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Guidance for Moving to Work Agencies:

Impact Analysis and Hardship Policies for Rent Reform Initiatives

1. Purpose

This document offers guidance to Moving to Work (MTW) public housing agencies (PHAs) that are implementing rent reform initiatives as part of their MTW demonstration initiatives. The purpose of this guidance is to provide suggestions for how MTW PHAs can comply with requirements regarding reporting on MTW rent reform initiatives. This guidance is presented as a resource guide that includes information on various methodologies. This document does not represent specific requirements for conducting impact analysis and developing hardship policies for rent reform activities.

2. Introduction

The Moving to Work (MTW) Demonstration authorized under the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134, 110 Stat 1321), included the mandate that MTW PHAs develop a plan that establishes the following:

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

HUD defines rent reform as any change in the regulations on how rent is calculated for a household. Any policy that an MTW PHA enacts that alters the rent calculation would be considered a type of rent reform and will require an impact analysis. Samples of policies that require impact analysis include, but are not limited to the following policies:

- adopting alternative recertification schedules;
- flat or tiered rent structures;
- modifications to current exclusion/deduction requirements;
- alternate income verification procedures; and
- alternate utility allowance policies.

Changes to occupancy policies (e.g., time limits, work requirements, mandatory case-management) or changes to admissions preferences are not considered rent reform, though these policies could be included as part of an overall alternate rent strategy. A rent reform activity that meets this statutory requirement must be enacted prior to the end of the demonstration in FY 2018.

Section V. G. of the Attachment B of the MTW Agreement (Form-50900) includes requirements for reporting on rent reform initiatives in the Annual MTW Plan. The required elements include: the PHA's board approval of the policy, impact analysis, annual re-evaluation of the rent reform initiative, hardship case criteria, transition period, and documentation of the public hearing. In addition to the rent reform requirements in Section V.G. of Attachment B, as with all MTW

activities, PHAs are to describe in their Annual MTW Plan the anticipated impact of each proposed MTW activity (Section V.C.), and define the baselines, proposed benchmarks, and metrics to assess outcomes, including anticipated schedules (Section V.D.). Section 3 describes steps in the rent reform impact analysis and Section 4 discusses steps to develop a rent reform hardship policy.

3. Steps in the Rent Reform Impact Analysis

There are four suggested steps for conducting an impact analysis of any rent reform initiative undertaken through the MTW demonstration. They are:

- Describe the rent reform initiative;
- Track and document the implementation of the rent reform initiative;
- Identify the intended impacts of the rent reform initiative; and
- Measure the impacts of the rent reform initiative.

Ideally, a separate impact analysis would be completed for each individual component of the rent reform initiative, so the PHA is able to measure the actual impact of each component of the overall initiative. However, in some cases, it may make more sense to complete an analysis for the aggregate of all rent reform initiatives, e.g., if an PHA implements biennial recertifications for working families and triennial recertifications for elderly/disabled families.

The remainder of Section 3 provides suggestions for completing each step. Appendix A provides sample tables that PHAs may consider using to summarize the information suggested for each step.

3.1 Describe the Rent Reform Initiative

MTW PHAs that choose to implement rent reform initiatives should provide HUD with a detailed description of the rent reform policy in the Annual MTW Plan. Responses to the following questions should be included in the description:

1. **What is the rent reform initiative?** When describing the policy, include information such as:
 - a. Does the rent reform policy involve flat rents (uniform monthly rent based on unit size, condition, amenities and local market rates, and not based on household income)?
 - b. Does the rent reform policy involve stepped rents (defined rent levels)? If yes, explain the rent levels and criteria for determining how households move from one rent to another.
 - c. Does the rent reform policy involve a minimum rent?
 - d. Does the rent reform policy involve other methods of determining household rent?
 - e. Is a different rent reform initiative being implemented for public housing and Housing Choice Voucher households? If so, what are the features of each rent reform initiative?

2. **Does the rent reform policy also include time limits on assistance?**

3. **Which households are subject to the new rent rules?**
4. **Which households are exempt from the new rent rules?** (examples might be elderly or disabled households)

3.2 Track and Document the Rent Reform Initiative Implementation

In the Annual MTW Plan, an anticipated schedule for implementing new rent reform policies (in Section V.G. of Attachment B this is referred to as the transition) should be included. Suggestions for how this can be completed include:

1. **Anticipated Schedule for Implementing the Rent Reform Initiative.** To describe the anticipated schedule for implementing the rent reform, it is recommended that PHAs document responses to the following two questions:
 - When do the first households become subject to the new rent policy?
 - By what date does the PHA expect that all households subject to the new policy will be using the new rent?
2. **Status of Implementation.** PHAs can also monitor the implementation status by tracking the percentage, or fraction, of households subject to the new rent policy who have had rents adjusted to the new policy at the end of each fiscal year. The following calculation could be used to do this:

$$\frac{(\text{Number of households under new policy})}{(\text{Number of households to be subject to new policy})} \times 100$$

3.3 Identify Expected Impacts of the Rent Reform Initiative

The purpose of the rent reform impact analysis is to ensure that the alternate rent strategy does not have the unintended consequence of increasing rent burden for assisted households. In addition, the impact analysis must assess how rent reform affects the rent burden faced by protected classes of households to ensure that any rent reform undertaken does not have a disparate impact on protected classes (defined by race, color, national origin, disability, age, and gender). Federal law prohibits discrimination on the basis of these characteristics in programs, activities, or services provided or made available by public entities.¹

In some cases PHAs may choose to exempt some households from the rent reform initiative altogether. Examples might be the elderly or disabled households who are excluded from rent reform and continue under income-based rent systems.

A rent reform initiative may be aimed at not only helping households, but also the PHA itself. Some of the policies aimed at helping the PHA may have secondary effects on the households. As an example, rent simplification policies may free up some of the PHA's staff time that can be redirected to providing additional services to families.

¹ <http://www.hud.gov/offices/fheo/FHLaws/index.cfm>

A rent reform impact analysis assesses the results of rent reform being tested by MTW PHAs to provide the PHA and HUD with evidence of the impacts of an important MTW demonstration activity. The impact analysis can be done by comparing measures of items that the rent reform initiative is expected to change before and after the rent reform takes effect.

For example, some PHAs may undertake rent reform with the goal of increasing the percentage of working households. The impact analysis would compare the percentage of working households before and after the rent reform takes effect to assess whether the intended outcome is achieved. Other PHAs may anticipate that rent reform will simplify the calculation of rent, which in turn will streamline administrative functions reducing the staff time devoted to rent determination. The impact analysis would compare measures of staff time devoted to rent calculation before and after the rent reform is implemented to assess whether the intended result is achieved.

PHAs can begin by listing the anticipated impacts of the rent reform initiative for the PHA and for participating households. This can be done by listing the reasons for undertaking the specific features of the rent reform initiative. Given that PHAs will develop varying rent reform initiatives in response to different local conditions and objectives, the list of anticipated impacts will vary from PHA to PHA. After identifying anticipated impacts, PHAs can establish quantifiable measures for each intended effect, identify data sources that can be used to measure each effect, and calculate the measures each year. For impacts of rent reform for participating households, data collected at annual recertification and reported to PIC can be used to measure impacts. PHA administrative data can be used to measure impacts of rent reform for the PHA.

Examples of the kinds of expected impacts on PHAs resulting from a rent reform include:

1. Simplified rent calculation
2. Reduced staff time devoted to rent calculation
3. Maintenance of stable rent rolls
4. Other (PHA can specify other expected impacts for the PHA)

Examples of the kinds of impacts for participating households that might result from the rent reform include:

1. Increased work effort among participating households
2. Increased proportion of working households
3. Increased average income from employment
4. Maintained stable rent burden for assisted households (rent burden refers to the percent of adjusted monthly income the household pays in rent)
5. Other (PHAs can specify other expected impacts for households)

To decide which of the items listed pertain to each PHA's policy, PHAs may want to start by answering the following questions:

- Why did the PHA decide to implement this specific rent reform initiative?
- What were the goals of the rent reform?

It is important to note that factors other than changes to a PHA's rent policy may affect employment rates and earnings of assisted households. Examples might be local labor market conditions or individual characteristics (e.g. educational attainment, job skills) of assisted households. A change in proportion of working households might be caused by influences other than the change in rent policy. The impact analysis described in this guidance would document changes in key measures over time that may be associated with the change in rent policy. This assessment, however, would not control for other potential influences on the variables tracked and thus would not necessarily reflect the causal links between the rent reform and the observed changes.

Appendix A, Section A.1, contains a sample table that PHAs can use to document the intended impacts of the rent reform initiatives.

3.4 Measure Impacts of the Rent Reform Initiative

To assess the impacts of the rent reform initiative, PHAs can compare the indicators that are expected to change because of the rent reform initiative before and after the rent reform is implemented. The baseline is the performance level prior to the implementation. Thus, the initial baseline measurement should be taken the fiscal year before the rent reform was implemented. The baseline performance should then be compared to the post-implementation performance as well as to the established performance benchmarks (target performance levels that should be established by the PHA prior to the rent reform initiative's implementation).

Example indicators that could be used to assess a rent reform initiative's impact on PHA's operations include:

1. Total rent roll per month
2. Staff time spent on rent calculation
3. Labor costs of rent calculation

Example indicators that could be used to assess a rent reform initiative's impact on the households the PHA serves include:

1. Number of households served by program
2. Average gross income (annual) for all households served
3. Average adjusted income (annual) for all households served
4. Number of households employed
5. Average annual employment income
6. Average TTP (total tenant payment)
7. Average TTP/gross income (rent burden)
8. Average TTP/adjusted income (rent burden)

Appendix A, Section A.2, contains sample tables that PHAs can use to track the actual impacts of the rent reform initiatives.

4. Rent Reform Hardship Policy

MTW PHAs that implement rent reform initiatives should establish a hardship policy to define circumstances under which households may be exempted or temporarily waived from the new rent determination rules. If different rent reform initiatives are implemented under the public housing and Housing Choice Voucher programs, the hardship policy for each program should be documented. Questions for PHAs to answer in the description of their rent reform hardship policy could include:

1. **What are the hardship criteria?** That is, what are the allowable reasons a family could claim hardship under the new rent policy? Examples could include involuntary loss of income or unexpected medical expenses.
2. **What is the process for households to make a claim under the hardship policy?** What must the household do? What must the PHA do?

3. How does the PHA plan to verify hardship?

- 4. How will hardship cases be resolved?** The PHA should clarify who will resolve the hardship (PHA staff, resident panel, etc.). If the hardship case is accepted, what are the possible remedies? If not accepted, what will the next step be?

Once HUD approves the Annual MTW Plan, including the hardship policy, the policy must be incorporated into the PHA's Admissions and Continued Occupancy Policy (ACOP) and/or Administrative Plan before it is adopted and implemented. The approved policy does NOT have to be restated in subsequent Annual MTW Plans, but the Plans should include a statement that no changes to the hardship policy have been made. If the PHA proposes any changes to the hardship policy, the entire hardship policy - not just the change - should be included in the MTW Plan.

Appendix A, Section A.3 contains a sample table PHAs can use to track the status of hardship requests.

5. Questions

If you have questions on the information included in this guidance, please contact:

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A.1. Intended Impacts of the Rent Reform

Note: The information in Appendix A.1 corresponds to Section 3.3 of the MTW Rent Reform Impact Analysis Guidance document.

Exhibit A-1 and A-2 illustrate a potential format PHAs could use to identify the expected impacts of the rent reform initiative, measures, and data sources. While these tables are populated with sample text for illustrative purposes, specific impacts will differ from PHA to PHA. PHAs may want to start by answering in text form the questions of why the PHA decided to implement this specific rent reform initiative and what the goals of the rent reform were.

Exhibit A-1: Intended Impacts of Rent Reform Initiative on Participating Households

Anticipated Impacts of Rent Reform for Participating Households		
Expected Effect of Rent Reform Initiative	Measure	Data Source(s)
1. Increase work effort <ul style="list-style-type: none"> – Increase proportion of working households – Increase average income from employment 	<ul style="list-style-type: none"> – Proportion of working households among households subject to the rent reform initiative – Employment earnings for households subject to the rent reform initiative 	PIC
2. Maintain stable rent burden (avoid excessive rent burden)	Rent burden for each household subject to rent reform initiative <ul style="list-style-type: none"> – (TTP/monthly adjusted income) – (TTP/monthly gross income) 	PIC
3. Other (list other anticipated impacts of rent reform on households)		

Exhibit A-2: Intended Impacts of Rent Reform Initiative on the PHA

Anticipated Impacts of Rent Reform for the PHA		
Expected effect of Rent Reform Initiative	Measure	Data Source(s)
1. Simplify rent calculation Reduce staff time devoted to rent calculation	Staff time or labor costs	PHA administrative records
2. Maintain stable rent rolls	Monthly rent rolls	PHA Administrative/financial records
3. Other (list other anticipated impacts of rent reform for the PHA)		

A.2 Measuring Impacts of Rent Reform Initiatives

Note: The information in Appendix A.2 corresponds to Section 3.4 of the MTW Rent Reform Impact Analysis Guidance document.

Exhibit A-3 and Exhibit A-4 illustrate a potential format PHAs can use to compare the key impact indicators for the fiscal year before the rent reform was implemented to each subsequent fiscal year to assess the impacts of the rent reform initiative. It is recommended that the exhibit be completed separately for public housing and Housing Choice Voucher programs if rent reform initiatives are being implemented for both programs. Additional rows may be needed if PHAs have identified additional anticipated impacts of their rent reform initiatives. The table shows measures related to rent reform impacts for all households subject to the rent reform, and also separate summaries for elderly households, disabled households, and by race, ethnicity and gender of household head. The detail in Exhibit A-3 can be used to assess impacts by type of household, to ensure that the rent reform initiative does not have disparate impacts for protected classes of households.

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Exhibit A-3: Impacts of Rent Reform Initiative for Participating Households

Impacts on Households												
Program: <Insert Program Type>												
	All Households Subject to Rent reform		Elderly HH		Disabled HH		Race of HH head					
							White		Black/African		American Indian/Alaskan Native	
Measure from PIC	As of last FYE before Rent Reform was Implemented	Current FYE	As of last FYE before Rent Reform was Implemented	Current FYE	As of last FYE before Rent Reform was Implemented	Current FYE	As of last FYE before Rent Reform was Implemented	Current FYE	As of last FYE before Rent Reform was Implemented	Current FYE	As of last FYE before Rent Reform was Implemented	Current FYE
Number of households served												
Average gross income (annual)												
Average adjusted income (annual)												
Number of households employed												
Income by source												
Average annual employment income												
Average TTP (total tenant payment)												
Average TTP/gross income (rent burden) shownn as %												
% of TTP to gross income												
Average TTP/adjusted income (rent burden) shown as %												
% TTP to adjusted Income												

Exhibit A-3: Impacts of Rent Reform Initiative for Participating Households (continued)

Impacts on Households												
Program: <Insert Program Type>												
Measure from PIC	Race of HH Head (continued)				Ethnicity of HH Head				Gender of HH head			
	Asian		Native Hawaiian/Other Pacific Islander		Hispanic or Latino		Not Hispanic or Latino		Male HH Head		Female HH Head	
	As of last FYE before Rent Reform was Implemented	Current FYE	As of last FYE before Rent Reform was Implemented	Current FYE	As of last FYE before Rent Reform was Implemented	Current FYE	As of last FYE before Rent Reform was Implemented	Current FYE	As of last FYE before Rent Reform was Implemented	Current FYE	As of last FYE before Rent Reform was Implemented	Current FYE
Number of households served												
Average gross income (annual)												
Average adjusted income (annual)												
Number of households employed												
Income by source												
Average annual employment income												
Average TTP (total tenant payment)												
Average TTP/gross income (rent burden) shown as %												
% of TTP to gross income												
Average TTP/adjusted income (rent burden) shown as %												
% TTP to adjusted Income												

Exhibit A-4: Impacts of Rent Reform Initiative for the PHA

Impacts on PHA			
Program: <Insert Program Type>			
Measure from Administrative Data	As of last FYE before Rent Reform was Implemented	Current FYE	Difference
Total rent roll by month			
Staff time devoted to rent calculation			
Labor costs devoted to rent calculation			

Since it is possible that the average rent burden reported in Exhibit A-4 could mask instances of excessive rent burden, PHAs can record the number of households with rent burdens in various categories to determine whether the rent reform policy results in some households paying more than 35 percent of income toward rent under the revised policy. To do this, PHAs may want to consider reporting on the distribution of rent burden in categories, such as those shown in Exhibit A-5.

Exhibit A-5: Current (FY End) Distribution of Rent Burden, all households subject to rent reform

Range	# of Households with TTP as % of Gross Income	# of Households with TTP as % of Adjusted Income
0 - 5%		
5.01 - 20%		
20.01 - 25%		
25.01 - 30%		
30.01 - 35%		
>35%		
\$0 income		
Total	<i>Note: Should equal # of households in first row of Exhibit A-3</i>	<i>Note: Should equal # of households in first row of Exhibit A-3</i>

A.3 Assessing the Status of Hardship Requests

Note: The information in Appendix A.3 corresponds to Section 4 of the MTW Rent Reform Impact Analysis Guidance document.

PHAs should document the hardship requests made under the Rent Reform Hardship Policy to track the number of hardship requests and the results. The following table provides a suggested format for reporting on the number and status of hardship requests under the rent reform initiative. Note that no personally identifiable information for the households should be reported in this summary. If this reporting format is adopted, it is recommended that PHAs using different hardship policies for the public housing and Housing Choice Voucher programs complete separate tables for each program.

Exhibit A-6: Status of Hardship Requests

Program: <Insert Program Type>					
Hardship Claim Information			Results of Hardship Claim		
Request Number	Type of Household (family; senior; etc)	Nature of Hardship Request (reason for claim)	Accepted?	If accepted, describe remedy	Declined? Reason for declining
1					
2					
3					
4					

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