

United States Department of Housing and Urban Development

Moving to Work Demonstration Program

Promising Practices Report for

LINCOLN HOUSING AUTHORITY (LHA)

April 2009

INTRODUCTION

The Lincoln Housing Authority (LHA) executed its initial Moving to Work (MTW) Agreement with the U.S. Department of Housing and Urban Development (HUD) on May 21, 1999. On March 17 2008, LHA and HUD executed an Amended and Restated MTW Agreement that extends LHA's participation in the MTW demonstration through March 31, 2018.

The LHA MTW program focuses on increasing the share of residents who are working, improving the quality of tenant-based housing units, and raising rental revenues from residents.

LHA is located in Lincoln, the state capital of Nebraska, with a population of 275,665 as estimated by the U.S. Census Bureau in 2007. The major industries providing employment opportunities include government agencies, educational institutions (e.g., University of Nebraska), healthcare services, and retail trade. The Lincoln area has an unemployment rate of roughly 4.2%, less than half of the current national average of 8.5%.

LHA currently owns 320 public housing units and manages 2,864 Housing Choice Vouchers (HCV). LHA is not currently a block grant agency. Utilizing MTW flexibilities, LHA has been able to develop innovation in housing policy through:

- Implementing a *flat utility allowance* adjusted to bedroom size to increase administrative efficiency;
- Eliminating *interim reviews for increases in income* to increase administrative efficiency and encourage self-sufficiency;
- Implementing an *Earned Income disregard* to encourage self-sufficiency;
- Setting a *Minimum Earned Income requirement* to encourage self-sufficiency; and
- Increasing *mixed-income developments* to increase housing choice.

This report reviews the LHA MTW program's promising practices since its inception and discusses the agency's progress towards meeting MTW program objectives. The report is based on interviews with housing authority staff and HUD MTW coordinators. The report also draws on reports and data on MTW participants collected by LHA, HUD, Abt Associates Inc., and Optimal Solutions Group, LLC over the course of the demonstration.

The report is organized according to the statutory objectives of the Moving to Work Demonstration Program: (1) implementing administrative simplicity and program cost reduction, (2) providing work incentives to encourage resident self-sufficiency, and (3) increasing housing choice and homeownership. Many of the LHA programs fall under multiple goals, but each will be highlighted in the most relevant section.

INITIATIVES TO INCREASE ADMINISTRATIVE EFFICIENCY

MTW flexibilities have allowed LHA to make simple changes to eliminate requirements that cause confusion amongst residents and increase the workload for LHA staff. Using MTW authority, LHA has been able to replace the cumbersome utilities allowance calculation with a

flat utility allowance adjusted by bedroom size. LHA has also eliminated all utility reimbursements.

Flat Utility Allowance

Like many housing authorities, LHA initially performed calculations to assess utility allowances and reimbursements. This system was very burdensome to LHA staff because of the time and coordination efforts needed to process these deductions. Utilizing MTW flexibilities, LHA implemented a system that calculated the resident utility allowance based on average utility spending. The implementation of this program was well received by LHA residents, according to the Resident Advisory Committee. Tenants were grateful for greater autonomy in budgeting their spending because they knew exactly what portion of the utilities spending they were responsible for paying. It also made the voucher program much easier to understand and tenants could know how much rental assistance they were going to receive before they started looking for housing. Additionally, the flat utility allowance provides incentives for tenants to rent energy efficient units or units with landlord-paid utilities.

Promising Practice: Using MTW flexibilities to implement a flat utility allowance is a practice that easily can be replicated in other MTW housing authorities. It not only increases administrative efficiency, but also encourages personal responsibility amongst tenants. LHA staff note that tenants in the Housing Choice Voucher program are more likely to seek out rental units in which landlords pay the cost of utilities. Furthermore, LHA staff also acknowledges the likelihood that overall utilities spending will decrease because residents will be more conscious of utility bills now that a flat subsidy is in place.

SELF SUFFICIENCY INITIATIVES

LHA has made gradual and moderate policy changes to help increase resident self-sufficiency. In order to encourage unemployed residents to gain employment, LHA instituted a Minimum Earned Income calculation. The Minimum Earned Income calculation creates an expectation for tenants to be either employed or enrolled in an approved self-sufficiency program or meet one of the other exemptions to this requirement. LHA has also eliminated Interim Upward Rent Adjustments in order to decrease the administrative burden of having to calculate minor income changes, but also to encourage resident savings from increased employment earnings.

Minimum Earned Income Requirement

LHA staff and the Resident Advisory Committee agree that requiring tenants to move towards self-sufficiency is an important goal. In order to ensure that able-bodied individuals in assisted housing are either working or making the necessary steps to seek employment, LHA utilized its MTW flexibilities to implement a new policy. The Minimum Earned Income policy requires all able-bodied adults not working or in an approved self-sufficiency program to pay a minimum rent based on 30 percent of earned income. LHA applies a minimum amount of earned income to the household based on 25 hours per week at minimum wage for one adult not working and 40 hours per week at minimum wage for two adults not working. LHA has noted that the Minimum

Earned Income amount has increased in step with recent increases in the federal minimum wage. Furthermore, tenants that are willfully unemployed, as determined by LHA, do not receive a rent decrease for 90 days. This requirement applies to both Housing Choice Voucher recipients and Public Housing tenants. In addition to exempting tenants who are working or are enrolled in an approved self-sufficiency program, LHA also gives exemptions to this requirement for additional reasons. These additional reasons are the same exemptions as those used in Nebraska's welfare reform program, Employment First.

Promising Practice: LHA indicates that more than 100 families have either successfully found employment or have made significant steps to seek employment since the implementation of the Minimum Earned Income requirement. LHA believes that putting some pressure for families to be proactive in seeking employment is the best way to help them move towards self-sufficiency. These policies, LHA believes, can be replicated in other housing authorities as long as there are ample employment opportunities and adequate supportive services to help residents prepare for employment.

Earned Income Disregard

LHA staff has long been aware of the fact that interim upward rent adjustments not only increase administrative cost, but also discourage residents from seeking additional employment. Using MTW flexibilities, LHA has been able to eliminate interim upward rent adjustments while still providing the option for residents to request interim downward rent adjustments. This practice has been well-received by LHA staff because it decreases the administrative burden of having to audit resident income changes regularly to document minor changes in income. This practice also gives households subject to the Minimum Earned Income requirement some additional incentive to seek and to maintain employment.

Promising Practice: The practice of eliminating interim upward rent adjustments is a practice that can be implemented at other MTW housing authorities. Housing authorities that have not moved to a step-rent or flat rent calculation system will find this practice to be especially helpful, not only in increasing administrative efficiency, but also in building a culture of rewarding tenants for increased employment income.

HOUSING CHOICE AND HOMEOWNERSHIP INITIATIVES

In recent years, LHA has focused on increasing housing choice by providing clients with more opportunities to move out of areas of concentrated poverty. MTW authority has allowed LHA to not only develop new affordable housing opportunities in mixed-income neighborhoods, but it has also allowed LHA to waive monthly rent limits.

Increasing Housing Choice

In developing and modernizing its Public Housing units, LHA faces the challenge of selecting neighborhoods that will provide positive living situations for families. MTW flexibilities have

allowed LHA to be innovative in using multiple funding sources to develop new affordable housing opportunities in higher income neighborhoods in Lincoln.

Waiver of Rent Cap

LHA tenants in both the Housing Choice Voucher program and public housing were restricted from occupying units in which more than 40 percent of household income needs to be contributed to rent. LHA has found that this policy oftentimes restricted tenants from searching for housing in certain neighborhoods. Therefore, LHA has used its MTW authority to negotiate with HUD to waive the requirement for both Housing Choice Voucher recipients and public housing clients. Residents at LHA are now allowed to spend over 40 percent of their income on rent. In planning the MTW proposal, this was a provision strongly advocated and supported by participants in the voucher program. Voucher program participants felt that this waiver incentivized them to work harder to increase income in order to maintain higher quality housing.

Promising Practice: Since the implementation of this policy, LHA residents have been able to seek housing with higher rents in the outlying regions of Lincoln, away from poverty stricken and crime ridden areas of the inner-city. LHA estimates that 50% of its clients are paying 40 percent or more of their income on rent. Since the implementation of this policy, LHA has also noticed that some households choose to remain in the inner-city area because of transportation issues.

Lessons Learned: LHA cautions that this policy needs to be implemented with discretion because allowing tenants to waive the 40 percent rent restriction can potentially cause clients to make poor housing choices. Many residents select housing units out of their price range and set unattainable expectations for expected income increases in the future. LHA suggests that this policy must be implemented with client counseling services to help residents make informed choices. In 2008, LHA revised the policy to re-establish a rent cap. Now, the maximum initial rent for a family shall not exceed 50% of their monthly adjusted income at the time of approved tenancy.

Total Tenant Payment

Beginning in July 2008, LHA implemented a new initiative that further simplifies the rent calculation process. Total Tenant Payment is based on 27% of gross income with no allowable deductions. A hardship policy is in place to protect households from sudden large rent increases as a result of this policy. The 27% has been positively received by most tenants as it is a much simpler calculation to understand. LHA also is able to continue to serve the same number of voucher participants as in the past.