



MOVING TO WORK (MTW) DEMONSTRATION PROGRAM

COHORT 2 WEBINAR

Marianne Nazzaro, Director
Paul Joice, Research Analyst, PD&R

Logistics for Today



Questions: We will have a few breaks during the presentation for you to ask questions. The producer will instruct you on how you can unmute your phone to ask a question. You can also ask questions by using the chat feature on your screen.



Availability of Slides: We are recording this webinar and will post the recorded webinar along with the slides on our website (www.hud.gov/mtw).



Contact Us: If you have questions after the webinar you can email us at MTWcohort2@hud.gov



Website: We keep our website updated regularly so please visit us at www.hud.gov/mtw



Overview of Webinar

- Today's Speakers:
 - *Marianne Nazzaro*, Director, MTW Demonstration Program
 - *Paul Joice*, HUD Office of Policy Development and Research
- Overview of MTW and Cohort #2
- Solicit feedback on the rent policies



COHORT 2 WEBINAR – PURPOSE



PROVIDE AN OVERVIEW OF MTW,
THE MTW EXPANSION, AND
COHORT #2



RECEIVE FEEDBACK FROM
PARTICIPANTS ABOUT THE
PROPOSED ALTERNATIVE RENTS



ANSWER QUESTIONS

What is MTW?

- Offers public housing agencies (PHAs) the opportunity to design and test innovative, locally-designed housing and self-sufficiency strategies
- Gives PHAs and HUD flexibility to design and test approaches for providing and administering housing assistance in a more cost-effective way
- Allows PHAs exceptions to certain public housing and Housing Choice Voucher (HCV) rules
- Enables PHAs to use public housing and HCV funds flexibly



How Has MTW Impacted the Industry

Streamlining Rule

- *Self-certification of assets under \$5,000*
- *Biennial unit inspections and/or alternate inspections for HCV and PBV*
- *HQS re-inspection fee*
- *Increase of payment standards (120%) for the reasonable accommodation of persons with disabilities*

HOTMA

- *Increased PBV unit and development caps*
- *Less frequent income recertification for those on a fixed income*
- *Owner maintained site-based waiting lists for PBV*
- *Creation of a capital fund replacement reserve and allowing up to 20% of the Op Fund to be transferred to the capital fund*

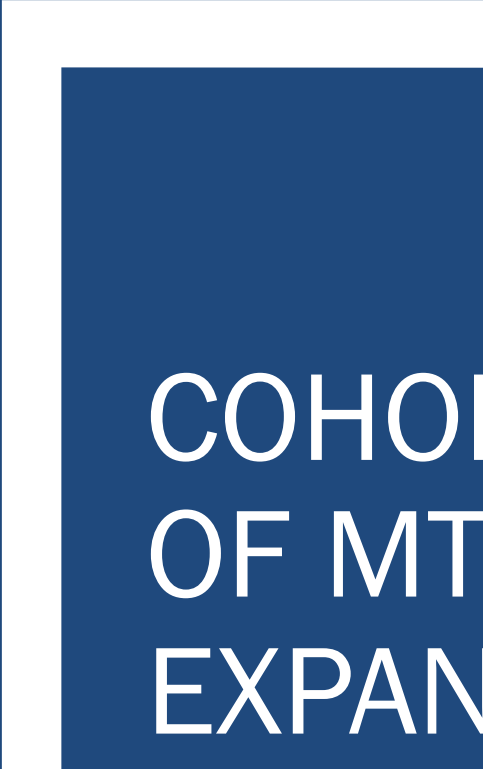


MTW Expansion

- 2016 Appropriations Act authorizes 100 additional PHAs to join MTW demonstration
 - MTW Expansion PHAs will be added in cohorts that will test specific policy changes
 - Research advisory committee advises HUD on specific policy changes to be implemented and evaluated
- **Selection Requirements:**
- 7 years to designate
 - PHAs must be high-performers
 - Represent geographic diversity



Policy to Test	Research Method
Cohort #1: MTW Flexibility	Randomly select up to 30 PHAs from applicants under 1,000 combined units; Compare to the PHAs that were not selected.
Cohort #2: Rent Reform	Random assignment within PHA.
Cohort #3: Work Requirements	Either between PHAs or across developments within a PHA.
Cohort #4: Landlord Incentives	Randomly select 20 PHAs from applicants; Compare to PHAs not selected.



COHORTS OF MTW EXPANSION

Cohort #2 Selection Process

Notice PIH 2019-04, also known as the Request for Letters of Interest Notice for Cohort #2, lays out the two-step application process by which PHAs will be selected for the second cohort of the MTW Expansion.

In the first step, interested PHAs will submit a letter of interest to HUD by **June 12, 2019**. HUD will then conduct an eligibility review and notify PHAs of their eligibility status.



In the second step, the Department will issue a separate selection notice requesting full applications for Cohort #2. Only PHAs that submitted letters of interest under Notice PIH 2019-04 will be able to submit full applications





QUESTIONS?

Cohort 2: Rent Reform

Two common critiques of status quo (Brooke rents):

- Too complicated (for PHAs, and for tenants).
- Creates an implicit tax on additional income.

Objectives for Cohort 2 alternative rents:

- Incentivize higher earnings.
- Minimize hardship.
- Reduce administrative burden.
- PHA budget neutrality.



Is Cohort 2 Right for You?

PHA must have 1,001 or more *units* (public housing or vouchers). Also must have 1,000 or more *eligible households*.

Eligible households: non-elderly, non-disabled; assisted under public housing or HCV program; excludes special purpose vouchers.



HUD's Proposed Alternative Rents

- Tiered Rents: Also known as income bands. Households are placed into income tiers/bands. All households within a tier pay the same rent.
- Stepped Rents: Rent increases (or HAP decreases) over time according to a fixed schedule, regardless of income (except for hardship provisions).



Tiered Rent

- \$2,500 tiers. Households assigned to tiers based on adjusted income.
- Rent set equal to 30% of midpoint of the tier.
- Triennial recertifications.

Tier	Tier minimum	Tier maximum	Tiered rent
1	\$0	\$2,499	\$50
2	\$2,500	\$4,999	\$94
3	\$5,000	\$7,499	\$156
4	\$7,500	\$9,999	\$219



Stepped Rents

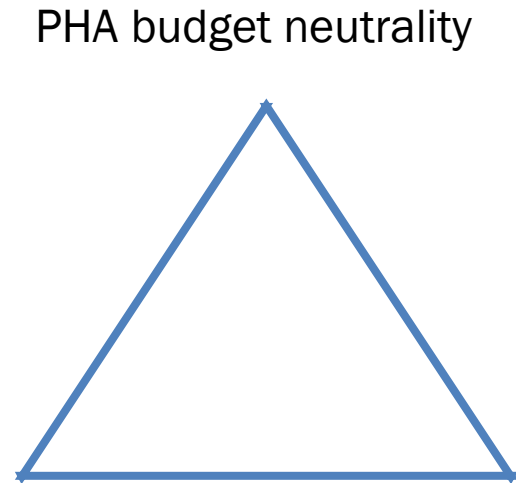
Rent changes each year, not based on the household's income. How large should steps be? Where should the steps start and end?



Stepped Rents

Three competing objectives:

Tenant
earnings
incentive



PHA budget neutrality

Minimize
tenant
hardship



Stepped Rents based on FMR

Establishes a stepped rent schedule, by unit size and Fair Market Rent (FMR).

In year 1, households would be placed at a step corresponding to their income.

Each year thereafter, they advance to the next step.



Stepped Rent (5% FMR)

Sample schedule assuming FMR of \$1,000 for a 1 bedroom unit

Step	%FMR	Efficiency	One Bedroom Unit	Two Bedroom Unit	Three Bedroom Unit
1	15%	\$120	\$150	\$180	\$225
2	20%	\$160	\$200	\$240	\$300
3	25%	\$200	\$250	\$300	\$375
4	30%	\$240	\$300	\$360	\$450
5	35%	\$280	\$350	\$420	\$525
6	40%	\$320	\$400	\$480	\$600
...
16	90%	\$720	\$900	\$1,080	\$1,350
17	95%	\$760	\$950	\$1,140	\$1,425
18	100%	\$800	\$1,000	\$1,200	\$1,500



Stepped Rent (5% FMR)

Two hardships available:

1. “Full” hardship. Resets step level based on the household’s current income. Available for decreased income, increased expenses, other situations determined by PHA. Available as needed.
2. “Limited” hardship. One year pause in stepped rent schedule, if rent burden would exceed 50%. Available once.



Stepped Rent (3% FMR)

Similar to 5% Stepped Rent policy, *except*:

- Step 1 = 8% of FMR. (in effect, a much lower minimum rent)
- 25 total steps, with smaller annual increases.
- Step 25 = 80% FMR. In effect, culminating in a shallow subsidy.
- Limited hardship (one-year rent freeze) would be available more than once.



Stepped Rent (3% FMR)

Sample schedule assuming FMR of \$1,000 for a 1 bedroom unit

Step	%FMR	Efficiency	One Bedroom Unit	Two Bedroom Unit	Three Bedroom Unit
1	8%	\$64	\$80	\$96	\$120
2	11%	\$88	\$110	\$132	\$165
3	14%	\$112	\$140	\$168	\$210
4	17%	\$136	\$170	\$204	\$255
5	20%	\$160	\$200	\$240	\$300
6	23%	\$184	\$230	\$276	\$345
...
23	74%	\$592	\$740	\$888	\$1,110
24	77%	\$616	\$770	\$924	\$1,155
25	80%	\$640	\$800	\$960	\$1,200



Other Stepped Rent Provisions

PHA will update the stepped rent schedule every 5 years (with PHA plan)

Recertifications every three years—not to set rent, but to review income, eligibility, household composition.

Unit changes might change rent, but not the step.

Households will cease to be eligible if they can affordably rent a unit at the FMR (at triennial recertification).



PHA-Proposed Alternative Rent

- Must be a tiered or stepped rent.
- Must have a sample of 4,000 households.
- Must have a hardship policy.

Tiered rent:

- Tiers no smaller than \$2,000 and no larger than \$10,000.
- Rent-setting within tiers must minimize high rent burdens.

Stepped rent:

- Year 1 step must be tailored to each household. After year 1, rents cannot be income-based (except for hardships).
- Max step must be appropriate for the market.
- Stepping from zero income to max step cannot take fewer than 9 years.



Cohort #2 Website



Applicants should go to www.hud.gov/mtw and click on the “Cohort 2 – Rent Reform” link. This webpage contains:

- PIH Notice 2019-04
- FAQ (this document will be updated regularly, so applicants should check back often)
- Microsoft Excel version of the “Eligibility Worksheet”
- Links to all Attachments and Standard Forms

What is Next?

Expansion Timeline - HUD's timeline for the expansion is as follows:

- Spring 2019: Extend timeframe for PHAs interested in the initial cohort of MTW agencies submit letters of interest. Publish Notice that outlines the Parameters of the second cohort and invite PHAs to submit letters of intent to apply. Publish final MTW Operations Notice.
- Summer 2019: Invite PHAs interested in the initial cohort to submit applications.
- Fall 2019: Designate the initial cohort of MTW agencies. Invite PHAs interested in the second cohort to submit applications.
- Spring 2020: Designate the second cohort of MTW agencies.
- Additional cohorts of MTW PHAs will be added, based on the advice of the advisory committee, through 2022.





QUESTIONS?

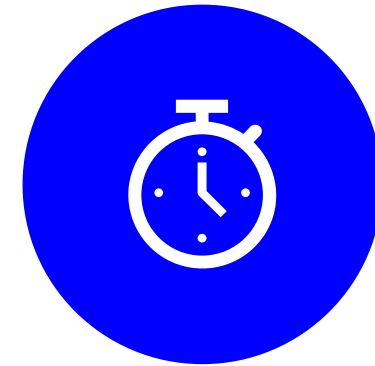
How to Contact Us



WWW.HUD.GOV/MTW



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SLIDES WILL BE POSTED ON
THE MTW WEBSITE IN THE
COMING DAYS