the landlord at least temporarily, if necessary. If a tenant is late in paying the rent, for example, the next month's subsidy is paid directly to the landlord; however, KHA staff will work with both the landlord and tenant to resume providing the subsidy directly to the tenant as soon as possible.<sup>16</sup>

In practice, the key role of the HAC Coordinator in managing the landlord-tenant relationship, coupled with the intensive case management that all participants receive through the RSR program, makes the HAC program highly labor intensive, despite its simplified design and freedom from some of the regulations that apply to the housing choice voucher program. It may be expected that as the program is fully implemented and becomes more familiar to landlords and residents, the intermediary role of the KHA may diminish. Whether or not this takes place, the HAC program is an important experiment in the practical implications of deregulating tenant-based assistance.

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<sup>14</sup> Each Spectrum participant is assigned a Resident Service Coordinator as part of their participation in the Resident Self Reliance Program. See below, page 13.

<sup>15</sup> However, KHA will accept any lease in compliance with New Hampshire law.

<sup>16</sup> The Executive Director indicated that this is more good public relations than a necessary program. He noted that residents have "run out on their rent" only about four or five times in the last 10 years, and he does not expect this rate to increase under Spectrum. However, residents that do so will be expected to repay KHA.

## Resident Self Reliance Program

Alongside step rents in public housing and the HAC program, the Resident Self Reliance (RSR) program is an integral part of KHA's Spectrum program. The RSR program is designed to complement the economic incentives of Spectrum's rent policies by providing residents with the supportive services that they need to overcome the obstacles to employment and higher wages. The case management component of the RSR program was modeled on KHA's successful Family Self Sufficiency (FSS) Program, but designed to be of equal benefit to working families as well as those not yet employed full time.<sup>17</sup> The RSR program is staffed by a manager and three Resident Service Coordinators (RSCs), who have experience in human services or education. Currently each RSC has a caseload of about 30 families. In addition, the RSR manager works with about 10 to 15 families, typically those families facing the biggest challenges to self-sufficiency.

Every family that joins the Spectrum program is assigned a Resident Services Coordinator (RSC). Residents (typically the head of household) meet with their assigned RSC shortly after moving into KHA housing or receiving a Housing Assistance Coupon. At the initial meeting, the RSC assesses the resident's skills and needs, and establishes contract goals with the resident around attaining self-sufficiency – usually through steady employment at a livable wage. The RSCs typically establish interim goals and steps towards achieving these overall contract goals at later meetings. Residents meet regularly – quarterly at a minimum, but usually monthly – with their RSCs.<sup>18</sup>

Much of the case management and referrals by RSCs is oriented around helping residents to secure and retain steady employment. According to the RSR program manager, the lack of job training and education are major obstacles to resident employment. However, issues that affect residents' ability to retain jobs can also present major challenges to long-term self-sufficiency. These issues run the gamut from access to transportation, childcare, and other services, to deep-seated, personal issues such as lack of coping skills and participation in unhealthy relationships. As a result, RSCs are typically engaged in a wide range of activities to help residents meet their self-sufficiency goals, from assisting residents with childcare and transportation issues to providing counseling on family planning, relationship issues, and anger management. More than case managers, the RSCs describe themselves as "coaches,"

Service coordination alone does not describe it. If it were just service coordination, we would not need a separate RSR program. It's coaching, asking good questions, finding out what is going on between the lines – it's an art.

— RSR Program Manager

<sup>17</sup> KHA staff feel that the FSS program is unfair in that families who enter the program without jobs and find employment are able to generate large savings through the FSS escrow account, while for those who enter the program already working, the potential for escrow savings is more limited.

<sup>18</sup> Residents participating in the Safety Net program are required to meet with their RSCs at least monthly.

playing a pivotal role in motivating residents to follow through on their self-sufficiency plans.

In addition to regular meetings with their RSCs, Spectrum participants are required to participate in training workshops related to their goals. KHA currently sponsors workshops on financial management, parenting, employment support, life skills, family planning, and paperwork preparation. The RSR program also sponsors a women's writing workshop and community-building events. RSR staff try to make the workshops as accessible as possible for residents by holding them in the evenings and providing childcare and meals so that entire families may attend. RSCs also refer residents to off-site workshops run by KHA's partner agencies and nonprofits. Such workshops include GED programs, job skills development, legal aid, job training (primarily for TANF recipients), and credit and homeownership counseling.

Failure to comply with the basic requirements of the RSR program – meeting with the RSC and attending workshops – results in sanctions against Spectrum participants that could ultimately jeopardize their housing. The RSCs formally assess residents' goals and progress during annual reviews, and these assessments play an important role in determining whether residents are in good standing with the housing authority and thus eligible for the Safety Net program. The annual reviews also provide an opportunity for RSR staff to measure resident outcomes and evaluate the success of the program in advancing the goal of long-term resident self-sufficiency. In addition, when a resident leaves the program, the RSC will (if possible) conduct an exit interview that identifies the reasons for leaving and the type of housing into which the resident is moving.

### **Safety Net Program**

As has been discussed, KHA designed the rent and occupancy policies of its Spectrum program to simulate the private market, particularly by not reducing the rent to accommodate a decrease in resident income. The RSR program complements these policies by giving residents support and services to help them retain employment and increase their income. However, given that KHA provides the housing of last resort for many of the low-income families participating in the Spectrum program, the housing authority saw the need to build into the program a safeguard for residents that are unable to meet the rent requirements due to circumstances beyond their control. The Safety Net program allows residents who find themselves in such a situation but are generally in good standing with the housing authority (not being under eviction by KHA, and not being in violation of the lease agreement, and meeting RSR requirements) to earn credit towards their rent by working for the housing authority.

The Safety Net is magic. . . It enables residents to deal with problems before they become huge, preventing them from getting into an insurmountable hole.

— KHA Executive Director

According to the KHA, the purpose of the program is not to provide employment for a resident, but to provide “an alternative means of meeting the established monthly rent instead of facing displacement from their home due to loss of income.”<sup>19</sup> Typically, a resident who is having trouble meeting the rent will contact the RSC and property manager to apply for the Safety Net before the rent is due. A Safety Net committee comprised of RSR program and property management staff will review the application and determine if the resident is eligible. If eligible, the resident may earn rental credit at the rate of \$5 per hour by working for the KHA in an area that (as far as possible) meets the resident’s skills and interests.<sup>20</sup>

Examples of Safety Net work include maintenance/janitorial work, helping out at one of the Family Activity Centers, and light administrative work at KHA’s office. The hourly rate for this work is lower than the current minimum wage, encouraging participants to seek employment rather than dependence on KHA. KHA staff estimate that about 95 percent of Safety Net participants are assigned to maintenance work, primarily grounds work such as picking up trash, shoveling sidewalks, or gardening. Work at the Family Activity Centers may include administrative or grounds work, preparing snacks or meals for children, or janitorial tasks; RSCs may also assign residents to work directly with children at the Clubhouse, as appropriate. All of the Safety Net assignments are scheduled around participants’ job schedules, and childcare is arranged as needed.

One potential challenge that KHA staff have yet to work out fully is how participants in the Housing Assistance Coupon program will use the Safety Net. For public housing residents, KHA is the landlord and can choose to accept rental credit earned by work, establish a repayment agreement, or, in exceptional circumstances, write off some amount of rent owed. Private market landlords are not expected to do any of these things; thus, for HAC participants who require the Safety Net, KHA will have to pay the difference in rent to the landlord and work with out with the family the details of the repayment plan. KHA does not anticipate that many HAC families will need Safety Net assistance, mainly because HAC participants are likely to have higher, more stable incomes than public housing residents. If more HAC participants use the program than anticipated, however, it could have significant financial implications for the housing authority.

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<sup>19</sup> KHA Safety Net program brochure.

<sup>20</sup> In special circumstances, requirements for residents to earn credit towards the full amount of unpaid rent may be waived. For example, if a resident is meeting all the requirements of the program (i.e., employed full-time, meeting regularly with the RSC, and attending workshops), but still cannot pay the rent, the resident may not be required to work for rental credit. The outstanding rent may be temporarily waived until a better alternative is found.

## Impact on Residents

Since October 1999, the majority of KHA's non-elderly/disabled public housing residents have been participating in the Spectrum program. Since March 2001, KHA also has begun enrolling families in the HAC program. As of late April 2001, 96 families had participated in Spectrum's public housing program and one family had received a Housing Assistance Coupon.<sup>21</sup> Nineteen families have exited the program.

Data collected on Keene's public housing residents since the start of the demonstration suggest that in general, residents have improved their employment status and income levels since joining the program.<sup>22</sup> Table 3 compares the employment status of participants in Keene's Spectrum program at baseline (defined as the first month in which they participated in the program) and in April 2001.<sup>23</sup> The table shows that the proportion of residents who are employed full time has increased from 47 percent at baseline to 65 percent in April 2001. Over the same period, the percentage of residents who are unemployed decreased from 32 percent to 15 percent. Among the participants as a whole, those who were unemployed when they joined the program appear to have experienced the greatest change, with 68 percent having increased their employment status to either part- or full-time employment since joining the program. KHA staff report that due to this increase in employment, there is now a greater demand for childcare.

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**Table 3**

**Employment Status of Spectrum Participants at Baseline and in April 2001<sup>a</sup>**

	Baseline	April 2001
Employed Full Time	47%	65%
Employed Part Time	19%	18%
Unemployed	32%	15%
On disability <sup>b</sup>	1%	1%
Total	100%	100%
Number of households	78	78

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<sup>a</sup> Includes current Spectrum public housing participants only. Excludes the 19 households who have exited the program since its inception. Baseline is defined as the first month that the household entered the program.

<sup>b</sup> While disabled residents may participate in the Spectrum program, they are exempt from the program's requirements and step rents.

Sources: KHA RSR database, April 2001.

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<sup>21</sup> The HAC program is expected to be fully implemented over the coming year.

<sup>22</sup> KHA's RSR database contains data on 78 public housing households currently participating in the Spectrum program and 19 households that have exited the program. Sixty-two residents (65 percent of the total) joined the Spectrum program in 1999. Thirty-two families (33 percent) joined in 2000, and two families (2 percent) joined in early 2001.

<sup>23</sup> The sample excludes the 19 households who have exited the program since its inception.

The ability of participants to increase their employment in a relatively short amount of time may be due their education level: 83 percent of participants have at least completed the 12<sup>th</sup> grade (or equivalent), and of these, five percent have an Associate’s degree or higher (one person obtained an Associate’s degree while participating in Spectrum). It appears that relatively few residents have needed remedial education or otherwise have been impeded academically; this may have allowed them to obtain better training or employment opportunities fairly quickly.

The increase in resident employment since joining Spectrum has been accompanied by an increase in household income. As shown in Table 4, the percentage of residents with annual household incomes of \$10,000 or more has increased from 69 percent at baseline to 86 percent in April 2001. In particular, the percentage of households earning \$30,000 or above has increased from 2 percent at baseline (two households) to 15 percent in April 2001 (12 households). Families earning over \$30,000 are within reach of having a “livable wage,” with a realistic possibility of moving into unsubsidized housing. Looking at the sample as a whole, median annual household income has increased by \$4,562 (approximately 34 percent) since the start of the program.

**Table 4**

**Annual Income of Spectrum Participants at Baseline and in April 2001<sup>a</sup>**

	<b>Baseline</b>	<b>April 2001</b>
No Income	8%	0%
\$1-\$9,999	23%	14%
\$10,000-\$19,999	41%	44%
\$20,000-\$29,999	26%	27%
\$30,000 and above	2%	15%
Total	100%	100%
Number of households	78	78
Median Annual Income	\$13,482	\$18,044

<sup>a</sup> Includes current Spectrum participants only. Nineteen (19) households have exited the program since its inception. Baseline is defined as the first month that the households entered the program.

Sources: KHA RSR database, April 2001.

Under the step rent system, nearly half (49 percent) of Spectrum participants experienced an increase in rent burden (monthly rent as a percentage of monthly income) between their first month in the program and April 2001. The distribution of rent burden has changed over the course of the demonstration, with some increase in both the proportion of residents paying more than 30 percent of their income in rent and the proportion of residents paying less than 20 percent of their income in rent (see Table 5). Overall, the median rent burden among Spectrum participants has decreased during the course of the demonstration, from 27 percent at baseline to 24 percent in April 2001.

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**Table 5****Rent Burden of Spectrum Participants at Baseline and in April 2001<sup>a</sup>**

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	<b>Baseline</b>	<b>April 2001</b>
Less than 20%	18%	27%
20% to 29%	56%	40%
30% and above	26%	33%
Total	100%	100%
Number of households	70	70
Median Rent Burden	27%	24%

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<sup>a</sup> Includes current Spectrum participants for whom complete income and rent data are available. Excludes the 19 households who have exited the program. Rent burden is defined as monthly household rent as a percentage of monthly household income. Baseline is defined as the first month that the households entered the program.

Sources: KHA RSR database, April 2001.

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As would be expected, Spectrum participants at the Initial Rent level experience the highest rent burdens, while the rent burden is lower among participants at the First and Second Step Rent levels. This may be explained in part by the high proportion of participants at the Initial Rent level who are either unemployed or employed part time. Participants at the First and Second Steps are more likely to be employed full time and to have higher incomes than their counterparts at the Initial Rent level (see Table 6). In a system with rent ceilings, rent typically becomes a decreasing share of monthly income as household income increases.

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**Table 6****Rent Burden by Step Level and Employment Status, Spectrum Participants in April 2001<sup>a</sup>**

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	<b>Rent Burden</b>	<b>Unemployed or Employed Part Time</b>
Initial Rent Level (13 households)	30%	64%
Step One Rent Level (53 households)	24%	32%
Step Two Rent Level (9 households)	24%	0%

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<sup>a</sup> Includes current Spectrum participants for whom income and rent data are available for April 2001. Excludes the 19 households who have exited the program. Rent burden is defined as monthly household rent as a percentage of monthly household income.

Sources: KHA RSR database, April 2001.

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To date, the majority of Spectrum participants have met the expectations of the program. Concurrent with many program participants' having secured and retained employment, increased their income, and decreased their rent burden, there have been fewer terminations than expected, and few families are enrolled in the Safety Net program. Most residents have been able to keep up with the step rents.

Of the 19 families that had left the Spectrum program as of the end of April 2001, 12 left voluntarily; of the remaining, three were evicted, one moved out without notice, one moved out because it could not afford the Initial Rent, and information about two others is unknown. Altogether, three of the families that left purchased homes, eight moved to other rental housing, one moved into housing supplied by their employer, five moved in with family or friends, one moved to a homeless shelter, and one moved to an unknown situation.

Since the start of the demonstration, 19 Spectrum participants have applied to the Safety Net program, primarily due to loss of employment. All but four applications were accepted.<sup>24</sup> Even so, at least four families found employment before joining the Safety Net. Several staff noted that participants often opt out of the program when they discover that they can earn more money – with benefits – in the private market than in earning rental credit with KHA. So far, five residents have earned rental credit through the Safety Net, for a total of \$1,589.

Less easy to quantify are other impacts observed by KHA staff. For example, staff report that while not all residents readily comply with workshop requirements, residents generally seek to meet with their RSC more often than required, suggesting that the individualized approach of case management is more appealing to them. Also, staff indicate that residents are pleased that they no longer must report changes in income; not only is this less intrusive, but residents no longer face higher rents when their income increases.

In developing this case study, staff from Abt Associates met with two public housing residents to hear their thoughts about Spectrum.<sup>25</sup> Overall, the residents' remarks were consistent with the observations of KHA staff. The residents welcomed the opportunity to meet with RSCs, with whom they felt that they could "talk about anything," but noted that the RSR workshops were varied in usefulness and not always well attended, despite the provision of childcare, which they saw as a benefit. Both residents also appreciated not having to report changes in income and were enthusiastic about the step rent system, which they said gave them ample opportunity to plan ahead. They especially liked the stability of the rent system, knowing ahead of time when the rent will be raised and by how much. They clearly understood the step rent system (quoting their rent levels for the next few years) and noted that it made sense to them "right off the bat."

This program [Spectrum] gives you time to work out the rent increase, to prepare for it. It's a fair system. . . People who complain about the rent aren't doing anything to help themselves. This is a much better deal than anything else out there, including the old system.

— KHA resident

<sup>24</sup> The four residents who were not accepted into the Safety Net did not face rents that exceeded 30 percent of their current income. Demonstrated need for the Safety Net (i.e., an anticipated excessive rent burden) is one of the basic criteria for program eligibility.

<sup>25</sup> Abt staff had hoped to meet with three more residents, but they were unavailable on the day of the site visit.

One of the residents' circumstances illustrates how the Safety Net was designed to work. Several months before the interview, this stay-at-home mom's husband lost his job; soon after that, her husband left the household. The resident then joined the Safety Net program and began working at KHA's Clubhouse to earn rental credit. In the meantime, she was able to apply for TANF and begin participating in a Vocational Rehabilitation program to assess her skills and undergo career testing, a first step towards employment. The resident and her child have been able to maintain their housing while she works towards a better future.

## Organizational Impact

The design and implementation of the Spectrum program has had a major impact on the Keene Housing Authority. Most obvious has been the administrative burden associated with implementing a new rent policy in its family public housing program and greatly expanding the scope of resident services. Although the HAC program is only in the early stages of implementation at the time of this writing, designing the program and trying to plan ahead for all of its ramifications for landlords as well as residents has also required a tremendous staff effort. Further, the Spectrum program has fundamentally altered the way that KHA views its role as a housing provider and member of the local community. As the Executive Director put it: “One of our biggest fears is having to return to the old system, especially in Section 8. The old policies just don’t make sense anymore.” Tracking the organizational, as well as resident impact of the Spectrum program, including the impact on program costs, will provide valuable insight into the practical application of several approaches that have recently gained support among housing providers and policymakers: work incentives, time limits, case management, and deregulation.

We are emulating the way the private market works in a small town by creating a simplified program that relies on working closely with the community. We are able to take risks now because the program is a pilot. . . Hopefully in five years there will be no turning back.

— KHA Director of Housing

KHA formally converted all of its non-elderly/non-disabled public housing families to the Spectrum program in January 2000. KHA staff did not report any serious obstacles in implementing the Spectrum program. Indeed, KHA has been very pleased at the extent to which its public housing residents have adapted to the step rent system, suggesting that the rent levels were set appropriately. However, KHA has not been able to reduce its administrative burden as significantly as the agency had anticipated when it applied to the MTW demonstration. In common with many other demonstration sites, KHA is performing new administrative tasks associated with Spectrum at the same time as doing all of the administration and reporting associated with running its conventional public housing and housing choice voucher programs. Administering multiple programs and fulfilling dual reporting requirements has increased the burden on KHA’s modest staff of 31. As a result, KHA has proposed to HUD that it be granted a waiver from some of the reporting requirements of HUD’s Public Housing Assessment System (PHAS) for the duration of the demonstration.

Adding to the administrative burden of implementing the Spectrum program has been the inability of KHA’s software to handle the step rent portion of the program, which created bookkeeping and accounting challenges. KHA recently installed new, networked software that allows staff to share key information with each other and with residents, and is expected to simplify program accounting. As at other demonstration sites, delays in implementing the new HUD Form 50058-MTW has created data collection challenges, which KHA has

addressed in part by creating a separate database through its RSR program for tracking and evaluation purposes.<sup>26</sup>

Given the increased workload associated with implementing the program, the strong support among KHA staff for Spectrum is significant. The heavy emphasis on case management, demonstrated by the commitment of four full-time staff to the RSR program, is a major organizational change. KHA had originally planned to use its property management staff to provide case management service to residents. However, both the property management and existing FSS staff felt that it was important to keep case management and property management separate. As a result, KHA hired three full-time staff to supplement the existing FSS coordinator (who became the RSR manager) and created a separate RSR department.

There is a natural tension between the roles of RSR staff and property managers – RSR staff perceive themselves to some extent as advocates for their clients, while the property managers need to enforce sound management policies to preserve the housing for all residents. The positive aspect of this tension is that it provides a system of checks and balances that ensures that the needs of individual residents do not outweigh those of the housing authority and vice versa. RSR staff also believe that separating the two functions helps them to gain the trust of residents and uncover all of the issues that may be preventing residents from reaching self-sufficiency. However, managing separate property management and resident services departments is an organizational challenge. KHA's organizational culture of teamwork and the shared commitment of staff to the goals of the Spectrum program helps to encourage collaboration, rather than competition, between the two departments. In addition, the Safety Net Program, which is designed to provide assistance to residents *before* they miss a rental payment, creates a natural communication flow between RSR and property management staff. This is reinforced institutionally by the composition of the Safety Net review committee, which is made up of RSR and property management staff.

While the implementation of the public housing side of Spectrum was relatively smooth, KHA anticipates that the implementation of the HAC program will be more complicated. In particular, although the program has been well received thus far, issues may arise related to landlord understanding and acceptance of the program, particularly with regard to the HQS self-certification feature and the Landlord Protection Fund. The opportunity to self-certify HQS compliance has been a selling point to some landlords. Other landlords, however, appear to view the HQS inspections as a convenience, and stated that they would prefer that

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<sup>26</sup> It should be noted that KHA has taken the evaluation of the Spectrum program very seriously. In the absence of guidance from HUD on how to collect and transmit historical data on residents, KHA's RSR program database is an important tool for tracking the impact of the program over time at the individual household level. Developing this database has undoubtedly added to KHA's administrative burden, but is critical for the integrity of the demonstration and to maximize the learning opportunity that it represents.

KHA continue to conduct them.<sup>27</sup> Case management may also be more challenging in the HAC program, in part because of the physical dispersion of HAC participants, but also because the private market nature of the program may make residents more resistant to housing authority intervention. In addition, KHA is still developing procedures related to the implementation of the Safety Net in the HAC program.

Given the added challenges that the HAC program presents, KHA opted to roll the program out gradually, enrolling new families under HAC rules and giving existing voucher holders the opportunity to convert to the HAC at recertification or when they change units. This gradual implementation has enabled the HAC Coordinator to work individually with incoming families and landlords to resolve issues as they arise. The individualized attention is especially important to the approximately 175 landlords that currently participate in KHA's voucher program. The feedback that KHA has received suggests that the presence of a primary contact person at the housing authority greatly increases landlords' comfort with the program. As discussed earlier, the workload of HAC staff is expected to drop somewhat once the program is fully underway, especially if the majority of landlords opt to self-certify their properties.

Despite the administrative efficiencies that KHA hopes to realize through features of such as the elimination of interim income verifications and reduction in HQS inspections in the HAC program, Spectrum is likely to cost more to administer than the conventional public housing and housing choice voucher programs. The most costly component of the Spectrum program is the intensive case management and counseling administered through the RSR program. Three full-time RSC positions have been added since the start of the Spectrum program. Together, the salaries for the RSR program manager and three RSCs total approximately \$90,000, but this figure does not include benefits or training costs. The RSR program is funded primarily through KHA's Capital Fund and through a three-year grant of \$75,000 from HUD's Resident Opportunities and Self Sufficiency Program (ROSS). The ROSS grant provides \$25,000 per year and is used to subsidize one of the RSR coordinator positions. KHA also uses \$65,000 of its MTW technical assistance grant funds to support RSR program staffing.<sup>28</sup> In addition, KHA has received several grants from local foundations and other agencies to fund particular services and workshops associated with the RSR program, such as the Clubhouse, the Eisenhower Foundation Youth Safe Haven, and the women's writing

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<sup>27</sup> Prior to implementing the HAC program, KHA held a meeting with landlords to explain the program and solicit feedback. About half of the landlords – primarily those with larger properties – indicated that they liked the idea of self-certification for HQS. The other half wanted the housing authority to continue to conduct initial and annual inspections. Thus far, one landlord in the HAC program has conducted a self-certification. Using the HQS inspection checklist developed by KHA, the landlord failed his own property, fixed the problems, and passed on his own re-inspection.

<sup>28</sup> Under the terms of the MTW agreement, HUD has made available to KHA a maximum of \$100,000 in grant funds and a minimum of \$100,000 in technical assistance through Spectrum Consulting/Abt Associates—KHA's designated technical assistance provider—to be dispensed over the course of the demonstration.

workshop. This year, these grants total approximately \$137,000 (excluding the \$25,000 ROSS grant).

At present, KHA funds most of the costs associated with operating its Spectrum program – primarily the RSR component – through its modernization funds. KHA’s MTW agreement allows the agency to use modernization funds (including any unobligated modernization funds from prior year grants) for MTW activities, 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 that are in the MTW program. Given that the majority of KHA’s public housing units are in MTW, the agency has significant flexibility with regard to the use of its modernization funds for MTW activities.

KHA’s current FY 2001 PHA plan allocates \$130,000 of its Capital Fund Program (CFP) funds, or 34 percent of the total \$382,600 grant, directly to MTW activities, including the aforementioned RSR staffing. Historically, the agency has spent 17 to 20 percent of its CIAP allocation on resident services. The current level of spending is consistent with KHA’s 1997 MTW application, which estimated that under Spectrum, resident initiatives would account for approximately 35 percent of the CIAP allocation. Nevertheless, the percentage of CFP funds going to operations, management, and MTW activities is high: taken together, these activities represent approximately 46 percent of the annual grant. This may be acceptable given KHA’s current maintenance and redevelopment needs, but the agency will need to find other sources of funding should it wish to continue to offer intensive case management beyond the demonstration period. In addition, the rollout of the HAC program is likely to bring with it added staff and administrative costs—and the potential for new outlays via the Landlord Protection Fund as well as resident participation in the Safety Net—that could place an additional burden on the agency.

One of the ways in which KHA is likely to be able to fund its RSR program in the future is through the increased rental income associated with the Spectrum program. Overall, tenant rents in KHA’s family public housing program have increased substantially since the agency applied for the demonstration in 1997 (see Table 7). In part, this is driven by the step rent system, which assures that most residents’ rent will increase over time, regardless of their income. Rent increased for almost two-thirds (62 percent) of public housing residents participating in the Spectrum program.<sup>29</sup> That the majority of Spectrum participants have been able to afford the step rents may be attributable to any number of factors, including the case management, services, and encouragement provided by the RSR program, in addition to the relatively high rates of employment and education among participants at the beginning of the program.

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<sup>29</sup> This includes current Spectrum participants as well as families that have exited the program.

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**Table 7****Median Monthly Rent by Bedroom Size for KHA Public Housing Family Residents, 1997 and 2001**

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	<b>1997<sup>a</sup></b>	<b>2001<sup>b</sup></b>	<b>Percent Increase</b>
2 bedrooms	\$243	\$300	23%
3 bedrooms	\$243	\$390	60%
4 bedrooms	\$253	\$460	81%
All bedroom sizes	\$243	\$390	60%
Number of households	82	77	

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<sup>a</sup> Public housing family residents only.

<sup>b</sup> Spectrum public housing residents only; includes residents at each step level.

*Sources: KHA MTW application (August 1997); KHA RSR Database (April 2001).*

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Another factor behind the increase in public housing resident rents between 1997 and the present (other than inflation for income-based rents) is Keene's strong economic growth in the late 1990s. It is likely that new families admitted to KHA's public housing program under Spectrum had higher incomes (and therefore entered the program at a higher rent level) than would have been the case in a less favorable economic climate. It remains to be seen how a slowdown in the economy or adverse job market might affect KHA's rental income and ability to subsidize the RSR program, and whether the RSR program will prove to be cost effective in terms of helping to prevent residents from losing their employment and/or falling behind on their rent.

## **Program Outlook**

In the year and a half that KHA has been administering the Spectrum program, the agency has made considerable progress toward meeting HUD's goals for the demonstration of achieving greater cost effectiveness in federal expenditures, giving work incentives to families, and increasing housing choice for low income families. This section considers each of these goals in turn, and concludes by posing questions to be considered for further evaluation as the demonstration matures and data become available on the impact of the program on residents, the agency, and the community.

### **Achieving Greater Cost Effectiveness in Federal Expenditures**

While data are not available to quantify the changes in KHA's annual budget based on the inclusion of the Spectrum program, there is some indication that the program has resulted in extra costs to the agency, as opposed to intended savings from streamlining. The extent to which these costs will be offset by increased rental income, particularly if those increases are sustained over time, will in part determine if there are any cost savings. In qualitative terms, KHA's Executive Director notes that overall, the program may be a little more expensive to run, but this is offset by the benefit for every participating family, who comes out "better prepared to deal with life than when they came in." Additionally, staff believe that the program reduces the likelihood that residents will receive public assistance indefinitely, especially considering the HAC time limits, thereby decreasing the cost to other federal programs. However, should KHA expand the Spectrum program and/or continue to run it beyond the MTW demonstration period, it may need to identify new sources of funding for the RSR component. Because a large proportion of the program's current funding comes from KHA's modernization and capital funds, the housing authority may encounter considerable difficulty when significant improvements are needed in its public housing stock. KHA is well aware of this issue and is planning ahead to replace these funds with other diversified funding sources by the time such improvements are needed.

### **Giving Work Incentives to Families with Children**

KHA's Spectrum program was designed to encourage employment among residents through several means: untying rents from household income, establishing a system of gradual rent increases, and providing case management and supportive services as needed. So far, this approach appears successful, as the majority of residents have been able to increase their income as well as keep up with their rental payments. One staff member noted that the "threat of not being successful" adds to the work incentive, but the RSR and Safety Net programs have enabled residents to overcome setbacks without jeopardizing their housing. It is hoped that participants will be given a further work incentive once the homeownership program—still under development—for Spectrum graduates is up and running.

## **Increase Housing Choices for Low Income Families**

KHA expects that housing choice will increase under the Spectrum program for a variety of reasons: exposure to the workings of the private rental market through the use of HACs and step rents, increased financial stability and resident self reliance, and flexibility in choice of unit. Once fully implemented, the HAC program is expected to help families obtain access to a wider range of market housing. Further, with time limits on the program, families are expected to “graduate” into unsubsidized housing, thereby freeing up the HAC for other families, including those who have been successful in Spectrum’s public housing program. Finally, as noted above, graduates from the public housing and HAC portions of Spectrum may soon have the option of participating in a homeownership program. As a result of the MTW demonstration, KHA is currently experimenting with using the HAC as a flexible vehicle for providing housing assistance for the entire continuum of housing programs – from transitional housing to homeownership.

The Spectrum program may also help to expand housing options for low-income families by improving the image of public housing in the community. The implementation of the program has provided an additional impetus for KHA to work with teachers, civic organizations, supportive service agencies, and local nonprofits to educate them about changes at the housing authority and among residents. In particular, the program has encouraged greater collaboration between the housing authority and the local welfare agency, which initially expressed concern about the ability of TANF recipients to afford the step rents. KHA’s goal has always been to provide sound housing and strong resident services, but the Spectrum program gives KHA the opportunity to sell the program as a new kind of housing assistance, and itself as a new kind of housing agency.

An in-depth evaluation of the Spectrum program once it has been fully implemented should reveal the extent and permanence of its impact. In the meantime, the experience of the program to date raises the following questions for further consideration:

### **If the program proves to be successful in Keene, can it be replicated elsewhere?**

KHA staff believe that Spectrum could be replicated in other areas. However, KHA has a series of factors working in its favor aside from the program. It is a high performing agency with a history of good relationships with its landlords and local nonprofit agencies. Its jurisdiction is a small, homogenous, tight-knit, economically healthy community where there is low crime, a local philosophy embracing work ethic, and a relatively well-educated subsidized housing population. Does the program in and of itself prompt the movement of public and assisted housing families towards more self-reliance, is it dependent on these other factors already existing in the community, or does a combination of both contribute to the success of the program? Would this program work, for example, at a moderately performing agency in a larger city with a less healthy economy? Would it work where the public or assisted housing population had a lower set of basic skills, education, and/or a lower initial income level? Would it work for an agency with a history of uneasy relationships with residents, landlords, and the larger community? Would it work in a

community still struggling to overcome issues of racial segregation or where there is a perception (real or imagined) of higher crime among subsidized housing families? At this time, these issues cannot be answered, but should be an important component of the evaluation of the KHA's program.

**What will happen when the MTW demonstration ends?**

KHA staff indicated that the Spectrum program has fundamentally changed the way the agency operates: no longer simply a landlord for low-income families, KHA has become a partner in helping its families increase their self-sufficiency. To continue with this change, KHA must find a way to continue funding the program, but not to the possible detriment of its housing stock and management. Further, KHA will need to negotiate with HUD a means to continue the HAC program, so that KHA's administrative burden does not sharply increase and residents' housing options are not limited by the resumption of all federal regulations. More broadly, KHA is attempting to create a fundamental change in outlook and decision making among its residents and within the agency. Even at this early stage, major change has already taken place, and it seems clear that KHA will find a way to pursue its vision beyond the terms of the demonstration.