

REPORT TO CONGRESS

Moving to Work: Interim Policy Applications and the Future of the Demonstration



August 2010

Department of Housing and Urban Development

Office of Public and Indian Housing

Office of Policy Research and Development

Prepared for

Congress

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August 2010

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I. Executive Summary

The Moving to Work (MTW) demonstration was established to give public housing authorities (PHAs)¹ and HUD flexibility to design and test various approaches for providing and administering housing assistance that:

- 1) Reduce cost and achieve greater cost effectiveness in Federal expenditures;
- 2) Give incentives to families with children where the head of household is working, 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
- 3) Increase housing choices for low-income families.

The 33 current MTW agencies² manage over 11% of all public housing units and near 13% of all vouchers. Combined, they receive roughly \$2.7 billion in voucher funding, \$730 million in public housing operating funds and \$380 million in capital funds.

MTW was legislated in 1996³, implemented in 1999 and is set to run until the end of each participating agency's 2018 fiscal year. Over ten years into the demonstration, it is an opportune time to assess lessons learned from the early years of the demonstration in order to shape the coming years.

The Consolidated Appropriations Act of 2010⁴ specified that, “of the amounts made available for research, evaluation and program metrics and program demonstrations, the Secretary shall include an evaluation of the Moving-to-Work demonstration program.” Each MTW agency implements a distinct set of activities with unique outcome measures, making the effects of MTW difficult to generalize. HUD is currently working to procure a contractor to conduct an independent, third-party evaluation of MTW, but, prior to this evaluation, the individual experiences of MTW agencies can, in many cases, already inform housing policy. With this challenge acknowledged, this interim report will address two questions:

1. How can MTW inform major policy debates, such as rent reform and streamlining housing authority operations, based on the data available?
2. What have we learned about participating agencies' abilities to implement MTW activities, in order to help inform selection of future MTW participants?

MTW provides unprecedented insight into alternative methods of providing housing assistance. By prolonging the demonstration and doubling the number of participating agencies, the housing industry stands to learn even more from this unique resource.

Policy Applications

This report summarizes how MTW informs each of four key policy areas by examining case examples and existing research. While this report does not attempt to synthesize and analyze all available data

1 The terms “PHA” and “agency” are used interchangeably throughout this report.

2 See Appendix A: List of Participating MTW Agencies.

3 See Appendix C: MTW Authorizing Legislation.

4 Public Law No: 111-117

and the examples and research provided are by no means considered exhaustive, this report identifies promising policies and practices, as well as concerns raised, based on the information available.

Preserving and Revitalizing Public Housing

Several MTW agencies have used MTW flexibilities to preserve public housing and replace decaying housing stock with modernized, mixed-income communities. These agencies have been able to improve the physical landscapes of their communities while providing more housing options for low-income families by:

- ***Pursuing greater capital development and portfolio goals with funding flexibility.*** MTW agencies have been able to pursue more ambitious development activities and engage in more strategic long-term capital planning as a result of MTW funding flexibility.
- ***Developing localized mobility policies to increase housing choice for recipients of rental assistance.*** The preexisting deconcentration statute for all traditional PHAs⁵ has proven difficult and expensive to administer. MTW PHAs have been able to adapt locally-informed resident choice and opportunity policies, which are streamlined to more effectively transform and revitalize their communities.
- ***Preserving public housing with project-based assistance.*** MTW agencies have leveraged considerable funds to preserve and maintain public housing by converting their public housing units to project-based assistance. Their experiences inform the Preservation, Enhancement, and Transformation of Rental Assistance Act (PETRA),⁶ which would support a streamlined conversion to longer-term project-based contracts similar to the project-based vouchers that MTW agencies use.

Though the flexibility afforded to MTW agencies allows them respond quickly to portfolio needs and local market conditions, the relocation of residents and the stability of leveraged funding sources should be taken into consideration.

Streamlining Housing Assistance: Using MTW to Increase Cost-Effectiveness of Federal Expenditures

While conclusive impacts of many MTW activities, particularly as they relate to residents, cannot yet be known, some of the most compelling MTW results to date are those regarding housing authority operations. MTW housing authorities have been able to more efficiently allocate resources and engage in strategic long-term planning by:

- ***Allowing agencies to combine funds.*** MTW agencies do not receive an allocation of funds by virtue of participating in MTW; rather, they receive funds from the traditional three primary funding sources (Housing Choice Voucher, public housing capital and public housing operating funds) and are able to allocate the funds interchangeably for activities approved under MTW. Combined funds are easier to manage and provide an opportunity to explore development and other activities that may require sizable initial investments. HUD would need to further explore how combined funds would function in accordance with other federal requirements and institute

⁵ Section 16(a)(3)(B) of the 1937 Act as added by QHWRA of 1998 and 24 CFR 903.2

⁶ http://portal.hud.gov/portal/page/portal/HUD/fy2011budget/signature_initiatives/transforming_rental_assistance/documents/PETRABillText%202010-05-11.pdf

protections to ensure that PHAs are serving as many or more families when they combine funds, before cautiously expanding this authority to other PHAs.

The primary concern regarding combined funds is whether housing authorities continue to serve the same number of families when they are permitted to use funds for purposes other than housing assistance. While there is a risk of relatively low utilization rates and high levels of reserves, most MTW agencies have actually served substantially more families than they would have been able to serve without MTW by streamlining operations and using accumulated funds to administer new assisted housing units.

- ***Streamlining housing authority operations.*** MTW agencies have utilized a host of administrative flexibilities to reduce unnecessary costs and labor for both residents and PHA staff. Many of these flexibilities have significantly reduced administrative burden and allowed participating agencies to more efficiently provide housing assistance. Some of the most promising streamlining flexibilities include:
 - ***Simplifying Housing Quality Standard (HQS) inspection protocols.*** Outside of MTW, all HCV units must be inspected prior to occupancy by tenants and before the anniversary of the occupancy date in each subsequent year. PHAs devote considerable resources to inspecting units that regularly adhere to HQS standards, and have no flexibility to cluster inspections efficiently. MTW offers agencies a number of flexibilities designed to streamline the HQS inspection process, including targeting higher-risk units with risk-based inspections, allowing landlords to self-certify that units meet inspections and modifying inspection dates to allow for efficient groupings. These policies have resulted in considerable administrative and cost savings for agencies.
 - ***Developing local wait list policies.*** MTW agencies are permitted to merge wait lists between developments and programs, create special-purpose and additional site-based waiting lists, and develop localized tenant selection procedures. These flexibilities enable them to adapt their waitlists to their portfolios and to more efficiently transition tenants off of waitlists and into unoccupied units.

These represent only two of many possible ways to streamline housing authority operations. Further exploration would likely reveal many ways in which more operations could be streamlined to reduce costs for the agency without negatively impacting residents. However, if streamlining flexibilities were to be expanded to other housing authorities, it would be important to explore the compatibility of these reforms with other programs so that housing authorities do not take on greater administrative burden to administer parallel systems with streamlined procedures for some families and traditional procedures for others.

Rent Reform: Streamlining and Encouraging Self-Sufficiency through Alternative Rent Structures

The experiences of MTW agencies have demonstrated that streamlining the rent calculation process may help alleviate administrative burden on housing authorities and residents without adversely impacting residents by:

- ***Reducing recertification frequency for fixed-income households.*** For elderly and disabled households living on fixed incomes, the only annual adjustment to income is typically the cost of living adjustment, which can be easily calculated by the PHA without administering the entire recertification process. MTW agencies have found that recertifying these households every two or three years, with only an automated cost of living adjustment in interim years, substantially reduces administrative burden.

HUD has already issued related guidance by requiring use of the Enterprise Income Verification (EIV) system in all assisted housing programs (including MTW). EIV has saved hundreds of thousands of federal dollars by increasing the accuracy and efficiency of income and rent determinations and reducing incidents of under- and unreported household income. Reducing recertifications for fixed-income households would allow PHAs to further realize the benefits of automating income recertifications where possible.

- ***Eliminating or simplifying the earned income deduction.*** The current disregard policy⁷ has imposed a significant administrative and financial burden on agencies that attempt to implement it. Income exclusion policies that encourage self-sufficiency can be simplified while keeping the original goals intact in order to prevent unnecessary burden on the PHA and residents.
- ***Ignoring some or all of asset income.*** Asset income refers to non-earned income, such as interest, dividends, or income derived from other investments. These sums are small, if they exist at all, and are extremely difficult to verify in a timely and cost effective way. The exclusion or limitation of asset income in tenant rent calculations allows agencies to save considerable time and labor costs without significantly altering the amount of rental income they receive from residents.
- ***Replacing medical and child care deductions with a standard deduction.*** These deductions require extensive documentation and verification, which is time-consuming and labor-intensive for PHAs and residents, and often provide only minimal savings for the tenant. A standard deduction set at a sufficient level and coupled with a hardship policy potentially reduces or eliminates the need for obtaining this documentation.

MTW has shown that alternative rent structures may have positive self-sufficiency outcomes for residents. However, because the rent reforms implemented under MTW vary greatly and were not implemented with a controlled experimental methodology, further exploration is needed to determine which aspects of these rent reforms could be recommended for all PHAs. Any potential rent model should attempt to encourage self-sufficiency and accurate reporting of income, but also ensure that tenants are not unduly burdened. Research suggests that a hybrid rent structure, which combines streamlining efforts with a form of flat rent and a form of income-based rent, may be most promising. These models have the potential to better encourage self-sufficiency in residents and produce much-needed cost-savings in the administration of public housing and Housing Choice Voucher programs. The Cambridge Housing Authority's tiered rents, in which a flat rent is set at 30 percent of adjusted income at the lower end of each of several income bands, is an example of this model.

Even with further research, it may still be difficult to determine one single rent structure that functions best in all housing authorities. Providing housing authorities with a limited menu of rent flexibilities

⁷ 24 CFR 960.255

similar to those provided in MTW, with protections to limit resident burden, could allow PHAs to better adapt their rent structures to their communities.

Self-sufficiency, Supportive Services and Service-Enriched Housing

MTW PHAs have used their flexibility to provide a more holistic approach to housing assistance, which combines rental subsidy with supportive services. MTW PHAs have shown that the ability to streamline operations, to combine funds between programs and to go beyond traditional public housing and voucher models of resident services can allow PHAs to more effectively encourage self-sufficiency by:

- ***Building stronger partnerships with other community organizations.*** As a result of their funding flexibility and leveraging ability, MTW PHAs have an enhanced ability to collaborate with local community partners and capitalize on existing community resources to formulate precise, tailored self-sufficiency programs that most effectively serve their local needs. MTW agencies can leverage their funding flexibility to supplement housing authority resources with community resources, ultimately providing more comprehensive services for residents.
- ***Developing local self-sufficiency programs.*** Although the current HUD self-sufficiency programs have shown signs of success, they are limited in funding and scope and provide a uniform approach to serving many distinct communities. MTW PHAs have developed ways to better incentivize self-sufficiency in residents by tailoring their self-sufficiency activities to their local community needs.
- ***Providing service-enriched housing.*** MTW agencies have used their project-based assistance flexibilities in partnership with local community organizations to provide service-enriched housing for homeless or other high-risk individuals and families. These populations often require extensive services in conjunction with housing assistance, but neither housing authorities nor community organizations are well positioned to provide both of these on their own.

While pairing housing assistance with supportive services may help housing authorities serve more family types (e.g., homeless and special needs families) and reduce the need for public assistance by helping residents become self-sufficient, it is important to recognize trade-offs between providing services and providing housing assistance. Without additional funding sources, the funds directed towards the provision of services may in some cases require a PHA to house fewer families. If the ability to develop locally tailored self-sufficiency programs is extended to all PHAs, it is important to consider how to ensure that the same number of families is housed. The ability of PHAs to partner with community organizations is especially important in this consideration, as leveraging community funds can allow PHAs to provide more services to residents while still maintaining the same level of rental subsidies.

Selecting for Success in MTW

While definitive outcomes of specific MTW reforms are still unclear, there is abundant qualitative data regarding the implementation of MTW programs. This report analyzes the data to determine characteristics of ‘successful’ MTW PHAs in terms of implementation, defined as those with the ability to make significant changes and to report on their outcomes in a way that is instructive to HUD, local

housing agencies and housing policy-makers. These characteristics were found to be resident, community and stakeholder support; responsiveness to community needs; strong leadership and committed staff; innovation and openness to change; and evaluation capacity. Obstacles to ‘successful’ implementation of MTW include a lack of stakeholder support and buy-in; unrealistic goals; deep systemic issues; limited vision and staff capacity; and difficulty evaluating activities. Based on these attributes, it is possible to develop more precise selection criteria for potential MTW agencies:

- **High Performance:** While some troubled agencies have benefited from MTW, achieving high performer status in HUD reporting systems and complying with other HUD requirements are predictors of ability to effectively implement and report on MTW activities. In particular, incoming MTW agencies should have stringent financial controls so as to effectively report on combined funds.
- **Evaluation Strategy and Capability:** Incoming agencies should have demonstrated evaluation capacity, a rigorous evaluation strategy, and a commitment, as a part of the MTW demonstration, to implementing a controlled study relating to at least one policy priority.
- **Demonstrated Innovation:** Incoming agencies should be able to demonstrate that they have exceeded HUD requirements and accessed optional HUD programs that help them better serve their communities.
- **Local Support:** Resident, community, local stakeholder and local political support are necessary for successful implementation of MTW, especially when introducing new and potentially controversial reforms. Incoming agencies should provide evidence of this support.
- **Identification of Community Needs:** Incoming agencies should be able to articulate specific local needs and how MTW would be used to address community goals.
- **Balanced Distribution of MTW PHAs:** The demonstration could be strengthened by a more representative distribution of housing authorities in the program, in terms of both size and geographical location.

Expanding MTW up to twice its current size (or roughly 60 agencies) with the use of strategic selection criteria and program implementation can help demonstrate the impacts of MTW on a broader scale, with the ultimate objective of applying the most successful approaches nationwide. However, program expansion should only proceed if the newly admitted PHAs structure their programs for high quality evaluations that permit lessons learned to be generalized beyond the single PHA experience. Altering the scope of the demonstration for new participants by mandating controlled studies and other more rigorous evaluation methodologies would lend insight into a variety of areas of interest. For example, by selecting agencies committed to testing a particular rent reform or other innovation in combination with a rigorous evaluation, the addition of new agencies can help HUD learn about specific areas of interest as they arise. Moreover, by requiring improved data collection methods and evaluation strategies from the outset, incoming MTW agencies will be better positioned to significantly strengthen the existing body of data on MTW.

MTW was designed as a demonstration program and a response to the ongoing need for a sustainable public housing platform. While MTW can continue to inform the housing industry about the outcomes of various approaches, a more extensive overhaul of the public housing laws would allow all public housing authorities to experience the benefits available to MTW agencies.

II. Introduction

Moving to Work (MTW) is a demonstration program that allows public housing authorities (PHAs) to design and test innovative, locally-designed strategies in pursuit of the national goal of delivering rental assistance more efficiently. MTW PHAs are permitted to seek exemption from many existing public housing and Housing Choice Voucher (HCV) program rules found in the United States Housing Act of 1937 in pursuit of the three MTW statutory objectives⁸:

- Reduce cost and achieve greater cost effectiveness in Federal expenditures;
- Give incentives to families with children where the head of household is working, 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 low-income families.

MTW serves as a laboratory for efforts to alter or streamline how public housing and HCV rental assistance is distributed nationally, regionally, and locally. MTW agencies are expected to use the opportunities presented by MTW to inform HUD and the housing industry about better ways to address local community needs. While MTW agencies are responsible for reporting the outcomes of their activities, it is HUD's responsibility to synthesize information from MTW agencies into lessons that can be applied nation-wide.

In order to discern the effects of any systemic changes to how these programs are implemented and managed at the city-, county- or state-level, it is important to properly evaluate the effects that MTW has on PHAs, PHA residents, local communities and federal expenditures. The Urban Institute completed the first formal evaluation of the entire stock of MTW agencies in 2004, but in the early years of MTW, rigorous evaluation strategies were not required and program data was inconsistent. The 2004 evaluation was thus largely descriptive and qualitative, and a more thorough combined quantitative and qualitative evaluation is needed. In 2008, HUD began requiring that MTW agencies provide more rigorous outcome measures of their MTW activities. HUD is in the process of securing another third-party evaluator of MTW to begin an evaluation of the program in FY 2011 based on the new data available, as required by the Standard MTW Agreement.

The Consolidated Appropriations Act of 2010⁹ specified that “of the amounts made available for research, evaluation and program metrics and program demonstrations, the Secretary shall include an evaluation of the Moving-to-Work demonstration program.” This report responds to this request, acknowledging that while the outcomes of specific activities will not be fully known until the pending third-party evaluation is complete, MTW agencies have provided a wealth of descriptive data and outcome measures on a number of activities that can be used in a preliminary evaluation. Thus, while this report does not attempt to synthesize and analyze all available data and the examples and research provided are by no means considered exhaustive, this report will identify promising policies and practices, as well as concerns raised, based on the information available.

⁸ Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134, 110 Stat 1321)

⁹ Public Law No: 111-117

This report addresses the following two questions:

1. How can MTW inform major policy debates, such as rent reform and streamlining housing authority operations, based on the data available?
2. What have we learned about participating agencies' abilities to implement MTW activities, in order to help inform selection of future MTW participants?

This report explores four key policy areas, using case examples from MTW housing authorities and existing research and literature, in order to answer questions about how MTW can inform these policy debates, which MTW activities can likely be successfully implemented at all PHAs, and what should be further explored. The report also analyzes the agency features that have facilitated successful implementation, which have presented obstacles, and how these lessons can be synthesized into selection criteria for future MTW agencies. The investigation of these two questions leads to a discussion of larger themes, including the role of the MTW program in HUD and in informing the housing industry.

III. MTW Program History

The Moving to Work demonstration program arose as a response to two philosophical debates of the mid-1990s – one regarding deregulation of public housing authorities, and one regarding self-sufficiency and employment among recipients of public assistance. At the time, HUD was looking to privatize many of its functions and reduce the number of HUD programs as an attempt to streamline HUD’s operations. Housing practitioners at both housing authorities and at HUD were increasingly frustrated with what they saw as excessive regulation. Complaints about the regulatory environment and the non-market approach to providing housing assistance have persisted since the formation of public housing, and growing frustration with federal regulations, paired with desires to streamline and privatize programs and to cut costs in federal programs, made deregulation an attractive option to explore.

At the same time, the dialogue surrounding welfare reform in the 1990s emphasized the need for recipients of public assistance to obtain employment and become self-sufficient. Many of the initiatives developed during the wave of related domestic policy reforms were locally-driven, with programs that conformed to the circumstances and needs of the communities served. A demonstration like MTW, designed to encourage local strategies of encouraging self-sufficiency, was timely and compatible with these nationwide efforts.

Moving to Work was a confluence of these two ideas – on one hand, it would allow HUD to learn what housing authorities could accomplish if they were relieved from significant regulatory burden, while also giving PHAs the flexibility to experiment with ways to help residents become self-sufficient. These purposes are reflected in the three statutory objectives of MTW – to reduce cost and achieve greater cost effectiveness in Federal expenditures; to give incentives to families to obtain employment and become self-sufficient; and to increase housing choices for low-income families. By confining MTW to a demonstration program, policymakers and HUD could see the impacts of the demonstration on these goals before committing to a full overhaul of the nation’s public housing laws.

Authorizing Statute

The Omnibus Consolidated Rescissions and Appropriations Act of 1996¹⁰ (Public Law 104-134, 110 Stat 1321), dated April 26, 1996, authorized the Moving to Work demonstration program. The statute establishes the purpose of the demonstration:

“The purpose of this demonstration is to give public housing agencies and the Secretary of Housing and Urban Development the flexibility to design and test various approaches for providing and administering housing assistance that: reduce cost and achieve greater cost effectiveness in Federal expenditures; give incentives to families with children where the head of household is working, 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 low-income families.”

¹⁰ See Appendix C: MTW Authorizing Legislation.

In pursuit of these objectives, MTW agencies may be granted exceptions to many portions of the 1937 Housing Act¹¹ and combine funds received for the Housing Choice Voucher and Public Housing Capital and Operating Funds to use interchangeably, similar to a block grant. The authorization left many of the details of the program and the criteria for selection of agencies to the discretion of the Secretary, but specifies that participating agencies must:

- Ensure that at least 75 percent of families admitted are very low-income.
- Establish a reasonable rent policy designed to encourage self-sufficiency and employment.
- Continue to assist substantially the same number and mix of low-income families that would have been served had the agency not participated in MTW.
- Ensure that housing provided under the demonstration meet housing quality standards determined by the Secretary.
- Continue to abide by Sections 12 (regarding labor standards and community service requirements) and 18 (regarding demolition and disposition) of the United States Housing Act.
- Receive no less funding than they would have had they not participated in MTW.
- Collect and make available to the Secretary and Comptroller General data regarding their activities.

The remaining details of the program have been developed through evolving agreements with participating agencies, subsequent legislation and HUD guidance.

Agency Selection

The first round of applications for MTW designation was solicited in a December 18, 1996 HUD Notice and Invitation to Apply. Agencies were evaluated based on housing authority performance, capability, quality and feasibility of the MTW Plan, the extent to which the Plan was likely to promote resident self-sufficiency, resident and community support and involvement, and local and national impact. Forty-five agencies applied and twenty-four were selected.

The scoring and selection process was not straightforward. The application reviewers recommended that several high scoring agencies not join the demonstration based on factors like limited program scope, a lack of proposed innovation, or activity proposals that would not be permissible under MTW. Three applications that were not the highest scoring, on the other hand, were recommended for participation in the demonstration based on proposal for activities related to areas that HUD was eager to explore. These three – the San Diego Housing Commission, the Vancouver Housing Authority and the Minneapolis Public Housing Authority – were all subsequently selected.

An additional six slots were filled through the Jobs-Plus Initiative¹² – a demonstration program with compatible goals but a more limited scope. It allowed ten housing authorities to implement locally-

11 MTW Agencies can only waive specific portions of the United States Housing Act of 1937. All other federal rules and regulations, including the Fair Housing Act, the Civil Rights Act, Davis-Bacon Act wage requirements, procurement guidelines, environmental rules, demolition and disposition procedures and relocation regulations still apply. In the case that a waiver of the 1937 Act conflicts with one of these statutes or regulations, an MTW agency must still defer to the statute or regulation outside of the 1937 Act.

12 The December 18, 1996 HUD Notice and Invitation to Apply specified that “up to 10 of the 30 HAs will be selected for MTW through a separate competition under the Jobs-Plus initiative described in Section IV of this notice.”

based approaches to providing employment opportunities to residents in selected public housing developments. The Jobs-Plus sites occupied slots available for the MTW demonstration, but Jobs-Plus sites were not necessarily fully participating MTW sites. Jobs-Plus agencies were permitted, but not required, to bring their entire housing portfolio into the MTW program. Only six agencies were eventually chosen to participate in Jobs-Plus, and only two of those (the Housing Authority of Baltimore City and the Seattle Housing Authority) eventually became MTW agencies.

Five of the twenty-four MTW agencies selected from the 1996 Notice and one of the six originally selected Jobs-Plus sites declined participation. Some of these agencies found that the 1998 Quality Housing and Work Responsibility Act (QHWRA)¹³ legislation provided them with the deregulation that they had sought with MTW, and some grew frustrated with HUD over negotiated agreements that did not provide them with the flexibilities originally requested in their applications. This left twenty-four slots filled, and six slots remaining, by the end of 1999.

Beginning in 1999, a series of HUD Appropriations bills have authorized the participation of additional agencies in MTW. Two MTW PHAs – the Charlotte Housing Authority and the Housing Authority of the City of Pittsburgh – were specifically named and authorized in the 1999 Appropriations Act to join the demonstration, bringing the capacity of the demonstration to thirty-two sites.

In 2000, six more MTW PHAs were selected from an invitation to apply under Public and Indian Housing (PIH) Notice 2000-52 to fill the remaining six slots. PIH Notice 2000-52 solicited applications from large PHAs (defined as having more than 2,500 public housing units) who were undertaking or planning to undertake a substantial transformation of their public housing stock and management systems. The Chicago Housing Authority was also specifically selected to participate in MTW in 2000 with the intent of using MTW to aid in their Plan for Transformation.

In 2003, the Jobs-Plus demonstration had run its course and the participation of the Jobs-Plus sites in the demonstration was completed and terminated. One of the Jobs-Plus sites, however – the Housing Authority of Baltimore City – returned as a full MTW agency. In 2004, the participation of three of the original twenty-four MTW sites was also completed and terminated based on the terms of their MTW agreements, but one of them – the San Diego Housing Commission – returned in 2008.

Several years later, Congress authorized the addition of several new agencies. The 2008 Appropriations Act specifically named and authorized four housing authorities to join the MTW demonstration: the Alaska Housing Finance Corporation, the Housing Authority of the County of San Bernardino, and the Housing Authorities of the City of San Jose and the County of Santa Clara. This brought the total count to thirty participating MTW agencies.

The 2009 Appropriations Act authorized the addition of three more MTW agencies, provided that the agencies were High Performers in HUD's Public Housing Assessment System (PHAS) with current HOPE VI grants and no more than 5,000 units. This marked the first time since 2000 that HUD administered a competitive selection process. Under these criteria, sixteen agencies were eligible to apply, eight submitted applications as a response to a solicitation for applications found in PIH Notice 2009-29, and three were selected in 2010. The three selected were the Orlando Housing Authority, the Tacoma Housing Authority, and the Housing Authority of Champaign County, bringing the total count to thirty-three MTW agencies.

¹³ Public Law No.: 105-276, Title V.

The 2010 Appropriations Act authorized the HUD Secretary to add another three agencies to the demonstration, provided the agencies are High Performers with no more than 5,000 units. Over 1,500 agencies are eligible to apply based on these two criteria alone. On July 30, 2010, HUD issued PIH Notice 2010-29 to solicit applications that will require incoming MTW agencies to commit to testing departmental priorities and to meet more rigorous performance criteria in order to be considered eligible to apply.

History of MTW Agency Selection

Year	No. of PHAs Added or Removed	How MTW Slots Were Filled/Vacated	PHAs Added/Removed
1996	+ 30	30 MTW PHAs authorized by the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134, 110 Stat 1321), dated April 26, 1996. 24 MTW PHAs selected from December 18, 1996 HUD Notice and Invitation to Apply. 6 slots filled through Jobs-Plus Initiative.	Birmingham, Cambridge, Cherokee Nation, Delaware, Greene, High Point, Keene, Lawrence-Douglas County, Lincoln, Los Angeles County, Louisville, Massachusetts, Minneapolis, Portage, Portland, San Antonio, San Diego, San Mateo County, Seattle (also Jobs-Plus), Stevens Point, Tampa, Tulare County, Utah Consortium, Vancouver <i>Jobs Plus Only:</i> Baltimore City, Chattanooga, Cuyahoga, Dayton, Los Angeles, St. Paul
1999	- 6	<i>5 agencies selected in 1996 NOFA do not sign MTW agreements; 1 Jobs-Plus selectee does not sign agreement.</i>	<i>Birmingham, Cherokee Nation, Los Angeles County, Stevens Point, Tampa</i>
1999	+ 2	2 MTW PHAs specifically named and authorized in 1999 Appropriations.	Charlotte, Pittsburgh
2000	+ 6	6 MTW PHAs selected in PIH Notice 2000-52.	Atlanta, District of Columbia, King County, New Haven, Oakland, Philadelphia
2000	+ 1	1 MTW PHA added as authorized by 1996 statute.	Chicago
2003	- 6	<i>5 Jobs-Plus sites' participation in demonstration completed and terminated; 1 withdrew.</i>	<i>Baltimore City, Chattanooga, Cuyahoga (withdrew), Dayton, Los Angeles, St. Paul</i>
2004	- 3	<i>Participation in demonstration completed and terminated for 3 MTW PHAs.</i>	<i>Greene, High Point, San Diego</i>
2008	+ 1	1 MTW PHA added as authorized by 1996 statute.	Baltimore City (slot available from Job-Plus)
2008	+ 1	1 former MTW PHA returned to demonstration.	San Diego
2008	+ 4	4 MTW PHAs specifically named and authorized in 2008 Appropriations. 29 Agencies execute Standard Agreement, extending participation to 2018.	Alaska, San Bernardino, San Jose, Santa Clara
2009	+ 3	3 PHAs added through PIH Notice 2009-29.	Champaign County, Orlando, Tacoma
2010	Pending	HUD will add 3 MTW PHAs pursuant to 2010 Appropriations.	
TOTAL	33		

Initial MTW Agreements

When MTW was first implemented, it took several years for each PHA to negotiate a unique contract with HUD, known as its MTW Agreement, regarding the conditions of its participation and the exceptions to the United States Housing Act that it was permitted to invoke. In consultation with the HUD Office of General Counsel, HUD provided agreements that listed the specific portions of the Act that each agency could waive (as opposed to the portions that participating agencies could not waive), based on PHA requests for specific flexibilities. Some agencies had more restrictive agreements, while

some were much more permissive, complicating administration of the program and comparisons between participating sites. Of the original group of agencies, twelve proposed systemic changes to their programs and operations (only half of which utilized the combined funding approach), and the remaining agencies proposed changes that affected only a small portion of the agency's housing stock.

The original agreements had terms of varying lengths; some ran for as little as three years and others as long as seven years. Amendments to prolong participation¹⁴ and add additional exceptions and flexibilities were common, which made long-term planning difficult for both HUD and participating agencies. Many agencies expressed that they were hesitant to make substantial changes to policies, operations or systems when they were unsure if and when the changes would have to be undone and whether they would have to return to the traditional method of administering public housing and HCV programs.

Early Evaluation Strategy

Though the MTW demonstration was intended to inform HUD and the housing industry, the ability to report on outcomes was limited by fluctuating evaluation requirements and strategies. The MTW statute required an evaluation at the end of the demonstration, though the end date was not clearly defined. The initial monitoring of the demonstration relied heavily on HUD systems that were not fully operational, and on contractor support, meaning that many agencies were not collecting their own data. These issues made it even more difficult to evaluate a demonstration in which each site was implementing a different set of activities and collecting its own data. MTW agencies in the early years were not required to rigorously monitor activities; as a result, many did not.

Standard Agreement

The shortcomings of the original agreements became apparent in early evaluations of the MTW program. A 2004 congressionally-mandated evaluation of MTW by the Urban Institute¹⁵ concluded that the main impediments to using MTW to inform the public housing industry were the agencies' prohibitively short terms of participation in MTW, the lack of a programmatic research design, and limitations on data collection. In 2005, the HUD Inspector General also reported¹⁶ that the MTW program was not equipped to collect data independent of existing HUD reporting systems, and lacked statistical evidence of the outcomes of MTW activities. The report concluded that HUD should develop a means to collect performance data on MTW, as well as provide better oversight and monitoring.

To address the concerns raised, HUD made the decision in 2006 to amend and restate the original MTW agreements to incorporate many of the existing elements, but also to expand and standardize the reporting requirements and authorizations granted to MTW PHAs. Though there is some variation in funding calculations and there are some local authorizations given to certain agencies, the

14 Both HUD and Congress made extensions to the duration of participation.

15 "Testing Public Housing Deregulation: A Summary Assessment of HUD's 'Moving to Work' Demonstration," Martin Abravanel, Robin Smith, Margery Turner, Elizabeth Cove, Laura Harris and Carlos Manjarrez, The Urban Institute, 2004. http://www.urban.org/UploadedPDF/311009_TestingPublicHousingDeregulation.pdf.

16 "Inspector General Reports on HUD's Moving To Work Demonstration Raise Serious Questions," Will Fischer and Barbara Sard, Center on Budget and Policy Priorities, 2006. <http://www.cbpp.org/cms/index.cfm?fa=view&id=486>.

authorizations granted and reporting requirements are now generally consistent between agencies. The Standard Agreement also extended participation in MTW to the end of each agency's 2018 fiscal year, giving the agencies more time and flexibility to test innovative policies and engage in long-term strategic planning with MTW.

With the earlier agreements, MTW agencies were permitted to implement any activity authorized under their MTW Agreements without further HUD approval. Under the Standard Agreement, MTW agencies must include any new MTW initiatives in an Annual MTW Plan and have the Plan approved by HUD prior to implementation – a change that increases HUD oversight of MTW agencies' activities. Agencies must also provide descriptions of the anticipated impacts and evaluation metrics in their Annual MTW Plans. In their Annual MTW Reports, they must report on the outcomes of all ongoing MTW activities.

Twenty-nine of the thirty MTW agencies participating in MTW prior to 2010 have executed the Standard Agreement. The remaining agency has the option of signing the Standard Agreement in order to continue participation in MTW beyond 2010. All new agencies joining the demonstration, including those selected in 2010, only have the option of signing the Standard Agreement.

Though some agencies have had considerable difficulty adapting to the new reporting requirements, they are generally appreciative of the longer terms of participation and, for many, to have more authorizations made available than in their original MTW Agreements. The reporting challenges are particularly acute for the original MTW agencies that have only recently begun reporting on activities implemented up to eleven years ago. However, the newer agencies have encountered less difficulty reporting on outcomes when their measures are better defined from the outset, and it is expected that all incoming MTW agencies will outline more rigorous evaluation methodologies prior to program implementation.

HUD and Agency Collaboration

In the early years of MTW, responsibility for oversight and administration of MTW shifted between several HUD offices, none of which had staff devoted full-time to MTW. In 2006, renewed interest in the potential of MTW at HUD and within Congress prompted the Assistant Secretary to create an MTW Core Team, marking the first time that the MTW demonstration had centralized, full-time management. With centralized, dedicated staff at HUD Headquarters and a Standard Agreement that ensures consistency and continuity of MTW participation, more efforts have been made to foster collaboration and information-sharing among MTW agencies and between HUD and the MTW agencies.

HUD hosted the first Annual MTW Conference in 2008, giving MTW agencies an unprecedented opportunity to share success stories and challenges, brainstorm, network and receive technical assistance from HUD. The conference has given agencies a venue to learn from one another, allowed HUD to understand how to improve the demonstration, and provided HUD an opportunity to deliver more uniform guidance regarding MTW.

The MTW Office has also held several program-wide trainings in recent years on topics including rent reform, evaluation, and the transition to the Standard Agreement. These trainings were designed to provide a centralized venue to familiarize MTW agencies with the Department's goals and expectations

while giving them an opportunity to ask questions and provide feedback.

Continuing Progress

Though HUD has addressed many of the most significant challenges that have faced the MTW demonstration, more remain:

- Several of HUD's primary reporting systems still require revisions in order to accommodate data from MTW agencies in a clear, analyzable way. The fact that MTW agencies may combine funding sources into a single-fund budget, serve families outside of the traditional public housing and Housing Choice Voucher programs and develop alternate rent calculations, for example, makes MTW incompatible with some existing HUD reporting systems.
- Though MTW agencies are now required to provide data on all MTW activities, there is no data collection portal to facilitate comparisons between agencies and years. The MTW Office is determining the specific unique elements needed from MTW agencies in order to consolidate information collected over the course of the demonstration in order to aid evaluators and to facilitate cross-site comparisons, but it remains difficult to standardize the information received from MTW agencies when each site is implementing a unique set of MTW flexibilities.
- MTW oversight responsibilities have been jointly shared by both the MTW Core Team at HUD Headquarters and the HUD Field Offices. In 2010, the Office of Public Housing Investments and the Office of Field Operations drafted a memorandum of understanding to increase collaboration between offices in the oversight of MTW agencies, to more clearly assign roles and to ensure consistent provision of services. However, the implementation of the new plan has just begun.

IV. Policy Applications

Over ten years have passed since MTW was first implemented. While the outcomes of specific MTW activities have not yet been compared between agencies in a way that would enable general conclusions about the impact of MTW, there is still a substantial amount of evidence that can inform current policy debates.

The following four policy areas were selected as ones that MTW agencies are uniquely positioned to enlighten, and that align with statutory objectives of MTW:

- Preserving and Revitalizing Public Housing
- Streamlining Housing Authority Operations
- Rent Reform: Streamlining and Encouraging Self-Sufficiency through Alternative Rent Structures
- Self-sufficiency, Supportive Services and Service-Enriched Housing

Each topic is supported with examples of housing authority experiences and, where applicable, existing literature and research. While the examples do not represent the full range of MTW agencies and their activities, they are provided to demonstrate the variety of possibilities available with MTW.

In some of these areas, such as streamlining housing assistance, best practices have already emerged. In other areas, like rent reform, MTW agencies can only offer insight on several of many possible approaches, and further research is needed before industry-wide recommendations can be made. Areas of concern have emerged as well, and are noted throughout the report.

Preserving and Revitalizing Public Housing

Over the past fifteen years, 150,000 public housing units have been demolished and disposed of because of poor quality. A 1998 study based on inspections of a nationwide sample of public housing developments estimated that \$22.5 billion was needed to modernize and preserve the current public housing stock,¹⁷ but public housing authorities only receive funds for these improvements in small increments that are not adequate to undertake extensive modernization. Without the necessary capital repairs, the units will continue to deteriorate and more may be lost.

Public housing assistance in the United States has traditionally been administered through funding from HUD allocated to state and local PHAs. Over time, this model has become fraught with “administratively burdensome federal reporting requirements”¹⁸ which have limited local autonomy and which require high capital and operating costs. The MTW demonstration was born out of this context, with a “gradual shift in sentiment among policy makers and housing practitioners in favor of adopting more market-based strategies for providing housing assistance,” as well as the need to tune into more local market needs.¹⁹

The nature of the public housing stock in the United States has changed in light of these urban revitalization policies, particularly within MTW agencies. With the statutory focus on increasing housing choice for low-income residents, MTW enables these selected PHAs to give more housing opportunities to residents living in concentrations of poverty and to revitalize and preserve their public housing stock without the administrative burdens that traditional PHAs face.

Public Housing Prior to MTW

Public housing began appearing in the United States in the late 1930s after the passage of the United States Housing Act of 1937, which authorized the federal government to issue subsidies to local government entities to provide and rent housing to low-income families. There have been several revisions to the concept of rental assistance over time, including the 1969 Brooke Amendment’s limitation on income paid toward rents for assisted households, the U.S. Housing and Community Development Act of 1974²⁰ that authorized Section 8²¹ rental assistance, and the Quality Housing and Work Responsibility Act of 1998 (QHWRA)²².

Throughout the 1940s and 1950s, local government entities responded to a growing confluence of issues, such as the need for workforce housing and housing for veterans returning from World War II, by ensuring the availability of affordable housing. This resulted in the creation of mostly large, high-

17 “Capital Needs of the Public Housing Stock in 1998: Formula Capital Study,” Abt Associates, Inc., 2000. <http://www.abtassociates.com/reports/ES-20008744720691.pdf>

18 “Testing Public Housing Deregulation: A Summary Assessment of HUD’s ‘Moving to Work’ Demonstration,” Martin Abravanel, Robin Smith, Margery Turner, Elizabeth Cove, Laura Harris and Carlos Manjarrez, The Urban Institute, 2004. http://www.urban.org/UploadedPDF/311009_TestingPublicHousingDeregulation.pdf.

19 *Ibid.*

20 Public Law No.: 93-383.

21 Section 8 was the program authorized under the U.S. Housing and Community Development Act of 1974; HCV is the successor program to Section 8. Both terms are often used interchangeably to describe the functions of the HCV program today.

22 Public Law No.: 105-276.

rise public housing or workforce housing complexes, generally concentrated in older, industrial large cities in the Northeast and Midwest United States.

Over time, the quality of this housing stock declined due to increasing capital needs that were not matched by an increase in federal dollars. Housing experts generally agree that these large-scale high-rise public housing complexes in dense urban areas often “exacerbated the problems of concentrated poverty”²³ and crime in these areas. Public housing faced the dual problems of dire capital needs and the concentration of poverty.

In the 1970s and 1980s, practitioners and scholars began noting the effects of concentrated poverty and dilapidated housing stock on neighborhoods and families. Of particular significance, William Julius Wilson’s 1987 landmark work *The Truly Disadvantaged* noted that the high concentration of low-income, poorly-educated individuals in neighborhoods has high negative effects on all residents.²⁴ The concentration of poverty was often viewed as a disadvantage per racial lines as well; because of this, there were growing issues of fair housing concern.

This concern was reflected in a major legal battle at the time (*Gautreaux v. Chicago Housing Authority*). In a 1976 Supreme Court case, residents claimed that the CHA used “racially discriminatory policies in the administration of the Chicago low-rent housing program.”²⁵ The residents’ court victory resulted in the awarding of Section 8 vouchers to CHA’s public housing residents to move to the mostly white, affluent suburbs surrounding Chicago in what is known as the Gautreaux program. Over 7,000 families participated from 1976 through 1998, with placement counselors assisting them in their moves.²⁶

Although born out of regrettable circumstances, the Gautreaux program provided an opportunity to witness how the surrounding neighborhood affected the ability of assisted households to become more self-sufficient. Indeed, the families that moved to more highly-educated neighborhoods were more likely to leave welfare assistance over time than their counterparts who remained in neighborhoods of concentrated poverty and limited educational opportunities.²⁷

The results of Gautreaux demonstrated that neighborhoods did seem to have some effect upon the well-being and self-sufficiency of assisted households. There was a growing notion that ‘neighborhoods matter’ and that greater income and educational integration of neighborhoods was needed. HUD took steps to test some of these effects as well, through the Moving to Opportunity (MTO)²⁸ demonstration from 1994 through 1998. This demonstration sought to replicate some of the similar yet unintended designs of the Gautreaux program by providing vouchers to experimental groups in five major urban areas²⁹ with distressed public housing. The final outcomes of the longitudinal study will provide greater insight into whether the impacts of relocation provide net positive or negative outcomes for

23 “Deconcentrating Poverty with Housing Programs,” Kirk McClure, *Journal of the American Planning Association*, 2008.

24 *The Truly Disadvantaged*, William Julius Wilson, University of Chicago Press, 1987.

25 “Is Housing Mobility the Key to Welfare Reform?: Lessons from Chicago’s Gautreaux program,” James E. Rosenbaum and Stephanie DeLuca, *The Institute for Policy Research*, Northwestern University and *The Brookings Institution*, 2000.

26 *Ibid.*

27 *Ibid.*

28 “Moving to Opportunity for Fair Housing Demonstration Program: Interim Impacts Evaluation,” U.S. Department of Housing and Urban Development, 2003.

29 MTO was implemented in Baltimore, Boston, Chicago, Los Angeles and New York City. Both Baltimore and Chicago are also home to MTW PHAs.

families, but interim evaluations showed improved outcomes for the experimental group on a number of indicators.³⁰

With a recognition of the importance of the quality and location of housing assistance, and an increasingly deteriorating and unaffordable public housing stock, MTW agencies structured interventions to deal with these two looming issues.

Increasing Resident Mobility and Opportunity with MTW

One of the purposes of MTW was to provide PHAs with flexibility to administer housing assistance in a way that “increase[s] housing choices for low-income families.”³¹ Although there is no clear definition of exactly what ‘housing choice’ should mean for residents, the policy environment at the advent of MTW has led to an interpretation of ‘housing choice’ as providing opportunities for residents to live in low-poverty areas or promote mixed income living, to live in safe and affordable housing stock, and to provide additional units of assistance where funding permits.

The most substantial changes to agencies’ portfolios comes through the ability to use MTW funding flexibility to allocate funds for the development of new units. In addition, MTW agencies may also streamline investment policies, develop local deconcentration policies, provide incentives for under-utilized developments, simplify the development and redevelopment process, streamline the demolition and disposition process, enter into commercial business ventures and develop local Total Development Cost (TDC) limits.

Often MTW PHAs that pursue ambitious development activities partner with other organizations and utilize other funding sources, like HOPE VI grants and the low-income housing tax credit (LIHTC), in mixed-finance transactions that allow the agencies to function more like private-sector businesses. MTW PHAs are also able to waive the complex development approval processes to which traditional PHAs are subject, and to utilize a streamlined process that enables MTW PHAs to be more responsive to local market conditions and opportunities.

MTW PHAs have responded to their precise local needs, and have repaired or demolished segments of their declining housing stocks, in order to provide residents with housing options in lower-poverty areas. The following PHAs have been particularly innovative and successful in reinventing their public housing portfolios.

Chicago Housing Authority: The Plan for Transformation

The Chicago Housing Authority (CHA) signed its initial MTW agreement in February 2000, one year after introducing its ambitious Plan for Transformation. The Plan formalizes CHA’s intent to demolish ‘severely distressed’ housing and redevelop or revitalize 25,000 units. CHA calls it “an ambitious plan that called for the demolition of notorious high-rise developments, the comprehensive rehabilitation of all the other scattered-site, senior and lower-density family properties, and the construction of new mixed-income/mixed-finance developments.”³² CHA joined the MTW demonstration after the Plan for

30 Interim impacts from 2003 showed that the MTO experimental group demonstrated improved housing, neighborhood conditions, and safety, as well as increased health measures for both children and adults, and less delinquency for girls. An increase in behavioral problems, however, was noted for boys of ages 15 – 19.

31 Public Law No.: 104-134 §204(a)

32 Chicago Housing Authority, http://www.thecha.org/pages/about_cha/18.php.

Transformation was already underway, with the goal of using the MTW flexibility to combine funds in order to redirect funding towards these capital-intensive projects.

Through the Plan for Transformation, CHA has relocated thousands of families from their previous public housing units with Housing Choice Vouchers – some temporarily and others permanently. As a result, CHA’s public housing portfolio has been permanently and visibly altered. Of the 25,000 units to be replaced or renovated through the Plan, a total of 7,704 family public housing rental units will be in mixed-income communities, representing over 30% of the units to be replaced or renovated. As of the end of FY 2009, CHA has completed 17,812 units of the 25,000 unit goal, or 71.25% of the overall delivery,³³ and is on track to complete the Plan Transformation by the end its 2015 fiscal year.

A 2010 Urban Institute study on the outcomes for families relocated from one of Chicago’s largest developments found that “most former residents live in better housing and safer neighborhoods and report lower levels of anxiety.”³⁴ However, some research claims that the majority of CHA families leaving public housing actually relocate to other high-poverty neighborhoods, and that CHA did not provide adequate social services for these families in transition.³⁵ In addition, as the nation’s third largest housing authority, the scale of movement was large and concerns were raised regarding the transition for residents. In 2003, after a lawsuit was initiated, CHA made a more conscious and deliberate effort to “build capacity and ensure that these goals are met.”³⁶ Advocates continue to recommend more realistic pacing of relocation, as well as effective relocation counseling and the provision of social services.³⁷ CHA has been working to build greater capacity and to provide services for their residents while in transition during the transformation.

The outcomes of the Plan for Transformation as they relate to residents will not be known for some time, as the Plan had just completed its tenth year in practice in FY 2009 and the transformation is not yet complete. Further research will be an important component of assessing the real impact of the Plan. However, the Plan for Transformation has already undeniably changed the physical landscape of Chicago and provided more housing choices for low-income families.

Atlanta Housing Authority: Developing Mixed-Income Communities

The Atlanta Housing Authority (AHA) has also undertaken a significant transformation of its public housing portfolio, with the goal of providing housing in mixed-income communities. Atlanta has been working toward this goal since 1994, when it began its “blueprint’ for providing affordable-housing opportunities in amenity-rich, mixed-income communities where people from all walks of life can live, learn, work and play.”³⁸ AHA has continually been at the forefront of the development of mixed-income co-located with rental assistance units; in 1996, AHA created “the financial and legal model for mixed-income, mixed-finance transactions that include public-assisted housing as a component,” which was later utilized by the HOPE VI program.³⁹

33 FY 2009 Annual Report, Chicago Housing Authority, 2010.

34 “CHA Families and the Plan for Transformation,” The Urban Institute, 2010.
<http://www.urban.org/housing/Transforming-Public-Housing-in-Chicago.cfm>

35 “Chicago Public Housing Transformation: A Research Report,” Sudhir Alladi Venkatesh et al, The Center for Urban Research and Policy, Columbia University, 2004.

36 *Ibid.*

37 *Ibid.*

38 FY 2009 Annual Report, Atlanta Housing Authority, 2010.

39 “What we do,” Atlanta Housing Authority. <http://www.atlantahousing.org/profile/>

AHA became an MTW agency in 2003, and had a distressed public housing stock in some ways similar to Chicago's. AHA cited the use of MTW block granting flexibilities as the 'relief' to this systemic problem. AHA also implemented a Revitalization Program, in which AHA "is able to develop and adopt its own policies and procedures to determine and control major development decisions, to include replacing HUD's Total Development Cost (TDC) limits."⁴⁰ As of June 30, 2009, or the end of their 2009 fiscal year, AHA had produced or revitalized the following:

- 966 market rate rental units
- 442 Tax Credit rental units
- 1,160 Public Housing w/Tax Credit units
- 915 Tax Credit with PBRA units
- 114 Market Rate for-sale homes
- 115 Affordable for-sale homes⁴¹

AHA would have been limited in its ability to develop the above units without MTW – particularly the ability to combine funds and the exemption of TDC limits. As such, MTW has enabled AHA to respond more dynamically to a large and still expanding metropolitan area's need to retain affordable housing for its residents. AHA has, however, been criticized because a low number of the original residents have returned to occupy the revitalized HOPE VI developments.

Using Project-Based Assistance to Preserve Public Housing

MTW agencies have flexibilities that allow them to preserve public housing developments and leverage long-term, stable funding to maintain and improve properties while allowing tenants to remain in place by converting public housing to a project-based assistance model. Several MTW PHAs have undertaken or begun this conversion, and their experiences indicate that while there are potential obstacles, converting public housing to project-based assistance can help housing authorities secure more sustainable funding streams to preserve affordable housing.

Project-Based vs. Tenant-Based Vouchers

Prior to passage of QHWRA, PHAs relied predominantly on tenant-based vouchers, meaning that once a tenant was awarded a voucher, he or she could use the rental subsidy to help pay for rent in any eligible private market unit. QHWRA expanded and clarified the ability to use project-based vouchers – in which a rental subsidy is tethered to a specific building or unit. Congress further refined the program in 2000, and the final rule on project-based vouchers was established in 2005.⁴² Typically, a PHA signs a contract with the owner of a privately-owned building for up to fifteen years in exchange for the owner's agreement to rent all or a portion of the units to low-income tenants. Eligible tenants are referred by a housing authority to the owner, and the owner signs a lease with the tenant.

Project-based vouchers have different contract requirements from tenant-based vouchers beyond the mobility aspect. For instance, with project-based vouchers PHAs may pay higher rent levels for these

⁴⁰ *Ibid.*

⁴¹ FY 2009 Annual Report, Atlanta Housing Authority, 2010.

⁴² Federal Register / Vol. 70, No. 197 / Thursday, October 13, 2005 / Rules and Regulations, Department of Housing and Urban Development, 24 CFR Part 983. [Docket No. FR-4636-F-02] RIN 2577-AC25.
<http://edocket.access.gpo.gov/2005/pdf/05-20035.pdf>.

units, make vacancy payments under certain circumstances, and enter into initial contracts of up to ten years with the possibility of extensions to achieve long-term affordability – none of which are possible with tenant-based vouchers. There are also restrictions that limit the number of project-based vouchers per property and per agency in order to avoid concentrations of poverty; PHAs can only project-base 20% of the vouchers they administer, and can only project-base 25% of units in a single development.⁴³

Project-Based Vouchers vs. Public Housing

Project-based assistance is seen as a more lucrative, reliable and streamlined option than public housing. The Public Housing Authority Directors Association (PHADA) articulates a widespread industry position on the benefits of utilizing this form of project-based assistance as opposed to public housing in that it:

1. Provides more funding per unit than operating and capital subsidies.
2. Has been a traditionally more reliable funding source than public housing. Public housing faces deep annual prorations, declining capital awards and disappearance of certain program funding streams. Project-based assistance, on the other hand, has always received close to 100 percent of its annual funding.
3. Operates under a simpler regulatory framework than public housing.

Because project-based vouchers allow PHAs to continue to use public housing developments while leveraging the benefits of private market housing and capital, some view project-based assistance as a more stable, long-term alternative to public housing. In April 2009, PHADA concluded that HUD should pursue policy changes to facilitate converting public housing to project-based vouchers, as it would generate extra revenue that could be used as debt service to leverage private investment for capital improvements at the properties.⁴⁴ Of the three forms of assistance currently available to MTW agencies – tenant-based vouchers, project-based vouchers and public housing – project-based assistance may be the best option for developments that need significant infusions of funding for capital repairs.

MTW Project-Basing Flexibilities

MTW agencies must abide by many of the existing project-basing regulations, including demolition/disposition regulations, Fair Housing requirements and subsidy layering review rules. They do, however, have several important flexibilities relating to project-based assistance that give them the option of making substantial, unprecedented transformations to their housing portfolios, including:

- **Exceeding the limit that specifies that no more than 20% of a share of an agency's Housing Choice Vouchers can be project based.** MTW agencies can project-base a greater share of their portfolio, which allows them to convert their entire public housing stock to project-based assistance if they so choose.

43 PHAs may project-base more than 25 percent of units in a single development if the development is a single-family property or is specifically made available for households comprised of elderly families, disabled families, and families receiving supportive services.

44 "Convert Portion of Public Housing to Project-Based Model." PHADA. April 28, 2009.
<http://www.phada.org/pdf/Convert%20Portion%20of%20Public%20Housing%20to%20Project-Based%20Model.pdf>.

- **Exceeding the limit that specifies that no more than 25% of units in a property can be project based.** MTW agencies can project-base as large a portion of a building as they see fit, which allows them to convert entire public housing developments to project-based assistance without displacing residents and to create entire project-based buildings for special-needs populations.
- **Adopting local alternative standards and competitive processes for determining the location of properties to receive project-based assistance.** MTW PHAs can streamline the arduous competition process or utilize an existing alternate competitive process, which is especially beneficial when they want to project-base vouchers at their own developments.
- **Project-basing Section 8 assistance at properties owned directly or indirectly by the Agency that are not public housing.** This allows MTW agencies to project-base vouchers at public housing developments that have been disposed to non-profit affiliates.

Many MTW agencies have used these and other MTW project-basing flexibilities to meet specific community needs. The Cambridge Housing Authority, for instance, increased the proportion of project-based vouchers to secure affordable units in a tight housing market with a decreasing supply of affordable rental units, and the Seattle Housing Authority used their project-basing flexibility to increase their supply of three-plus bedroom units to meet waiting list demands. Several others have used project-based vouchers in service-enriched housing in coordination with local non-profit services and properties to create units that serve underserved and vulnerable populations.

Moving to Vouchers in MTW

Over the course of the demonstration, MTW agencies have begun to administer more of their housing assistance as vouchers instead of public housing. While PHAs nationwide saw a 10 percentage point shift in the share of their units administered as public housing to vouchers from 1998 – 2010, MTW agencies saw a 24 percentage point shift.

Share of Public Housing vs. Voucher Assistance⁴⁵

		Program Type (percent)	
		PH	HCV
All MTW PHAs	1998 (Pre-MTW)	53%	47%
	2009	29%	71%
All PHAs	1998	44%	56%
	2009	34%	66%

MTW agencies have more flexibility in changing the composition of their housing stock than non-MTW PHAs, and the trend in administering a greater share of assistance as vouchers suggests that agencies may prefer this option.

⁴⁵ Data was taken from PIC administrative data for the last year in which a PHA was not under the MTW designation to the most recent PIC extract from July 2010.

Converting Public Housing to Project-Based Assistance under MTW

In recent years, several MTW PHAs have undertaken unprecedented reforms by disposing of all or substantial portions their public housing inventory and project-basing vouchers at the former public housing sites. Their experiences provide the first glimpses of the process of converting public housing to project-based assistance, along with its possibilities and shortcomings.

The PHAs undergoing this conversion first submit an application for conventional Section 18 disposition and transfer of the units to a non-profit affiliate, which is typically owned by the housing authority. Subsequent to the disposition, the property is no longer considered public housing, and is therefore no longer eligible for the public housing operating subsidy or allocations from the Capital Fund Program. As part of the disposition, the PHA receives an allocation of tenant protection vouchers for all occupied units, which it then project-bases at the former public housing site, either as a simple replacement of subsidy, as part of a tax-credit development, or as a piece of a leveraged finance package.

Keene Affordable Housing Project: Portfolio-Wide Conversion

The Keene Housing Authority (KHA) was the first MTW agency to complete the conversion of its entire public housing portfolio to project-based assisted developments. Of KHA's 228 public housing units, fifteen were sold and the remaining 213 were transferred to Monadnock Affordable Housing Corporation (MAHC), a 501(c)(3) nonprofit affiliate of KHA, in a 2009 disposition. KHA then project-based the replacement vouchers it received in the majority of these units as part of the Keene Affordable Housing Project, with the remaining vouchers project-based in other LIHTC properties whose owners and managers partner with KHA. Rehabilitation of the Keene Affordable Housing properties began in April of 2009 and continues through 2010.

To begin the process, KHA first sold the properties to MAHC. The fact that KHA had a stream of project-based assistance allowed MAHC to secure a traditional mortgage to buy the properties, and the funds from the sale were used by KHA to do the capital improvements. The project-based subsidy and tenant rent will pay back the mortgage over time and allow KHA to save for future capital repairs. The sale of the units to KHA's nonprofit affiliate altered the funding for the properties in a way that allowed KHA to leverage \$5,000,000 of private funds to make capital improvements to the properties – amounting to nearly fifteen years' worth of capital funds invested in KHA's properties in one year.

In order to ensure that residents were accommodated throughout the process, KHA hired a relocation specialist to work with any residents who needed to be relocated because of capital improvements. All residents were given the choice of receiving a tenant-based voucher and leaving the program, or using a project-based voucher in one of the modernized project-based units. Only twelve residents chose to leave the program.

KHA did encounter several hurdles throughout the transition. The original budget for the project relied on a combination of LIHTC funding and the issuance of additional vouchers. However, the original LIHTC investor withdrew in the midst of economic downturn and KHA had to modify its initial funding request to HUD and secure a conventional mortgage from a local bank. Delays in the timing of the closing also resulted in increased vacancy loss and relocation expenses. KHA originally planned to use low income housing tax credits, and used this as a justification for the Section 18 disposition

since KHA is not permitted to use the tax credits itself. Subsequent to the disposition approval KHA could no longer get the tax credits and instead chose to use a private mortgage.

Prior to the conversion, much of the KHA's affordable housing stock was in need of repair and KHA did not anticipate securing the necessary funding for those repairs under their existing funding framework. KHA now has funds to make necessary capital improvements and secure and maintain its housing stock for at least the next 20 years, with four to six months in operating reserves for all converted units. KHA staff believes that the ability to use MTW flexibility to preserve their housing helped them "weather a storm," and that project-basing vouchers in these properties will provide long-term affordability to their residents.

Housing Authorities of the County of Santa Clara and the City of San Jose: Mid-Conversion

The Housing Authorities of the County of Santa Clara and the City of San Jose (HACSC), which operate as a single entity, have undertaken a conversion to project-based assistance for Rincon Gardens, a severely deteriorated 200-unit senior property, in 2008. HACSC plans to convert its remaining 355 units in the nine remaining public housing projects to non-public housing, 100% project-based units. Of these nine, four small properties for which American Recovery and Reinvestment Act of 2009 (ARRA) and HUD Capital Fund Program (CFP) funds are sufficient to complete the necessary renovations will be converted by the end of FY 2010, with the remaining five converted by early FY 2011.

HACSC's conversion involved disposing of the properties to HACSC's nonprofit affiliate in a non-competitive process. The process of soliciting competitive bids for project-based vouchers from property owners typically involves developing, writing and issuing a request for proposals, publishing the request for proposals (RFP) in the newspaper, holding public meetings on the RFP and the project-based voucher program, and reviewing and processing the applications submitted. By avoiding this process, HACSC saved \$8,290 in FY 2009, and has reduced the review and processing time by 3 months.

Because HACSC agreed to project-base vouchers for 15-years at Rincon Gardens, HACSC was able to create a stable long-term financing package for the development. HACSC combined project-based voucher subsidies with tax-exempt bonds and tax credits to maintain the affordability of units at Rincon Gardens. HACSC originally planned to complete the conversion of its remaining public housing to project-based assistance in FY 2010, but the tax credit financing they had included as part of the original transaction became unavailable when the tax credit market declined. HACSC is now looking to ways to leverage other funds as part of the disposition and project-basing process to address capital backlog.

HACSC's experience demonstrated that while leveraged sources of funds may be less reliable, the conversion process is still promising insofar as it would bring in more funds than would have been secured otherwise, and that those funds can help to transform properties with significant capital needs, thus ensuring the units remain viable into the future. Moreover, the streamlined process definitively and significantly reduced administrative burden on the agency.

While vouchers require more federal funds per unit in operating subsidy than public housing, this model allows for more types of private financing than under the public housing operating system,

which may help achieve cost effectiveness while preserving housing for low-income families. Without the ability to leverage outside sources of funds, non-MTW PHAs will likely continue to see their public housing decay, but may not be able to secure the funds to make necessary improvements.

The Preservation, Enhancement, and Transformation of Rental Assistance Act of 2010

HUD has proposed the Preservation, Enhancement, and Transformation of Rental Assistance Act,⁴⁶ which would preserve public and assisted housing by allowing and supporting conversion to project-based contracts. The project-based contracts under PETRA are similar to the project-based vouchers that MTW agencies use, but are longer term. The security that the long-term contracts provide facilitates the leveraging of debt and other public and private financing to improve the sustainability of operations, which would potentially bring more funds into the properties.

PETRA would amend the U.S. Housing Act of 1937 to add a section 8(n) that would authorize long-term project-based contracts for converted properties and a section 8(m) that would authorize the conversion process and funding that would increase the efficiency of rental assistance administration, establish uniform policies across HUD programs, and establish the right of residents at converted properties to move with available tenant-based rental vouchers after two years.

Similar to the MTW flexibility, PETRA would also change the limit on the share of project-based vouchers per development. However, MTW agencies can project-base up to 100 percent of projects and inventory, while PETRA would change the limit from 20 to 25 percent in housing that serves homeless individuals and families, provides supportive services, or is located in areas where vouchers are difficult to use. Up to 40 percent of an agency's units could be project-based for projects converting under the proposed section 8(m) conversion process.

PETRA would simplify requirements, particularly for small housing authorities, in ways that would make their operations less burdensome. The MTW agencies that have experimented with this conversion have overwhelmingly endorsed the approach, finding that it reduces administrative burden on the agency while providing more and better-quality housing choices for residents.

Though MTW agencies have transitioned to project-based assistance in a similar manner to the transition proposed in PETRA, key differences exist between the proposed legislation and the conversions that MTW PHAs have been permitted to undertake. For instance, MTW agencies project-base their vouchers as part of the traditional Section 8 program, whereas the project-based contracts proposed by PETRA are not administered as part of the Section 8 program and thus have different rules and regulations. MTW agencies are also able to tailor the process to their individual communities in a way that PETRA would not permit. Even so, what MTW agencies have learned can help shape the details of the legislative proposal, and if passed, the development of the program's implementing regulations, timeline and procedures.

The most common obstacle faced by MTW agencies who have converted public housing to project-based assistance may be the unstable nature of leveraged funding sources, such as tax credits and private investment. With Fannie Mae and Freddie Mac pulling out of the low-income housing tax

⁴⁶ http://portal.hud.gov/portal/page/portal/HUD/fy2011budget/signature_initiatives/transforming_rental_assistance/documents/PETRABillText%202010-05-11.pdf

credit (LIHTC) market, demand for low-income housing tax credits has been depressed and an important financial vehicle for raising development funding has been compromised. Uncertain timing in construction and financing, and investors who are not familiar with project-basing rules, can lend further uncertainty to the conversion process. However, insofar as project-basing public housing allows for the infusion of capital not possible under public housing regulation, the potential to leverage much-needed capital may outweigh the risks of seeking unreliable funding streams. Moreover, an insurance product adapted or developed by the Federal Housing Administration (FHA) or another entity that standardizes underwriting requirements and provides some level of comfort to a lender could help PHAs obtain and stabilize leveraged funds.

Aside from financing, other obstacles on the human side can include difficulty in coordinating resident moves while rehabilitating units, cultural differences between the public housing, voucher and tax credit programs, and hesitation towards adopting a new model of assistance among staff, tenants, residents and advocates. The MTW PHAs who have undertaken the conversion have reported that cross-training staff who administer these three programs is essential, as is closely tracking and integrating the timelines for these programs. By utilizing MTW flexibilities, MTW PHAs have also been able to minimize disruption to tenants.

Despite these challenges, MTW redevelopment and preservation efforts have shown promise as solutions to providing better housing opportunities for assisted residents.

Policy Applications

Several MTW agencies have used MTW funding flexibility to preserve public housing and replace decaying housing stock with modernized, mixed-income communities. These agencies have been able to improve the physical landscapes of their communities while providing more housing options for low-income families by:

- ***Pursuing greater capital development and portfolio goals with funding flexibility.*** MTW agencies have been able to pursue more ambitious development activities and engage in more strategic long-term capital planning as a result of MTW funding flexibility.
- ***Developing localized mobility policies to increase housing choice for recipients of rental assistance.*** The preexisting deconcentration statute for all traditional PHAs⁴⁷ has proven difficult and expensive to administer. MTW PHAs have been able to adapt locally-informed resident choice and opportunity policies, which are streamlined to more effectively transform and revitalize their communities.
- ***Preserving public housing with project-based assistance.*** MTW agencies have leveraged considerable funds to preserve and maintain public housing by converting their public housing units to project-based assistance. Their experiences inform the Preservation, Enhancement, and Transformation of Rental Assistance Act (PETRA),⁴⁸ which would support a streamlined

47 Section 16(a)(3)(B) of the 1937 Act as added by QHWRA of 1998 and 24 CFR 903.2

48 http://portal.hud.gov/portal/page/portal/HUD/fy2011budget/signature_initiatives/transforming_rental_assistance/documents/PETRABillText%202010-05-11.pdf

conversion to longer-term project-based contracts similar to the project-based vouchers that MTW agencies use.

Though the flexibility afforded to MTW agencies allows them to respond quickly to portfolio needs and local market conditions, sweeping changes should be made with caution. There is not yet conclusive research on the impacts of relocation on residents, and many residents require extensive relocation and mobility services to assist in selecting an appropriate unit and integrating into a new community. Any significant changes to a public housing portfolio should thus be accompanied with appropriate services to help ensure positive outcomes for residents as the result of a major transition. The stability of leveraged funding sources, such as tax credits and private investment, is also an important consideration to ensure long-term affordability.

Streamlining Housing Assistance: Using MTW to Increase Cost-Effectiveness of Federal Expenditures

MTW is in part a deregulation demonstration, designed to relieve PHAs from excessive regulatory burden. The flexibilities and waivers afforded through MTW provide incentives for MTW agencies to be creative with their administrative structuring. By streamlining housing authority operations, MTW agencies are permitted to use saved costs towards other agency activities, giving MTW agencies an increased sense of autonomy over how they allocate funds.

MTW agencies do not receive an allocation of funds by virtue of participating in MTW; rather, they receive funds⁴⁹ from the traditional three primary funding sources (Housing Choice Voucher, public housing capital and public housing operating funds) and are able to allocate the funds interchangeably for activities approved under MTW. However, because they can enact cost-saving measures, MTW agencies are uniquely positioned to accumulate funding reserves. By finding ways to streamline operations or administration of programs, the savings created may be redistributed internally for other purposes, such as contributing to the funding of social services or adding funds to a development account.

Streamlining also benefits residents through more comprehensible and unified approaches to distributing housing assistance. In many agencies, residents find that applying for and receiving housing assistance is an easier and less invasive process with MTW PHAs that have undertaken streamlining efforts.

HUD Regulatory Framework

In the 1990s, HUD sought to privatize many of its functions and reduce the number of HUD programs as an attempt to streamline its operations. Housing practitioners at housing authorities and at HUD were increasingly frustrated with what they saw as excessive regulations imposed by the United States Housing Act of 1937, which authorizes the nation's public housing program.

QHWRA attempted to resolve many of these issues; indeed, the legislation stripped some of the repetitive and burdensome administrative requirements of both the public housing and HCV housing assistance programs. Reforms included streamlining of applications for demolition and disposition of public housing, the formal repeal of federal preferences, and the merger of Section 8 certificate and voucher programs. However, MTW went much further.

Many PHAs felt stifled by the administrative burden of the public housing and HCV programs – the “unnecessarily complex” nature of HUD-required procedures created a situation where PHAs did not have autonomy over program administration and could not steer these programs to fit local needs. Many PHA officials found the existing regulations to be “redundant, unresponsive to local housing markets, and inconsistent with local needs.”⁵⁰

49 The specific funding arrangement for each agency is outlined in Attachment A of each agency's Standard MTW Agreement.

50 “Housing Agency Responses to Federal Deregulation: An Assessment of HUD's ‘Moving to Work’ Demonstration,” The Urban Institute, 2004. 89.

The MTW 'Block Grant'

Under the MTW designation, MTW agencies may use their Housing Choice voucher funds and public housing operating and capital funds interchangeably to provide housing assistance to low-income families. This block grant provided the financial ability to drive other policy reforms, such as rent restructuring or enacting upon more aggressive affordable housing development within the community.

Outside of MTW, PHAs must keep these three funding streams separate and use the funds from each for each designated program, each of which has unique eligibility and reporting requirements. This limits agencies' ability to allocate funds efficiently as specific needs arise.

In many cases, MTW agencies have been able to serve more families with MTW. By streamlining certain functions, MTW may agencies produce savings that allow them to administer more units. The following table demonstrates that MTW PHAs have seen a more dramatic increase in the number of units authorized and funded through MTW than the aggregate of PHAs nationwide.

Change in Number of Units Authorized from Pre-MTW Level to Present⁵¹

	No. Units Authorized Pre-MTW	No. Units Authorized (2009)	Change in No. Units Authorized	Percentage Change
All MTW PHAs	263,654 (1998) ⁵²	388,443	+ 124,789	+ 47.33 %
All PHAs	2,851,704 (1998)	3,412,139	+ 560,435	+ 19.65 %

Though not all of the increase in units authorized is necessarily attributable to MTW, the data still suggests that MTW agencies may be better equipped to serve more families without an increase in federal funding.

Charlotte Housing Authority: Serving More Families with Combined Funds

The Charlotte Housing Authority (CHA) used its combined funds to leverage financing for the development of additional affordable housing units in mixed-income developments. CHA established an ambitious goal of adding 100 units of affordable housing in each year of its participation in MTW. In 2009, the initiative's first year, CHA exceeded this goal by providing 110 units of affordable housing, 78 of which serve families at or below 60 percent of area median income (AMI) and 32 of which are public housing, in a neighborhood with high-quality educational and public transportation options. Eventually, CHA plans to serve an additional 1,000 families as a result of its participation in MTW – not by eliminating or deferring any programs or assistance, but by leveraging various federal, state and local resources with combined funds.

51 Data was taken from PIC administrative data for the last year in which a PHA was not under the MTW designation to the most recent MTW reporting from 2009. Each year represents a snapshot in time for each PHA during that year, taken from the December extract of each year. PIC data was extracted July 2010.

52 1998 was used as a baseline for all MTW PHAs, though some joined the demonstration several years later. The 1998 levels thus capture changes at some agencies that took place prior to MTW, meaning that factors other than MTW may have contributed to the increase in units.

Seattle Housing Authority: Combining Funds to Stabilize and Expand Programs

As one of the six original ‘block grant’ agencies, the Seattle Housing Authority (SHA) undertook an ambitious array of initiatives that leveraged the flexibility to combine funds to stabilize at-risk programs, launch new initiatives, and engage in long-term financing and development efforts.

In 2004, SHA leveraged its combined funds to maintain a high voucher utilization rate, even during a period of above-average costs. Without MTW, the agency may have had to reduce operating costs elsewhere or terminate assistance to some families. In 2006, SHA used funds from the combined MTW funding source to establish a Down Payment Assistance program, in which up to thirty participants could receive up to \$15,000 to assist in homeownership. In 2009, SHA used nearly \$2 million from its combined MTW funds for deferred maintenance activities. Ultimately, streamlining funding sources enabled SHA to respond appropriately to local needs and continue to serve families in need even as economic conditions fluctuated.

Regulatory Relief under MTW

MTW provides PHAs with a number of waivers of provisions of the United States Housing Act of 1937 designed to help agencies streamline their operations that go beyond what was authorized in QHWRRA, as well as an unprecedented opportunity to experiment with combining federal funds.

While MTW PHAs may streamline a number of regulations related to rent reform and the development process (detailed in later sections of this report), PHAs may also use MTW to alter “HUD-proscribed procedural and reporting requirements for their own sake,”⁵³ including:

- Adopting a risk-management approach to inspections.
- Allowing agencies and landlords to self-certify that units meet inspection standards.
- Implementing a local lease.
- Merging waiting lists for the public housing and Housing Choice Voucher programs.

MTW enables PHAs to examine processes to determine where they could exempt unnecessary rules, either because of burdensome requirements or to better serve local needs.

The ability to streamline functions of the housing authority has worked to produce “small-scale improvements in efficiency and cost savings”⁵⁴ for many MTW PHAs, as well as making PHA processes more understandable to both employees and residents of the PHAs. Streamlining enables PHAs to make decisions that are best for their local needs – housing assistance recipient populations are not heterogeneous, and different needs may begin to be best met by small improvements in administration and implementation of the respective program or programs.

PHAs report that administrative streamlining resulted in “more rational or meaningful use of staff time,” which “improved staff morale and resident/landlord satisfaction with the HA.”⁵⁵ Beyond cost

53 Testing Public Housing Deregulation: A Summary Assessment of HUD’s ‘Moving to Work’ Demonstration, The Urban Institute, 2004.

54 *Ibid.*

55 “Housing Agency Responses to Federal Deregulation: An Assessment of HUD’s ‘Moving to Work’ Demonstration,” The Urban Institute, 2004. 94.

savings, MTW-enabled administrative reforms have changed the way that PHAs function.

Lawrence-Douglas County Housing Authority: General Housing Program

The Lawrence-Douglas County Housing Authority (LDCHA) utilized its MTW flexibility to merge their public housing and HCV programs into one program with one wait list, called the General Housing Program. The objective in doing so was to “establish program consistency, eliminate duplicated functions, and save agency staff time and resources.”⁵⁶ The General Housing Program enabled LDCHA to operate one waiting list for both project-based and tenant-based assistance.

LDCHA offers the household at the top of the list the first available form of housing assistance – the household may reject what is available twice before LDCHA requires the household to accept the third offer or fall to the bottom of the waiting list. In 2009, 224 offers of assistance were made, and only 6 families turned down two offers of assistance. LDCHA reports that the process “decreased the time required to fill public housing units, thus reducing the revenue loss incurred by vacancies.”⁵⁷

King County Housing Authority: Streamlined HQS Inspections

Since the onset of the HCV program, housing authorities have been required to conduct annual inspections of all units, many of which are inspected twice for quality control. This process is extremely time-consuming and expensive, and results in repeated inspections on high-quality units. MTW allows housing authorities to implement risk-based inspections, which mandate more frequent inspections only for units that fail random inspections or are the subject of complaints. PHAs may then target funds would have gone towards inspecting high-quality units towards more problematic units.

The King County Housing Authority (KCHA) allows property owners with a history of successful inspections to undergo a Housing Quality Standards (HQS) Inspection less frequently. For owners with twenty or more units under lease in the same complex and a two-year history of excellent HQS performance, KCHA may select a random sample of units to be inspected each year. If all units in the inspected sample meet HQS standards, the owner will be able to self-certify that remaining units meet the same standard and no further inspections will be performed in that year.

By implementing HQS inspection protocols that eliminate the need to reinspect units when only minor deficiencies were noted during inspections, KCHA has reduced the number of HQS inspections by 50 percent and saved close to 800 staff hours in FY 2009 alone.⁵⁸

KCHA also implemented a geographic “clustering model” for efficient completion of annual inspections. Traditionally, annual inspections coincide with each tenant’s move-in date, which does not allow for geographical groupings of HQS inspections. KCHA’s model decouples the two in order to reduce the travel time and expense associated with conducting inspections around KCHA’s expansive jurisdiction.

While modifying inspection protocols can result in considerable savings, this flexibility may be most

56 Promising Practices Report for Lawrence-Douglas County Housing Authority, U.S. Department of Housing and Urban Development, 2008.

57 Housing Agency Responses to Federal Deregulation: An Assessment of HUD’s “Moving to Work” Demonstration, The Urban Institute, 2004. 90.

58 FY 2009 Annual MTW Report, King County Housing Authority, 2010.

beneficial to housing authorities with new or recently renovated housing stock; housing authorities with aging housing stock in serious need of repair may find that inspecting 100% of units annually is the only way to ensure the provision of quality housing to its residents.

Policy Applications

While conclusive impacts of many MTW activities, particularly as they relate to residents, are not yet known, some of the most compelling MTW results to date are those regarding housing authority operations. MTW housing authorities have been able to engage in strategic long-term planning that better conforms to local needs, and to reduce unnecessary costs and labor to use towards other initiatives by:

- ***Combining funds.*** Combined funds are easier to manage and provide an opportunity to explore development and other activities that may require sizable initial investments. HUD would need to further explore how combined funds would function in accordance with other federal requirements and institute protections to ensure that PHAs are serving as many or more families as a result of the ability to combine funds, before cautiously expanding this authority to other PHAs.

The primary concern regarding combined funds involves serving the same number of families as funds may be used for purposes other than housing assistance. With MTW, agencies may choose to temporarily serve fewer families – with the expectation that they will eventually serve as many or more families – in order to use the funds that would have been provided towards their assistance for other purposes permitted under MTW, such as supportive services or accumulating reserves for use in capital redevelopment projects. Though MTW agencies are required to serve substantially the same number of families as they would have served were they not in MTW, varying interpretations of this provision have resulted in relatively lower utilization rates and higher levels of reserves in some MTW agencies. Even so, most MTW agencies have actually served substantially more families than they would have been able to serve without MTW by streamlining operations and using accumulated funds to administer new assisted housing units.

- ***Streamlining housing authority operations.*** MTW agencies have utilized a host of administrative flexibilities to reduce unnecessary costs and labor for both residents and PHA staff. Many of these flexibilities have significantly reduced administrative burden and allowed participating agencies to more efficiently provide housing assistance. Some of the most promising streamlining flexibilities include:
 - ***Simplifying Housing Quality Standard (HQS) inspection protocols.*** Outside of MTW, all HCV units must be inspected prior to occupancy by tenants and before the anniversary of the occupancy date in each subsequent year. PHAs devote considerable resources to inspecting units that regularly adhere to HQS standards, and have no flexibility to cluster inspections efficiently. MTW offers agencies a number of flexibilities designed to streamline the HQS inspection process, including targeting higher-risk units with risk-based inspections, allowing landlords to self-certify that units meet inspections and modifying inspection dates to allow for efficient groupings. These policies have resulted in considerable administrative and cost savings for agencies.

- ***Developing local wait list policies.*** MTW agencies are permitted to merge wait lists between developments and programs, create special-purpose and additional site-based waiting lists, and develop localized tenant selection procedures. These flexibilities enable them to adapt their waitlists to their portfolios and to more efficiently transition tenants off of waitlists and into unoccupied units.

These represent only two of many possible ways to streamline housing authority operations. Further exploration would likely reveal many ways in which more operations could be streamlined to reduce costs for the agency without negatively impacting residents. However, while agencies have found that these processes help reduce what they believe to be redundant, overly complicated or unnecessary tasks, many agencies have found time and cost savings to be eliminated by the time and cost of administering parallel systems with streamlined procedures for MTW families and traditional procedures for others. Most agencies serve families with funds from special purpose voucher programs, state and local funds, or other funding sources incompatible with MTW which require the housing authority to administer separate non-MTW systems. If streamlining flexibilities were to be expanded to other housing authorities, it would be important to explore the compatibility of these reforms with the various programs administered by housing authorities.

Rent Reform: Streamlining and Encouraging Self-Sufficiency through Alternative Rent Structures

Public housing and Housing Choice Voucher rents are currently determined as a percentage of income. The Brooke Amendment of 1969 established a system of income-based rents that has only changed slightly since its inception. The Quality Housing Work Responsibility Act of 1998 (QHWRA) made the most substantial changes to the system, adding options of a flat rent and a minimum rent to accompany income-based rents, but for the most part rent is still calculated as a percent of income.

Recognizing the importance of developing a better rent system, policy-makers included rent reform as the only policy innovation that MTW agencies are required to design. The MTW statute states:

“An application to participate in the demonstration... shall include a plan ... that includes criteria for... establishing a reasonable rent policy, which shall be designed to encourage employment and self-sufficiency by participating families, consistent with the purpose of this demonstration, such as by excluding some or all of a family’s earned income for purposes of determining rent.”⁵⁹

The lessons learned from the various approaches of MTW PHAs, along with the outcomes of a smaller Jobs-Plus demonstration and extensive research on potential rent reforms, point to two conclusions:

1. Streamlining the current rent calculation system has the potential to reduce administrative burden and costs for both PHAs and residents without substantially changing rent calculations or adversely impacting residents.
2. Alternative rent systems have the potential to more effectively encourage self-sufficiency and accurate reporting of income while avoiding excessive rent burden, and should be further explored.

Rent Policy Outside of MTW

For public housing residents and Housing Choice Voucher holders at non-MTW PHAs, the payment for rent and utilities is typically based on 30% of a household’s adjusted income. Income is adjusted by standard deductions for elderly or disabled household members, children living in the household, and for certain medical and childcare expenses. With the passage of QHWRA, PHAs are also now permitted to establish a \$50 minimum rent with an accompanying hardship policy, and the majority of PHAs have exercised this flexibility.

QHWRA also required PHAs to offer residents the option of a flat rent schedule, in which the rents are tethered to market rates instead of income. The flat rents tend to appeal to higher-income residents; they provide rents that are well-below market rent but still exceed most income-based rents, in an attempt to allow residents who have made substantial earnings gains while in public housing to remain in their units as they approach self-sufficiency. Accordingly, households choosing the flat rent option comprise a small portion of households at any given PHA.

⁵⁹ This provision is reiterated in Section III of the Standard MTW Agreement.

The benefit of an income-based rent is that the subsidy size increases with a household's need, which provides the most subsidy to those with the lowest incomes and discourages less needy households from receiving assistance when 30% of their income exceeds the market rent in the area. It also avoids the issue of hardships due to excessive rent burden, whereas in flat or stepped rent systems, those with the lowest incomes are more likely to spend more than thirty percent of their incomes on rent.⁶⁰

Critics of the income-based rent system argue that it rewards unemployment and underreporting of income, distorts the value of rental units, and places a significant administrative burden on PHAs and residents. If a tenant's income increases, their rent increases, which may make residents less likely to increase earnings, report on increased earnings, and report on additional working adults in a household. With income-based rents, households may face abrupt and substantial rent increases by reporting on these sources of income. Indeed, a HUD Quality Control study found that overpayments of rent due to un- and underreported income accounted for \$524 million annually, whereas rent overpayments due to over-reported income accounted for \$260 million annually, for an aggregate net error of \$264 million annually.⁶¹

The complexity of the income-based rent system, which involves extensive documentation and verification, is subject to fraud and error, is invasive for residents, and consumes an inordinate amount of time and resources for both residents and PHAs. The HUD Quality Control study found that "the current statutory environment poses substantial obstacles to efficient, accurate income and rent calculations," and concludes that "federal laws, regulations, and HUD requirements should be simplified to the extent possible."⁶² Many housing practitioners agree that a new rent system is needed – one that avoids excessive rent burdens, but encourages employment and accurate reporting.

Rent Reform in MTW

One of the founding goals of MTW was to have the demonstration serve as a laboratory to test alternative rent models. Per the MTW statute, MTW agencies are required to develop alternative rent policies that encourage employment and self-sufficiency by participating families. Before implementing any rent reform, an MTW PHA must conduct an impact analysis and include provisions for addressing hardship cases, but otherwise MTW agencies have considerable leeway in shaping their rent policies.

HUD defines rent reform as any change in the regulations on how rent is calculated for a household. MTW offers a number of flexibilities related to rent reform, as well as accompanying occupancy policies that specify requirements associated with residing in assisted housing:

- Implementing alternate approaches to determining family payment, including the total tenant payment, the minimum rent, utility reimbursements and tenant rent.
- Adopting and implementing term limits.
- Restructuring the initial, annual and interim review process in the public housing program in order to affect the frequency of the reviews and the methods and process used to establish the integrity of the income information provided.

60 Quality Control for Rental Assistance Subsidies Determinations: Final Report for FY 2007. Macro International. 2008.

61 *Ibid.*

62 *Ibid.*

- Defining, adopting and implementing alternate reexamination programs.
- Determining the term and content of Housing Assistance Payment (HAP) contracts to owners during the MTW demonstration. Any revised HAP contract must include language noting that the funding for the contract is subject to the availability of Appropriations.
- Determining alternate damage claim and/or vacancy loss policies and payment policies for occupied units.
- Adopting and implementing alternate reasonable policies to establish payment standards, rents or subsidy levels for tenant-based assistance.
- Determining alternate contract rents and increases and to determine the content of contract rental agreements.

These flexibilities have been combined in many ways, leading to as many unique approaches to rent as there are MTW agencies. The following examples, from the Cambridge Housing Authority, the Housing Authority of Tulare County, and the Lincoln Housing Authority, represent distinct approaches. Each approach was shaped by specific community needs and was considered successful by the implementing agency.

Cambridge Housing Authority: Tiered Rents

In developing a rent policy to encourage self-sufficiency, the Cambridge Housing Authority (CHA) focused on non-punitive incentives for savings that would encourage residents to work and reduce disincentives to misreport income and assets. In 2006, CHA implemented a tiered rent structure with a flat rent within income groups, set at 30 percent of adjusted income at the lower end of the income range for each group. As a resident's income moved higher within each group, the rent burden would thus decrease below 30 percent and the resident would be able to keep a higher share of income. Prior to implementation, CHA conducted an analysis which found that while 66 percent of households would pay lower rent under the new structure, the rent for some households would increase by over \$200. CHA temporarily capped the rent increases for these households to slow the transition to the new rent system. A \$50 minimum rent was also imposed in both the public housing and voucher programs and a 90-day limit on assistance was imposed on zero-income households. CHA paired these changes with a hardship review process and utility payment assistance.

Quadel Consulting Corporation conducted a benchmarking study to assess the outcomes of the rent simplification procedures in 2007.⁶³ While the study could not isolate the impact of rent simplification on resident earnings and self-sufficiency because of the lack of a control group, the study found that the new rent policy was not negatively impacting the residents' ability to pay rent, and many residents showed significant increases in earned income. In 2008, residents under the new rent simplification policy had average gross income increases of 7.5%, and average household employment income increases of 11.7%. It is unclear whether the reported earned income increases were due to actual increased earnings or to increased reporting. Regardless, the increased incomes led to an increase in tenant contributions to rent, which resulted in a 4% increase in the PHA's income from rent two years. In 2008, CHA administered a survey in which over half of public housing residents reported that rent simplification helped them save money to use for other monthly expenses, as increased earnings no longer led to immediate increases in rent.

63 "Performance Benchmarking of the Rent Simplification Initiative in the Cambridge Housing Authority's Moving to Work Program" Quadel Consulting Corporation, May 2007.

A second goal of CHA's rent policy was to streamline operations and reduce administrative burden. CHA staff expressed the opinion that the process of income, asset and rent calculations was overly complicated and labor-intensive, and they sought to use the flexibilities afforded by MTW to eliminate and simplify certain processes. For instance, to reduce the administrative burden of factoring minor assets into rent calculations while allowing residents to keep more of their holdings, CHA chose to disregard assets under \$50,000. CHA also found interim income calculations to be extremely time-consuming, but recognized that eliminating them entirely would negatively impact residents who experienced losses in income. As a solution, CHA limited interim income calculations to one per year for HCV residents and two per year for public housing residents.

In addition to measuring self-sufficiency outcomes, the Quadel study measured staff time saved as a result of the procedures. The study found that the average time to complete all measured activities for tenant recertification decreased by approximately 41 percent as a direct result of the rent reform. On the whole, rent simplification freed 41,236 staff minutes per year, which equates to roughly 687 staff hours or 85.9 business days. The table below shows the time saved as a result of rent simplification in both programs.

Administrative Savings from Rent Simplification⁶⁴

	Pre-Rent Simplification	Post-Rent Simplification	Administrative Savings
Public Housing Program	1,699 recertifications x 25.64 minutes per recertification = 726 hours	850 recertifications x 14.89 minutes per recertification = 211 hours	30,906 minutes = 515.1 hours = 64.4 business days
Housing Choice Voucher Program	2,120 recertifications x 25.64 minutes per recertification = 54,357 minutes	2,218 recertifications x 19.85 minutes per recertification = 44,027 minutes	10,330 minutes = 172.2 hours = 21.5 business days
TOTAL	97,919 minutes 16,232 hours 204 days	56,685 minutes 944 hours 118 days	41,236 minutes = 687.3 hours = 85.9 business days

CHA's rent reform experience demonstrated that streamlining efforts benefited the agency significantly in terms of administrative time savings; the benefits to resident earnings were less conclusive but promising.

Though CHA was encouraged by the outcomes of its rent reform policy, the original policy was modified as unforeseen issues arose. For instance, the rent table used for elderly and disabled families resulted in a higher rent burden than anticipated, and the table was modified accordingly. Hardship provisions were also clarified in response to specific resident circumstances. CHA chose to implement rent reform in public housing before adopting a voucher rent policy, allowing staff to assess the impacts

⁶⁴ FY 2007 Annual Report, Cambridge Housing Authority, 2008.

before expanding the policy agency-wide. The ability to adapt to these circumstances has helped CHA advance towards its goals while preventing residents from being inordinately burdened as a result of participating in a rent demonstration.

Housing Authority of Tulare County: Flat Rents with Time Limits

The MTW demonstration began in the midst of a national debate about placing time limits on government assistance. The landmark 1996 Personal Responsibility and Work Opportunity Reconciliation Act established work requirements and a 5-year time limit on Temporary Assistance for Needy Families (TANF) benefits, influencing a wave of contemporary domestic policy programs and legislation. Accordingly, MTW agencies were given the flexibility to implement occupancy policies like time limits and work requirements.

Several housing authorities chose to establish time limits based on various motivations, including promoting greater self-sufficiency, stretching and more equitably distributing scarce resources by allowing more families to access housing assistance, and adding an element of fairness to the housing assistance selection process.⁶⁵ However, many residents were unable to become self-sufficient in the time allotted, whether it was several months or several years. The San Antonio Housing Authority, for instance, quickly learned that 90 days was not enough time for the chronically unemployed to find work, and longer developmental periods were needed, while the San Diego Housing Commission found that many families were not ready for self-sufficiency even at the end of five years.⁶⁶ Many time limits were scaled back or eliminated accordingly, and many of the agencies who implemented time limits awarded hardship exceptions so liberally that they never actually terminated housing for any residents. The Philadelphia Housing Authority, for instance, indicated in their FY 11 Annual MTW Plan that they would not be terminating assistance to any families because of the economic recession and the particularly high unemployment rate in Philadelphia.

The Housing Authority of Tulare County (HATC) has gone further than any other MTW agencies in implementing time limits. HATC sought to reflect its community's viewpoint that assisted housing is "temporary," and implemented a policy in which HATC non-elderly, non-disabled households become ineligible for assistance after five years or upon reaching 120% of area median income. The time limits were paired with a system of flat rents and subsidies based on unit size. HATC provides a temporary hardship provision that gives residents extensions on assistance until the hardship can be addressed. HATC does not provide case management services or direct supportive services, but does provide referrals to community service providers as well as financial services classes for residents. The goals of this arrangement included:

- Aligning with the new five-year limit on welfare assistance under TANF,
- Discouraging underreporting of income,
- Allowing residents to keep more of their earnings, and
- Giving more families access to assisted housing (the waiting list is currently close to 18,000 families).

HATC implemented its reforms in 1999 and began timing out residents in 2004; as of March 2010, HATC had terminated assistance for 1,434 families and has only received 73 hardship extension

65 Study of Rents and Rent Flexibility: Analysis Report, Abt Associates, Inc., 2010

66 Moving to Work Briefing, PWC Consulting, 2002.

requests, 51 of which were approved.⁶⁷ As of 2008, 69% of the families who reached the five year time limit successfully transitioned off of public housing assistance while 31% reapplied to HATC.⁶⁸

HATC believes that this “carrot and stick approach” has allowed residents to increase their earnings without being penalized, and HATC has found that many families have used the earnings towards expenses like more reliable transportation and repairing bad credit scores. HATC reports that the residents participating in the MTW flat rent system have reported higher earnings than the HATC residents who remain on an income-based rent system,⁶⁹ and HATC has seen instances of reported incomes surging and families purchasing homes in the private rental market with no assistance from HATC.

An adverse consequence of HATC’s system is that the flat rent structure has increased rent burden on residents. Under pre-MTW regulation, none of Tulare County’s public housing residents and less than 3 percent of its voucher holders had rent burdens that exceeded 50 percent of income, but under the MTW system 7 percent of public housing residents and 11 percent of voucher holders contribute what classifies as an excessive rent burden – over 50 percent of their incomes in rent.⁷⁰

On the whole, HATC staff believe that the flat rent/time limited assistance model works well in Tulare County because of the low cost of living, which makes it easier to find reasonably priced units and to transition from assisted housing to paying market rents. They do not believe the system would work well in an area with high housing costs, in which even residents who experienced substantial increases in income would still find difficulty transitioning to the private rental market.

Lincoln Housing Authority: 27% Total Tenant Payment with Minimum Rent and Minimum Earned Income

In developing its rent model, the Lincoln Housing Authority (LHA) sought to simplify rent calculations while demonstrating to residents that housing assistance is not a permanent entitlement. In 2008, LHA implemented a rent policy in which rent, or total tenant payment (TTP), is based on 27% of gross income with no adjustments. LHA paired this policy with a minimum rent, with the tenant paying the higher of \$25 or the 27% TTP minus a utility allowance. The requirement does not apply to households in which the head of household is elderly or disabled, and a hardship policy alleviates any steep increases in rent. While some agencies develop a hardship policy to be used only sparingly, three percent of voucher holders and near thirteen percent of public housing residents are under LHA’s hardship provision.

LHA also includes a minimum amount of earned income when calculating a household’s income, whether or not the residents are employed, which serves as a de facto work requirement. The amount is based on 25 hours per week of employment at the federal minimum wage for households with one working adult, and 40 hours per week for households with two. Exceptions are made for the elderly, disabled, students and caretakers, as well as those with illness or participants of approved self-

67 Housing Authority of the County of Tulare. “Quarterly Moving to Work Statistics.” April 8, 2010. <http://www.hatc.net/Pdf/QuarterlyMTWStatistics.pdf>.

68 Promising Practices Report for the Housing Authority of the County of Tulare. U.S. Department of Housing and Urban Development. 2008.

69 HATC began enrolling families in the MTW flat-rent/fixed-subsidy program in 1999. While all new tenants were required to enroll in the MTW program, existing tenants had the option to remain on the income-based program.

70 Study of Rents and Rent Flexibility: Analysis Report, Abt Associates, Inc., 2010.

sufficiency programs. However, LHA also requires residents to wait 90 days between decreases in income and decreases in rent, in hopes of encouraging residents to seek alternate employment immediately.

LHA staff believe that the pressure from the earned income requirement helps encourage families to be proactive about finding employment, but that this can only be replicated in communities with abundant employment opportunities and adequate services to residents secure employment. As of 2009, LHA indicated that more than 100 families have either successfully found employment or have made significant steps to seek employment since the implementation of the Minimum Earned Income requirement, and only four tenants had been terminated as a result of failure to pay. LHA also reported on a group of 28 public housing families who were paying the minimum rent in March 2009, and found that by May 2010, 20 were no longer paying the minimum rent. Sixteen families had increased their incomes above the level at which they would pay the minimum rent, and the other four had moved out of public housing.⁷¹

LHA staff also report that the TTP was positively received by tenants because of the simplicity of the calculation, which benefited housing authority staff as well. Residents can make better informed decisions about finances when they understand how their rent will be calculated, and voucher holders in particular can make more informed decisions when selecting units if they know how much subsidy they will receive. However, while LHA staff felt that MTW worked well for residents who had made a commitment to self-sufficiency, they felt it was less effective for those who were comfortable receiving public assistance. The latter group was able to find loopholes to avoid rent increases, such as abusing medical exemptions in order to avoid the work requirement.⁷²

In addition to the self-sufficiency outcomes, LHA studied the effects of its rent calculation method by comparing caseloads among staff with caseloads that included both MTW and non-MTW families. The study found that calculating rent according to the 27 % TTP instead of the traditional rent determination method took an average of 30 percent less time than the traditional rent calculation method.

Existing Research

Widely varying alternative rent models have yielded promising results towards the goals of encouraging self-sufficiency and reducing administrative burden. The approaches of the Cambridge, Tulare County and Lincoln Housing Authorities offer a glimpse of the range of possibilities, and the experiences of other MTW PHAs further confirm the conclusion that alternative rent reforms may be more effective at encouraging self-sufficiency than the current rent model. However, while these approaches have local successes with implementation, the outcomes on families and the housing authorities are not well understood, and more research is needed before recommending a model to be applied to all PHAs. The following research lends further insight to the questions raised in the MTW demonstration.

71 FY 2009 Annual Report, Lincoln Housing Authority, 2010.

72 Moving to Work Briefing, PWC Consulting, 2002.

*Abt Study of Rents and Rent Flexibility*⁷³

A 2010 rent study conducted by Abt Associates, Inc. examined the flat and stepped rent structures imposed at several MTW PHAs (including Cambridge and Tulare County). Though these agencies did not use a controlled study methodology, the study found that the residents' employment rates at these sites far exceeded the average for PHAs. The Abt study concludes that non-income based rents would have a greater impact than income-based rents on increasing work effort, reducing underreporting of income and reducing administrative burden. The study suggested that a hybrid model – one that pairs a non-income based rent with incentives for higher-income households to leave public assistance – may be most promising. The study also confirms the positive impacts of rent reform on reducing an agency's administrative burden, providing results which, unlike self-sufficiency outcomes, are unambiguous and can be isolated to the specific reforms.

*Urban Institute Evaluation of MTW*⁷⁴

The 2004 Urban Institute evaluation of MTW found that almost all agencies experimenting with rent reform saw increases in employment among their residents, though the conclusiveness of the evidence was often questionable. Several MTW PHAs reported that residents were maintaining employment longer and working longer hours, and fewer were quitting jobs in order to reduce rent amounts. The study did not find, however, a relationship between these benefits and the type of rent reform implemented – whether it was an incentive or a punitive measure, a whole-scale rent reform or a set of smaller reforms. The only initiative that all of the agencies with positive results shared were that they had eliminated interim rent calculations between recertifications, which may reduce incentives for residents to quit their jobs or underreport income in order to secure a reduction in rent.

Jobs-Plus Community Revitalization Initiative for Public Housing Families

The Jobs-Plus Community Revitalization Initiative for Public Housing Families, a demonstration program that coincided with the early years of MTW and occupied several of the original authorized slots in the MTW demonstration, provides some of the most conclusive evidence of the impacts of rent reform on residents. The demonstration was implemented with a rigorous evaluation strategy and a third-party evaluator to administer the study.

Jobs-Plus sought to help residents find employment, increase incomes, and improve quality of life at selected distressed developments in five cities, two of which (Baltimore and Seattle) are current MTW agencies. The demonstration ran from 1998 to 2003 with three main components:

- Employment-related services: Providing instruction in job search skills, education, training and assistance with child care and transportation.
- Financial incentives to work: Implementing public housing rent rules at the participating site that allowed residents to keep more of their earnings.
- Community support for work: Fostering work-related information-sharing, peer support and mutual aid among residents in order to create a culture more conducive to employment.

73 Study of Rents and Rent Flexibility: Analysis Report, Abt Associates, Inc., 2010

74 "Testing Public Housing Deregulation: A Summary Assessment of HUD's 'Moving to Work' Demonstration," Martin Abravanel, Robin Smith, Margery Turner, Elizabeth Cove, Laura Harris and Carlos Manjarrez, The Urban Institute, 2004. http://www.urban.org/UploadedPDF/311009_TestingPublicHousingDeregulation.pdf.

At each agency in the demonstration, one development was randomly selected for implementation of Jobs-Plus, with a similar development established as a control group. Data on residents was collected from government agencies for up to six years prior and six years after Jobs-Plus was launched in 1998. MDRC completed a study of the program at its conclusion in 2005.⁷⁵ Significant findings include:

- Jobs-Plus programs markedly increased the earnings of residents compared to the control group when the program was fully implemented. At all five⁷⁶ sites combined, residents in Jobs-Plus sites had earnings that were an average of 6.2 percent higher than those at the control sites. At the three sites that had more fully-implemented programs, Jobs-Plus had an average earnings effect of 14 percent per year, and nearly 20 percent in the fourth year. There were increases in employment as well, but they were not as consistent as the increases in earnings.
- Jobs-Plus had positive earnings effects on a wide range of residents, with a particularly large effect on immigrant men.
- The increases in earnings did not lead to substantial changes in quality of life at the developments.

The participating agencies cited many challenges to implementation that in some cases significantly delayed the start of the program. Challenges included:

- Enlisting stakeholder support and fostering collaboration.
- Securing appropriate staffing to administer multiple new programs simultaneously.
- Adapting services to the local mix and circumstances of families.
- Convincing residents of the potential for success within the programs.
- Competing with other federal initiatives (like the HOPE VI Community Revitalization Initiative) at some sites, which made it difficult to isolate the effects of Jobs-Plus.

The study concluded that the Jobs-Plus model, if properly implemented, holds the potential to work in a variety of settings; the sites implementing the program covered large and smaller cities with different housing and labor markets. The study also suggested that critical components to success would be sustained commitment to the program from PHA management and staff, and involving resident representatives in planning and operating the program. However, it is difficult to determine which component of the Jobs-Plus program – whether the supportive services or the rent structure – contributed to the increases in earnings.

Policy Applications

Explore Ways to Streamline and Simplify the Rent Calculation Process

The experiences of MTW PHAs have demonstrated that streamlining the rent calculation process may help alleviate administrative burden on housing authorities and residents without adversely impacting residents:

⁷⁵ Promoting Work in Public Housing: The Effectiveness of Jobs Plus. Bloom, Howard, James Riccio and Nandita Verma, MDRC: 2005.

⁷⁶ Seattle was not included in the final evaluation results because the site selected as a control received HOPE VI funds during the demonstration.

- ***Reducing recertification frequency for fixed-income households.*** For elderly and disabled households living on fixed incomes, the only annual adjustment to income is typically the cost of living adjustment, which can be easily calculated by the PHA without administering the entire recertification process. MTW agencies have found that recertifying these households every two or three years, with only an automated cost of living adjustment in interim years, substantially reduces administrative burden.

HUD has already issued related guidance by requiring use of the Enterprise Income Verification (EIV) system in all assisted housing programs (including MTW). EIV has saved hundreds of thousands of federal dollars by increasing the accuracy and efficiency of income and rent determinations and reducing incidents of under- and unreported household income. Reducing recertifications for fixed-income households would allow PHAs to further realize the benefits of automating income recertifications where possible.

- ***Eliminating or simplifying the earned income deduction.*** The current disregard policy⁷⁷ has imposed a significant administrative and financial burden on agencies that attempt to implement it. MTW agencies have found that income exclusion policies that encourage self-sufficiency can be simplified while keeping the original goals in-tact in order to prevent unnecessary burden on the PHA and residents.
- ***Ignoring some or all of asset income.*** Asset income refers to non-earned income, such as interest, dividends, or income derived from other investments. These sums are small, if they exist at all, and are extremely difficult to verify in a timely and cost effective way. The exclusion or limitation of asset income in tenant rent calculations allows agencies to save considerable time and labor costs without significantly altering the amount of rental income they receive from residents.
- ***Replacing medical and child care deductions with a standard deduction.*** These deductions require extensive documentation and verification, which is time-consuming and labor-intensive for PHAs and residents, and often provide only minimal savings for the tenant. A standard deduction set at a sufficient level and coupled with a hardship policy potentially reduces or eliminates the need for obtaining this documentation.

Further Explore Alternative Approaches to Rent Calculation

MTW has shown that alternative rent structures may have positive self-sufficiency outcomes for residents. However, changing the system without adequate research could have widespread unintended consequences that may negatively impact residents. While MTW agencies have begun experimenting with alternative rent policies, their evaluations lack a controlled study design to isolate the effects of the rent reforms. Moreover, when MTW was implemented, a strong economy and the new TANF program, with time limits, work requirements and other self-sufficiency incentives, created an environment conducive to employment. These conditions may be responsible for many of the positive employment outcomes for the residents in MTW programs, and the impacts of employment incentives in a more troubled economy remain to be seen.

Because the rent reforms implemented under MTW vary greatly and were not implemented with a

⁷⁷ 24 CFR 960.255

controlled experimental methodology, further exploration is needed to determine which aspects of these rent reforms can be readily applied to all PHAs. Research suggests that a hybrid rent structure, which combines streamlining efforts with a form of flat rent and a form of income-based rent, may be most promising. These models have the potential to better encourage self-sufficiency in residents and produce much-needed cost-savings in the administration of public housing and Housing Choice Voucher programs. The Cambridge Housing Authority's tiered rents approach, in which a flat rent is set at 30 percent of adjusted income at the lower end of each of several income bands, is an example of this model.

The HUD Office of Policy Development and Research is planning to conduct a randomized controlled experiment to test hybrid approaches, which will help lend more concrete evidence to the debate surrounding rent reform. Any potential rent model should attempt to encourage self-sufficiency and accurate reporting of income, but also ensure that tenants are not unduly burdened.

Even with further research, however, it may be difficult to determine one single rent structure that functions effectively in all housing authorities. Providing housing authorities with a limited menu of rent flexibilities, such as flat rents, tiered rents, percent-of-income rents or a combination thereof, all with protections to limit resident burden, could allow PHAs to better adapt their rent structures to their communities.

Self-sufficiency, Supportive Services and Service-Enriched Housing

All public housing authorities are authorized to provide or facilitate various social services that encourage residents to become less dependent on rental assistance, using funding provided through several HUD programs and in cooperation with local providers. However, since the PHA's primary role is to administer housing subsidy, there are limited resources available to PHAs to provide direct services.

MTW allows PHAs to structure more comprehensive approaches to encouraging self-sufficiency among residents, leveraging local resources and building stronger partnerships without using additional federal funds. In addition to implementing innovative self-sufficiency programs, many MTW agencies have taken steps to encourage self-sufficiency among groups outside of their traditionally served populations by providing service-enriched housing for homeless and other special-needs populations.

Providing Resident Services Outside of MTW

The PHA's role in providing services is typically limited for PHAs outside of the MTW designation. Two PIH programs are primarily responsible for facilitating services for residents – the Family Self-sufficiency (FSS) program and the Resident Opportunity and Self-Sufficiency (ROSS) program. The public housing operating fund also allows for the use of public housing units for resident services, resident organization offices, and related activities, such as self-sufficiency and anti-crime initiatives,⁷⁸ and for use of operating funds to fund program coordinators and other costs in accordance with HUD's self-sufficiency programs.⁷⁹ The HOPE VI program funds Community and Supportive Services (CSS) technical assistant providers to help coordinate resident and case management services at all HOPE VI sites, but the services are limited to these developments.

Most resident services funding provided by HUD, including ROSS, FSS and HOPE VI CSS, do not pay for services directly, but instead to hire service coordinators who manage self-sufficiency activities within the PHA or to refer residents to other nonprofit groups or local government in the area. The service coordinators ensure that residents have access to local services and manage the relationships between the PHA and these providers, but the provision of direct services is limited by the scope and funding of these programs. These services in isolation are not sufficient to meet the needs of many participating families.

Encouraging Self-Sufficiency in MTW

As specified in the MTW statute, MTW PHAs are tasked with devising programs, policies, and activities that would encourage greater self-sufficiency in their residents, and MTW PHAs have at their disposal flexibilities that allow them to provide more services to more families. Perhaps the most important flexibility is the ability to combine federal funds, which allows MTW PHAs to 'create' funding by streamlining administrative activities and using the resources previously needed for administratively burdensome requirements towards the provision of services. As a result, MTW PHAs

78 CFR 990.145(a)(2)

79 CFR 990.190(a)

have been able to think holistically about how to enable their residents to reduce and eventually eliminate their need for rental assistance.

With merged funds and streamlined activities, there is also more flexibility to stretch beyond traditional program administration. PHAs can be stronger partners to community organizations with MTW because of the leveraging potential that funding flexibility provides and because MTW agencies can provide housing units or vouchers for a partner to manage as service-enriched housing. MTW agencies are also permitted to partner with community organizations to deliver services in ways that including partnering with non-profit and for-profit entities in ways that “reflect the implementation of less restrictive regulatory requirements.”⁸⁰ Because MTW allows PHAs to work more closely with local service providers, the provision of services under MTW has become better tailored to the community and made better use of local and PHA resources.

The benefits of this holistic approach are confirmed by the outcomes of the Jobs-Plus demonstration, which ran from 1998 through 2003. Jobs-Plus attempted to deliver an “employment and training program within public housing developments to all working-age, nondisabled residents”⁸¹ in six selected PHAs; two of these PHAs (Baltimore and Seattle) are MTW agencies as well. The demonstration paired supportive services with a rent structure to encourage self-sufficiency, and the results of the semi-controlled study found that the holistic Jobs-Plus approach resulted in an increase in resident participants’ average annual earnings by 6.2 percent.⁸²

MTW PHAs can enact programs similar to FSS and ROSS, but because of their flexibilities, these PHAs do not necessarily have to administer their self-sufficiency programs and policies under these program regulations.⁸³ Often, the FSS and ROSS programs have served as a general model for MTW self-sufficiency measures, but MTW PHAs have largely taken steps outside of the bounds of these programs to engender self-sufficiency through a combination of service provision, rent rule policy changes, work and self-sufficiency program participation requirements, and time limits.⁸⁴

Massachusetts Department of Housing and Community Development – Self-Sufficiency Voucher Pilot Program

The Massachusetts Department of Housing and Community Development (MADHCD) implemented as part of its original MTW program two boutique voucher programs that paired housing with supportive services. MADHCD uses its MTW flexibility to provide shallow rental subsidies to two non-profit providers who administer the subsidies along with services catered towards the eligible populations. Residents are required to have been working for at least three months in order to be eligible, must continue to work while they receive the subsidy, and are subject to time limits on their assistance. In return, MADHCD and its non-profit partners provide case management services, budgeting and other financial literacy training, and a ‘supports budget’ that each family could access for approved self-sufficiency activities. Families in this program have the option of depositing any of the rental stipend not used towards rent into an escrow account. MADHCD found that as the program

80 Standard MTW Agreement, Attachment C, Section (B)(2)

81 “Promoting Work in Public Housing: The Effectiveness of Jobs-Plus,” MDRC, 2005.

82 *Ibid.*

83 If an MTW agency receives any funds for the provision of services or other special purposes, the terms of participation attached to the funding source override MTW flexibilities where conflicts exist.

84 Any funds for supportive services received through a competition must be used in accordance with the guidelines outlined in the competition NOFA, regardless of MTW designation.

went on, families were using less of their stipend towards rent and more towards the escrow account, and were thus better positioned to remain self-sufficient upon graduation from the program.

Oakland Housing Authority: Prison Reentry and Family Unification Housing

The Oakland Housing Authority (OHA) used MTW flexibilities related to administering transitional and conditional housing, providing funds directly to third-party partners and combining MTW funds to fill specific unmet need in the community. As part of OHA's MOMS Program, OHA provides housing assistance for mothers returning from prison to reunite with their children. In partnership with OHA, the local sheriff's department provides supportive services to facilitate prisoner reentry and family unification. Without MTW, OHA would be limited in its capacity to provide the service-enriched for this special-needs population, while the sheriff's department would be limited in its capacity to provide housing.

Philadelphia Housing Authority: Partnerships and the Family Economic Development Action Plan

Voucher holders at the Philadelphia Housing Authority (PHA) are subject to a seven-year time limit on their assistance. Though PHA suspended enforcement of the time limits in FY 2011 because of the economic recession, PHA already has in place a self-sufficiency requirement an extensive network of supportive services to help ensure that residents can transition off of housing assistance in the time allotted. All voucher holders must participate in self-sufficiency activities, the extent of which is dependent on their income and employment status, with more intensive efforts geared towards families who receive Temporary Assistance for Needy Families (TANF) or have zero income.

To support residents in achieving their self-sufficiency goals, PHA enlisted the help and partnerships of local nonprofit and governmental organizations to assist residents, accomplished through direct services and referrals to a network of PHA community partners with proven track records in employment, training and the provision of outcome-oriented supported services. Using its MTW funding flexibility, PHA administers a Family Self-Sufficiency office where residents can access employment, training and supportive service programs such as Pre-Apprenticeship Training, homeownership counseling and Section 3 jobs. There are five community-based offices located throughout the city to provide resources and case support for residents, as well as a Community Partner office for residents to receive similar support.⁸⁵

Supportive and Transitional Housing

For high-risk populations, such as chronically homeless persons and families, the needs are often too great to be met only by a PHA providing rental assistance. Programs to assist homeless persons are mostly provided through other governmental or nonprofit entities which are unable to provide continued housing assistance once a family 'moves through' the immediate need of temporary shelter.

When homelessness began to enter the national policy consciousness in the 1980s, most housing or services for the homeless took the form of emergency shelters, but it became clear through years of practice that the emergency shelter system did not enable homeless persons to leave permanently their

85 FY 2011 Annual Plan, Philadelphia Housing Authority, 2010.

homeless status.⁸⁶ PHAs, on the other hand, provide housing assistance to residents who are able to meet the terms of a lease for at least twelve months; many chronically homeless individuals are unable to do so.

Transitional housing has become a solution to assist homeless families along the full continuum from homelessness to self-sufficiency. Transitional housing works to counter reentry into homelessness by providing a service enriched living environment tailored to these homeless populations. Entrants often have a number of health and mental issues, such as substance abuse, HIV/AIDS status, criminal records, disabilities, and no experience of working for pay.⁸⁷

Through greater financial flexibility and opportunities to form community partnerships, MTW PHAs can further expand the traditional realm of assistance and services provided into helping chronically homeless individuals/families, a population that traditionally needs intense service interventions in order to successfully acclimate to living in mainstream society/housing. MTW agencies are also permitted to “develop and adopt new short-term transitional housing programs... with supportive services in one or more buildings in collaboration with local community-based organizations and government agencies.”⁸⁸ While non-MTW agencies can institute a homeless preference for admissions, they are unable to provide the long-term service-enriched housing that many homeless families require in order to become self-sufficient.

King County Housing Authority: Self-sufficiency and Serving Homeless Persons

The King County Housing Authority (KCHA) has been a leader in leveraging community resources to provide supportive services and service-enriched housing that fills unmet needs in its community.

Through MTW program flexibility, KCHA has been able to expand beyond the traditional role of a PHA and has begun to “strengthen its role as the safety net for homeless and special needs populations.”⁸⁹ This is accomplished in part through new partnerships with “local public and behavioral health care systems” that ensure “chronically homeless and mentally-ill households have access to permanent, supportive service-enriched housing in which they can stabilize and grow.”⁹⁰

These populations do not traditionally meet the admissions requirements for traditional rental assistance programs like public housing or HCV and “often have a demand for supportive services that are not available at standard apartment complexes.”⁹¹ To counter this imbalance, KCHA began linking its vouchers to housing units (project-basing formerly tenant-based HCV vouchers) to provide a space where these services may be fully implemented. Because of MTW flexibilities, KCHA did not have to proceed through a competitive process to select the units, nor did the units have to be reviewed by HUD.

KCHA operates several programs intended for these purposes, but two prominent examples are the Sound Families Program and the South King County Housing First Pilot. The Sound Families

86 Characteristics of Transitional Housing for Homeless Families, Martha R. Burt, The Urban Institute, 2006.

87 *Ibid.*

88 Standard MTW Agreement, Attachment C, Section B(4).

89 FY 2010 MTW Annual Plan, King County Housing Authority, 2010.

90 *Ibid.*

91 Promising Practices Report for the King County Housing Authority, U.S. Department of Housing and Urban Development, 2008.

Program, supported by a large grant from the Bill & Melinda Gates Foundation, is intended to help families who may not otherwise be eligible for traditional housing assistance. Combined with the flexibilities afforded under MTW for the KCHA, the Sound Families Program enables the placement of families into project-based voucher units where they “receive targeted support and training.”⁹² Once the families graduate from the program, they are given a tenant-based voucher, allowing them to move to a unit of their choosing. As of November 2007, there were 177 units enrolled in this program; families are assisted with activities such as grocery shopping and house cleaning, medication management, transportation to appointments, and tenancy support.

The South King County Housing First Pilot operates in a similar way, but KCHA has partnered with the King County Department of Community and Human Services and the United Way to assist in this program. Twenty-five units were allocated to implement the ‘housing first’ approach to serving homeless families, which “is premised on the belief that vulnerable and at-risk homeless families are more responsive to interventions and social services support after they are in their own housing, rather than while living in temporary/transitional facilities or housing programs.”⁹³ KCHA funding is combined with other local funding to run the facility; KCHA is only tasked with performing a rent reasonableness assessment of the units.

Policy Applications

Although resident services are provided through optional programs available to all PHAs, MTW flexibilities allow PHAs to design and implement programs that better fit their residents and the surrounding community. These programs have shown to be feasible in terms of functioning; although clear, definitive evidence regarding their effectiveness is not currently attainable, it is clear that these MTW PHAs have developed holistic self-sufficiency programs to serve special needs and high-risk populations such as homeless families, immigrants, and other groups that may not be as responsive to the traditional rental assistance model, without the provision of services.

MTW agencies have shown that the ability to combine funds and to go beyond traditional models of resident services can allow PHAs to more effectively encourage self-sufficiency by:

- ***Building stronger partnerships with other community organizations.*** As a result of their funding flexibility and leveraging ability, MTW PHAs have an enhanced ability to collaborate with local community partners to formulate precise, tailored self-sufficiency programs that most effectively serve their local needs. MTW agencies can leverage their funding flexibility to supplement housing authority resources with community resources, ultimately providing more comprehensive services for residents.
- ***Developing local self-sufficiency programs.*** Although the current HUD self-sufficiency programs have shown signs of success, they are limited in funding and scope and provide a uniform approach to serving many distinct communities. MTW PHAs have developed ways to better incentivize self-sufficiency in residents by tailoring their self-sufficiency activities to their individual communities.

92 Promising Practices Report for the King County Housing Authority, U.S. Department of Housing and Urban Development, 2008.

93 “The Problem: Ending and Preventing Family Homelessness,” Beyond Shelter.
http://www.beyondshelter.org/aaa_initiatives/ending_homelessness.shtml.

- ***Providing service-enriched housing.*** MTW agencies have used project-based assistance in partnership with local community organizations to provide service-enriched housing for homeless or other high-risk individuals and families. Current traditional public housing program restrictions dictate that residents must sign a permanent lease and can only be terminated for cause, which inevitably excludes homeless residents who would ideally transition out of public housing and may not be financially able to agree to a lease. By project-basing assistance and leasing to a local community organization, MTW PHAs are able to serve homeless or other high-risk individuals and families, greatly expanding their role in the community and local affordable housing market.

While pairing housing assistance with supportive services may help housing authorities serve more family types (e.g, homeless and special needs families) and reduce the need for public assistance by helping residents become self-sufficient, it is important to recognize trade-offs between providing services and providing housing assistance. Without additional funding sources, the funds directed towards the provision of services may in some cases require a housing authority to serve fewer families. If the ability to develop locally tailored self sufficiency programs is extended to all housing authorities, it is worth considering whether the funds for these programs should be kept separate from those used to provide housing subsidies. The ability of public housing authorities to partner with community organizations is especially important in this consideration, as leveraging community funds can allow housing authorities to provide more services to residents while still maintaining the same level of rental subsidies.

V. Selecting for Success in MTW

MTW agencies develop local initiatives that meet community needs while supporting national goals, it is difficult to define success in MTW in a way that captures the broad array of MTW activities. Each MTW agency defines its objectives for each activity, and thus its own related measures of success. Definitions of ‘success’ include providing more services, serving more residents, moving more residents off of public assistance, giving more families access to housing, developing sustainable communities and transforming housing stock. While MTW agencies can be assessed by their progress towards the three statutory objectives – generating cost efficiencies, encouraging self-sufficiency, and increasing housing choices – it is still difficult to select specific outcome measures by which all MTW activities can be measured in cross-site comparisons.

Though it may be difficult to measure the outcomes of specific activities, there is abundant descriptive and qualitative evidence regarding the implementation of MTW at different PHAs. From this information, it is possible to infer characteristics of PHAs that may make them more successful in MTW. This section thus examines ‘success’ in MTW not as it pertains to specific policies or reforms, but the traits of MTW agencies that have made them successful in implementing MTW, the obstacles that have limited their success, and the ensuing recommended selection criteria for new MTW agencies.

Characteristics of Successful PHAs

The criteria listed below do not assess ‘successful’ PHAs by measures like resident incomes or number of residents served, but by the characteristics of the PHAs that allowed for implementation of robust, creative and sweeping changes under MTW – those who can be said to have used MTW to its fullest potential. The criteria for success thus focus on the ability to make significant changes and to report on their outcomes in a way that is instructive to HUD and the housing industry.

Resident, Community and Stakeholder Support

MTW PHAs unanimously cite resident, community and stakeholder support as necessary to implement major and often controversial reforms. Successful MTW PHAs demonstrate a commitment to soliciting input from these groups at the outset of the policy planning process, and continue to solicit feedback on an ongoing basis.

- The Cambridge Housing Authority (CHA) remarks that they have a unique environment “with lots of advocates and lots of smart folks,” a byproduct of a large number of institutions of higher learning, an abundance of legal aid and a politically active community. As a result, CHA has one of the most open and exhaustive public processes of any MTW agency in order to maintain community and resident support for their programs, and CHA explains in each of its MTW Plans which comments were raised throughout the public process and how each was addressed. Though residents and other stakeholders often disagree with CHA on specific policies, CHA staff believes that their transparency helps

generate constructive dialogue, which in turn informs CHA's decisions and improves the quality of their programs.

- Similarly, staff at the Seattle Housing Authority (SHA) explain that “Seattle is very much a process city – it doesn’t make a difference what you do, as long as you share your ideas with everybody first. If you have the greatest idea in the world and didn’t share it, everyone’s against you.” With this in mind, SHA staff formed an advisory committee including legal aid, resident association members, advocacy groups and all key department heads of the agency prior to implementation of MTW. SHA found the committee to be very helpful in combating the initial suspicion regarding MTW, and recommend that “for those considering controversial ideas, bring in stakeholders and get not just their support, but their ownership.”
- The Minneapolis Public Housing Authority (MPHA) also administers an extensive public process. A resident advisory board has developed and distributed hundreds of surveys to residents, which it uses to develop its priorities. The public process for MPHA's most recent MTW Plan included 30 MTW Plan meetings involving over 500 participants and staff. Like CHA, MPHA includes comments as well as responses in their Annual MTW Plans, showing the responsiveness of the agency to resident suggestions. MPHA keeps residents involved in its operations on an ongoing basis through 41 resident councils, two family-based resident councils, resident participation funds, a resident advisory board, and two resident board member positions on MPHA's board of directors.
- The San Antonio Housing Authority (SAHA) originally implemented a very limited MTW program, with reforms applied to only three developments in its portfolio. Stakeholder engagement was lacking, though, and partnership programs decreased after the third year. SAHA ended its original MTW program, but now under new leadership is expanding MTW to its entire portfolio and making considerable accompanying outreach efforts. SAHA staff have conducted resident meetings in all public housing developments and held numerous MTW stakeholder meetings. SAHA has also established an MTW advisory committee, which includes leaders of public, social service and non-profit agencies and provides monthly feedback to SAHA from an outsider's perspective. SAHA reports that involving resident leaders has helped SAHA dispel myths and rumors about MTW and gives MTW a voice and face in the community, and SAHA is now embarking on implementation knowing that its community is engaged in its MTW efforts.

The MTW agencies that have exceeded the requirements for the public process have found that the ability to gauge the temperature of the community impacts an agency's ability to make significant reforms, but also has added benefits for the agencies. The Portage Metropolitan Housing Authority, for instance, reported that MTW has helped improve communication between staff, program partners, landlords and MTW families.⁹⁴ Many agencies have also found that the ongoing brainstorming and feedback improves the quality of their ideas and eventually policies.

94 Moving to Work Briefing, PWC Consulting, 2002.

Responsiveness to Community Needs

MTW PHAs have a wide array of flexibilities at their disposal, and are able to use them most effectively when they can articulate their local needs and how MTW would help achieve those goals.

For instance, in Tulare County, California, a competitive affordable housing market with long waiting lists prompted the Housing Authority of Tulare County (HATC) to implement time limits. In Cambridge, Massachusetts, a tight housing market with a dwindling supply of affordable housing led the Cambridge Housing Authority (CHA) to project-base more of its voucher share in order to secure more affordable units. These agencies have built their MTW programs around the flexibilities that allow them to address unmet needs in their communities.

Strong Leadership and Committed Staff

Though difficult to measure, visionary leadership and staff committed to the mission of MTW is often cited as essential to implementing changes. Because MTW touches so many aspects of an agency's operations, it is crucial to have the mission of the organization, especially as it relates to MTW, communicated to the staff at all levels of implementation. Staff involved in shaping the new processes in some cases gave staff a "strong sense of accountability" and a "renewed sense of purpose" because of their sense of ownership, rather than an obligation to simply follow Federal rules.⁹⁵

Staff at the Keene Housing Authority (KHA), for example, cite Executive Director Curt Hiebert's leadership as a critical component of their success. His leadership capacity, they explain, is not just a motivating force within the organization, but in the community at large, which helps build community partnerships and to earn support for KHA programs. Mr. Hiebert encourages KHA staff to sit on community boards and participate in other community events, and considers himself and other KHA staff an important part of educating the community and residents about KHA's MTW program. Several of the principal staff involved in administering MTW have been with KHA since it joined MTW in 1999, and KHA has been one of the most innovative and aggressive MTW agencies, in large part because of devoted and engaged staff.

Innovation and Openness to Change

Successful MTW agencies demonstrate a willingness to make substantial changes to agency operations. HUD is able to learn the most from agencies that continually push the envelope, and evolve their MTW programs over time as new community needs arise. These dynamic MTW programs help inform the discussion of how MTW works in practice in the long-term.

- Leadership at the Cambridge Housing Authority (CHA), which is known for pushing the envelope even within MTW, explain that it takes "curiosity" to experiment with existing rules. Greg Russ, Executive Director of CHA, specifies that MTW requires a sense that "you've lived in the status quo, you've seen its defects and you have energy to make some change." CHA has

95 "Testing Public Housing Deregulation: A Summary Assessment of HUD's 'Moving to Work' Demonstration," Martin Abravanel, Robin Smith, Margery Turner, Elizabeth Cove, Laura Harris and Carlos Manjarrez, The Urban Institute, 2004. http://www.urban.org/UploadedPDF/311009_TestingPublicHousingDeregulation.pdf.

continually evolved its MTW program since inception, and takes pride in leading the way in testing new HUD policy priorities.

- Staff at the Seattle Housing Authority (SHA) at the time that MTW was implemented explain that, while staff recognized the enormous potential of MTW, “it was disorienting for a lot of people to go outside of HUD rules. It took 6 months for the agency to figure out what they would do with MTW.” SHA staff convened an exhaustive series of brainstorming meetings before eventually proposing a sweeping set of MTW reforms.

It can be difficult for agencies that have been operating in the same way for decades to reconceptualize their operations. The agencies that have made the most of MTW are the ones that, despite initial trepidation, have been willing to fundamentally change the way that their agencies provide and administer services.

Evaluation Capacity

Many MTW agencies can describe anecdotally and descriptively the way that MTW has changed their organization, but the most successful have been able to identify and effectively report on outcome measures that help inform policy decisions.

Several have secured third-party evaluators to ensure rigorous monitoring of key MTW initiatives without monopolizing staff time and effort. The Cambridge and Atlanta Housing Authorities, for instance, have been supported in their evaluation by consulting corporations, while the Housing Authority of the County of San Bernardino is supported by a university.

- The Atlanta Housing Authority (AHA) began demolishing distressed public housing and replacing it with mixed-income communities in 1994. AHA paired with EuQuant to examine impacts on relocated families between 1995 and 2007, four years of which were years that AHA was part of the MTW demonstration. The study used a longitudinal comparison for families relocated as part of the revitalization effort versus families living in public housing that was not revitalized. This study is notable in that it helps to isolate the impacts of reforms at one of the largest MTW PHAs.
- The Cambridge Housing Authority (CHA) partnered with Quadel Consulting Corporation to conduct a benchmarking study to assess the outcomes of CHA's rent simplification procedures in 2007.⁹⁶ The study examined both resident outcomes and agency outcomes, looking to measures like resident earnings and income as well as CHA staff time saved as a result of the new procedures, offering a somewhat holistic description of the impacts of a major MTW reform.
- The Housing Authority of the County of San Bernardino (HACSB) partners with the Loma Linda University School of Social Work to develop detailed assessments of the families participating in a work requirement pilot program. HACSB also compiles quarterly tracking reports, in which they exceed HUD reporting requirements and assess their progress for each of their evaluation measures, modifying the goals if necessary. Each activity has an “activity

96 Performance Benchmarking of the Rent Simplification Initiative in the Cambridge Housing Authority's Moving to Work Program, Quadel Consulting Corporation May 2007.

owner,” who is not responsible for carrying out the activity, but is responsible for monitoring its progress and assessing it against its evaluation metrics.

Some of the newer agencies, such as HACSB and others admitted in 2008 and 2009, have the strongest initial evaluation components to their programs. Unlike the earlier MTW agencies, the newer agencies have begun their MTW programs with more stringent reporting requirements in place. A key difference is that they are required and well-positioned to develop strong baseline measures, which some of the earlier agencies are only now beginning to develop for activities implemented years ago.

Obstacles to Implementation

MTW reforms are often controversial by nature, as they change long-established policies procedures in ways that impact residents and communities. Even reforms designed with worthy goals in mind can have adverse impacts and unforeseen consequences. As such, implementing MTW can be difficult, and the following obstacles represent some of the most common barriers to success.

Lack of resident, community and local stakeholder support

Resident and community opposition can make implementation of MTW reforms difficult or impossible. When MTW was first introduced, many residents initially viewed MTW with suspicion, which in some cases limited their willingness to make use of services provided under MTW or to participate in voluntary MTW programs and, in some cases, limited the agency's ability to implement an activity at all. In particular, rent reform changes that were difficult to explain or not well explained to residents made some residents feel “tricked” into participating in MTW.⁹⁷

The Vancouver Housing Authority (VHA), for instance, originally included a 5-year time limit as part of its MTW rent reform, and also proposed a rent structure that would be based on number of family members instead of income. Aspects of both programs received significant opposition from local legal aid organizations and from residents. VHA was unable to implement their original reform and subsequently revisited its policies, using a stakeholder group to help shape the initiatives.

Unrealistic Goals

An overly ambitious implementation schedule can make implementation of MTW difficult or impossible. Enthusiasm for MTW reforms is often unmatched with agency capacity to implement these reforms, and implementation of MTW has often been slower than expected when agencies attempted to change many programmatic and administrative policies at once while attempting to report on and evaluate outcomes. Extensive preliminary planning is universally deemed necessary for successful implementation of MTW.

97 “Testing Public Housing Deregulation: A Summary Assessment of HUD's ‘Moving to Work’ Demonstration,” Martin Abravanel, Robin Smith, Margery Turner, Elizabeth Cove, Laura Harris and Carlos Manjarrez, The Urban Institute, 2004. http://www.urban.org/UploadedPDF/311009_TestingPublicHousingDeregulation.pdf.

Deep Systemic Management Issues

Several PHAs with serious issues that kept them from high performance were admitted into MTW, and in some cases, MTW was a tremendous asset in addressing those issues. The Chicago Housing Authority (CHA), for instance, could not have transformed its stock and completed its Plan for Transformation without combining funds in order to leverage capital for extensive improvements, and CHA has now successfully emerged from a long-standing judicial receivership. However, some deep systemic issues could not be addressed with MTW, and these issues often complicated MTW agencies' ability to implement a robust MTW program. Ongoing legal entanglements, poor management and financial controls, and open IG or audit findings have all constrained MTW PHAs in ways that limit their ability to make sweeping and creative changes. Some MTW agencies admitted in this fashion have also had issues complying with MTW reporting requirements as well as other HUD requirements.

Limited Vision or Staff Capacity

Several MTW PHAs have staffing issues, such as high turnover with key staff, which limit the vision and buy-in of the team to continue policies forward. The capability of key staff and communication between staff is often crucial in administering a program as complex as MTW. The Lincoln Housing Authority (LHA), for instance, found that many of the staff involved in the initial planning for MTW were not involved in implementation because of high turnover, and support for the program suffered. Although the issue has since been resolved, further implementation planning, LHA believes, could have been somewhat preventative and allowed for a smoother transition to MTW.⁹⁸ Another MTW PHA found that staff involved in administering the programs does not understand their MTW Agreement, which made consistent and complete implementation difficult.

Difficulty Evaluating Activities

Monitoring and evaluating activities often requires establishing new systems and management procedures and can be extremely time-consuming, especially at the outset. At the PHAs in Lincoln, Keene, Lawrence, Portage, Greene Metropolitan and other small PHAs, the cost savings that resulted from MTW were sometimes eliminated by the burden of having senior and policy staff heavily involved in evaluating MTW. At the Greene Metropolitan Housing Authority, for instance, staff reported that they became so involved with monitoring and evaluating the MTW program that the administration of the program may have suffered.⁹⁹

Some of the earlier MTW agencies also face difficulty evaluating their MTW programs because they lacked a rigorous evaluation component at the outset of their demonstrations. At the time, such a component was not required of agencies. The Massachusetts Department of Housing and Community Development, for instance, acknowledges that the agency did not plan for a rigorous evaluation of their MTW pilot program. While they know the number of participants who have graduated from the program, they lack accompanying data on outcomes for the residents. Others, like the Seattle Housing Authority, have been implementing robust MTW programs for so long without being subject to rigorous evaluation that the staff has difficulty retroactively evaluating the agency's activities.

98 Moving to Work Briefing, PWC Consulting, 2002.

99 *Ibid.*

Criteria for Consideration when Selecting MTW Agencies

MTW provides unprecedented insight into alternative methods of providing housing assistance, and increasing the MTW demonstration size increases HUD's ability to learn about the impacts of MTW flexibilities in different communities. By prolonging the demonstration and doubling the number of participating agencies, the housing industry stands to learn even more from this unique resource. Expanding MTW up to twice its current size (or roughly 60 agencies) would allow HUD to use MTW to inform different policy issues as they emerge and to understand how MTW flexibilities would impact a more representative range of housing authorities. Each agency admitted would also need a term of participation of at least ten years in order to fully implement a robust MTW program.

If Congress chooses to enact a further expansion of the demonstration, it will need to carefully consider eligibility criteria for agencies to be included in the demonstration. It may be especially beneficial to add new MTW agencies at this point in the demonstration's evolution, now that the lessons learned from the early years of MTW can inform the future of the demonstration, and it is possible to admit new agencies that are more similar to what HUD recognizes as the "successful" MTW agencies. More rigorous evaluation requirements are also in place, providing an opportunity to learn even more from new agencies.

High Performance

Achieving high performer status in HUD reporting systems and complying with other HUD requirements are predictors of ability to succeed in MTW. Because the success of MTW depends on the ability of MTW agencies to report on their activities and outcomes, it is important that any agency selected is already in good standing with HUD on this regard. MTW PHAs should be familiar with and compliant with current regulations prior to seeking relief from these regulations. In particular, MTW agencies should have stringent financial controls so as to effectively report on combined funds. Suggestions include:

- A reporting rate in the Inventory Management System-Public and Indian Housing Information Center (IMS-PIC) of at least 95% of households in both the public housing and Housing Choice Voucher programs;
- All required submissions into the Voucher Management System (VMS) must have been submitted and up-to-date;
- All required submissions for the preceding three fiscal years into the Financial Assessment Sub-System (FASS-PH), Financial Data Schedule (FDS) must have been submitted;
- An absence of unaddressed findings¹⁰⁰ from IG audits, IPA audits, FHEO reviews, Tier I or II reviews, RIM reviews, American Reinvestment and Recovery Act (ARRA) monitoring, litigation, or from any other on-site or remote reviews;
- Capital Fund Program (CFP) grants awarded in the past three years have been obligated and expended in accordance with the requirements of Section 9(j) of the 1937 Act, if applicable;

¹⁰⁰ Unaddressed findings are findings not resolved to the satisfaction of HUD, are not under a corrective action plan agreed to by HUD, or are in a corrective action plan which in HUD's sole judgment the PHA is not compliant.

- A PHA must be in compliance with the use of Enterprise Income Verification (EIV) for tenant income verifications, reexaminations, and recertifications as required by the December 29, 2009 Final Rule;
- American Recovery and Reinvestment Act (ARRA) grants, if applicable, have been obligated and expended in accordance with that Act's requirements, including all reporting requirements.

While MTW can help some PHAs address the issues that prevented them from achieving High Performer status, in some cases admitting these PHAs compromises the ability of MTW to inform industry. MTW adds a monitoring, evaluation and reporting burden to these agencies, which are often already facing challenges addressing their systemic issues and may not be able to devote full attention to the demonstration aspects of MTW.

Evaluation Strategy and Capability

The demonstrative ability of MTW has been limited since the program's inception because of the lack of a built-in evaluation methodology. Steps have been taken over time to improve the outcome measures for MTW, including the more rigorous reporting requirements in the Standard Agreement, so that MTW has improved its demonstrative capacity. Admitting new agencies into the demonstration presents an opportunity to make the evaluation component even stronger. All three of the new agencies admitted to the demonstration in 2009 had strong evaluation components; two had commitments from local universities to evaluate their programs. It is recommended that incoming agencies have committed third-party evaluators or propose a rigorous program design, and demonstrate willingness to cooperate with HUD on future evaluations.

MTW agencies already must agree to design and implement an alternate rent strategy via MTW. As part of the design, HUD suggests that applicants must institute a random assignment process for participants to treatment and control groups, in order to rigorously analyze the effects of such a rent policy change. While additional technical support funds would be needed in order to properly manage the experiment and reimburse the PHA for their expenses, requiring incoming MTW agencies to implement a controlled rent study would present an unprecedented opportunity to learn conclusively about the outcomes of rent reforms – one of the initial goals in developing MTW.

Demonstrated Innovation

Though non-MTW PHAs have much less flexibility available to them, than MTW PHAs there are a number of HUD programs that they can access that demonstrate an interest in going beyond requirements to better serve their communities. Programs available to all PHAs, which demonstrate innovative thinking and the capacity to implement changes within regulations, include, but are not limited to:

- Family Self-Sufficiency Program
- Section 8 or Section 32 Homeownership Programs
- Energy Efficiency Investments
- Mixed-Finance Development, including HOPE VI
- Resident Opportunity and Self-Sufficiency (ROSS) Grants
- Capital Fund Financing Program

Agencies seeking to join the MTW demonstration should be able to explain which HUD programs they have pursued to better adapt to their communities, and what they have been able to accomplish with these opportunities.

Local Support

An incoming MTW agency should be able to demonstrate evidence of resident, community, local stakeholder and local political support. This includes:

- Involving these groups in the initial MTW planning process. The Orlando Housing Authority, which was admitted to MTW in the FY 2009 competition, held over 40 meetings with residents and local groups at different times, locations and locations, and at all stages of the process, including initial brainstorming and reviewing drafts of the application.
- Strong community partnerships are essential to allowing MTW PHAs to leverage their resources and make the fullest use of their flexibility. Looking for evidence of past experience of leveraging community resources and demonstrating commitments going forward will help ensure that MTW agencies selected will be able to have the most robust programs and make the most of each HUD dollar received.

Having support already in place endures that agencies will be ready to begin implementing their MTW programs soon after selection, without sacrificing the quality of the MTW program or the housing authority's ongoing operations.

Identification of Community Needs

Potential MTW PHAs should be able to articulate specific local community needs and how MTW would contribute to their goals. Many agencies are interested in MTW for its administrative flexibilities alone. While the ability to streamline can certainly provide tremendous benefits for some agencies, MTW designation may be more appropriate for agencies that are also interested in using MTW to fill unmet needs of the low-income residents in the community. Incoming MTW agencies should outline how their vision fits into their community and agency needs, supported by evidence from community and resident meetings.

Balanced Distribution of MTW PHAs

Because MTW is a demonstration, there is a value to ensuring a representative distribution of housing authorities in the program. It is impossible to draw conclusions about whether the size or location of an MTW agency is a factor that contributes to its success in implementing MTW, but may contribute to the MTW demonstration's ability to better inform industry if a more even distribution of PHAs are participating.

PHA Size: There is a high number of large housing authorities participating in MTW. The MTW demonstration includes only 33 out of over 3,000 public housing authorities nationwide, but serves near 13 percent of the nation's public housing and Housing Choice Voucher residents.

While some argue that MTW can have the greatest impact at a large agency, adding more small agencies may better represent the nationwide distribution of PHAs.

Geography: The original MTW agencies were selected with the goal of representing a diversity of localities, populations and housing markets, but as the program has evolved agencies have become somewhat clustered in the West, Northwest and Northeast. Some have advocated adding more MTW agencies in the South, Southwest and Midwest. There are competing views to the point, however, as some PHA staff see large benefits to ‘regionalizing’ MTW flexibilities and being able to work more congruently with nearby MTW PHAs.

While size and geography may help create a more balanced distribution of MTW PHAs, these factors may be far less important than the qualifications, capability and vision of the agency. While these characteristics can be useful in narrowing down a pool of highly qualified aspiring MTW PHAs, the ultimate selection criteria should focus on agency capacity to administer existing programs and potential to contribute to MTW.

VI. Conclusion

MTW is currently the only HUD program through which public housing authorities can wholly transform their operations, programs and housing. The broad flexibility to waive statute and regulations allows these agencies to better serve and house their residents and broader communities while streamlining their internal operations. Though there are limitations to evaluating the outcomes of MTW because of weak initial reporting requirements and a lack of a research design, the ability to learn from these changes is unprecedented.

This report identifies a number of MTW flexibilities that could be adopted nationally, based on their demonstrated impact. With more research and evaluation, other flexibilities will likely show promise. Roughly ten years into the demonstration, it is also possible to shape the demonstration in coming years to better illustrate how various policies impact residents, communities and housing authorities.

Admitting new PHAs to MTW with the use of strategic selection criteria and program implementation can help demonstrate the impacts of MTW on a broader scale, with the ultimate objective of applying the most successful approaches nationwide. However, program expansion should only proceed if the newly admitted PHAs structure their programs for high quality evaluations that permit lessons learned to be generalized beyond the single PHA experience. Altering the scope of the demonstration for new participants by mandating controlled studies and other more rigorous evaluation methodologies would lend insight into a variety of areas of interest. For example, by selecting agencies committed to testing a particular rent reform or other innovation in combination with a rigorous evaluation, the addition of new agencies can help HUD learn about specific areas of interest as they arise. Moreover, by requiring improved data collection methods and evaluation strategies from the outset, incoming MTW agencies will be better positioned to significantly strengthen the existing body of data on MTW.

The finite nature of the demonstration makes some MTW agencies hesitant to fully utilize their funding flexibility, develop new reporting systems to capture their MTW activities, risk political capital to make significant changes, or change the organizational structure of the agency to better fit their redesigned programs. Ensuring that each participating agency has adequate time to implement a robust MTW program will further assist policy-makers in understanding the impacts of MTW flexibilities.

Regardless of whether the size, length or scope of the demonstration change in coming years, MTW should be taken into account when considering substantial changes to housing policy. The goals surrounding the formation of MTW in 1996 are still HUD's goals today, as evidenced in HUD's FY 2010 – 2015 Strategic Plan. MTW can provide insight into achieving HUD's Strategic Plan goals of meeting the need for quality affordable rental homes, utilizing housing as a platform to improve quality of life and transforming the way HUD does business.

Recent legislative initiatives like the Preservation, Enhancement and Transformation of Rental Assistance (PETRA) Act or the Section Eight Voucher Reform Act (SEVRA), both of which would make substantial changes to the existing regulatory framework, can also be informed by the MTW housing authorities who have already undertaken transformations similar to those proposed. The pending third-party evaluation of MTW will clarify the impacts of MTW to date and lend further insight to these debates.

MTW was designed as a temporary response to the ongoing need for a sustainable public housing platform. While the nation's public housing system faced a number of challenges, more information was needed before making sweeping changes. MTW was predicated on the belief that giving public housing authorities more flexibility would allow them to make more efficient use of federal funds, better incentivize self-sufficiency in residents, and provide more housing choices for low-income families. The experiences of MTW agencies have supported this theory. At the same time, the need for comprehensive reform has only grown. While MTW can continue to inform the housing industry about the outcomes of various approaches, a more extensive overhaul of the public housing laws would allow all public housing authorities to experience the benefits available to MTW agencies.

Appendix A: List of Participating MTW Agencies

- Alaska Housing Finance Corporation, AK
- Atlanta Housing Authority, GA
- Housing Authority of the Baltimore City, MD
- Cambridge Housing Authority, MA
- Housing Authority of Champaign County, IL
- Charlotte Housing Authority, NC
- Chicago Housing Authority, IL
- Delaware State Housing Authority, DE
- District of Columbia Housing Authority, DC
- Keene Housing Authority, NH
- King County Housing Authority, WA
- Lawrence-Douglas County Housing Authority, KS
- Lincoln Housing Authority, NE
- Louisville Metro Housing Authority, KY
- Massachusetts Department of Housing and Community Development, MA
- Minneapolis Public Housing Authority, MN
- Housing Authority of the City of New Haven, CT
- Oakland Housing Authority, CA
- Orlando Housing Authority, FL
- Philadelphia Housing Authority, PA
- Housing Authority of the City of Pittsburgh, PA
- Portage Metropolitan Housing Authority, OH
- Housing Authority of Portland, OR
- San Antonio Housing Authority, TX
- Housing Authority of the County of San Bernardino, CA
- San Diego Housing Commission, CA
- Housing Authority of the County of San Mateo, CA
- Housing Authority of the County of Santa Clara / Housing Authority of the City of San Jose, CA¹⁰¹
- Seattle Housing Authority, WA
- Tacoma Housing Authority, WA
- Housing Authority of Tulare County, CA
- Vancouver Housing Authority, WA

¹⁰¹ The Housing Authority of the County of Santa Clara and the Housing Authority of the City of San Jose operate as a single entity.

Appendix B: HUD Program Data and Methodology

As a demonstration program, MTW has a number of unique reporting requirements designed to capture information on the impacts of MTW flexibilities. MTW agencies are required to develop agency-specific performance goals and measure annual progress toward MTW statutory objectives, which places an additional reporting requirement on agencies as a result of their participation in MTW. However, while MTW agencies are required to submit more information on outcomes, they are also exempt from reporting into certain HUD systems which may no longer be applicable because of systemic changes enacted through the MTW demonstration. For instance, MTW agencies are exempt from HUD's Public Housing Assessment System (PHAS) and/or Section 8 Management Assessment Program (SEMAP)

In addition to existing research and literature related to MTW, this report makes use of the following program data sources, the benefits and limitations of which are noted below.

Annual MTW Plans and Reports

MTW agencies are required to submit Annual MTW Plans and Reports, which focus on the aspects of their operations that are uniquely of the MTW program, in lieu of the non-MTW Agency Plan required by Section 5A of the U.S. Housing Act of 1937. This is a similar process to the Annual PHA Plans and PHA Reports submitted by non-MTW PHAs.

In order to implement a new MTW initiative, an MTW agency must submit a proposal for the initiative within their Annual MTW Plan to HUD for approval. The initiative proposal must include a description of evaluation metrics, authorizations and a description of the projected stated impact. The metrics are intended to show how implementing each individual MTW authorization helps achieve at least one of the three statutory objectives. Each Plan also lists all MTW activities previously approved and whether any changes have been made to the activity. Plans and Reports must go through a thirty-day public process and be approved by the agency's Board of Directors before they are submitted to HUD.

MTW agencies then report on the outcomes of their MTW activities as they relate to the three statutory objectives in the Annual MTW Report. Agencies are expected to refer back to the performance goals set in the Plan for that year when tracking their progress on these activities. If needed, agencies are also expected to revise benchmarks for any activity which did not accomplish its stated goal.

The Plans and Reports give the agencies an opportunity to articulate their broader MTW agency goals and to summarize housing authority operating and financial information already submitted into other HUD systems. Many MTW agencies use these documents not just as a way to submit required information to HUD, but to communicate with their communities and stakeholders. As such, many Plans and Reports present rich detail on the housing authorities' goals, progress and operations. Thus, these Plans and Reports provide a valuable source of information to track the trajectory and success of MTW initiatives within the agency.

Many MTW agencies have developed innovative and creative ways to measure their MTW initiatives' performance and the progression toward the three statutory goals. However, there are several

limitations to the data found in the Annual MTW Plans and Reports:

- MTW agencies were not required to provide details on the outcomes of MTW activities until the Standard Agreement between the PHA and HUD was executed. As a result, data from MTW Plans and Reports drafted prior to 2008/2009 have less consistency in the quality of data and evaluation metrics.
- Some smaller agencies were not required to submit Annual MTW Reports at all until after they signed the Standard Agreement. Agencies are now required to report on all MTW activities dating back to the beginning of the demonstration, but because some agencies were not collecting this information from the outset, they have trouble reporting on outcomes of initiatives years after implementation. The lack of high-quality baseline data on MTW agencies' operations prior to implementing MTW makes the effects of MTW difficult to assess. Because baseline data is not of high-quality, pre- and post-MTW effects are not reliable.
- Throughout the MTW demonstration, agencies have defined their success individually and locally, such that measures of success vary greatly between agencies. Without a standard measure of success, it is difficult to compare and generalize outcomes between agencies.
- Because most MTW agencies have implemented multiple MTW activities at once, it is difficult to isolate the effect of a single authorization. Though MTW agencies can, for instance, track employment and earnings data on residents over time, it is often difficult to assess which MTW activities, if any, contributed to any changes.

HUD Reporting Systems

While MTW agencies are exempt from some HUD reporting requirements, agencies are still required to submit data on the number and types of families served, housing inventory characteristics and other housing authority operating and management information to the Information Management System – Public Housing Information Center (IMS-PIC) system, so that their data can be compared over time and between housing authorities. In past years, several agencies did not report on families served outside of the traditional public housing and voucher programs. HUD has developed a new PIC-MTW module for MTW agencies, and MTW agencies can now more accurately report on families served through MTW that do not fit into the traditional categories of families served (such as transitional housing units or tax credit properties). MTW agencies are now transitioning these families into the PIC module so that all data regarding families served by MTW agencies will be captured in PIC.

Other HUD reporting systems, such as the Financial Data Schedule (FDS), which is a database of approved audited financial statements, and the Voucher Management System (VMS), which is a database of financial obligations for the Housing Choice Voucher program, were not used in this report.

Promising Practices Reports

HUD has a collection of Promising Practices Reports on the notable progress towards the MTW program objectives for the majority of MTW agencies, drafted internally and based on interviews with housing authority and HUD staff, Annual MTW Plans and Reports and other program data. Although the data in these reports are largely anecdotal and were mostly compiled in 2008, prior to when MTW agencies had developed more rigorous outcome measures, these reports present valuable snapshots of the MTW activities whose success was most evident to housing authority staff and HUD.

MTW Conference Reports

In 2008 and 2009, MTW PHA staff and HUD staff involved in administering MTW participated in Annual MTW Conferences. The conference sessions covered a wide range of topics, including technical programmatic requirements, agency initiatives and developing strategies. HUD's contract support staff takes notes on the presentations and the subsequent discussions; staff then compiles all notes, handouts and other instructional material in a Conference Report. Both the presentation handouts and the transcription of the dialogue from the sessions help supplement the material found in other sources; this information provides a valuable 'on the ground' resource for both MTW practitioners and HUD program staff

The 2010 MTW Conference was held from June 2-4. While the Conference Report is not yet available, the presentation materials, notes from Conference sessions and discussions with Conference participants are used throughout this report.

Site Visit Reports

MTW coordinators and Field Office representatives conduct annual site visits to each MTW agency to discuss the agency's vision, ongoing and proposed activities, evaluation of activities and challenges that the agency has encountered in implementing its MTW program. Technical support contract staff accompanies HUD staff on these visits and compiles site visit reports that provide details on the discussion that takes place. These reports typically do not contain any data, but provide a qualitative assessment of progress, outcomes and challenges in the implementation of MTW.

Interviews with HUD and PHA Staff

For this study, interviews were conducted with current and former HUD staff, current and former HUD technical support contract staff and MTW PHA agency staff involved in administering the MTW demonstration. Questions focused on benefits and challenges associated with MTW, defining success in MTW and characteristics of successful MTW agencies.

Appendix C: MTW Authorizing Legislation

April 25, 1996

CONGRESSIONAL RECORD—HOUSE

H3917

the public housing agency to cease additional spending in connection with the development, except to the extent that additional spending is necessary to ensure decent, safe, and sanitary housing until the Secretary determines or approves an appropriate course of action with respect to such development under this section.

(d) CONVERSION TO TENANT-BASED ASSISTANCE.—

(1) The Secretary shall make authority available to a public housing agency to provide tenant-based assistance pursuant to section 8 to families residing in any development that is removed from the inventory of the public housing agency and the annual contributions contract pursuant to subsection (b).

(2) Each conversion plan under subsection (c) shall—

(A) require the agency to notify families residing in the development, consistent with any guidelines issued by the Secretary governing such notifications, that the development shall be removed from the inventory of the public housing agency and the families shall receive tenant-based or project-based assistance, and to provide any necessary counseling for families; and

(B) ensure that all tenants affected by a determination under this section that a development shall be removed from the inventory of a public housing agency shall be offered tenant-based or project-based assistance and shall be relocated, as necessary, to other decent, safe, sanitary, and affordable housing which is, to the maximum extent practicable, housing of their choice.

(e) IN GENERAL.—

(1) The Secretary may require a public housing agency to provide such information as the Secretary considers necessary for the administration of this section.

(2) As used in this section, the term "development" shall refer to a project or projects, or to portions of a project or projects, as appropriate.

(3) Section 18 of the United States Housing Act of 1937 shall not apply to the demolition of developments removed from the inventory of the public housing agency under this section.

STREAMLINING SECTION 8 TENANT-BASED ASSISTANCE

SEC. 203. (a) "TAKE-ONE, TAKE-ALL".—Section 8(t) of the United States Housing Act of 1937 is hereby repealed.

(b) EXEMPTION FROM NOTICE REQUIREMENTS FOR THE CERTIFICATE AND VOUCHER PROGRAMS.—Section 8(c) of such Act is amended—

(1) in paragraph (8), by inserting after "section" the following: "(other than a contract for assistance under the certificate or voucher program)"; and

(2) in the first sentence of paragraph (9), by striking "(but not less than 90 days in the case of housing certificates or vouchers under subsection (b) or (c))" and inserting ", other than a contract under the certificate or voucher program".

(c) ENDLESS LEASE.—Section 8(d)(1)(B) of such Act is amended—

(1) in clause (ii), by inserting "during the term of the lease," after "(ii)"; and

(2) in clause (iii), by striking "provide that" and inserting "during the term of the lease."

(d) APPLICABILITY.—The provisions of this section shall be effective for fiscal year 1996 only.

PUBLIC HOUSING/SECTION 8 MOVING TO WORK DEMONSTRATION

SEC. 204. (a) PURPOSE.—The purpose of this demonstration is to give public housing agencies and the Secretary of Housing and Urban Development the flexibility to design and test various approaches for providing and administering housing assistance that: reduce cost and achieve greater cost effectiveness in Federal expenditures; give incentives to families with children where the head of household is working, seeking work, or is preparing for work by participating in job training, educational programs, or pro-

grams that assist people to obtain employment and become economically self-sufficient; and increase housing choices for low-income families.

(b) PROGRAM AUTHORITY.—The Secretary of Housing and Urban Development shall conduct a demonstration program under this section beginning in fiscal year 1996 under which up to 30 public housing agencies (including Indian housing authorities) administering the public or Indian housing program and the section 8 housing assistance payments program may be selected by the Secretary to participate. The Secretary shall provide training and technical assistance during the demonstration and conduct detailed evaluations of up to 15 such agencies in an effort to identify replicable program models promoting the purpose of the demonstration. Under the demonstration, notwithstanding any provision of the United States Housing Act of 1937 except as provided in subsection (e), an agency may combine operating assistance provided under section 9 of the United States Housing Act of 1937, modernization assistance provided under section 14 of such Act, and assistance provided under section 8 of such Act for the certificate and voucher programs, to provide housing assistance for low-income families, as defined in section 3(b)(2) of the United States Housing Act of 1937, and services to facilitate the transition to work on such terms and conditions as the agency may propose and the Secretary may approve.

(c) APPLICATION.—An application to participate in the demonstration—

(1) shall request authority to combine assistance under sections 8, 9, and 14 of the United States Housing Act of 1937;

(2) shall be submitted only after the public housing agency provides for citizen participation through a public hearing and, if appropriate, other means;

(3) shall include a plan developed by the agency that takes into account comments from the public hearing and any other public comments on the proposed program, and comments from current and prospective residents who would be affected, and that includes criteria for—

(A) families to be assisted, which shall require that at least 75 percent of the families assisted by participating demonstration public housing authorities shall be very low-income families, as defined in section 3(b)(2) of the United States Housing Act of 1937;

(B) establishing a reasonable rent policy, which shall be designed to encourage employment and self-sufficiency by participating families, consistent with the purpose of this demonstration, such as by excluding some or all of a family's earned income for purposes of determining rent;

(C) continuing to assist substantially the same total number of eligible low-income families as would have been served had the amounts not been combined;

(D) maintaining a comparable mix of families (by family size) as would have been provided had the amounts not been used under the demonstration; and

(E) assuring that housing assisted under the demonstration program meets housing quality standards established or approved by the Secretary; and

(4) may request assistance for training and technical assistance to assist with design of the demonstration and to participate in a detailed evaluation.

(d) SELECTION.—In selecting among applications, the Secretary shall take into account the potential of each agency to plan and carry out a program under the demonstration, the relative performance by an agency under the public housing management assessment program under section 6(j) of the United States Housing Act of 1937, and other appropriate factors as determined by the Secretary.

(e) APPLICABILITY OF 1937 ACT PROVISIONS.—(1) Section 18 of the United States Housing Act of 1937 shall continue to apply to public

housing notwithstanding any use of the housing under this demonstration.

(2) Section 12 of such Act shall apply to housing assisted under the demonstration, other than housing assisted solely due to occupancy by families receiving tenant-based assistance.

(f) EFFECT ON SECTION 8, OPERATING SUBSIDIES, AND COMPREHENSIVE GRANT PROGRAM ALLOCATIONS.—The amount of assistance received under section 8, section 9, or pursuant to section 14 by a public housing agency participating in the demonstration under this part shall not be diminished by its participation.

(g) RECORDS, REPORTS, AND AUDITS.—

(1) KEEPING OF RECORDS.—Each agency shall keep such records as the Secretary may prescribe as reasonably necessary to disclose the amounts and the disposition of amounts under this demonstration, to ensure compliance with the requirements of this section, and to measure performance.

(2) REPORTS.—Each agency shall submit to the Secretary a report, or series of reports, in a form and at a time specified by the Secretary. Each report shall—

(A) document the use of funds made available under this section;

(B) provide such data as the Secretary may request to assist the Secretary in assessing the demonstration; and

(C) describe and analyze the effect of assisted activities in addressing the objectives of this part.

(3) ACCESS TO DOCUMENTS BY THE SECRETARY.—The Secretary shall have access for the purpose of audit and examination to any books, documents, papers, and records that are pertinent to assistance in connection with, and the requirements of, this section.

(4) ACCESS TO DOCUMENTS BY THE COMPTROLLER GENERAL.—The Comptroller General of the United States, or any of the duly authorized representatives of the Comptroller General, shall have access for the purpose of audit and examination to any books, documents, papers, and records that are pertinent to assistance in connection with, and the requirements of, this section.

(h) EVALUATION AND REPORT.—

(1) CONSULTATION WITH PHA AND FAMILY REPRESENTATIVES.—In making assessments throughout the demonstration, the Secretary shall consult with representatives of public housing agencies and residents.

(2) REPORT TO CONGRESS.—Not later than 180 days after the end of the third year of the demonstration, the Secretary shall submit to the Congress a report evaluating the programs carried out under the demonstration. The report shall also include findings and recommendations for any appropriate legislative action.

(i) FUNDING FOR TECHNICAL ASSISTANCE AND EVALUATION.—From amounts appropriated for assistance under section 14 of the United States Housing Act of 1937 for fiscal years 1996, 1997, and 1998, the Secretary may use up to a total of \$5,000,000—

(1) to provide, directly or by contract, training and technical assistance—

(A) to public housing agencies that express an interest to apply for training and technical assistance pursuant to subsection (c)(4), to assist them in designing programs to be proposed for the demonstration; and

(B) to up to 10 agencies selected to receive training and technical assistance pursuant to subsection (c)(4), to assist them in implementing the approved program; and

(2) to conduct detailed evaluations of the activities of the public housing agencies under paragraph (1)(B), directly or by contract.

EXTENSION OF MULTIFAMILY HOUSING FINANCE PROGRAM

SEC. 205. (a) The first sentence of section 542(b)(5) of the Housing and Community Development Act of 1992 (12 U.S.C. 1707 note) is amended by striking "on not more than 15,000