

MTW Research Advisory Committee (Conference call)

Thursday, January 25, 2018 Meeting Notes

AGENDA

I. Welcome and Introductions

Eva Fontheim, the Designated Federal Officer (DFO) for the Moving to Work (MTW) Research Advisory Committee, began the meeting by welcoming all participants to the meeting. Ms. Fontheim then proceeded to invite members of the Committee to introduce themselves. All Committee members were present except one (Mark Joseph).

PHA Representatives and Residents

- Josh Meehan, Keene Housing, NH
- Austin Simms, Lexington-Fayette Urban Housing Authority, KY
- Chris Lamberty, Lincoln Housing Authority, NE
- Ed Hinojosa, San Antonio Housing Authority, TX
- Janny Castillo, Oakland Housing Authority, CA
- Cindy Lopez, Housing Authority of Tulare County, CA
- Asia Coney, Philadelphia Housing Authority, PA

Researchers

- Stefanie DeLuca, Johns Hopkins University
- Jill Khadduri, Abt. Associates, Inc.
- Larry Orr, Johns Hopkins University
- Heather Schwartz, RAND Corporation

HUD Staff

- Marianne Nazzaro, MTW Director, Public and Indian Housing (PIH)
- Todd Richardson, Acting Deputy Assistant Secretary for Policy, Office of Policy Development and Research (PD&R)

The DFO introduced Dominique Blom, General Deputy Assistant Secretary for the Office of Public and Indian Housing (PIH), who thanked members of the Committee for their commitment and dedication to the MTW Research Advisory Committee (Committee) efforts. She also provided background on the purpose of the telephone call – to discuss shallow subsidies and rent reform along with work requirements and indicated that today’s discussion should center on the methodologies required to study these topics in a robust and rigorous manner.

Review of Guiding Principles

Next, Marianne Nazzaro, MTW Director, provided a review of the agenda for the meeting and restated the guiding principles that were established at the Committee’s July 26, 2016, conference call meeting. The Committee reviewed these principles:

1. Focus on policies to study rather than on program structure and administration;
2. Consider size of agencies, and that 97 of 100 will be under 6,000 units;
3. Consider policies could be studied across a broad variety of geographic areas;
4. Be aware of PHA costs, especially with regard to the MTW requirement to serve substantially the same number of families as would have been served absent MTW;
5. Be aware of burdens on participants, as well as benefits, in particular for children and families;
6. Policies should relate to one or more of the MTW Statutory Objectives;
7. There is some tension in MTW’s focus on deregulation and having a policy change that is targeted enough to be able to evaluate; and
8. There shouldn’t be a preconceived idea about what a given policy is going to achieve.

Summary of July, September, December Meetings

During the course of the last Committee meetings, four areas of study for the MTW expansion were recommended: MTW as a flexibility, rent reform, work requirements, and landlord incentives. Rent reform is the focus of this meeting and the goals of the meeting are to revisit and provide a fresh look at the rent reform study proposal and to discuss whether cohorts should study shallow subsidies.

II. Revisit Rent Reform Cohort Recommendation

Todd Richardson, Acting General Deputy Assistant Secretary of Policy, Development and Research (PD&R) reviewed the rent reform cohort recommendation:

A rent reform research memo had been sent to members prior to the meeting and the purpose of this meeting is to discuss and provide recommendations on the universe of PHAs to participate in a rent reform cohort.

The Committee will discuss three rent reform study designs:

1. Sample size/ Determining the PHAs that would be eligible to participate in the rent reform cohort.
 - a. There is a desire to have a large number of households participate in the rent reform cohort and this desire may require that only larger agencies participate in the rent reform cohort.
2. Determining what rent policies should be tested.
 - a. Proposed to test stepped rents over flat rents.
 - b. Proposed to test tiered rent.
3. Determining whether the Committee would recommend that agencies be allowed to layer work requirements or time limits on top of a rent reform.

1. Sample Size:

The Committee discussed which size PHAs would be eligible to participate in the rent reform cohort. For testing stepped rents and tiered rents, propose testing only non-elderly, non-disabled population, understanding that only about half of tenants are non-elderly and non-disabled, and to get an adequate sample size, larger agencies are needed. Given this restriction, it was stated that to get an adequate sample size, the Department would propose that the three slots for PHAs with combined unit totals between 6,001-27,000 be eligible for the rent reform cohort. A member wanted to know if participating will be restricted to new entrants or those recertifying. In the broader context of recruiting PHAs for the rent reform cohort, one member wanted to know if agencies would be allowed to choose which rent reform policy to test. The idea is for the agencies to choose which policy to test. Consequently, one member wanted to know what happens if a few PHAs select a particular rent type to test. In this instance, the Committee may suggest to PHAs a particular rent type if there is a shortage in one. Another factor is to determine how many of the 1001-6000 unit agencies will be needed for the rent cohort. The Committee had an extensive discussion about the sample size for the rent reform cohort. Should PHAs determine whether some test stepped or tiered rent? HUD wants to know more about implementing Brooke rents and the rent policy at the same time. It's possible that many of the larger agencies will be placed into the rent reform cohort to get the desired sample size. It was suggested that 10 agencies be selected for this cohort study, however if the 3 large agencies are part of this study, they may dominate the result and skew the study. The composition of the two groups should be comparable. Concerns were raised about random assignment by individual vs. property and how households/neighbors are impacted. The design could explore how stepped/tiered rent work for the agencies that have implemented them.

2. Rent Policies to Test

The discussion turned next to the second question: What rent policy to test and what are the "bumpers" around them. A Committee member suggested that flat rents not be tested and instead

test stepped and banded rents. Several members of the Committee believed flat rent should not be studied because it is a version of stepped rent. Research has shown that banded and stepped rent models vary by agency and there is tension on how to create parameters on how an agency may set up stepped and banded rent. One Committee member mentioned that stepped rents can be thought of in a few ways. One is that you are getting a family to a flat rent and the other is that this is a time limit. These are important distinctions in determining what you are trying to test. One Committee member suggested doing a fairly bold stepped rent that provides a strong enough incentive to make families become self-sufficient. One possibility is that a gradual increase-to-out approach should be tested. One Committee member cautioned that economic and political considerations in different localities may affect this suggestion. One member indicated that at his organization, all their non-elderly and non-disabled residents are participating in stepped rent in the HCV program.

A Committee member stated that maybe HUD should test what the effect is of the mix of policies and not to restrict their stepped or tiered design. One could envision stepping down to the shallow subsidy. Some Committee members thought that stepped rent should be coupled with intensive supportive services and this needs to be included in the conversation. The Committee felt that supportive services should be one of the parameters and those services should not be mandated. How does the time limit for the study, impact the stepped and tiered design? MTW allows tenants to choose to participate in a program that provides counseling for 5 years and if after the 5 years they do not achieve their goals then their subsidy is leveled out. As the discussion continued, a Committee member raised the issue of banded rent and suggested that rent type should be assigned by property to avoid residents noticing differences in how their rents are determined because it has the real potential to impact the results of the study. The Committee debated the idea of implementing 3 rent types at the same agency as opposed to 2. However, in the end, the Committee thought that 3 would be extremely difficult to test at one agency because of all the extra administrative work and IT challenges.

3. Layering Work Requirements or Time Limits with a Rent Study

The third question that was discussed was how to study the impact of stepped and tiered if PHAs are allowed to adopt work requirements and time limits. One Committee member indicated that it would be problematic to combine the two because there would not be the sample size to estimate the effects of any one of those program mixes. Perhaps allowing some limited flexibilities but with parameters. The majority of the Committee members agreed that a stepped rent is a de-facto work requirement. Therefore, the consensus was that it would be difficult to evaluate the effects of the rent reform if it is coupled with work requirements and time limits.

III. Policy Framework and Research Methodology – MTW Statutory Objective #1: Reduce Cost and Achieve Greater Cost-Effectiveness in Federal Expenditures

The DFO introduced Ben Hobbs, Special Policy Advisor in PIH, who introduced the discussion - how to reduce cost and achieve greater cost effectiveness in federal expenditure, commonly referred to as shallow subsidies. A draft document had been distributed to Committee members prior to the meeting, which centered on unmet needs in poverty areas. The proposal is to test giving families a lower subsidy, as the Project Independence Study and other studies have found that giving a lower

subsidy does not result in a family's loss of housing. With a lower subsidy, there is the potential to help more families with the same amount of subsidy, and at least it may be more cost-effective to the federal government. It is similar to flat rents, but one could do a shallow subsidy in different ways—e.g., flat, shallow subsidy, or a reduction in the Housing Assistance Payment. The idea is to look at outcomes, such as evictions in the whole community, housing quality in the whole community, rent burden, and employment for example, and then at the very end, look at the quality of neighborhoods and impact on poverty concentration. Two questions were posed for the Committee to discuss: What to think of this proposal fitting into MTW and is it similar in some sense to the flat subsidy conversation, and how would it be studied and what type of shallow subsidy to use.

One member wanted to know the rationale for the proposal; is it to take an amount of money and spread it thinly or simply reducing the amount of money available. Members were reluctant to support a study that seeks to reduce the amount of money available but were sympathetic to the idea of studying how to house more people. Some members do not find value in shallow subsidies. This is very market specific, and shallow subsidies have been used with specific populations. HUD's data could determine how many people are being served at what contribution level. A Committee member mentioned that at the top of the discussion the focus was whether we are going to be able to provide more housing. She commented that she isn't sure this will be achieved using the shallow subsidy model. What would be interesting is if more funding were provided for housing to every single eligible family in her community. After the discussion, Ben Hobbs suggested that maybe the best way forward is to see what can be learned through HUD's existing data and to gain information (e.g. rate of evictions) from the stepped rent subsidy. If there are still gaps in the research HUD could consider a final cohort to do a shallow subsidy study.

As the discussion proceeded, the central question became - at what point in the stepped rent study does one know if residents are stepping out because they are self-sufficient or because they cannot pay the rent. One Committee member wanted to know what happens to a resident who receives flat subsidy if the person has a substantial increase in their income. Some members believed a never-ending flat subsidy is a non-starter. The members believed that it is more pragmatic to do a stepped rent.

IV. Update on the MTW Expansion

Marianne Nazzaro provided an update on where the Department is with the implementation of the MTW Expansion. In January and May 2017, HUD published the Operations Notice in the Federal Register for public feedback and received 800 comments. HUD deliberated Summer and Fall on the comments from the public and will be publishing an updated Operations Notice that considers these comments.

V. Public Input

Public Comments

1. Ed Olsen- University of Virginia: Homelessness and eviction are the most serious problems. We should provide shallow subsidies to more people such as reducing the payment standards. Shallow subsidies are things you can maintain. Shallow subsidies focus the subsidies more on the poorer people.
2. Deborah Thorp-National Housing Law Project: Thinks the study should capture the most number of people for a robust analysis. There is a proposal to use all 3 large agencies for the rent reform cohort, what about the other cohorts? It is unclear what the other cohorts will be. She also wanted to stress the mobility issue so that we can look at where people are moving to and not necessarily where they are housed when they receive subsidies. She also shared her opinion of MTW flexibility. Without studying policies in isolation and providing parameters it is hard to determine the study results.
3. Adrienne Todman- National Association of Housing and Redevelopment Officials: She felt is unfair that the larger housing authorities would be required to participate in a rent reform when they come into MTW. Other PHAs should be allowed to opt in if they desire. Shallow subsidies are timely and valid but may not answer the question about waiting lists. Shallow subsidies are a good tool for working families but not for homeless families. MTWs that apply should be afforded the same flexibilities as the current agencies.

VI. Summary of Discussion

After the Committee heard the public feedback, the DFO opened the floor to Committee discussion.

Marianne Nazzaro responded that it is HUD's intention to include policy areas being studied in the application notices. Therefore, the selection notice for the first cohort will include a list of all the cohort studies. One Committee member believed good points were made and that we should stick to income-based subsidy. Other members suggested that we take a holistic approach to studying the policy because other factors such as food, transportation, and medical cost also fluctuate. Some Committee members feel that if there is a banded rent cohort then it is to study administrative simplicity or is it to study disincentives to raising income. Some members believed that the logical question is how wide should the band be, do those widths encourage work. One member indicated that as a participant, the flat rent model worked, however the Committee has to take into consideration local conditions and for that reason should allow for that flexibility. Another member talked about the Jobs-Plus grant and the impact it has had on their residents. Resources for services are important to couple with rent reform.

Todd Richardson summarized the meeting with the following take-aways:

Who should be part of rent reform? The Committee concluded that requiring all 3 large PHAs be

part of the rent reform cohort is a not a good idea. However, allowing 1 large PHA into the study is a good idea. The Committee recommended that PHAs have maximum flexibility to design the policy that works best for their community. However, in order to understand if stepped or tiered rent have an impact on work, work requirements and time limits should not be implemented by the PHA while the rent reform model is being studied. For tiered rent, administrative simplicity is the driver and that should be tested. Stepped rent could be a way to determine how shallow subsidies impact families. One Committee member suggested that it might be useful to look at literature on the incentive effects of time limits on welfare.

VII. Discuss Next Steps and Adjourn

Marianne Nazzaro thanked the Committee for their dedication and effort and the DFO adjourned the meeting.

VIII. Follow-up Email Discussion after Committee Meeting:

After the Committee meeting, some Committee members provided additional thoughts via email:

One member posed dropping tiered rents altogether as randomized control trial (RCT) and instead only test stepped rents. Possibly 10 of the 100 PHA slots are reserved to test stepped rents. Some of the 50 PHAs that are in the RCT to test general MTW flexibility will adopt tiered rents. From those PHAs one can draw descriptive pre-post evidence about decline in administrative burden, tenant burden, and change in tenant contribution toward rent from the simplified, tiered rent structure. It's not experimental evidence, but it's good enough to understand the likely effects of banded rents, which seems like a simpler thing to test. Possible "bumpers" to test:

- 1) Bumpers for stepped rent experiment:
 - a. 2 of 10 PHAs in the experiment must be in the largest category; the other 8 must be in the middle size category.
 - b. PHAs may propose the stepped rent, but steps must decline over no fewer than, say 4 years and no more than 6 years.
 - c. PHAs must propose decline such at the final amount of subsidy is no more than XX percent of household income.
 - d. PHAs must offer all stepped rent participants resident counseling services similar to Keene Housing Authority.
 - e. PHA may not also impose a work requirement.
 - f. Only work-able households participate in the experiment.
 - g. Ask the PHAs in high-housing cost/high-advocacy areas what a stepped rent decline consists of. That information will be used to set bumpers so that study doesn't end up with only PHAs from low-cost housing markets participating in the experiment.

- 2) The stepped rent experiment could be the proxy for the shallow subsidy experiment. Therefore, of the 100 PHAs in the MTW expansion: 60 are selected into the "MTW flexibility" study; 10 are selected into the stepped rent experiment; 30 are into the landlord incentives study.

One Committee member agreed with this approach but not the end point and thought that tiered rents should be thought of as one of the benefits of general flexibility that produces administrative savings. Important to explore the variety of tiered rents--for example, how broad the tiers are-- and what the PHA's experience is for guidance on possible extension of the policy to all PHAs. Big advantages to a larger number of PHAs and a larger sample for stepped rents. The Committee member does not agree that the end point should be a percent of the household's income. There could be advantages in making it a percent of the payment standard applicable to the household size.

Another Committee member also agreed that resident services should accompany declining subsidies and wondered if there is value in HUD encouraging, rather than requiring, that stepped rent participants take resident counseling services. In terms of a stepped rent study, another recommendation is to have 10 agencies in the stepped rent study (with one being a large PHA), 10 in landlord incentives and 80 in "MTW Flexibility" study. Another Committee member agreed that requiring services rather than leaving it up to the PHA doesn't make sense.