Subject: Request for Letters of Interest under the Moving to Work Demonstration Program for Fiscal Year 2019: COHORT #2 – Rent Reform

1. Purpose and Background

This Notice offers eligible public housing agencies (PHAs) the opportunity to express interest in admission to the Moving to Work (MTW) Demonstration Program. MTW allows PHAs to design and test innovative, locally designed housing and self-sufficiency strategies for low-income families by permitting PHAs to use assistance received under Sections 8 and 9 of the United States Housing Act of 1937, as amended, 42 U.S.C. 1437, et seq., (1937 Act) more flexibly and by allowing certain exemptions from existing public housing and Housing Choice Voucher (HCV) program rules, as approved by HUD.

The MTW Demonstration Program was originally authorized by Section 204 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996, P.L. 104-134; 42 U.S.C. 1437f note (1996 MTW Statute). Section 239 of the Fiscal Year 2016 Appropriations Act, P.L. 114-113 (2016 MTW Expansion Statute), authorizes HUD to expand the MTW Demonstration Program by an additional 100 PHAs over seven years (hereafter, the “MTW Expansion”). The 2016 MTW Expansion Statute provides that PHAs selected as part of the MTW Expansion must be high performers, meet certain size and site selection requirements, and represent geographic diversity across the country.

This Notice lays out the first step by which PHAs will be selected for the second cohort of the MTW Expansion, which will test rent reform. In this first step, interested PHAs that meet the eligibility criteria in Section 4(B) of this notice will submit a Letter of Interest package to HUD. HUD will then conduct an eligibility review of these interested PHAs. A separate selection notice will be published at a later date requesting full applications for the second cohort of the MTW Expansion. Only PHAs that submitted a Letter of Interest package to HUD under this notice and met the eligibility criteria in Section 4(B) of this notice may submit a full application at that time. Eligibility and selection criteria are based on the requirements of the 1996 MTW Statute, the additional criteria in the 2016 MTW Expansion Statute, and other indicators that ensure only qualified PHAs are selected. These criteria will also allow HUD to test important policy priorities of interest to the Department and the assisted housing community. Applications for other cohorts of the MTW Expansion
will be sought through separate selection notices.

Section 2 of this notice highlights important elements of the program structure and evaluative components of the MTW Expansion. Section 3 explains the general framework and selection process for this second cohort of PHAs under the MTW Expansion. Section 4 provides information on the first step of the application process for the second cohort on submitting a Letter of Interest package. Finally, Section 5 gives administrative details and contact information.

2. **Program Structure for PHAs Selected to Participate in the MTW Expansion**

   **A. MTW Expansion Overview**

   The MTW Demonstration Program was first established under the 1996 MTW Statute to provide statutory and regulatory flexibility\(^1\) to participating PHAs under three statutory objectives. Those three statutory objectives are to:

   - reduce cost and achieve greater cost effectiveness in federal expenditures;
   - give incentives to families with children where the head of household is working; is seeking work; or is preparing for work by participating in job training, educational programs, or programs that assist people to obtain employment and become economically self-sufficient; and
   - increase housing choices for eligible low-income families.

   Also established under the 1996 MTW Statute are five statutory requirements that PHAs participating in the MTW Demonstration Program must meet throughout the term of their MTW participation. As part of their application plan before obtaining MTW designation, and throughout the term of MTW participation, PHAs will certify as to compliance with these requirements in accordance with the MTW Operations Notice. Throughout the term of MTW participation, HUD will also quantifiably monitor these requirements in accordance with the MTW Operations Notice. These are:

   - to ensure at least 75% of families assisted are very low-income as defined in Section 3(b)(2) of the 1937 Act;
   - to establish a reasonable rent policy that is designed to encourage employment and self-sufficiency;
   - to continue to assist substantially the same total number of eligible low-income families as would have been served absent MTW;
   - to maintain a comparable mix of families (by family size) as would have been provided had the funds not been used under the MTW Demonstration Program; and
   - to ensure housing assisted under the MTW Demonstration Program meets housing quality standards established or approved by the Secretary.

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\(^1\) The MTW Demonstration Program may only provide certain policy changes (flexibilities) related to provisions of the 1937 Act. The MTW Demonstration Program does not provide any waivers to other applicable federal, state or local laws or regulations. For more information on the history of the MTW Demonstration Program, please go to: www.hud.gov/mtw.
The 2016 MTW Expansion Statute requires that HUD increase the MTW Demonstration Program by 100 PHAs over seven years. Per the 2016 MTW Expansion Statute, PHAs selected must be high performers and represent geographic diversity across the country. Further, these PHAs may administer HCVs only, public housing only or HCVs and public housing, but must fall within the following categories:

- no less than 50 PHAs shall administer 1,000 or fewer aggregate authorized public housing and HCV units;
- no less than 47 PHAs shall administer 1,001-6,000 aggregate authorized public housing and HCV units;
- no more than 3 PHAs shall administer 6,001-27,000 aggregate authorized public housing and HCV units;
- no PHA shall be granted the designation if it administers in excess of 27,000 aggregate authorized public housing and HCV units; and
- five of the PHAs selected shall be agencies with portfolio awards under the Rental Assistance Demonstration (RAD).

Per the 2016 MTW Expansion Statute, in the MTW Expansion PHAs will be added to the MTW Demonstration Program in cohorts that will test specific policy changes. These policy changes have been established with advice from an MTW Research Advisory Committee. The policy change that will be tested by the second cohort of PHAs, as well as the policies to be tested by other cohorts of the MTW Expansion, are discussed in more detail in Section 2(C) of this notice. Each cohort will have its own selection process and selection criteria. The statutory requirements related to PHA size, geographic diversity, and RAD portfolio awards will be applied to MTW Expansion as a whole; any individual cohort may target a specific type of PHA (for example, cohort 1 focuses on small PHAs).

B. Program Structure

The proposed program structure of the MTW Expansion is explained in greater detail in the Federal Register Notice, “Operations Notice for the Expansion of the Moving to Work Demonstration Program Solicitation of Comment.” The Department selected this program structure with the intent to balance the desire to preserve maximum flexibility for the PHAs selected under the MTW Expansion with the need to retain key protections for assisted families and the mandate to conduct a robust evaluation.

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2 Decisions on geographic diversity will take under consideration both PHAs to be added under the MTW Expansion and current MTW PHAs.

3 For more information on the establishment, purpose, members and meeting content of the MTW Research Advisory Committee, please go to: http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/mtw/expansion.

4 This Federal Register Notice may be accessed at: https://www.federalregister.gov/documents/2018/10/11/201822158/operations-notice-for-the-expansion-of-the-moving-to-work-demonstration-program-republication-and. This Federal Register Notice seeks comments on the draft Operations Notice from the public during a 45-day window following its publication.
When the final version of the Operations Notice is published at a later date, it will govern the participation of all PHAs in the MTW Expansion, including those in the second cohort selected under this notice. It will establish program structure, detail terms and conditions and provide all available MTW waivers and associated activities. The Operations Notice will be informed by public comment, finalized by HUD and published before any PHAs in the MTW Expansion may begin implementation of a local MTW program, including those selected for the second cohort under this notice.

C. Evaluation of MTW Expansion PHAs

The MTW Expansion Statute directs HUD to add PHAs to the MTW Demonstration Program by cohort and to test one specific policy change for each cohort. Under the advisement of the MTW Research Advisory Committee, HUD has established the overall policies to be studied by the cohorts in the MTW Expansion including what will be studied by the second cohort.\footnote{5}

While the policies to be tested for the first and second cohorts have been determined, the order of cohorts in which future policies will be studied has not yet been decided. Cohorts may receive specific waivers to facilitate the policy being tested. HUD may also restrict certain waivers if they would conflict with the evaluation of cohort-specific policies.

Additional information on the order, timing and research design of other policies to be tested under the MTW Expansion will be given in greater detail in the selection notices for those cohorts. Policies to be tested under the MTW Expansion, in no particular order except for the first and second cohorts, include:

- **Overall Impact of MTW Flexibility**: In the first cohort, the overall effects of MTW flexibility on a PHA and the residents it serves will be evaluated.
- **Rent Reform**: In the second cohort, different rent reform models that may or may not be income based, to include tiered rents, and/or stepped-up rents, will be evaluated.
- **Work Requirements**: In this cohort, work requirements for residents/participants who are at least 18 years old, non-elderly and non-disabled will be evaluated.
- **Landlord Incentives**: This cohort will evaluate how to improve landlord participation in the HCV program through incentives such as participation payments, vacancy payments, alternate inspection schedules and other methods.

**Cohort 2 Rent Reform Policies**

The second cohort of the MTW Expansion will evaluate alternative rent policies designed to increase resident self-sufficiency and reduce PHA administrative burdens. The alternative rent policies will be limited to non-elderly, non-disabled households.\footnote{6} An

\footnote{5} For more information on this meeting of the MTW Research Advisory Committee, please go to: http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/mtw/expansion.

\footnote{6} Within the scope of the MTW Operations Notice, MTW PHAs may amend the definition of an elderly person to increase the elderly age to an individual who is at least sixty-five years old. HUD expects to restrict that waiver for cohort 2. Rather than increasing the elderly age threshold, HUD expects that the threshold would be lowered to determine which households are eligible to participate in the cohort 2 rent reform demonstration. Any
independent research team will work with HUD and the selected PHAs to assist in implementation and evaluate the effects of the alternative rent polices.

HUD expects eligible households to include residents/participants in both the public housing and HCV programs. The evaluation will include existing, currently assisted households and new households admitted during the alternative rent enrollment period. Within the PHA, non-elderly, non-disabled households will be randomly assigned to either a control group, to which the existing rent policy will apply, or a treatment group, to which the alternative rent policy will apply. After the initial random assignment of non-elderly, non-disabled households during the enrollment period, the PHA may choose whether to apply the existing rent policy or the alternative rent policy to future new non-elderly, non-disabled households.

Each selected PHA will implement one alternative rent policy. The PHA will bear primary responsibility for implementing the alternative rent policy. The research team will support PHAs with a variety of implementation tasks, including conducting random assignment, training PHA staff on the new rent policy, providing information on the new rent policy to participating households and updating PHA data/software systems.

The rent policies that PHAs in the second cohort may implement include:

- **MTW Test Rent #1 – Tiered Rent (Income-Based):** Households are grouped by income into tiers. Within each tier, rents (or, in the HCV program, participant contribution) are fixed. Any income increase within a tier does not affect the household’s rent/tenant contribution.

- **MTW Test Rent #2 – Stepped Rent: 5% Step (Decoupled from Income):** Rents are increased annually (or, in the HCV program, the participant contribution is increased) according to a fixed schedule of 5% of Fair Market Rent (FMR) by bedroom size. These increases are unrelated to the income of the assisted household.

- **MTW Test Rent #3 – Stepped Rent: 3% Step (Decoupled from Income):** Rents are increased annually (or, in the HCV program, the participant contribution is increased) according to a fixed schedule of 3% of Fair Market Rent (FMR) by bedroom size. These increases are unrelated to the income of the assisted household.

- **MTW Test Rent #4 – PHA Proposed Alternative Tiered/Stepped Rent:** PHAs may propose a tiered or stepped rent that is different from the three HUD test rent policies above. A PHA proposing an alternative policy must, however, be able to ensure a sample size of at least 4,000 existing non-elderly, non-disabled households. A PHA that serves at least 4,000 non-elderly, non-disabled households in the public housing and/or HCV programs may propose an alternative policy on its own. A PHA that does not serve 4,000 non-elderly, non-disabled households may propose to partner with another PHA or PHAs; if they combine to serve at least 4,000 non-elderly, non-disabled households and commit to implement the exact same alternative policy, HUD may select them jointly. If selected jointly, each individual PHA will count

7 Currently, most HUD-assisted households pay a rent/participant contribution equal to 30% of their adjusted income (known as the Brooke rent).
towards the 100 total MTW Expansion PHAs and conform to the size requirements described in Section 2(A) of this notice. An MTW PHA may not extend MTW flexibility to another non-MTW PHA under MTW Test Rent #4. In addition to the sample size requirement, any alternative policy proposed by a PHA (or PHAs) must be a tiered rent or stepped rent and must fit within the boundaries established by HUD. These boundaries are outlined in Attachment 1.

More information on all four of these alternative rent policies and the specific elements of each are available in Attachment 1 of this notice. These rent policies may change. HUD will examine the Letters of Interest received in response to this notice to determine whether these policies, as currently formulated, are viable and worth testing. If the Letters of Interest suggest variations of the policies above, or entirely different policies, HUD will consider changes to the rent policies that will be tested. Final rent policies, including any deviations from what is presented herein, will be presented in the Selection Notice.

In order to effectively evaluate these alternative rent policies, PHAs selected under this second cohort must forgo the ability to utilize certain MTW waivers/activities associated with rent reform outside the scope of the evaluation on their non-elderly, non-disabled households for a period of six years after the alternative rent is fully implemented. The following MTW waivers/activities will not be available to PHAs selected under this second cohort for that time period⁸:

- Waiver 1 on Tenant Rent Policies, Activities a-l, p-w (unless used as a part of the HUD-approved alternative rent policy);
- Waiver 4 on Reexaminations, Activities a-b (unless used as a part of the HUD-approved alternative rent policy);
- Waiver 7 on Short-Term Assistance, Activities a-b;
- Waiver 8 on Term-Limited Assistance, Activities a-b;
- Waiver 9 on Work Requirements, Activities a-b; and
- Waiver 10 on Increase Elderly Age, Activity 10.

In addition, while PHAs selected under this second cohort may utilize Waiver 16 on MTW Self-Sufficiency Programs, Activities a-e, these activities may not be implemented to create a mandatory self-sufficiency program or a self-sufficiency program that imposes a time limit and/or work requirement.

Participation in the second cohort may also affect a PHA’s participation in RAD. A PHA selected under this second cohort may not pursue a RAD conversion to Project-Based Rental Assistance (PBRA) that affects households subject to the evaluation for the above time period. A RAD conversion to PBV would not be limited.

To support the evaluation of the second cohort, all applicant PHAs will be required to complete a web-based PHA Baseline Research Survey as a part of the initial Letter of Interest package. While PHAs will be required to complete the PHA Baseline Research Survey as a part of the Letter of Interest process, the data will not be used in determining

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⁸ This list of waivers and activities may be updated in the full Selection Notice for this second cohort after the Operations Notice is finalized.
3. **Selection Process Overview for Second Cohort of the MTW Expansion**

The second cohort of the MTW Expansion will consist of PHAs with 1,001 or more aggregate authorized public housing and HCV units. Further, in order to ensure adequate sample size, the PHA must have 1,000 or more existing non-elderly, non-disabled public housing and/or HCV households that will be eligible for the rent reform evaluation. The exact number of PHAs to be selected under the second cohort is dependent on research capabilities and funding. To select these PHAs, HUD will conduct a two-step application process.

In the first step, PHAs interested in receiving MTW designation under the second cohort that believe they meet the eligibility criteria in Section 4(B) of this notice must submit a Letter of Interest package under this notice. The Department will utilize HUD systems and the materials submitted by the interested PHAs to confirm eligibility under this notice. All interested PHAs with confirmed eligibility will then be notified by email of their eligibility to apply to the second step of the application process. Non-eligible interested PHAs will also be notified by email.

The Department will use the information provided by PHAs in the Letter of Interest packages to further refine the rent policies to be tested and to generate the full selection criteria to be utilized in the second step of the application process. Depending on the number of eligible Letter of Interest packages received, the geographic regions represented, and prevalence of RAD participation, HUD may adjust the full selection criteria to account for these factors. HUD will consider the location of current MTW PHAs in assessing geographic diversity.

In the second step, PHAs notified of their eligibility after submitting a Letter of Interest may submit a full application under the selection notice for the second cohort. This selection notice is anticipated to be published in the summer of 2019. Upon submitting full applications under this second step, selected and non-selected PHAs will be notified by HUD via email. Selection does not constitute formal entry into the MTW Demonstration Program. Selected PHAs may not flexibly use Section 8 and Section 9 funding or invoke any MTW flexibility before formal entry into the MTW Demonstration Program when an Annual Contributions Contract (ACC) amendment detailing MTW participation is executed by both HUD and the PHA and any other requirements of the Operations Notice are met.

Non-selection under this second cohort will not preclude eligible PHAs from applying to a future cohort under the MTW Expansion and receiving MTW designation, provided the PHA is eligible under the terms of the selection notice for that future cohort.

4. **Application Step 1 – PHA Letter of Interest Package**

**A. Letter of Interest Package Submission Format**

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PHAs interested in joining the MTW Demonstration Program that believe they meet the eligibility in Section 4(B) of this Notice must submit a Letter of Interest package to HUD by the submission deadline given in Section 4(C) of this notice.

The Letter of Interest package must consist of all of the following elements:

i. A Letter of Interest from the PHA stating the desire to obtain MTW designation under the second cohort of the MTW Expansion. The letter must be no more than seven pages long and be signed by the PHA’s Executive Director (or equivalent PHA executive). The Letter of Interest must clearly answer all of the following questions:

- In order of preference, which rent policies (MTW Test Rent #1, MTW Test Rent #2, MTW Test Rent #3 and/or MTW Test Rent #4) listed in Section 2(C) of this notice is the PHA willing to implement?
- Which, if any, of the rent policies (MTW Test Rent #1, MTW Test Rent #2, MTW Test Rent #3 and/or MTW Test Rent #4) listed in Section 2(C) of this notice is the PHA not willing to implement? If the PHA is willing to test any of the rent policies, please state this.
- If the PHA is willing to implement MTW Test Rent #1, MTW Test Rent #2, or MTW Test Rent #3, are there any aspects of those policies, as currently proposed, that the PHA would advise HUD to modify?
- If interested in implementing MTW Test Rent #4, what are the specific details of the policy that the PHA would seek to implement? The PHA should review Attachment 1 of this notice and provide a similar level of detail for the proposed policy.
- If the PHA is interested in implementing MTW Test Rent #4, are there other PHAs that you will partner with to achieve the needed sample size of 4,000 existing non-elderly, non-disabled households?
- What is the number of existing non-elderly, non-disabled households that the PHA expects to participate in the evaluation? Does the PHA expect to admit new households who would participate in the alternative rent policy; and if so, how many? Note that the estimate of new admissions is not binding.
- Implementing an alternative rent policy will require modifications to the software/IT systems used to record information from the HUD-50058 form and calculate rents. What, if any, vendor does the PHA use for software/IT systems related to rent calculations?

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10 Any pages beyond the seven-page limit will not be reviewed, potentially causing failure to meet the eligibility requirements. Pages must be double-spaced, on 8½ x 11-inch paper, use Times New Roman 12-point font, and contain a one-inch margin on all sides. If one or more of these requirements are not met on a particular page, that page will be counted as two pages.

11 For purposes of this Letter of Interest package, plans to partner with one or more PHAs at this stage are not binding. When the selection notice for this second cohort is published, details on how to demonstrate partnership will be available. If applying under Test Rent #4 in partnership with other applicant PHAs, all PHAs participating in the partnership must be eligible and selected based on the criteria in the full selection notice for this second cohort.
• What is the estimated cost of modifying the aforementioned software/IT systems to accommodate the proposed rent reform? Note, this cost estimate is not binding.

ii. A resolution signed by the Board of Commissioners (or equivalent governing body) approving the PHA’s desire to obtain MTW designation under the second cohort of the MTW Expansion and stating the intention to comply with the MTW objectives and statutory requirements and the Operations Notice. The resolution must cite each of the rent policies (Test Rent #1, Test Rent #2, Test Rent #3 and/or Test Rent #4) that the PHA is willing to evaluate. There is no prescribed format for this resolution.

These items must be submitted electronically as a converted PDF or as a Microsoft Word document (1997 version or higher) to: Marianne Nazzaro; Director, Moving to Work Demonstration Program; email: MTWcohort2@hud.gov. The submittal email should be titled “MTW Expansion Cohort #2 Letter of Interest” and should include the name of the PHA and relevant contact information in the body of the email.

In addition to these items, the PHA must complete the PHA Baseline Research Survey online by the submission deadline given in Section 4(C) of this Notice. The PHA Baseline Research Survey may be accessed at: https://www.huduser.gov/webapps/public/pha2/home. After completing the PHA Baseline Research Survey, the system will thank the PHA for its participation. There is no need for the PHA to submit any additional information on the PHA Baseline Research Survey with the Letter of Interest package, as HUD will verify that it has been completed.

The addressee that transmitted the Letter of Interest package will receive an email confirming receipt within 72 hours of submission.

B. Letter of Interest Package Criteria for Eligibility

By the Letter of Interest package submission deadline, PHAs must meet all the eligibility requirements included in this section to proceed to the second step of the application process. All eligibility requirements will be verified as of the Letter of Interest package submission deadline date provided in Section 4(C) of this notice unless otherwise noted. Some of the eligibility requirements will be verified by HUD and others will be demonstrated by items in the Letter of Interest package submitted by the PHA. The sources used to verify the eligibility requirements are given below.

i. Eligibility Requirements

a) List of Statutory Eligibility Requirements

(1) Administration of 1,001 or more aggregate public housing and/or HCV units as verified by HUD;\textsuperscript{12}

(2) Designation as a High Performer under the Public Housing Assessment System (PHAS) or Designation as a High Performer under the Section Eight Management Assessment Program (SEMAP) as verified by HUD; and

\textsuperscript{12} All authorized public housing and HCV units will be counted towards the aggregate amount, including any special purpose vouchers.
(3) The applicant is a PHA.

b) List of Additional Eligibility Requirements

HUD will verify the following eligibility requirements through HUD systems independent of information submitted by the PHA with the Letter of Interest package:

(1) Administration of 1,000 or more existing non-elderly, non-disabled households across both the public housing and HCV programs (not including special purpose vouchers);
(2) The PHA is not “troubled” under either PHAS or SEMAP (as applicable to the PHA’s inventory) as of the submission deadline date provided in Section 4(C) of this notice;
(3) The PHA submitted the PHA Baseline Research Survey information as directed by HUD in Section 4(A) of this notice;
(4) The PHA has a reporting rate in the Inventory Management System/Public and Indian Housing Information Center (IMS/PIC) of at least 90% of households in both the public housing and HCV programs (as applicable to the PHA’s inventory);
(5) If the PHA administers an HCV program, the PHA is up-to-date on all required submissions into the Voucher Management System (VMS);
(6) The PHA submitted all required submissions for the preceding three fiscal years into the Financial Assessment Sub-System (FASS-PH), Financial Data Schedule (FDS);
(7) The PHA submitted its most recent PHA Plan that was due to HUD;
(8) There are no unaddressed findings from Inspector General audits, Independent Public Accountant (IPA) audits, Tier I or II reviews, litigation with HUD, or any other on-site or remote reviews for the PHA. The PHA has resolved outstanding nondiscrimination or equal opportunity charges, cause determinations, lawsuits, or letters of finding in accordance with Section 3(A)(ii) of this notice. The PHA is not currently the subject of any unresolved Departmental challenge to the validity of the PHA’s civil rights certification under 24 CFR 903.7(o) and 903.15;
(9) If the PHA administers a public housing program, the PHA complied with obligation and expenditure deadlines of Capital Fund Program (CFP) grants in accordance with the requirements of Section 9(j) of the 1937 Act for the past three years; and
(10) If an outstanding repayment agreement with HUD is in place, the PHA has made payments according to that agreement or has come into compliance with the agreement.

HUD will verify the following eligibility requirements according to information submitted by the PHA in the Letter of Interest package:

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13 In assessing eligibility, HUD will take into consideration any HUD-provided flexibility granted to the PHA associated with disaster relief.
(11) A Letter of Interest that was no more than seven pages and signed by the Executive Director (or equivalent executive) indicating the desire to obtain MTW designation under the second cohort of the MTW Expansion was submitted; and

(12) A Board Resolution signed by the Board of Commissioners (or equivalent governing body) approving the PHA’s desire to obtain MTW designation under the second cohort of the MTW Expansion and stating the intention to comply with the MTW objectives and statutory requirements and the Operations Notice was submitted.

ii. Non-Eligible Applicants

A Letter of Interest package submitted by multiple PHAs or from a consortium of PHAs will not be considered, nor will Letter of Interest packages from individuals or other non-PHA entities.

Outstanding civil rights matters must be resolved before the Letter of Interest submission deadline in Section 4(C) of this Notice. Interested PHAs who after review are confirmed to have civil rights matters unresolved at the Letter of Interest package submission deadline will be determined ineligible; the Letter of Interest package will receive no further review. Interested PHAs having any of the charges, cause determinations, lawsuits, or letters of findings referenced immediately below that have not been resolved to HUD’s Office of Fair Housing and Equal Opportunity’s satisfaction by the Letter of Interest package submission deadline date are ineligible. Such matters include:

- Charges from HUD concerning a systemic violation of the Fair Housing Act or receipt of a cause determination from a substantially equivalent state or local fair housing agency concerning a systemic violation of a substantially equivalent state or local fair housing law proscribing discrimination because of race, color, religion, sex, national origin, disability or familial status;
- Status as a defendant in a Fair Housing Act lawsuit filed by the Department of Justice alleging a pattern or practice of discrimination or denial of rights to a group of persons raising an issue of general public importance pursuant to 42 U.S.C. 3614(a);
- Status as a defendant in any other lawsuit filed or joined by the Department of Justice alleging a pattern or practice or systemic violation of Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Section 109 of the Housing and Community Development Act of 1974, Title II of the Americans with Disabilities Act, or a claim under the False Claims Act related to fair housing, non-discrimination, or civil rights generally including an alleged failure to affirmatively further fair housing;
- Receipt of a letter of findings identifying systemic non-compliance with Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Section 109 of the Housing and Community Development Act of 1974; or Title II of the Americans with Disabilities Act; or
- Receipt of a cause determination from a substantially equivalent state or local
fair housing agency concerning a systemic violation of provisions of a state or local law prohibiting discrimination in housing based on sexual orientation, gender identity, or lawful source of income.

HUD will determine if actions to resolve the charge, cause determination, lawsuit, or letter of findings taken before the Letter of Interest package submission deadline date are sufficient to resolve the matter. Examples of actions that may be considered sufficient to resolve the matter include, but are not limited to:

- Current compliance with a voluntary compliance agreement signed by all the parties;
- Current compliance with a HUD-approved conciliation agreement signed by all the parties;
- Current compliance with a conciliation agreement signed by all the parties and approved by the state governmental or local administrative agency with jurisdiction over the matter;
- Current compliance with a consent order or consent decree;
- Current compliance with a final judicial ruling or administrative ruling or decision; or
- Dismissal of charges.

C. Corrections to Deficient Applications

HUD will contact all applicants to confirm receipt and status of their applications. HUD will uniformly notify each applicant of each curable deficiency by email, give instructions for how to address the curable deficiency, and the PHA must respond to the curable deficiency within 21 days from notification from HUD. Failure to respond according to the instructions and deadline may result in the PHA failing to meet the requirements of the application.

D. Letter of Interest Package Submission Deadline

Letter of Interest packages in response to this notice must be received by:


5. Administrative and Contact Information

A. Paperwork Reduction Act

The information collection requirements contained in this document are approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 2501-3520). The OMB control number is 2577-0216. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required
to respond to, a collection of information unless the collection displays a currently valid OMB control number.

B. Additional Resources

PHAs interested in applying to the second cohort of the MTW Expansion will find resources available in compiling the Letter of Interest package at: www.hud.gov/mtw. Here, HUD will post this notice, Frequently Asked Questions, and a checklist to help interested PHAs ensure they meet the eligibility requirements contained in this notice.

C. Contact Information

For further information, contact: Marianne Nazzaro; Director, Moving to Work Demonstration Program; e-mail: MTWcohort2@hud.gov, or visit the MTW Demonstration Program website at: www.hud.gov/mtw.

/s/
Dominique Blom
General Deputy Assistant Secretary
for Public and Indian Housing
Cross-Cutting Provisions Applicable to All MTW Test Rents

<table>
<thead>
<tr>
<th>Summary of Cross-Cutting Provisions Applicable to All MTW Test Rents</th>
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<tbody>
<tr>
<td><strong>Utility Allowance</strong>: The alternative rent policy includes a utility allowance. The household will receive a utility reimbursement if applicable.</td>
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<tr>
<td><strong>Actual Gross Rent</strong>: An HCV household cannot pay more than the actual gross rent for their unit. If the gross rent is above the payment standard, the household is responsible for any amount over the payment standard.</td>
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<tr>
<td><strong>Hardship Policy</strong>: A hardship policy must be put in place that addresses changes in circumstances.</td>
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<tr>
<td><strong>Reexaminations</strong>: Regular reexaminations will occur every three years.</td>
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<tr>
<td><strong>Moves</strong>: If a household moves, rent will be recalculated according to the characteristics of the new unit.</td>
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</tbody>
</table>

The “rent” produced by the alternative rent policy is the tenant’s total contribution, including a utility allowance. If a public housing household has a tiered/stepped rent of $300, they would pay the PHA an amount equal to $300 minus their utility allowance. If an HCV household has a tiered/stepped rent of $300, they would pay their landlord an amount equal to $300 minus their utility allowance. If a household has a utility allowance greater than their tiered/stepped rents, they will receive a utility reimbursement from the PHA.

HCV households cannot pay more than the actual gross rent for their unit. If an HCV household has a tiered/stepped rent of $700, but they live in a unit with gross rent of only $650, the household would pay the full $650 and receive zero HUD subsidy. Even if the payment standard and FMR are higher (say, $900) this household would receive zero HUD subsidy. If, however, such a household moved to a different unit with a gross rent of $900 (and the FMR/payment standard allowed for this amount), their rent would be subsidized $200.

If an HCV household rents a unit with gross rent above the payment standard, the tenant would be responsible for that incremental amount above the payment standard. This incremental amount would be added to their base tiered/stepped rent.

The PHA must implement a hardship policy that grants households a hardship exemption under the following circumstances. This will be referred to as a “full hardship”:

- The family has experienced a decrease in income because of changed circumstances, including loss or reduction of employment, death in the family, or reduction in or loss of earnings or other assistance;
- The family has experienced an increase in expenses, because of changed circumstances, for medical costs, child care, transportation, education, or similar items; and
- Such other situations and factors determined by the agency to be appropriate.

Regular income reexaminations will happen every three years. The only time that a PHA would conduct an income reexamination within the triennial period is if the household requests a hardship exemption. In such a case, the PHA would conduct an interim reexamination to
determine whether a hardship is merited.

If a household moves in between regular triennial reexaminations, its rent may change. For example, if a household on a stepped rent downsizes from a three-bedroom unit to a two-bedroom unit, it will shift to the two-bedroom stepped rent schedule and its rent will decrease. If an HCV household moves to a new unit, its rent will be recalculated based on the gross rent and payment standard corresponding to the new unit.
MTW Test Rent #1 – Tiered Rent (Income-Based)

Summary of MTW Test Rent #1 – Tiered Rent (Income-Based)

- **Income-Based Tiers:** MTW Test Rent #1 establishes income-based tiers of $2,500 increments. Within those tiers, rent is based on 30% of income at the midpoint of the tier.
- **Initial Tier Placement:** The household’s adjusted income is calculated, and the household is placed in the corresponding tier.
- **Future Tier Placement:** Upon each triennial recertification, the household’s adjusted income is updated, and the household placed in the corresponding tier.
- **Minimum Rent:** The minimum rent is $50.

Households are grouped by income into tiers. Within each tier, rents (or, in the HCV program, participant contribution) are fixed. Any income increase within a tier does not affect the household’s rent/tenant contribution.

Tiers are in $2,500 increments. That is, the lowest tier includes households with income between $0 and $2,499; the next tier includes households with income between $2,500 and $4,999; and so on. The number of tiers would vary by PHA, with the maximum tier going up to the PHA’s area median income. Table 1 presents the minimum and maximum income for each tier up to $32,499.

Each household will be assigned to a tier based on its *adjusted income* in the prior year.

Table 1: Tiered Rent

<table>
<thead>
<tr>
<th>Tier</th>
<th>Tier Income minimum</th>
<th>Tier Income maximum</th>
<th>Tiered rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$0</td>
<td>$2,499</td>
<td>$50</td>
</tr>
<tr>
<td>2</td>
<td>$2,500</td>
<td>$4,999</td>
<td>$94</td>
</tr>
<tr>
<td>3</td>
<td>$5,000</td>
<td>$7,499</td>
<td>$156</td>
</tr>
<tr>
<td>4</td>
<td>$7,500</td>
<td>$9,999</td>
<td>$219</td>
</tr>
<tr>
<td>5</td>
<td>$10,000</td>
<td>$12,499</td>
<td>$281</td>
</tr>
<tr>
<td>6</td>
<td>$12,500</td>
<td>$14,999</td>
<td>$344</td>
</tr>
<tr>
<td>7</td>
<td>$15,000</td>
<td>$17,499</td>
<td>$406</td>
</tr>
<tr>
<td>8</td>
<td>$17,500</td>
<td>$19,999</td>
<td>$469</td>
</tr>
<tr>
<td>9</td>
<td>$20,000</td>
<td>$22,499</td>
<td>$531</td>
</tr>
<tr>
<td>10</td>
<td>$22,500</td>
<td>$24,999</td>
<td>$594</td>
</tr>
<tr>
<td>11</td>
<td>$25,000</td>
<td>$27,499</td>
<td>$656</td>
</tr>
<tr>
<td>12</td>
<td>$27,500</td>
<td>$29,999</td>
<td>$719</td>
</tr>
<tr>
<td>13</td>
<td>$30,000</td>
<td>$32,499</td>
<td>$781</td>
</tr>
</tbody>
</table>

Within each tier, the rent is set to be affordable at the midpoint of the tier. Households in the lowest tiers (with adjusted income less than or equal to $2,499) would pay a minimum rent of $50. For all other tiers, the rent is equal the midpoint of the tier divided by 12 times 30%. All households in a tier have the same rent.\(^{14}\)

\(^{14}\) The one exception is HCV households renting a unit with gross rent above the payment standard. As noted
A household’s rent would not change between regular triennial recertifications if their income increases into the next tier. During that three-year period, a household’s rent could only change under two circumstances: 1) if it receives a full hardship, or 2) if it is an HCV household and moves into a unit with a different gross rent or payment standard.
Rents are increased annually (or, in the HCV program, the participant contribution is increased) according to a fixed schedule of 5% of FMR by bedroom size. These increases are unrelated to the income of the assisted household.

The PHA establishes a stepped rent schedule with 18 steps. The rent for each step is set as a percentage of the FMR, adjusted by number of bedrooms. See Table 2 for a sample schedule assuming FMRs of $800 for an efficiency, $1,000 for a one-bedroom, $1,200 for a two-bedroom, and $1,500 for a three-bedroom unit. At each step, the rent increases by 5% of the FMR. At step 18, the rent equals 100% of the FMR.

Table 2: Stepped Rent: 5% FMR

<table>
<thead>
<tr>
<th>Step</th>
<th>%FMR</th>
<th>Efficiency (0 bedroom unit)</th>
<th>One Bedroom Unit</th>
<th>Two Bedroom Unit</th>
<th>Three Bedroom Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>15%</td>
<td>$120</td>
<td>$150</td>
<td>$180</td>
<td>$225</td>
</tr>
<tr>
<td>2</td>
<td>20%</td>
<td>$160</td>
<td>$200</td>
<td>$240</td>
<td>$300</td>
</tr>
<tr>
<td>3</td>
<td>25%</td>
<td>$200</td>
<td>$250</td>
<td>$300</td>
<td>$375</td>
</tr>
<tr>
<td>4</td>
<td>30%</td>
<td>$240</td>
<td>$300</td>
<td>$360</td>
<td>$450</td>
</tr>
<tr>
<td>5</td>
<td>35%</td>
<td>$280</td>
<td>$350</td>
<td>$420</td>
<td>$525</td>
</tr>
<tr>
<td>6</td>
<td>40%</td>
<td>$320</td>
<td>$400</td>
<td>$480</td>
<td>$600</td>
</tr>
<tr>
<td>7</td>
<td>45%</td>
<td>$360</td>
<td>$450</td>
<td>$540</td>
<td>$675</td>
</tr>
<tr>
<td>8</td>
<td>50%</td>
<td>$400</td>
<td>$500</td>
<td>$600</td>
<td>$750</td>
</tr>
<tr>
<td>9</td>
<td>55%</td>
<td>$440</td>
<td>$550</td>
<td>$660</td>
<td>$825</td>
</tr>
<tr>
<td>10</td>
<td>60%</td>
<td>$480</td>
<td>$600</td>
<td>$720</td>
<td>$900</td>
</tr>
<tr>
<td>11</td>
<td>65%</td>
<td>$520</td>
<td>$650</td>
<td>$780</td>
<td>$975</td>
</tr>
<tr>
<td>12</td>
<td>70%</td>
<td>$560</td>
<td>$700</td>
<td>$840</td>
<td>$1,050</td>
</tr>
<tr>
<td>13</td>
<td>75%</td>
<td>$600</td>
<td>$750</td>
<td>$900</td>
<td>$1,125</td>
</tr>
<tr>
<td>14</td>
<td>80%</td>
<td>$640</td>
<td>$800</td>
<td>$960</td>
<td>$1,200</td>
</tr>
<tr>
<td>15</td>
<td>85%</td>
<td>$680</td>
<td>$850</td>
<td>$1,020</td>
<td>$1,275</td>
</tr>
<tr>
<td>16</td>
<td>90%</td>
<td>$720</td>
<td>$900</td>
<td>$1,080</td>
<td>$1,350</td>
</tr>
<tr>
<td>17</td>
<td>95%</td>
<td>$760</td>
<td>$950</td>
<td>$1,140</td>
<td>$1,425</td>
</tr>
<tr>
<td>18</td>
<td>100%</td>
<td>$800</td>
<td>$1,000</td>
<td>$1,200</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

In year 1, each household is assigned to the step that corresponds to their unit size and existing
rent in the prior year (rounding down). Using the example in Table 2, a household with adjusted income of $8,800 pays $220 per month under existing rent policies. If they live in a one-bedroom unit, their existing rent is rounded down to $200 and the household therefore starts at step 2.

After year 1, each household’s income has no effect on their rent. They automatically advance to the next step on an annual basis, and their rent increases by 5% of FMR. Step 18 (the final step) equals 100% of the FMR; when a household reaches this step, they will cease to receive HUD assistance.

The PHA updates the stepped rent schedule every five years as a part of the PHA Plan process. Thus, every five years the stepped rent schedule is adjusted to reflect new FMRs—if rents are increasing, the stepped rents increase across the entire schedule, and if rents are decreasing, the stepped rents decrease.

Income reexaminations would occur every three years. The purpose of these reexaminations would be to verify eligibility, not to calculate rents. If a household’s income at reexamination is high enough to affordably rent a unit at the FMR, they will no longer be eligible for assistance. That is, if a household’s monthly income times 30% is greater than the FMR for their household/unit size, they would be required to exit assistance. This applies to both the HCV and public housing programs.

The only time that a household deviates from the stepped rent schedule is if they request, and are granted, a hardship exemption. Two types of hardships shall be available. The first—a full hardship—is described under the “Cross-Cutting Provisions” section. A full hardship resets the household’s step level based on their actual income. For example, a household that is at step 6, but experiences job loss that reduces their income to $0 resets to step 1. The next year they resume the step schedule, advancing to step 2.

The second hardship—a limited hardship—is a one-year pause in the stepped rent schedule. A household could request a limited hardship if they do not qualify for a full hardship, but are nonetheless struggling to pay the stepped rent. If a household requests a limited hardship, the PHA will conduct an interim recertification. If the household’s rent burden exceeds 50% at the next step, the limited hardship shall be approved. A household may only receive one limited hardship over the course of their tenure.
MTW Test Rent #3 – Stepped Rent: 3% Step (Decoupled from Income)

**Summary of MTW Test Rent #3 – Stepped Rent: 3% Step (Decoupled from Income)**

- **Steps:** MTW Test Rent #3 establishes a rent schedule beginning at 8% of FMR by bedroom size and increases in 3% increments to 80% of the FMR.
- **Initial Step Placement:** Each household enters at the step that is closest to the rent they would pay under the existing rent calculation.
- **Future Step Placement:** Each year, the household moves to the next step in the schedule regardless of actual income.

Rents are increased annually (or, in the HCV program, the participant contribution is increased) according to a fixed schedule of 3% of Fair Market Rent (FMR) by bedroom size. These increases are unrelated to the income of the assisted household.

The PHA establishes a stepped rent schedule with 25 steps. The rent for each step is set as a percentage of the FMR, adjusted by number of bedrooms. See Table 3 for a sample schedule assuming FMRs of $800 for an efficiency, $1,000 for a one-bedroom, $1,200 for a two-bedroom, and $1,500 for a three-bedroom unit. At each step, the rent increases by 3% of the FMR. At step 25, the rent quals 80% of the FMR.

**Table 3: Stepped Rent: 3% FMR**

<table>
<thead>
<tr>
<th>Step</th>
<th>%FMR</th>
<th>Efficiency (0 bedroom unit)</th>
<th>One Bedroom Unit</th>
<th>Two Bedroom Unit</th>
<th>Three Bedroom Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>8%</td>
<td>$64</td>
<td>$80</td>
<td>$96</td>
<td>$120</td>
</tr>
<tr>
<td>2</td>
<td>11%</td>
<td>$88</td>
<td>$110</td>
<td>$132</td>
<td>$165</td>
</tr>
<tr>
<td>3</td>
<td>14%</td>
<td>$112</td>
<td>$140</td>
<td>$168</td>
<td>$210</td>
</tr>
<tr>
<td>4</td>
<td>17%</td>
<td>$136</td>
<td>$170</td>
<td>$204</td>
<td>$255</td>
</tr>
<tr>
<td>5</td>
<td>20%</td>
<td>$160</td>
<td>$200</td>
<td>$240</td>
<td>$300</td>
</tr>
<tr>
<td>6</td>
<td>23%</td>
<td>$184</td>
<td>$230</td>
<td>$276</td>
<td>$345</td>
</tr>
<tr>
<td>7</td>
<td>26%</td>
<td>$208</td>
<td>$260</td>
<td>$312</td>
<td>$390</td>
</tr>
<tr>
<td>8</td>
<td>29%</td>
<td>$232</td>
<td>$290</td>
<td>$348</td>
<td>$435</td>
</tr>
<tr>
<td>9</td>
<td>32%</td>
<td>$256</td>
<td>$320</td>
<td>$384</td>
<td>$480</td>
</tr>
<tr>
<td>10</td>
<td>35%</td>
<td>$280</td>
<td>$350</td>
<td>$420</td>
<td>$525</td>
</tr>
<tr>
<td>11</td>
<td>38%</td>
<td>$304</td>
<td>$380</td>
<td>$456</td>
<td>$570</td>
</tr>
<tr>
<td>12</td>
<td>41%</td>
<td>$328</td>
<td>$410</td>
<td>$492</td>
<td>$615</td>
</tr>
<tr>
<td>13</td>
<td>44%</td>
<td>$352</td>
<td>$440</td>
<td>$528</td>
<td>$660</td>
</tr>
<tr>
<td>14</td>
<td>47%</td>
<td>$376</td>
<td>$470</td>
<td>$564</td>
<td>$705</td>
</tr>
<tr>
<td>15</td>
<td>50%</td>
<td>$400</td>
<td>$500</td>
<td>$600</td>
<td>$750</td>
</tr>
<tr>
<td>16</td>
<td>53%</td>
<td>$424</td>
<td>$530</td>
<td>$636</td>
<td>$795</td>
</tr>
<tr>
<td>17</td>
<td>56%</td>
<td>$448</td>
<td>$560</td>
<td>$672</td>
<td>$840</td>
</tr>
<tr>
<td>18</td>
<td>59%</td>
<td>$472</td>
<td>$590</td>
<td>$708</td>
<td>$885</td>
</tr>
<tr>
<td>19</td>
<td>62%</td>
<td>$496</td>
<td>$620</td>
<td>$744</td>
<td>$930</td>
</tr>
</tbody>
</table>
Many provisions of the 3% FMR Stepped Rent are identical to the 5% FMR stepped rent. In year 1, each household is assigned to the step that corresponds to their unit size and existing rent in the prior year (rounding down). After year 1, each household automatically advances to the next step on an annual basis. Income reexaminations occur every three years to verify eligibility. The PHA updates the full stepped rent schedule every five years in its PHA Plan.

The primary differences are that the 3% FMR Stepped Rent: has a lower step 1 rent (8% of FMR), has smaller annual rent increases (3% of FMR), culminates in a shallow subsidy (at 80% of FMR), and allows each household to receive the limited hardship twice. A limited hardship is a one-year pause in the stepped rent schedule. A household could request a limited hardship if they do not qualify for a full hardship, but are nonetheless struggling to pay the stepped rent. If a household requests a limited hardship, the PHA will conduct an interim recertification. If the household’s rent burden exceeds 50% at the next step, the limited hardship shall be approved.

Setting the final step at 80% of FMR (instead of 100% of FMR) would provide ongoing assistance that may be particularly necessary in high-cost housing markets.

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>65%</td>
<td>$520</td>
<td>$650</td>
<td>$780</td>
<td>$975</td>
</tr>
<tr>
<td>21</td>
<td>68%</td>
<td>$544</td>
<td>$680</td>
<td>$816</td>
<td>$1,020</td>
</tr>
<tr>
<td>22</td>
<td>71%</td>
<td>$568</td>
<td>$710</td>
<td>$852</td>
<td>$1,065</td>
</tr>
<tr>
<td>23</td>
<td>74%</td>
<td>$592</td>
<td>$740</td>
<td>$888</td>
<td>$1,110</td>
</tr>
<tr>
<td>24</td>
<td>77%</td>
<td>$616</td>
<td>$770</td>
<td>$924</td>
<td>$1,155</td>
</tr>
<tr>
<td>25</td>
<td>80%</td>
<td>$640</td>
<td>$800</td>
<td>$960</td>
<td>$1,200</td>
</tr>
</tbody>
</table>
PHAs may propose a tiered or stepped rent that is different from the three HUD test rent policies above. A PHA proposing an alternative policy must:

- **Sample Size**: Ensure sample size of at least 4,000 existing non-elderly, non-disabled households to be randomly assigned to either the treatment group or the control group (either by itself or with partner PHA(s)).
- **Conform to Boundaries**: Any alternative rent policy proposed must be a tiered or a stepped rent and meet the boundaries described below.

If a PHA chooses to develop its own **tiered rent policy**, that policy must fit within the boundaries described below.

- **Overall Objectives**: The policy must be designed to achieve simplification and improved administrative efficiency. PHAs are also encouraged to use the policy to encourage resident self-sufficiency, to the extent practicable.
- **Tiers**: Tiers must be no smaller than $2,000 and no larger than $10,000. The PHA may set tiers of varying increments (e.g., tiers of $2,500 up to a certain income level, and tiers of $5,000 above that point).
- **Rent-setting within Tiers**: The PHA may decide what rent households would pay within each tier. However, the rents may not be set at a level that would result in more than 10% of affected households paying more than 40% of their income for rent.
- **Other**: All other rent-related policy provisions not discussed above would be left to the discretion of the PHA, within the constraints of the MTW Operations Notice.

If a PHA chooses to develop its own **stepped rent policy**, that policy must fit within the boundaries described below.

- **Overall Objectives**: The policy must be designed to incentivize assisted households to increase their earnings and move towards self-sufficiency. PHAs are also encouraged to use the policy to achieve simplification and improved administrative efficiency, to the extent
practicable.

- **Year 1 Rent**: The rent that each household pays in the first year of the stepped rent schedule must have some relation to their ability to work towards self-sufficiency. Income at baseline is HUD’s preferred proxy, but the PHA may propose an alternative method for determining year 1 rent. The PHA should *not* require all households to pay the same rent in year 1.

- **Income-Rent Connection**: After year 1, rents must not be based on a household’s income, except to the extent necessary to mitigate hardships.

- **Maximum Rent (Final Step)**: The PHA may decide where to set the maximum rent (the final step in the schedule). The maximum rent should be appropriate for the PHA’s housing market. In low-cost housing markets, it may be appropriate to have the maximum rent set at the FMR. In higher-cost housing markets, it may be more appropriate to have the stepped rent schedule culminate in an ongoing shallow subsidy.

- **Step Schedule**: The PHA may vary the size and number of steps. The PHA does not have to create a stepped rent *table*, per se (such as Tables 2 and 3, with a fixed number of steps and corresponding rent). Rather, the PHA could simply choose a fixed amount by which rents will increase each year. A PHA may find it simpler to set this rent increase, rather than specify a full table. Regardless of the specific approach, the PHA may choose how to advance households from step 1 to the maximum rent/final step, with one exception: under no circumstance may the PHA require zero income households to advance to the maximum rent in less than nine years (three triennial recertification cycles).

- **Hardship Policy**: At a minimum, the PHA must have a hardship policy consistent with the “full hardship” described above. HUD strongly recommends that the PHA also have some hardship provision for households that cannot increase their earnings enough to keep pace with the scheduled stepped rent increases.

- **Other**: All other rent-related policy provisions not discussed above would be left to the discretion of the PHA, within the constraints of the MTW Operations Notice.