

United States Department of Housing and Urban Development

Moving to Work Demonstration Program

Promising Practices Report for

HOUSING AUTHORITY OF THE COUNTY OF TULARE (HATC)

June 2008

INTRODUCTION

The Housing Authority of the County of Tulare (HATC) signed their Moving to Work (MTW) agreement with the U. S. Department of Housing and Urban Development (HUD) in April 1999. The mission of HATC is to “provide affordable, well-maintained rental housing to qualified low- and very low-income families. Priority shall be given to working families, seniors, and the disabled. Tenant self-sufficiency and responsibility shall be encouraged. Programs shall be self-supporting to the maximum extent feasible.” The stated goals of HATC are to:

- provide housing opportunities for more families;
- provide incentives for families to go to work; and
- reduce agency administrative burdens and costs.

Currently, HATC operates 714 units in 18 developments, as well as 2,800 Housing Choice Vouchers (HCVs). Tulare County is a rural and predominantly agricultural area, with a population of roughly 360,000. The predominance of the agriculture industry leads to high levels of seasonal unemployment, and Tulare County is one of the most impoverished counties in California. According to the U.S. Census Bureau North American Industry Classification System County Business Patterns for 2005, the industries with the most employees in Tulare County include health care and social assistance, manufacturing, and retail trade.

HATC is a non-block grant MTW site. This means that HATC does not have the ability to pool its separate funding streams and take advantage of the funding fungibility used by some other MTW agencies. As of December 2006, HATC served the following number of people:

	Public Housing	
	Number	Percent
Moving to Work	461	66%
Income Based	198	28%
HUD Flat Rent	43	6%
Total	702	100%

	Housing Choice Vouchers	
	Number	Percent
Moving to Work	1,751	65%
Income Based	826	31%
Welfare to Work	100	4%
Total	2,677	100%¹

Source: HATC MTW Site Visit Report, February 20, 2007, Optimal Solutions Group, LLC, and Abt Associates Inc.

¹ Exceeds 100% due to rounding

Utilizing MTW flexibilities, HATC has focused on the following innovations:

- developing a program of flat rents for public housing residents and fixed subsidies for HCV participants and
- establishing a time limit for housing assistance.

Tulare County faces challenges including area wage and income levels which are extremely low. In fact incomes are so low that the housing authority indicated that one senior in the area had a SSI payment that put him over 50% of area median income (AMI). In addition, the general public view of rental assistance is that it should be a temporary benefit, not a lifelong entitlement.

This report reviews the HATC MTW program's promising practices and discusses the agency's progress towards meeting MTW program objectives. The report is based on interviews with the housing authority and HUD MTW coordinators. The report also draws on annual reports and plans prepared by HATC, Optimal Solutions Group, LLC, and Abt. Associates Inc.

This document is organized based on the broad goals of the Moving to Work Demonstration Program: (1) providing work incentives to encourage resident self-sufficiency (2) implementing administrative simplicity and program cost reduction (3) increasing housing choice and homeownership. Many of the HATC programs fall under multiple goals, but will be highlighted in the most relevant section.

SELF-SUFFICIENCY

When HATC initiated its MTW program, most of the MTW households came to MTW from the housing authority's public housing and HCV programs. Existing families could choose to enter MTW or to remain in the existing income-based non-MTW rent system. MTW participants were also referred to the program by partner organizations, such as the Tulare County Department of Health and Human Services and Community Services Employment Training, Inc. All new employable families entering HATC were required be in the MTW program. Although the MTW rent system was designed for employable families, the elderly and disabled were allowed to enter MTW. Ninety percent of HATC's non-elderly, non-disabled families are now in the MTW system.

Time Limits

HATC established five year time limits to coincide with welfare reform's five year limit, to address HATC's significant waiting list for housing assistance, and to reinforce the community viewpoint of promoting "temporary" housing assistance. Non-MTW agencies cannot adopt time limits. A participant's assistance is terminated either after the five year period, or when a family reaches 120% of area median income (AMI). HATC staff believed that time limits more fairly expanded the opportunity to more households by allowing applicants to move quickly through the waiting list (currently there are roughly 10,000 families on the HCV waiting list). HATC public housing participants

who approach the five-year limit are issued a letter notifying them that they have six months to move out of their unit before being evicted. Voucher participants are terminated from the program as soon as they reach the five-year limit, unless their lease extends beyond that time in which case they will continue to receive assistance through the end of their lease period. Residents that reach the five year limit but have a temporary hardship can apply to a Hardship Committee for a time extension until the hardship can be addressed. This Committee is composed entirely of external members. Families reaching the five year limit can reapply to HATC for housing assistance if they wish.

HATC does not provide any case management services in conjunction with their time limit policy. Additionally, no supportive services are offered directly by the housing authority. They do, however, refer residents to service providers in the county. They also provide a financial services class for residents in help them prepare for their graduation from HATC's MTW program.

Outcomes

Sixty-nine percent of the families who reached their five year time limits have successfully moved on. Thirty one percent reapplied to HATC for housing assistance.² Since HATC began timing out individuals in 2004, there have been 44 hardship extension requests, five of those were second requests and one was a third request. In total, however, the agency has graduated over 1,000 families, so the percentage of hardship requests is relatively small. HATC indicated that some of the families who timed out of assistance could have benefited from a slightly longer time period.

Rent Structure

The HATC has used their MTW flexibility to replace the standard HUD income-based rent structure with a fixed rent structure. Non-MTW agencies are unable adopt such a system. These fixed rents are still well below the area's market rent levels. This fixed rent structure has reduced HATC's administrative burden, partly because the new system

“An endgame with a flat rent system is necessary because as people's incomes increase, they cannot keep paying the same rent forever.” –
Margaret Lowe, Housing Authority of Tulare County

is easy to understand by residents, staff, and landlords. HATC believes this fixed rent/fixed subsidy structure encourages families to increase their income, since income increases do not impact rent. Additionally, the agency cites family reunification as an additional benefit of this

policy. Households are more inclined to acknowledge the incomes from all family members as the household's rent amount will no longer be affected. HATC reevaluates their rents levels annually and only increases them to ensure rent revenues are adequate to cover operating expenses.

Unlike non-MTW agencies, the HATC rent system does not include utility allowances. MTW residents must pay for their own utilities. All MTW public housing households

² Only 5% ask for reconsideration from the hardship committee once they have reached their 5-year limit.

must pay at least a \$50 rent. All MTW Section 8 households must pay at least \$50 for their rent after the Housing Assistance Payment is made to the landlord by HATC.

The flat rents and flat subsidies have been at the following levels since 2001:

MTW Public Housing Flat Rents						
BR size	0	1	2	3	4	5
Original		200	225	275	300	325
March 2001		220	245	300	330	355
October 2002		220	245	300	330	355
December 2003		220	245	300	330	355
December 2004		240	270	330	360	390
December 2006		260	295	360	395	425

MTW Voucher Program Flat Subsidies						
BR size	0	1	2	3	4	5
Original	167	169	256	396	466	556
March 2001	215	220	320	500	570	675
October 2002	215	220	320	500	570	675
July 2003	215	220	320	500	570	600
December 2004	215	220	320	500	570	600
December 2005	240	270	320	500	570	600
December 2006	270	300	350	530	600	630

Source: HATC MTW Site Visit Report, February 20, 2007, Optimal Solutions Group, LLC, and Abt Associates Inc.

The following are the other components of HATC's MTW rent system:

- public housing rent is based on bedroom size;
- subsidy level is based on voucher size;
- changes in income have no impact on rent or subsidy;
- the 40% rule³ does not apply to HCV participants;
- residents pay for their own utilities; and
- there is a \$50 minimum rent.

By basing the public housing rent structure on bedroom size, HATC separates the rent payment from personal income. Participants are charged a flat rent based on 50% of local fair market rent. By basing the HCV subsidy level on voucher size and by waiving the 40% rule in the HCV program, HATC allows families to look for units in higher rent neighborhoods, with the expectation that the burden will decrease as incomes rise. The fact that changes in income do not impact public housing rents or subsidies allows families to earn more without paying more, and also simplifies the system considerably.

³ The 40% rule states that a household cannot rent a unit where the housing authority's payment exceeds 40% of the individual's income. Waiving it allows families to devote a larger percentage of their income to rent.

Promising Practices: The HATC provides extensive information on the impacts of its rent policy on the HATC website (www.hatc.net). As of December 2006, 79 % of HATC’s MTW families (both public housing and HCV) had rent burdens at or below 30 % of their income, 15 % had rent burdens between 30 % and 50 % of their income, and 5 % had rent burdens over 50 % of their income. The greatest portion of the families with higher rent burdens were HCV participants. This may be because the flat subsidy in the HCV program allows MTW families greater choice to rent larger units or units in better neighborhoods, than their counterparts on the income-based program.

Data collected between May 1999 and December 2006 suggests that in the aggregate, MTW program participants have experienced higher increases in income than participants in HATC’s income-based programs. As shown in the table below, non-elderly, non-disabled families enrolled into MTW directly from the waiting list (new move-ins) have experienced an average increase in family income of approximately 43 % in the public housing and approximately 41 % in the HCV program. This HCV percentage did decline from 58% in 2005 to 41 % in 2006. By contrast, the non-elderly, non-disabled families on HATC’s income-based programs have increased their incomes by an average of 16 % in the public housing program and 8 % in the HCV program. Participants in HATC’s public housing flat rent program (operated separately from MTW) have had higher income growth (65 %) than their income-based counterparts, and like last year, far exceeded the growth rates posted by MTW participants.

Aggregate Income Increase Between May 1999 and December 2006		
Non-Elderly, Non-Disabled Families		
Public Housing:	Number of Families	Increase in Family Income
Income-Based	47	16%
HUD Flat Rent Option (not MTW)	29	65%
MTW – Conversion*	104	51%
MTW – New Move-Ins**	216	43%
Housing Choice Voucher Program:	Number of Families	Increase in Family Income
Income-Based	151	8%
Welfare to Work (Income-Based)	90	15%
MTW – Conversion*	407	67%
MTW – New Move-Ins**	733	41%
* Existing HATC tenants who opted to convert to MTW at the start of the demonstration.		
** Families enrolled into MTW from the waiting list.		
This includes all families that have had at least one reexamination. For flat rent families, reexaminations are conducted every three years. Exempt and non-wage income is not included.		

HATC reports that landlords appear to prefer the flat subsidy system and have been more receptive to MTW participants than traditional voucher participants. The flat subsidy system is easier for the owner to understand, and interim changes to the participant's and the HATC's portion of the rent is now very infrequent.

Note: HATC indicated that they do not believe a flat rent/flat subsidy system would work in areas with extremely high housing costs. This is due to the fact that even if households increase their income substantially while on assistance, it will be more difficult for them to move off of assistance and into the private rental market or to become homeowners.

ADMINISTRATIVE EFFICIENCY

Lessons Learned: It is important to note that HATC is the only MTW housing authority not to receive public housing operating subsidy from HUD in recent years. Even before HATC entered MTW, they adopted a working preference that resulted in an unusually high rental income level. HATC has attempted to ensure the public housing MTW rental income received will be adequate to cover the operating costs of the program.

HATC's flat rent/flat subsidy systems are both easy to understand and to administer. Additionally, as these systems are not based on the households income, interim rent adjustments are not required to reflect interim changes in a household's income. Although a family's income does not determine the rent or subsidy amounts, HATC still collects and verifies household income information so that the impacts of the rent policies can be assessed and resident information can be transmitted to the HUD Public and Indian Housing Information System (PIC) system.