

## 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 Housing Authority of Louisville (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 contributions 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 of 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,

lease, repair or construct property, or commit HUD or local funds to program activities involving eligible property without HUD's approval under 24 CFR Part 50.

- 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.

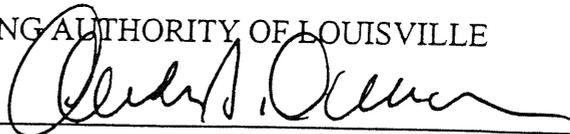
- B. HUD's Determination of Default. If HUD determines that the Agency is in default, HUD will give the Agency written notice of the default and of the corrective or remedial action required or ordered by HUD.
- C. Corrective or remedial actions HUD may require or order under this Agreement for Agency 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.

06/24/99

This Agreement is effective upon execution, except as otherwise provided herein.

HOUSING AUTHORITY OF LOUISVILLE

By



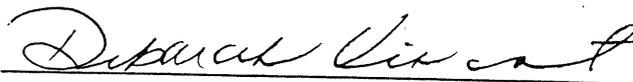
Its Executive Director

Date of Execution by Agency

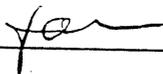
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UNITED STATES DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT

By



Its Assistant Secretary



Date of Execution by HUD

8/2/99

**APPENDIX  
TO  
MOVING TO WORK DEMONSTRATION AGREEMENT  
BETWEEN  
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
AND  
THE HOUSING AUTHORITY OF LOUISVILLE**

**Statement of Authorizations**

**I. General Conditions**

- A. This Statement of Authorizations describes the activities that the Housing Authority of Louisville (HAL) 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 HAL and the U.S. Department of Housing and Urban Development (HUD).
- B. The term of the MTW Agreement and of the HAL'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 HAL fiscal year, the demonstration will remain in effect for five (5) years from the start of the next fiscal year, but all MTW provisions will be effective immediately upon execution of this Agreement.
- C. HUD's evaluation plan for the MTW Demonstration may be reviewed by the HAL in advance of implementation. The HAL 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, HAL's MTW demonstration applies to all of HAL's public housing units and tenant-based Section 8 assistance.

**II. Restructure the Annual and Interim Review Process**

HAL will reexamine tenant income and characteristics and submit to HUD updated Multifamily Tenant Characteristics System (MTCS) data annually. Formal reexaminations/recertifications will be required at least once every two years in the manner currently prescribed by HUD. In any year where the HUD-prescribed reexamination/recertification is not conducted, the HAL will instead make reasonable efforts to accurately determine tenant income and characteristics and will report this information to HUD. Such determination may take the form of tenant self-certification, provided that the HAL reviews and confirms such information with the tenant either by phone or

through an in-person interview. Third party verification in such years will be at the discretion of the HAL. Tenants must continue to execute a HUD-approved release and consent form as specified in 24 C.F.R. 5.617(b)(1) at least annually.

### **III. Site Based Waiting List System**

HAL 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 HAL's Annual MTW Plan includes a description of HAL's system of site-based waiting lists, and the following conditions described in the Interim Rule on Public Housing Agency Plans (24 C.F.R 903.7(c) (April 1, 1999)) are met:

1. The HAL 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. HAL 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. HAL 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, HAL 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, HAL 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. HAL must provide the results to HUD in its Annual MTW Report; and,
  - c. HAL 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, HAL must follow the requirements governing site-based waiting lists provided by that rule.

#### **IV. Family Self-Sufficiency Plans**

The HAL is authorized to operate its Family Self-Sufficiency program exempt from all HUD requirements, including any specific requirements governing program size or participation requirements, provided that if the HAL 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 HAL 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 HAL 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 the Secretary and the HAL or newly acquired or developed pursuant to section (b) below.
  - b. The acquisition, new construction, reconstruction or moderate or substantial rehabilitation of housing, 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 or preservation of locally-developed housing programs.
  - i. Unless otherwise required by law, and so long as the HAL is classified as a high performer by HUD, the HAL 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 HAL, by an entity, agent, or instrumentality of the HAL, a partnership, a grantee, contractor, or other appropriate party or legal entity.

3. The HAL expenditures will be in compliance with OMB Circular A-87, which provides basic guidelines for the use of federal funds, and 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 HAL in accordance with its Annual MTW Plan. The HAL will not be subject to the obligation and expenditure guidelines established in the Comprehensive Grant Program.
5. The HAL may 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 HAL is authorized to use unobligated modernization funds from years prior to the implementation of MTW in accordance with this Agreement.

#### **B. Funding Methodology**

During the term of the MTW demonstration, HUD will provide HAL with public housing operating subsidies and modernization funds, and with tenant-based Section 8 assistance, as provided in Attachment A; provided, however, that in the first year of the demonstration, HAL will receive public housing operating subsidies in accordance with the Performance Funding System (PFS). Prior to the end of the first HAL fiscal year within which HAL is operating under MTW authority, HAL must choose, with respect to the remainder of the demonstration, either to remain under PFS (or its successor), or to receive operating subsidies in accordance with the "block grant" methodology described in Attachment A to this Agreement.

#### **C. Funding Disbursements**

The HAL 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 procedures 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 HAL will not be required to provide line item detail, but will request the funds using a single MTW line item; provided, however that the HAL may not accelerate draw downs of funds in order to fund reserves.
- c. The HAL may use these funds for any eligible MTW activity consistent with this Agreement.

3. Section 8 Tenant Based Assistance

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

VI. Changes to Section 8 Tenant Based Assistance Programs

A. The HAL is authorized to merge Section 8 vouchers and certificates into a single program with one set of rules and to create its own Tenant Based Assistance Program. Under such a program, the HAL will be authorized to determine the following:

1. Reasonable contract rent 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 (although the HAL's intent is to continue to serve very low income residents through rental assistance);
5. Property eligibility criteria, including types of units currently prohibited by Section 8 regulations (for example, assisted living facilities, congregate housing, or SROs.)
6. Waiting list procedures and tenant selection process;

7. The content of housing assistance payments contracts to owners;
8. The content of contract rental agreements; and
9. Damage claims and/or vacancy loss policy.
10. The HAL is authorized to determine what percentage of its rental/leased housing assistance will be project-based.

B. With prior HUD approval, the HAL may cooperate with other housing authorities in order to further the goals of the MTW demonstration.

## VII. Administrative Issues

### A. The HAL 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 HAL 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 HAL'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 HAL'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 will 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 HAL 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 HAL's performance with its Annual MTW Plan. The Annual MTW Report will provide the information necessary for HUD to assess the HAL's performance, in both regular operations and in activities authorized by the MTW Demonstration Program. 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 HAL 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 HAL's fiscal year, except 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 HAL will 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 HAL'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 HAL will submit an annual audit that complies with the requirements of OMB Circular A-133 (as provided by Article 1, Section 1, of the MTW Agreement), 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 HAL will be evaluated by HUD on the basis of its Annual MTW Report, in lieu of the Public Housing Management Assessment Program (PHMAP), or its successor system, and the Section 8 Management Assessment Program (SEMAP) and other program-based evaluation requirements, except as otherwise provided in this Agreement.
2. Whereas the HAL is currently a High Performer under PHMAP and whereas both PHMAP and the proposed Public Housing Assessment System (PHAS) are being waived, the HAL 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 re-entry into PHMAP or any successor system, the HAL will retain its current PHMAP, or comparable, score.

C. Simplification of the Wage Rate Monitoring Process

Subject to prior HUD approval, the HAL is authorized to streamline the 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 HAL is authorized to develop and adopt reasonable policies and procedures that will simplify and streamline the HUD approval process for redevelopment and redevelopment activities involving building demolition, property disposition, homeownership opportunities and mixed finance agreements and partnerships.

1. The HAL 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 Louisville.
2. The HAL 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 Louisville.
3. The HAL may submit for HUD approval, a model set of regulatory and loan documents that incorporates HUD's critical statutory and policy requirements for affordability and operations. If approved as to form, these documents may be used for applicable project financing efforts.
4. The HAL is authorized to establish reasonable low-income home ownership programs, such as a lease-to-own program, provided that any disposition of current public housing units must be approved in advance by HUD.

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

The HAL is authorized to develop and adopt a reasonable policy and process for project-basing Section 8 certificates and/or vouchers during the MTW demonstration, as follows:

1. The HAL is authorized to project-base Section 8 Certificates and Vouchers at otherwise non-subsidized units owned by HAL that meet HQS standards.

2. The HAL is authorized to establish a reasonable competitive process for project-basing Section 8 Certificates and Vouchers at otherwise non-subsidized units that meet HQS standards and that are owned by non-profit housing entities.
3. The HAL is authorized to establish a reasonable competitive process for project-basing Section 8 Certificates and Vouchers at otherwise non-subsidized units that meet HQS standards and that are owned by for-profit housing developers and property managers.
4. HUD reviews and approvals related to the project-basing of Section 8 Certificates and Vouchers are suspended during the MTW demonstration.

#### VIII. Changes to Procurement Requirements

- A. Subject to prior HUD approval, the HAL shall be exempt from HUD regulations in 24.C.F.R. 85.36, as follows:
  1. the HAL 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 HAL deems said system the most suitable.
  2. the HAL may utilize an alternative system of procurement, subject to the following certifications by the HAL 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 HAL 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 HAL may enter into contracts with any related nonprofit of the HAL, 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 HAL, as applicable, is qualified to perform the terms of the contract.
- c. No individual member, officer, or employee of the HAL shall derive personal financial benefit from nor hold interest in the contract.
- d. The members, officers, or employees of the HAL 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.

IX. HAL 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 HAL's request, however HUD and HAL 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 per unit month utility consumption is frozen for the life of the demonstration based on the three-year rolling-base in effect in the base year. 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.

#### **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.

#### Calculation of Annual Subsidy

##### Initial year of MTW Participation:

- a) For the certificate and voucher programs, respectively, divide Total Funds Required by the Number of Unit Months, as provided in year-end settlement data for the base year. Combine the sum of these calculations in a weighted average to calculate a weighted, base year per unit cost. Multiply this amount by the inflation factor established for the calculation of renewals to arrive at an inflation-adjusted, MTW program per unit cost (MTWPUC) for the initial year.
- b) Multiply the MTWPUC by the total number of MTW units and the number of months [MTWPUC x MTW Units x 12] to arrive at a total MTW subsidy amount to be disbursed that year.

##### Second and Subsequent Years of MTW Participation:

- a) Multiply the total MTW subsidy established in the previous year (excluding reserves) 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 ( $\text{MTWPUC} \times \text{MTW units} \times 2$ ) 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. Enter the result of: the sum of lines 2a and .005 times the amount on line 2b of the base year HUD-52723, multiplied by 1.005.  $[(2a + (2b * .005)) * 1.005]$
- Lines 3 and Line 4. Leave blank
- Line 5. Total of line 1 and line 2.
- Line 6. Enter AEL inflation factor.
- 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 prices and then divide by base year UMAs.
- Line 9. Leave blank.
- Line 11. Total subsidy eligibility. Line 7 plus line 8. This is the subsidy eligibility before pro-ration and add-ons other than FICA and FSS.
  
- 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 30. Line 24 plus line 29.
- Line 31-39. Leave blank.
- 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.

### C. Years Two through Five

Complete the HUD-52723, with the following adjustments.

- Line 1. Enter line 7 from previous year.
- Line 2. Multiply line 2a from previous year by 1.005
- All other lines. Complete as per instructions for Initial Year.

## Attachment B

## MTW ANNUAL PLAN AND REPORT ELEMENTS

ANNUAL PLAN	ANNUAL REPORT
<p><b>I. HOUSEHOLDS SERVED</b></p> <p>A. Number and characteristics of households served at beginning of period, by:</p> <ul style="list-style-type: none"> <li>- unit size</li> <li>- family type (family vs. elderly or disabled)</li> <li>- income group (&lt;30; 30-50; 50-80;&gt;80)</li> <li>- housing type (LRPH; leased, other)</li> <li>- race &amp; ethnicity</li> </ul> <p>B. Identify number and characteristics of households on waiting lists (all housing types). Discuss waiting list issues and proposed actions</p> <p>C. Number projected to be served at end of period</p> <p>D. Narrative discussion/explanation of change</p>	<p><b>I. HOUSEHOLDS SERVED</b></p> <p>A. Number served: plan vs actual by</p> <ul style="list-style-type: none"> <li>- unit size</li> <li>- family type</li> <li>- income group</li> <li>- program/housing type</li> <li>- race &amp; ethnicity</li> </ul> <p>B. Changes in tenant characteristics</p> <p>C. Changes in waiting list numbers and characteristics</p> <p>D. Narrative discussion/ explanation of difference</p>
<p><b>II. OCCUPANCY POLICIES</b></p> <p>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</p> <p>B. Statement of Rent Policy</p>	<p><b>II. OCCUPANCY POLICIES</b></p> <p>A. Changes in concentration of lower-income families, by program</p> <p>B. Changes in Rent Policy, if any</p> <p>C. Narrative discussion/explanation of change</p>

<p><b>III. CHANGES IN THE HOUSING STOCK</b></p> <p>A. Number of units in inventory at beginning of period by program (LRPH, leased, other)</p> <p>B. Projected number at end of period by program</p>	<p><b>III. CHANGES IN THE HOUSING STOCK</b></p> <p>A. Number of units in inventory by program: planned vs actual</p> <p>B. Narrative discussion/explanation of difference</p>
<p><b>IV. SOURCES AND AMOUNTS OF FUNDING</b></p> <p>A. Identify/discuss all sources and amounts of funding included in consolidated budget statement</p> <p>B. Identify/discuss sources, amounts, and planned uses of special purpose funds outside the consolidated budget (e.g., DEG)</p> <p>C. Consolidated Budget Statement</p>	<p><b>IV. SOURCES AND AMOUNTS OF FUNDING</b></p> <p>A. Planned vs actual funding amounts</p> <p>B. Narrative discussion/explanation of difference</p> <p>C. Consolidated Financial Statement</p>
<p><b>V. USES OF FUNDS</b></p> <p>A. Previous year expenditures by line item</p> <p>B. Planned expenditures by line item</p> <p>C. Description of proposed activities/investments by line item/explanation of change from previously approved plan</p> <p>D. Reserve balance at beginning of year. Discuss adequacy of reserves</p>	<p><b>V. USES OF FUNDS</b></p> <p>A. Budgeted vs actual expenditures by line item</p> <p>B. Narrative/explanation of difference</p> <p>C. Reserve balance at end of year. Discuss adequacy of reserves</p>
<p><b>VI. CAPITAL PLANNING</b></p> <p>A. Describe major capital needs and projects, estimated costs, and proposed timetables</p>	<p><b>VI. CAPITAL PLANNING</b></p> <p>A. Planned vs actual expenditures by property</p> <p>B. Narrative discussion/explanation of</p>

<p>B. Identify planned expenditures</p> <p>C. Demolition and Disposition Requests, if planned</p> <p>D. Homeownership activities, if any</p>	<p>difference</p>
<p><b>VII. MANAGEMENT INFORMATION FOR OWNED/MANAGED UNITS</b></p>	
<p><b>A. VACANCY RATES</b></p> <p>1. Vacancy rates by property beginning of period</p> <p>2. Narrative: issues and proposed actions</p> <p>3. Target rates by property at end of period</p>	<p><b>A. VACANCY RATES</b></p> <p>1. Target vs actual vacancies by property</p> <p>2. Narrative/explanation of difference</p>
<p><b>B. RENT COLLECTIONS</b></p> <p>1. Rents Uncollected (%) beginning of period</p> <p>2. Narrative: issues and proposed actions</p> <p>3. Target % at end of period</p>	<p><b>B. RENT COLLECTIONS</b></p> <p>1. Target vs actual collections</p> <p>2. Narrative/explanation of difference</p>
<p><b>C. WORK ORDERS</b></p> <p>1. Response rates beginning of period</p> <ul style="list-style-type: none"> <li>• % emergency within 24 hrs</li> <li>• % regular within 30 days</li> </ul> <p>2. Narrative: issues and proposed actions</p> <p>3. Target rates at end of period</p>	<p><b>C. WORK ORDERS</b></p> <p>1. Target vs. actual response rates</p> <p>2. Narrative/explanation of difference</p>
<p><b>D. INSPECTIONS</b></p> <p>1. Description of inspection strategy</p> <p>2. Planned inspections (% this FY)</p>	<p><b>D. INSPECTIONS</b></p> <p>1. Planned vs actual inspections completed</p> <p>2. Narrative/discussion of difference</p>

	3. Results of independent PHAS inspections
<b>E. SECURITY</b>  1. Narrative: security issues and proposed actions	<b>E. SECURITY</b>  1. Narrative: planned vs actual actions/ explanation of difference
<b>VIII. MANAGEMENT INFORMATION FOR LEASED HOUSING</b>	
<b>A. LEASING INFORMATION</b>  1. Units under lease (%) beginning of period  2. Target lease up rate at end of period  3. Plans regarding: <ul style="list-style-type: none"> <li>• Ensuring rent reasonableness</li> <li>• Expanding housing opportunities</li> <li>• Deconcentration of low-income families</li> </ul> 3. Issues and proposed actions	<b>A. LEASING INFORMATION</b>  1. Target vs actual lease ups at end of period  2. Information and Certification of Data on Leased Housing Management, including: <ul style="list-style-type: none"> <li>• Ensuring rent reasonableness</li> <li>• Expanding housing opportunities</li> <li>• Deconcentration of low-income families</li> </ul> 3. Narrative/explanation of differences
<b>B. INSPECTION STRATEGY</b>  1. Description of inspection strategy, including: <ol style="list-style-type: none"> <li>a) Planned inspections completed (% this FY) by category: <ul style="list-style-type: none"> <li>* Annual HQS inspections</li> <li>* Pre-contract HQS inspections</li> <li>* HQS Quality Control Inspections</li> </ul> </li> <li>b) HQS Enforcement</li> </ol>	<b>B. INSPECTION STRATEGY</b>  1. Results of strategy, including: <ol style="list-style-type: none"> <li>a) Planned vs actual inspections completed by category: <ul style="list-style-type: none"> <li>* Annual HQS inspections</li> <li>* Pre-contract HQS inspections</li> <li>* HQS Quality Control Inspections</li> </ul> </li> <li>b) HQS Enforcement</li> </ol> 2. Narrative/discussion of difference
<b>IX. RESIDENT PROGRAMS</b>  1. Description of activities	<b>IX. RESIDENT PROGRAMS</b>  1. Narrative: planned vs actual actions/

<p>2. Issues and proposed actions</p>	<p>explanation of difference</p> <p>2. Results of latest PHAS Resident Survey, or equivalent as determined by HUD.</p>
<p><b>X. OTHER INFORMATION REQUIRED BY HUD</b></p>	
<p>A. Board Resolution</p> <ul style="list-style-type: none"> <li>• Adopting Plan</li> <li>• Certifying that Public Hearing Requirements were met</li> </ul> <p>B. Required Certifications and other submissions from which the Agency is not exempted by the MTW Agreement</p> <p>C. Submissions required for the receipt of funds</p>	<p>A. Results of latest completed 133 Audit, (including program-specific OMB compliance supplement items, as applicable to the HA's Agreement)</p> <p>B. Required Certifications and other submissions from which the Agency is not exempted by the MTW Agreement</p> <p>C. Submissions required for the receipt of funds</p>