MOVING TO WORK DEMONSTRATION AGREEMENT

This Agreement is entered into by and between the United States of America through the Department of Housing and Urban Development ("HUD") and the Cambridge Housing Authority (the "Agency"). The term of this Agreement shall begin on the Date of Execution by HUD and continue for five (5) years unless otherwise specified herein.

WHEREAS, Section 204 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Pub. L. 104-134) (the "1996 Appropriations Act") establishes the Public Housing/Section 8 Moving to Work Demonstration program ("MTW"); and

WHEREAS, Section 204(a) of the 1996 Appropriations Act provides that public housing agencies ("PHAs") and the Secretary of the Department of Housing and Urban Development (the "Secretary") shall: have 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 whose heads of household are either working, seeking work, or are participating in job training, educational or other programs that assist in obtaining employment and becoming economically self-sufficient; and increase housing choices for low-income families; and

WHEREAS, HUD may permit agencies to combine funds from several HUD programs, and may exempt agencies from existing public and Indian housing and Section 8 certificate and voucher rules under Moving to Work Demonstration authority; and

WHEREAS, the Secretary has the authority to select up to thirty (30) agencies that administer the public housing and Section 8 programs to participate in the Moving to Work demonstration program; and

WHEREAS, the Secretary has determined that the Agency's application satisfies the Secretary's selection criteria as set forth in the Notice of Moving to Work Demonstration program and invitation to apply, published December 18, 1996 (61 Fed. Reg. 66856), and selected the Agency to participate in the Moving to Work demonstration; and

WHEREAS, the parties have previously entered into one or more annual support contracts ("the ACCs") setting forth the terms and conditions under which the
Agency participates in the public housing and/or Section 8 certificate and voucher programs administered by HUD; and

WHEREAS, it is the aim of this demonstration to design and test innovative methods of providing housing and delivering services to low-income families in an efficient and cost effective manner, HUD and the Agency agree to fully cooperate with each other in order to make the MTW demonstration a success; and

WHEREAS, the parties desire to state the terms and conditions under which HUD will permit the Agency to participate in the Moving to Work Demonstration program as set forth in the Agency's HUD-approved Statement of Authorizations, attached hereto as Appendix. The Statement of Authorizations is hereby incorporated into this Agreement.

NOW, THEREFORE, in reliance upon and in consideration of the mutual representations and obligations hereunder, the parties do agree as follows:

ARTICLE I. HUD Program Requirements and Other Federal Requirements.

A. This Agreement supersedes the terms and conditions of the ACCs and the provisions of the United States Housing Act of 1937 (the "1937 Act") and HUD requirements to the extent necessary for the Agency to implement its MTW demonstration, as approved by HUD in this Agreement. All authorizations contained in this Agreement are for the length of the demonstration only, unless otherwise specified. Except as necessary to implement the Agency's activities described in the Statement of Authorizations, the Agency is subject to the requirements of the ACCs, the 1937 Act, and other HUD requirements. Notwithstanding anything in this Agreement, the following provisions of the 1937 Act, as otherwise applicable, shall continue to apply to the Agency and/or assistance received pursuant to the 1937 Act:

1. The terms "low-income families" and "very low-income families" shall continue to be defined by reference to Section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2));

2. Section 18 of the 1937 Act (42 U.S.C. 1437p, as amended by Section 1002(d) of Public Law 104-19, Section 201(b)(1) of Public Law 104-134, and Section 201(b) of Public Law 104-202), governing demolition and disposition, shall continue to apply to public housing notwithstanding any use of the housing under MTW; and
3. Section 12 of the 1937 Act (42 U.S.C. 1437j), governing wage rates, shall apply to housing assisted under MTW unless tenant-based assistance is the only assistance received by participating families and the housing in which they reside receives no other assistance.

B. To the extent described in the Statement of Authorizations, as applicable and as approved by HUD, the Agency may combine operating subsidies provided under Section 9 of the 1937 Act (42 U.S.C. 1437g), modernization funding provided under Section 14 of the 1937 Act (42 U.S.C. 1437l) and assistance provided under Section 8 of the 1937 Act for the certificate and voucher programs (42 U.S.C. 1437f) to fund HUD approved MTW activities.

C. Unless otherwise provided herein, this Agreement does not apply to Section 8 assistance that is required: (a) to meet existing contractual obligations of the Agency to a third party (such as Housing Assistance Payment contracts with owners under the Agency's Section 8 certificate and voucher program); (b) for payments to other PHAs under Section 8 portability billing procedures; or (c) to meet particular purposes for which HUD has expressly committed the assistance to the Agency.

D. The Agency agrees to comply with HUD requirements governing the MTW program. Such HUD requirements include, but are not limited to management, financial, accounting, or other requirements designed to adequately track and monitor the Agency's use of HUD assistance. Notwithstanding other provisions of this Agreement, the Agency will be required to submit reports and financial statements as necessary in forms prescribed by HUD.

E. The Agency agrees to cooperate fully with HUD and its contractors in the monitoring and evaluation of the MTW demonstration, to keep records and to submit reports and information to HUD as required of PHAs participating in the MTW program. Except as otherwise provided in this Agreement, the Agency shall submit an Annual Plan and Report as required by Section 5A of the 1937 Act (as amended), which shall include a separate section fully describing activities and uses of funding the Agency is undertaking through the MTW demonstration.

F. Pursuant to the 1996 Appropriations Act, the amount of assistance that the Agency receives for public housing operating subsidies, public housing modernization grants, and Section 8 assistance for certificates and vouchers will not be diminished by the Agency's participation in the MTW program.

G. Any HUD assistance that the Agency is authorized to use in the MTW demonstration must be used in accordance with the Agency's HUD-approved Statement of Authorizations (Appendix). The Agency hereby certifies that this Agreement has been approved by the Agency's governing board, and that a copy of such board approval has been provided to HUD.
H. As required by the 1996 Appropriations Act, the Agency agrees that at least seventy-five percent (75%) of the families assisted by the Agency under the MTW demonstration program will be very low-income families. The Agency agrees to comply with the requirements of Section 16(a)(3) of the 1937 Act (as amended). The Agency agrees to continue to assist substantially the same number of eligible low-income families under MTW, and to maintain a comparable mix of families by family size, as would have been served or assisted if HUD funding sources had not been used under the MTW demonstration. The Agency agrees that housing assisted under MTW will meet housing quality standards established or approved by HUD.

I. The Agency may adopt and implement any reasonable policies for setting rents for public housing, or rents or subsidy levels for tenant-based assistance, notwithstanding the U.S. Housing Act of 1937, provided that the Agency submits the policy to HUD annually, and upon any material change to the policy, and provided that:

1. the Agency’s board approves the policy, and any material changes, and approved an analysis of the impact of the policy on current households, and households on the waiting list, including an analysis of the severity of rent burdens on such households (such as an estimate of the number of households that would have rent burdens greater than 30 percent of adjusted income);
2. the Agency reevaluates its rent and subsidy level policies annually, including preparing a revised impact analysis;
3. the Agency adopts a policy for addressing hardship cases;
4. the Agency provides a reasonable transition period for rent increases for existing tenants; and,
5. a public hearing is held regarding the policy; provided however, that in the first year of the demonstration, this may be the same public hearing that was held regarding the Agency’s MTW application, as long as the policy was included in the MTW application.

The rent policy, or any material changes to the rent policy will be effective upon submission to HUD of a board resolution as provided above. In the first year of the MTW demonstration, this may be the same board resolution as that approving the MTW Agreement.

J. If applicable to activities under the Statement of Authorizations, the Agency agrees to provide HUD with any documentation that HUD needs to carry out its review under the National Environmental Policy Act (NEPA) and other related authorities and otherwise will assist HUD in complying with 24 CFR Part 50 environmental review procedures. The Agency further agrees (a) to carry out mitigating measures required by HUD or select an alternate eligible property, if permitted by HUD, and (b) not to acquire, rehabilitate, convert,
K. The Agency will comply with all applicable nondiscrimination and equal opportunity requirements set forth in 24 CFR 5.105(a), and will administer its programs and activities in a manner affirmatively to further fair housing. In particular, the Agency must make reasonable modifications and accommodations needed by applicants and residents and must make units accessible in accordance with the Needs Assessment and Transition Plan as required under Section 504 of the Rehabilitation Act of 1973 and its implementing regulations.

ARTICLE II. Revision and Termination of Agency MTW Program

A. With written HUD approval, this Agreement and the Statement of Authorizations may be revised by the Agency during the course of the demonstration. The Agency shall request approval of a revision by written notification to HUD (delivered to the Office of Policy, Program, and Legislative Initiatives, or its successor, in the Office of Public and Indian Housing), accompanied by an approved board resolution, or equivalent, and certification that the Agency has satisfied all resident participation requirements. HUD will review proposed revisions within a reasonable period of time. When proposing amendments to this Agreement, the Agency will provide notice and a reasonable period within which residents may comment. The Agency will consider these comments prior to amending this Agreement.

B. HUD will cooperate with the Agency to extend successful demonstration activities beyond the term of the MTW demonstration where feasible. To the extent that MTW activities will not continue past the term of the demonstration, the Agency shall fully cooperate with HUD in developing and implementing a transition plan for terminating the Agency's MTW demonstration program and providing for the continued administration of the public housing and Section 8 programs, as applicable.

C. At any time HUD may terminate this Agreement, and the Agency's MTW demonstration, or take any corrective or remedial action as described in Article III.C. of this Agreement, for Agency default, or other good cause as determined by HUD after providing the Agency with notice and a reasonable opportunity to be heard, unless HUD determines the nature of the default requires that HUD take immediate action.

ARTICLE III. Default.

A. Definition of Default. Use of funds subject to this Agreement for a purpose other than as authorized by this Agreement; noncompliance with legislative, regulatory, or other requirements applicable to this Agreement; other material breach of this Agreement; or a
material misrepresentation in the MTW Plan submission by the Agency shall be a default under this Agreement.

B. HUD's Determination of Default. If HUD determines that the Agency is in default, HUD will give the Agency written notice of the default and of the corrective or remedial action required or ordered by HUD.

C. Corrective or remedial actions HUD may require or order under this Agreement for Agency default include, but are not limited to the following:

1. Requiring the Agency to prepare and follow a HUD approved schedule of actions and/or a management plan for properly completing the activities approved under this Agreement;

2. Canceling or revising the affected activities, revising the budget for activities as necessary, and substituting other eligible activities;

3. Prohibiting payment or reimbursement for any MTW demonstration activities or for those activities affected by the default;

4. Requiring reimbursement by the Agency to HUD for amounts used improperly.

5. Terminating this Agreement;

6. Changing the method of payment to the Agency;

7. Suspending the Agency's authority to make draws or receive or use funds for affected activities;

8. Reducing the Agency's funding in the amount affected by the default;

9. Terminating the Agency's funding as to further activities under the MTW demonstration;

10. Taking any other corrective or remedial action legally available; and

11. Taking action, as applicable, pursuant to the Section 8 and/or public housing Annual Contributions Contract.
Notwithstanding anything herein to the contrary, this Agreement shall be effective, and the term of CHA’s MTW demonstration shall begin as of March 31, 1999.

CAMBRIDGE HOUSING AUTHORITY
By [Signature]
Its Executive Director
Date of Execution by Agency 4/7/99

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
By [Signature]
Its Assistant Secretary
Date of Execution by HUD 4-7-99
APPENDIX
TO
MOVING TO WORK DEMONSTRATION AGREEMENT
BETWEEN
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
AND
THE CAMBRIDGE HOUSING AUTHORITY

Statement of Authorizations

I. General Conditions

A. This Statement of Authorizations describes the activities that the Cambridge Housing Authority (CHA) may carry out under the Moving to Work Demonstration program (MTW), subject to the terms and conditions of the Moving to Work Demonstration Agreement (MTW Agreement) between the CHA and the U.S. Department of Housing and Urban Development (HUD).

B. The term of the MTW Agreement and of the CHA's demonstration program is five (5) years, commencing on the date of the execution of the MTW Agreement by HUD. If the Agreement is executed in the middle of the CHA fiscal year, the demonstration will remain in effect for five (5) years from the start of the next full fiscal year, but all MTW provisions will be effective immediately upon execution of the Agreement.

C. HUD's evaluation plan for the MTW Demonstration may be reviewed by the CHA in advance of implementation. The CHA has 30 days to review the evaluation criteria; any objections to the evaluation will be forwarded to HUD for further consideration.

D. Unless otherwise provided in this Agreement, CHA's MTW demonstration applies to all of CHA's public housing units and tenant-based Section 8 assistance.

II. Restructure the Annual and Interim Review Process in Section 8/Leased Housing and Public Housing

The CHA is authorized to restructure the annual and interim review process in Section 8/Leased Housing and public housing and provide for exceptions (e.g. change in income or hardship) in order to affect the number of reviews a participant receives in any calendar year. Notwithstanding the above, the CHA shall provide Multifamily Tenant Characteristics System ("MTCS") data to HUD annually.
III. Occupancy Policies

A. Occupancy Policies at Elderly Developments

Subject to prior HUD approval of an amendment to the CHA's designated housing plan, the CHA may amend the definition of elderly (as currently defined by HUD regulations) to include applicants/residents no younger than 55 years old.

B. Site Based Waiting List System

The CHA is authorized to establish a system of site-based waiting lists that is consistent with all applicable civil rights and fair housing laws and regulations; provided that the CHA's Annual MTW Plan includes a description of CHA's system of site-based waiting lists, and the following conditions described in the Interim Rule on Public Housing Agency Plans (February 18, 1999, 64 FR 8169) are met:

1. The CHA must regularly submit required occupancy data to HUD's Multifamily Tenant Characteristics Systems (MTCS) in an accurate, complete and timely manner;
2. The system of site-based waiting lists must provide for full disclosure to each applicant of any option available to each applicant in the selection of the development in which to reside, including basic information about available sites (location, occupancy, number and size of accessible units, amenities such as day care, security, transportation and training programs) and an estimate of the period of time the applicant would have to wait to be admitted to units of different sizes and types at each site;
3. The adoption of site-based waiting lists must not violate any court order or settlement agreement, or be inconsistent with a pending complaint brought by HUD;
4. The CHA must adopt reasonable measures to assure that the system of site-based waiting lists is consistent with affirmatively furthering fair housing, such as reasonable marketing activities; and,
5. The CHA must review its site-based waiting list policy to determine if it is consistent with civil rights laws and certifications through the following steps:
   a. As part of the submission of the Annual MTW Report, the CHA must assess changes in racial, ethnic, or disability-related tenant composition at each site that may have occurred during the implementation of the site-based waiting list, based upon MTCS occupancy data that has been confirmed to be complete by an independent audit (which may be the annual independent audit);
   b. At least biannually, the CHA must use independent testers, or other means satisfactory to HUD, to assure that the site-based waiting list is not being implemented in a discriminatory manner, and that no patterns or practices of discrimination exist. The CHA must provide the results to HUD in its Annual
MTW Report; and,
c. The CHA must take any steps necessary to remedy any problems that surface during the review, and any steps necessary to affirmatively further fair housing.

When a Final Rule is effective on the Public Housing Agency Plans, the CHA must follow the requirements governing site-based waiting lists provided by that rule.

IV. Family Self-Sufficiency Plans

The CHA is authorized to operate its Family Self-Sufficiency (FSS) program exempt from HUD requirements and without any specific requirements governing program size or participation requirements including whether to establish escrow accounts and other rent incentives; provided, however that if the CHA receives funding for an FSS coordinator, such funds must be used to employ a self-sufficiency coordinator.

V. Funding Issues

A. Single Fund Budget with Full Flexibility

1. Pursuant to Article I.B. of the MTW Agreement, the CHA may combine its public housing operating subsidies and modernization funds, and its tenant-based Section 8 assistance into a single, authority-wide funding source. The CHA may use this funding source to carry out the purposes of the MTW demonstration to provide flexibility in the design and administration of housing assistance to eligible families, to reduce cost and achieve greater cost effectiveness in Federal expenditures, to 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 to increase housing choices for low-income families, through, but not limited to, the following activities:

   a. Provision of modernization or operating assistance to housing previously developed or operated pursuant to a contract between HUD and the CHA or newly acquired or developed pursuant to section b below.

   b. The acquisition, new construction, reconstruction or moderate or
substantial rehabilitation of housing (including, but not limited to, assisted living, nursing homes, or other housing as deemed appropriate by the CHA, in accordance with its mission), or commercial facilities which are consistent with the objectives of the demonstration, which may include but is not limited to real property acquisition, site improvement, development of utilities and utility services and energy efficiency systems, conversion, demolition, financing, administration and planning costs, relocation and other related activities; provided, however, that prior HUD approval is required for the development of any incremental public housing units.

c. The provision of housing or employment-related services, such as housing counseling in connection with rental or home ownership assistance, energy auditing, activities related to the provision of self-sufficiency and other services, employment counseling, education, training and other services related to assisting tenants, owners, contractors, and other persons or entities participating or seeking to participate in other housing or training and educational activities assisted pursuant to this section.

d. The provision of management services, including preparation of work specifications, loan processing, inspections, tenant selection, management of tenant and project-based rental assistance and management of housing projects or other facilities or operations developed under this program.

e. The provision of safety, security, and law enforcement measures and activities appropriate to protect residents of housing from crime.

f. The provision of tenant-based or project-based rental assistance, alone or in conjunction with other private or public sources of assistance.

g. The preservation of units currently serving people of low income or the acquisition and/or development of new units for people of low income.

h. The operation, development or preservation of locally-developed housing programs, including state-assisted housing stock and state-assisted rental assistance programs.
i. Unless otherwise required by law, and so long as the CHA is classified as a high performer by HUD, the CHA will be permanently allowed to use operating and/or modernization funds for non-incremental units developed during the course of the demonstration, although it will not include these units as UMAs in future operating subsidy calculations, or modernization, provided that the units are made available to public housing eligible families.

2. The above activities may be carried out by the CHA, by an entity, agent, or instrumentality of the CHA, a partnership, a grantee, contractor, or other appropriate party or legal entity.

3. The CHA's expenditures must comply with OMB Circular A-87, which provides basic guidelines for the use of federal funds, and with this Agreement. Program-specific funding regulations governing allowable expenditures are suspended to the extent they are inconsistent with this Agreement.

4. Time lines for the obligation and expenditure of funds for the duration of the demonstration will be established by the CHA in accordance with its Annual MTW Plan. The CHA will not be subject to the obligation and expenditure guidelines established in the Comprehensive Grant Program.

5. The CHA must use public housing funds to maintain a reasonable operating reserve consistent with sound public and private housing management practices, however no replacement reserve may be maintained.

6. Prior Year Funds

The CHA is authorized to use unobligated modernization funds from years prior to MTW (FY98) in accordance with this Agreement.

B. Funding Methodology

During the term of the MTW demonstration, HUD will provide the CHA with public housing operating subsidies and modernization funds, and with tenant-based Section 8 assistance as provided in Attachment A.
C. Funding Disbursements

The CHA will receive its funding in accordance with the following disbursement requirements:

1. Operating Subsidies

The operating subsidies determined in accordance with Attachment A will be disbursed in accordance with standard HUD schedules for the disbursement of public housing operating subsidies.

2. Modernization Funds
   a. The modernization funds determined in accordance with Attachment A will be disbursed in accordance with standard HUD procedures for the disbursement of public housing modernization funds.
   b. In requisitioning these funds, the CHA will not be required to provide line item detail, but will request the funds using a single MTW line item; provided, however, that the CHA may not accelerate its draw downs of funds in order to fund reserves.
   c. The CHA may use these funds for any eligible MTW activity consistent with this agreement.

3. Tenant-Based Section 8 Assistance

Tenant-based Section 8 funds will be disbursed by HUD to the Agency in accordance with the standard HUD schedules for the disbursement of such funds.

VI. Establishment of Local Leased Housing Program

A. The CHA is authorized create its own Leased Housing Assistance Program. Under such a program, the CHA will be authorized to determine the following:

1. Reasonable contract rents and increases;
2. Tenant ability to exceed Brooke Amendment rents, subject to Article I.I. of the MTW Agreement;
3. Lease length, certificate expiration and reissuance (more specifically, MTW will allow for the suspension of HUD lease terms, and term of assistance contracts);
4. Income qualification to participate in rental assistance program, subject to the income eligibility and targeting requirements applicable to the Moving
to Work demonstration;
5. Property eligibility criteria, including types of units currently prohibited by Section 8 regulations (including, but not limited to assisted living facilities, nursing homes, or other housing as the CHA deems appropriate, consistent with its mission));
6. Waiting list procedures, tenant selection procedures, and criteria and preferences;
7. The content of housing assistance payments contracts with owners;
8. The content of contract rental agreements;
9. Damage claims and/or vacancy loss policy and payments for unoccupied units;
10. The percentage of leased housing assistance that is unit based, and criteria for expending funds for physical improvements on those units.
11. The term of unit-based assistance, up to the term of the MTW Demonstration;
12. Elements to be included in CHA’s Administrative Plan, consistent with the local leased housing program;
13. Type of assistance to owners in screening prospective tenants;
14. Adjustments to the payment standard;
15. Standards for utility allowances;
16. Fees and costs to be included in rent;
17. Family obligations to the CHA regarding uses and occupancy of units; and,
18. Determination of rent reasonableness.

B. Simplification of the Process to Project-Base Section 8 Certificates and Vouchers

The CHA is authorized to develop and adopt a reasonable policy and process for project-basing Section 8 leased housing assistance during the MTW demonstration, as follows:

1. The CHA is authorized to project-base Section 8 leased housing assistance at units owned by CHA that meet HQS standards, subject to the requirements regarding subsidy layering.

2. The CHA is authorized to establish a reasonable competitive process for project-basing leased housing assistance at units that meet HQS standards and that are owned by non-profit, or for-profit housing entities in Cambridge.

3. The CHA shall certify to HUD that HUD site and neighborhood selection requirements have been met.
4. The CHA is authorized to adopt selection criteria for units to be included in its project-based program, and to adopt a local process for determining whether units meet these eligibility requirements, as follows:
   a. The CHA may determine the minimum expenditure requirement and the timing of rehabilitation and construction of units.
   b. The CHA may determine the type of funds that may be used to rehabilitate or construct units.
   c. The CHA may adopt its own procedures to determine whether or not units meet the CHA’s requirements regarding rehabilitation and construction, including what information is required to be submitted by owners to CHA.

5. The CHA is authorized to locally determine the effect of subsidy on rent to owner and the duplication of subsidy or excessive subsidy, subject to the requirements regarding, subsidy layering.

6. Notwithstanding the above, all unit-based assistance will be provided in accordance with Section VI.A. of this Agreement.

VII. Administrative Issues

A. The CHA Annual MTW Plan and Annual MTW Report

1. In lieu of the five (5) year plan and annual plan required by Section 5A of the 1937 Act, as amended, the CHA will prepare and will conduct its activities in accordance with an Annual MTW Plan and Annual MTW Report. The Annual MTW Plan will serve as a comprehensive framework for CHA’s activities, including resource allocation decisions, and will be submitted to HUD for its review annually, no later than 60 days prior to the start of CHA’s fiscal year (except that in the first year of the MTW demonstration it will be submitted within a reasonable period of execution of this Agreement). The Annual MTW Plan shall be submitted to HUD with a board resolution approving the plan and certifying that a public hearing has been held regarding the plan. HUD will review the Annual MTW Plan for consistency with this MTW Agreement. The elements to be included in the Annual MTW Plan and the Annual MTW Report are described in Attachment B. The Annual MTW Plan and Annual MTW Report will be submitted to HUD in a reasonable format to be specified by HUD.

2. The CHA will prepare an Annual MTW Report, including a Consolidated Financial Report describing the sources and uses of funds under this Agreement, which will compare the Agency’s performance with its
Annual MTW Plan. The Annual MTW Report will provide the information necessary for HUD to assess the CHA’s performance, in both regular operations and in activities authorized by the MTW Demonstration Program. Except as otherwise provided in this Agreement, the Annual MTW Report will take the place of all other conventional HUD performance measures. All HUD forms and other reporting mechanisms, including any required certifications, will, where appropriate, be included in either the Annual MTW Plan or the Annual MTW Report, and will not be submitted to HUD at other times during the year. However, HUD reserves the right to conduct independent physical inspections of CHA property and to require submission of any other information required by law or for sound administration of the program. The Annual MTW Report will be submitted to HUD for its review annually, no later than 60 days after the end of the CHA’s fiscal year, except that the first report will be submitted within a reasonable period of the end of the fiscal year for which there is an Annual MTW Plan. The CHA shall submit with the Annual MTW Report, a board resolution approving the Report. HUD will review the Annual MTW Report for consistency with the Annual MTW Plan. The elements to be included in the Annual MTW Plan and the Annual MTW Report are described in Attachment B. The Annual MTW Plan and Annual MTW Report will be submitted to HUD in a reasonable format to be specified by HUD.

3. During the term of the MTW demonstration, to the extent provided in this Statement of Authorizations and unless otherwise specified, the CHA’s Annual MTW Plan and Annual MTW Report will replace only those program-based reporting requirements which are applicable to the receipt of public housing operating subsidies and modernization funds and/or tenant-based Section 8 funds.

4. The CHA will submit an annual audit that complies with the requirements of OMB Circular A-133 including the OMB Compliance Supplement, as determined by the auditor to be relevant to the MTW demonstration.

B. Suspension of Current Evaluation and Reporting Requirements

1. During the term of the MTW demonstration, the CHA will be evaluated by HUD on the basis of its Annual MTW Plan and Annual MTW Report, in lieu of the Public Housing Management Assessment Program (PHMAP), or its successor system, and other program-based evaluation requirements,
except as otherwise provided in this Agreement.

2. Whereas the CHA is currently a High Performer under PHMAP and whereas both PHMAP and the proposed Public Housing Assessment System (PHAS) are waived under MTW, the CHA will be entitled to any and all incentives, including bonus points, which may be applicable to any competitive proposals offered under the new PHAS System. During the course of the MTW demonstration and upon reentry into PHMAP or any successor system, the CHA will retain its current PHMAP, or comparable, score.

3. The CHA will be subject to SEMAP in the first year that SEMAP would ordinarily be applicable to the CHA. The CHA may retain their first SEMAP score throughout the MTW demonstration program if HUD and the CHA agree that the SEMAP score is an accurate representation of the CHA’s Section 8 program. If HUD and the CHA do not agree that this score should be retained, the CHA may choose to be subject to SEMAP for a second year. If the CHA chooses to be subject to SEMAP for a second year, the CHA may retain their second SEMAP score throughout the MTW demonstration if HUD and the CHA agree that this score is an accurate representation of the CHA’s Section 8 program. If HUD and the CHA do not agree that the second score should be retained, the CHA may choose either: (1) to remain subject to SEMAP and receive a score for SEMAP each year; or, (2) to opt out of SEMAP for the rest of the MTW demonstration program. If the CHA chooses to remain subject to SEMAP for the rest of the MTW demonstration program, the CHA will not have the option of "locking in," or retaining any individual SEMAP score, but will be treated as any other PHA under SEMAP.

The CHA may request a modification for any SEMAP indicator that is no longer applicable to the CHA because of CHA’s MTW demonstration program.

C. Simplification of the Wage Rate Monitoring Process

Subject to prior HUD approval, the CHA may create a streamlined process for determining, applying and reporting HUD determined wage rates for federally funded activities and for receiving contractor assurance of their use.
D. Simplification of the Development and Redevelopment Process

The CHA is authorized to develop and adopt reasonable policies and procedures that will allow local conditions to determine and control major development decisions as follows:

1. The CHA is authorized to establish reasonable cost limits for development and redevelopment activities that will replace HUD’s Total Development Cost (TDC) limits in order to reflect local marketplace conditions for quality construction in Cambridge.

2. The CHA is authorized to establish reasonable and modest design guidelines, unit size guidelines and unit amenity guidelines for development and redevelopment activities that will replace HUD guidelines with guidelines that reflect local marketplace conditions for quality construction in Cambridge.

3. The CHA is authorized to establish reasonable low-income home ownership programs, such as a lease-to-own program, that are not limited by the existing Nehemiah and Section 5(b) program requirements, provided that any disposition of current public housing units must be approved in advance by HUD.

4. The CHA is authorized to acquire sites without prior HUD approval, provided that the CHA certifies that HUD site selection requirements have been met.

E. Washington Elms Replacement Units

The CHA is authorized to replace 56 public housing units, which were demolished as part of the Washington Elms redevelopment, and to receive operating and capital improvement subsidies under an Annual Contributions Contract with HUD; provided that at least 25% of the HUD computed Total Development Cost of the units, is funded from funds available to the CHA through MTW (operating, modernization or Section 8 funds), and that at least 50% of the HUD computed Total Development Cost is funded from a combination of funds available to the CHA through MTW (operating, modernization or Section 8 funds) and local contributions, which may include HOME and CDBG funds.
VIII. Energy Performance Contracting

1. CHA may, without prior HUD approval, enter into energy performance contracts with Energy Service Companies (ESCos), also called Energy Service Agreements (ESAs), and make local determinations of the terms and conditions of energy performance contracts, including the debt service source, in order to satisfy reasonable financing requirements, provided that with respect to each contract (i) the term does not exceed 12 years, (ii) at least 50% of the energy cost savings are used to pay financing and debt service costs, (iii) and CHA maintains adequate file documentation showing the basis for CHA's determination that debt service payments can be funded from the reasonably anticipated energy cost savings. The CHA may also function as its own ESCo, provided that any financing complies with requirements (i) through (iii) of this paragraph. HUD will honor the terms and conditions of such contracts during and beyond the terms of the MTW demonstration.

2. The CHA is authorized to pledge its reserves or other funds provided by HUD (for use during and after the term of the MTW demonstration) to guarantee the payment of debt service in the event that projected energy savings are not adequate to cover the debt service costs for an energy conservation project undertaken during the term of the MTW demonstration.

3. The CHA may include state-assisted public housing developments in ESCo projects, and may commit HUD public housing funds for financing and/or to guarantee savings for these projects; provided that the term of any such financing or guarantee of commitment of federal funds to the state-assisted properties may not exceed 5 years, except with HUD approval.

4. To satisfy financing requirements, HUD will provide to the CHA any reasonable documentation affirming the terms of the MTW Agreement, including CHA's authority to enter into performance contracts or function as its own ESCo and HUD's agreement to freeze the CHA's utility consumption for purposes of calculating operating subsidy eligibility, as provided in this Agreement, during the term of the MTW demonstration and continuing for the term of any contract or financial agreement, as provided above.

IX. Changes to Procurement Requirements

A. Subject to prior HUD approval, the CHA shall be exempt from HUD regulations in 24.C.F.R. 85.36, as follows:
1. the CHA may utilize qualifications based procurement as described in 24 C.F.R. 85.36(d)(3)(v) for construction contracts and other procurement of services where the CHA deems said system the most suitable.

2. the CHA may utilize an alternative system of procurement, subject to the following certifications by the CHA in relation to each transaction:
   a. The contract price is reasonable for the goods, services, or property which is the subject of the contract.
   b. The selected contractor is qualified to perform the terms of the contract.
   c. No individual member, officer, or employee of the CHA shall derive personal financial benefit from nor hold an interest in the contract.
   d. Reasonable efforts to procure competitive prices and services were made.

3. The CHA may enter into contracts with any related nonprofit of the CHA, provided that the following certifications are made with respect to each transaction:
   a. The contract price is reasonable for the goods, services, or property which is the subject of the contracts and is competitive with prices in the market.
   b. The nonprofit or the CHA, as applicable, is qualified to perform the terms of the contract.
   c. No individual member, officer, or employee of the CHA shall derive personal financial benefit from nor hold interest in the contract.
   d. The member, officer, or employees of the CHA and the nonprofit involved in the transaction, where such persons are the same, have fulfilled their fiduciary relationship to both organizations, and the contract will be of benefit, and not to the detriment of either or both of the organizations.
   e. All costs associated with such transactions shall be allocated in
accordance with basic cost allocation principles as required by OMB Notice A-122.

B. The CHA has requested that HUD preempt the following state procurement laws: M.G.L.c.30B; M.G.L.c.149 §44A-J; M.G.L.c.30 §39M. This may require rulemaking, which HUD may pursue at HUD’s sole discretion.

X. Simplification of Housing Management Practices

1. The CHA may develop and adopt reasonable policies and procedures that will simplify, streamline and enhance the delivery of management and maintenance services to CHA owned and operated communities that will remain in effect throughout the 5 year MTW demonstration.

2. The CHA is authorized to develop property and system inspection protocols in lieu of the current HUD standards.

3. The CHA is authorized to develop and adopt a new form of lease; provided that no-cause evictions are not permitted and a grievance process is retained. This lease would be subject to the same community, resident and Board review process as amendments to this MTW Agreement.

4. The CHA is authorized to develop its own energy auditing protocols and frequencies in lieu of the HUD requirement that energy audits be performed every five years.

XI. The CHA has requested HUD authorization to participate in mixed-finance development projects and to mortgage or otherwise grant a security interest in its property without prior HUD approval of each such transaction. This Agreement does not approve CHA’s request, however HUD and the CHA agree to continue working towards a productive resolution of this issue.
Attachment A

Calculation of Subsidies

During the term of the MTW demonstration, HUD will provide the agency with operating subsidy, modernization funds, and Section 8 assistance as described below.

Definitions in this Attachment

Initial Year = The first Agency fiscal year in which the Agency begins operating under its MTW authority, which may be the same year as that in which the Agreement is executed.

Base Year = The most recently completed Agency fiscal year prior to the Initial Year.

MTW Units = Units authorized for participation in MTW activities, as provided in Section 1 of the Appendix to this Agreement.

1. Operating Subsidy

A. Formula

Each year, the agency will calculate Operating Subsidy, in accordance with instructions provided by HUD. The intent of these instructions is as follows:

- Utility subsidy. The agency’s utility consumption is frozen for the life of the demonstration. Consumption will be frozen based on the three-year rolling-base in effect in the base year for all units except those included in the Burns ESCo agreement. Consumption for units included in the Burns ESCo agreement will continue to be frozen based upon the terms of such agreement.

Each year thereafter, the agency multiplies this frozen consumption by utility rates that are in effect at the time of budget submission. The agency is held harmless for any changes in utility prices (resulting in year-end adjustments for actual utility rates) but takes the risk/reward for any change in consumption. Any reduction in utility rates that result from administrative actions taken by the agency will be shared equally with HUD in accordance with regulations in effect upon execution of this agreement. Alternately, a PHA may choose to keep the full savings in...
prices if it elects to freeze both consumption and price in the base year for utilities.

- **Non-utility subsidy.** The agency will receive under MTW an amount equal to the non-utility subsidy eligibility in the base year assuming 97 percent occupancy. This amount is then adjusted annually by both the simplified delta and the Allowable Expense Level (AEL) inflation factor. Dwelling rental, non-dwelling rental, and add-ons are fixed in the base year, with the following adjustments.

  - *Occupancy percentage.* In the base year, occupancy is calculated as 97 percent. Each year thereafter, a PHA may request an add-on for vacancies beyond the control of the PHA. If approved, these vacant units will be funded at the base year dwelling rental income, multiplied by the cumulative AEL inflation factors.

  - *Add-ons.* Transition funding for demolished units, long-term vacant unit funding, and funding for deprogrammed units will not be fixed in the base year but will be treated as add-ons each subsequent year. Additionally, if a PHA fixes a Family Self-Sufficiency (FSS) add-on into the base year, it must continue to maintain an equivalent level of effort throughout the demonstration for FSS-type activities.

  - *Simplified delta.* In the first year, the simplified delta (.005) is multiplied by the actual amount entered on line 2a of the HUD-52723 from the base year. The resulting figure is then carried forward to the next year and multiplied again by the simplified delta. This procedure is to be followed in years three through five.

B. **Unit Months Available (UMAs)**

UMAs cannot exceed those UMAs established on the Performance Funding System (PFS) worksheet for the initial year of the demonstration. An agency may draw down additional UMAs, up to the number of units under Annual Contributions Contract (ACC) as of August 21, 1996, provided that the agency did not receive Section 8 replacement housing for these units and provided that the agency remains accountable for serving substantially this number of households.
The agency may increase the number of UMAs for which it is eligible to receive subsidy to a number greater than the number attributable to units under ACC on August 21, 1996 in the event that: a) previously-approved units under development reach DOFA or b) HUD authorizes, through this or other Agreement, the addition of incremental units to the number under ACC.

The number of UMAs established in the initial year of the demonstration should include the impact of HUD-approved breakthrough units anticipated to take effect through FY 2000.

C. Subsidy pro-ration

Each agency will be subject to the same subsidy proration as non-MTW agencies. Hence, if the Congress appropriates only 97 percent of PFS eligibility, an agency will receive only 97 percent of its block grant operating subsidy for that year.

D. Demolition

For any units demolished during the demonstration period, an agency will have three options:

- Retain the UMAs by serving the same number of eligible families and not receive transitional funding or Section 8 replacement housing;

- Apply for Section 8 replacement housing. Once received, the agency will no longer be eligible for transitional funding and will reduce its UMAs; or

- Receive transitional funding, but not Section 8 funding. The UMAs will then be reduced as the transitional funding becomes effective.

E. Mandatory year-end adjustments

Mandatory year-end adjustments will be performed for: actual utility rates and any change in UMAs. An agency may also request a year-end adjustment for any vacancies beyond the agency's control that were not budgeted for and if the subsidy pro-ration projection provided by HUD was later modified.
F. Financial reporting

An agency will submit a consolidated year-end financial statement for all MTW program activities and all other reports that HUD may require.

2. Comprehensive Grant Program

a) An agency’s formula characteristics and grant amount will continue to be calculated in accordance with current law as of the date of execution of this Agreement.

b) For modernization funds provided in years prior to the execution of this Agreement, an agency may submit, and HUD will approve, a request to reprogram, by grant year, any unobligated funds for eligible MTW purposes. Such request will be made in accordance with current procedures governing amendments to the Annual Plan under the current Comprehensive Grant Program, except that no public consultation will be necessary prior to submission of the request.

c) All funds programmed for MTW purposes will be recorded and drawn down from MTW-designated line items on relevant HUD forms.

3. Section 8 Tenant Based Assistance

Units Eligible for Inclusion in Flexible Block Grant

a) Conversion of existing Section 8 certificates and vouchers to Moving to Work units will be conducted according to instructions provided by HUD. A list of Section 8 units eligible for inclusion in the block grant (“MTW units”) upon execution of this Agreement will be provided by HUD along with the instructions.

b) The number of MTW units will not be adjusted throughout the duration of the demonstration unless: 1) any units under ACC that are not available upon execution of this Agreement become available for MTW purposes upon renewal or as otherwise authorized by HUD or 2) the Agency receives incremental Section 8 units, which the Agency may choose to convert into the block grant or to operate as a separate program, as provided in law.
HUD Review of Subsidy Utilization

At the completion of the second and fourth CHA fiscal years in which the agency has received section 8 tenant based assistance as provided in this Appendix, HUD will review CHA’s utilization of these funds to determine whether the funds provided were in excess of amounts necessary for the operation of its leased housing program at the program size and tenant rent burden levels present at the date of execution of this Agreement. CHA will maintain documentation that will support such analysis, including information regarding average subsidy payments to owners and average tenant contributions. If it is determined by HUD that the amounts provided have been in excess of need, HUD may: recapture excess funds, adjust the formula for calculation of subsidy in future years, or take similar remedial action.

Calculation of Annual Subsidy

Initial year of MTW Participation:

a) In the initial year of MTW participation, calculate a new MTW per-unit cost (MTWPUC). The MTWPUC will equal the sum of the total CHA “effective housing assistance payments (EHAP)”, and total hard-to-house and administrative fees attributable to MTW units, divided by the number of MTW eligible units under ACC.
   i) For each size unit across the agency’s current bedroom distribution, the EHAP will equal 120% of the HUD-established FMR for 1999, less the average tenant rental contribution for that unit size.
   ii) The average tenant rental contribution for each unit size equals the weighted average of the total tenant rental contribution (including tenant utility allowances and contributions) established for the voucher and certificate programs.
   iii) Administrative fees for MTW units will be calculated in accordance with section 8 regulations, provided that the MTW units shall count against the total number of units CHA may calculate at a higher administrative fee level, until the number of units eligible for the higher fee is exhausted.

b) Calculate MTW subsidy by multiplying the MTWPUC by the total number of MTW units and the number of months [MTWPUC x MTW Units x 12].

Second and Subsequent Years of MTW Participation:
a) Multiply the MTW subsidy established in the previous year by the annual inflation factor established for the calculation of renewal of Section 8 contracts to arrive at the current year’s inflation-adjusted Section 8 MTW subsidy.

**Reserves**

a) An amount equal to two months’ program costs (MTWPUC x MTW units x 2) will be made available from existing Agency reserves for use as project reserves for MTW-eligible units.

b) There will not be a year-end settle-up of annual funds provided for MTW units. All funds provided through this calculation will remain available for authorized purposes.
Instructions for Completing HUD-Form 52723 (5/96)
Calculation of PFS Operating Subsidy

A. Base year

Recompute the HUD-52723 using 97 percent occupancy (line 17) only if the agency used an occupancy percent that was less than 97 percent.

B. Initial year

Complete the HUD-52723, but with the following adjustments.

- Line 1, Previous AEL. For this figure, enter the product of the following equation, taken from the base year.
  - Line 30, Deficit before year-end adjustments.
  - Less: Line 10, Costs attributable to deprogrammed units
  - Less: Line 28f, Transition funding for demolished units.
  - Less: Line 28e, Long-term vacant units
  - Equals: Deficit before year-end adjustments, excluding funding for deprogrammed, transitional, and long-term vacant units.
  - Divided by: UMAs
  - Equals: Total subsidy, PUM
  - Less: AUEL (line 8)
  - Equals: Non-utility subsidy, PUM

Note: The above calculation determines the amount of non-utility subsidy in the base year, prior to year-end adjustments, subsidy pro-ration, and funding for deprogrammed units, transitional funding, and long-term vacant units.

- Line 2a. Take line 2a from base year and multiply by 1.005
- Line 2b through Line 4. Leave blank
- Line 5. Total of line 1 an line 2.
- Line 7. Revised non-utility PUM (line 5 times line 6)
- Line 7a-b. Leave blank.
- Line 8. Multiply utility consumption from base year times current rates and then
divide by base year UMA.

- Line 11. Total subsidy eligibility. Line 7 plus line 8. This is the subsidy eligibility before pro-ration and add-ons.

- Part B. Leave blank.
- Part C. Leave blank.

- Line 24. Line 11 times UMAs.
- Line 25 through 28a. Leave blank
- Lines 28b-f. Enter adjustments as necessary.
- Line 28g. Enter adjustment for below-97 percent occupancy (if necessary).
- Line 29. Enter totals of lines 28b through 28g.
- Line 40. Enter subsidy pro-ration.
- Line 41. Line 30 less line 40. This represents the agency's subsidy amount for the subject fiscal year.

G. Years Two through Five

Complete the HUD-52723, with the following adjustments.

- Line 1. Enter line 7 from previous year.
- Line 2. Multiply line 2 from previous year by 1.005
- All other lines. Complete as per instructions for Initial Year.
## MTW ANNUAL PLAN AND REPORT ELEMENTS

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<th>ANNUAL PLAN</th>
<th>ANNUAL REPORT</th>
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<td><strong>I. HOUSEHOLDS SERVED</strong></td>
<td><strong>I. HOUSEHOLDS SERVED</strong></td>
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<tr>
<td>A. Number and characteristics of households served at beginning of period, by:</td>
<td>A. Number served: plan vs actual by</td>
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<td>- unit size</td>
<td>- unit size</td>
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<td>- family type (family vs. elderly or disabled)</td>
<td>- family type</td>
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<td>- income group (&lt;30: 30-50; 50-80; &gt;80)</td>
<td>- income group</td>
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<tr>
<td>- housing type (LRPH; leased, other)</td>
<td>- program/housing type</td>
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<td>- race &amp; ethnicity</td>
<td>- race &amp; ethnicity</td>
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<tr>
<td>B. Identify number and characteristics of households on waiting lists (all housing types). Discuss waiting list issues and proposed actions</td>
<td>B. Changes in tenant characteristics</td>
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<tr>
<td>C. Number projected to be served at end of period</td>
<td>C. Changes in waiting list numbers and characteristics</td>
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<tr>
<td>D. Narrative discussion/explanation of change</td>
<td>D. Narrative discussion/explanation of difference</td>
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<td><strong>II. OCCUPANCY POLICIES</strong></td>
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<td>A. Statement of policies governing eligibility, selection, admissions, assignment, and occupancy of families, including the admissions policy under section 16(a)(3)(B) for deconcentration of lower-income families</td>
<td>A. Changes in concentration of lower-income families, by program</td>
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<tr>
<td>B. Statement of Rent Policy</td>
<td>B. Changes in Rent Policy, if any</td>
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<td>C. Narrative discussion/explanation of change</td>
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<td>III. CHANGES IN THE HOUSING STOCK</td>
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<tr>
<td>A. Number of units in inventory at the beginning of period by program (LPH, leased, other)</td>
<td>A. Number of units in inventory by program: planned vs actual</td>
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<td>B. Projected number at end of period by program</td>
<td>B. Narrative discussion/explanation of difference</td>
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<td>A. Planned vs actual funding amounts</td>
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<td>D. Identify/discuss sources, amounts, and planned uses of special purpose funds outside the consolidated budget (e.g., DEG)</td>
<td>B. Narrative discussion/explanation of difference</td>
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<td>C. Consolidated Budget Statement</td>
<td>C. Consolidated Financial Statement</td>
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<td>A. Previous year expenditures by line item</td>
<td>A. Budgeted vs actual expenditures by line item</td>
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<tr>
<td>C. Description of proposed activities/investments by line item/explanation of change from previously approved plan</td>
<td>C. Reserve balance at end of year. Discuss adequacy of reserves</td>
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<tr>
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<tr>
<td>A. Describe major capital needs and projects, estimated costs, and proposed timetables</td>
<td>A. Planned vs actual expenditures by property</td>
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| **A. Vacancy Rates**                          |
| 1. Vacancy rates by property beginning of period |
| 2. Narrative: issues and proposed actions     |
| 3. Target rates by property at end of period  |

| **A. Vacancy Rates**                          |
| 1. Target vs actual vacancies by property    |
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| **B. Rent Collections**                       |
| 1. Rents Uncollected (%) beginning of period |
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| **B. Rent Collections**                       |
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| **C. Work Orders**                           |
| 1. Response rates beginning of period        |
|   - % emergency within 24 hrs               |
|   - % regular within 30 days                |
| 2. Narrative: issues and proposed actions    |
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| **C. Work Orders**                           |
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| **D. Inspections**                           |
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| 2. Planned inspections (% this FY)          |

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| 1. Planned vs actual inspections completed  |
| 2. Narrative/discussion of difference        |</p>
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<tr>
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<td>1. Narrative: planned vs actual actions/explanation of difference</td>
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<tr>
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<tr>
<td>1. Units under lease (%) beginning of period</td>
<td>1. Target vs actual lease ups at end of period</td>
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<td>2. Information and Certification of Data on Leased Housing Management, including:</td>
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<td>3. Plans regarding:</td>
<td>3. Narrative/explanation of differences</td>
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<td>- Expanding housing opportunities</td>
<td>- Expanding housing opportunities</td>
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<td>- Deconcentration of low-income families</td>
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<td>3. Issues and proposed actions</td>
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<th>B. INSPECTION STRATEGY</th>
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<td>1. Results of strategy, including:</td>
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<td>a) Planned vs actual inspections completed by category:</td>
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<td>• Annual HQS inspections</td>
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<td>• Pre-contract HQS inspections</td>
<td>• Pre-contract HQS inspections</td>
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<td>• HQS Quality Control Inspections</td>
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<td>b) HQS Enforcement</td>
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<td>2. Narrative/discussion of difference</td>
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<th>IX. RESIDENT PROGRAMS</th>
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<tr>
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<td>1. Narrative: planned vs actual actions/</td>
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<tr>
<td>2. Results of latest PHAS Resident Survey, or equivalent as determined by HUD.</td>
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X. **OTHER INFORMATION REQUIRED BY HUD**

<table>
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<tr>
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<th>A. Results of latest completed 133 Audit, (including program-specific OMB compliance supplement items, as applicable to the HA's Agreement)</th>
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<td>• Adopting Plan</td>
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<td>• Certifying that Public Hearing Requirements were met</td>
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<td>B. Required Certifications and other submissions from which the Agency is not exempted by the MTW Agreement</td>
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<td>C. Submissions required for the receipt of funds</td>
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