Rent Reform Demonstration

Research Design

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BUILDING KNOWLEDGE
TO IMPROVE SOCIAL POLICY

Outline of Sections

I. Introduction

This research design document was prepared by MDRC and its partners[1] for the U.S. Department of Housing and Urban Development's (HUD's) Rent Reform Demonstration. The paper describes a new and innovative rent policy for Housing Choice Voucher (HCV) recipients and a comprehensive strategy to evaluate the new policy. HUD's specifications for the demonstration stipulated that this social experiment would involve a maximum of five housing agencies, and that each of them would be a Moving to Work (MTW) agency. MTW agencies are the only ones that have the necessary Congressionally authorized administrative flexibility to initiate rent reform without legislative or regulatory change.

As framed by HUD at the beginning of the demonstration, the main goals of the new rent policy are to increase tenants' employment and earnings in order to help them become more self-sufficient; reduce the complexity and burden (and, thus, the cost) of administering the rent policy; and achieve these outcomes without increasing (and possibly reducing) total housing subsidy expenditures for a given number of households relative to expenditures under the traditional rent system. Savings in average subsidy and administrative costs may make it possible to offer housing assistance to more low-income families, many of whom spend years on waiting lists and, in many cases, never receive assistance.

This document gives particular attention to research activities pertinent to Task Order 1, which is the focus of the current evaluation contract. Task Order 1 activities will lay the foundation for the longer-term evaluation that HUD envisions.[2] Although Task Order 1 only covers work through the end of the sample enrollment period, the document describes a tentative plan for a full-scale evaluation, the final scope of which will depend on HUD funding and priorities for the study, and which will be address in future task orders.

[1] The MDRC team includes the Urban Institute (Martin Abravanel and Diane Levy), Bronner Associates (Don Davis and Jessica Porter), Quadel Consulting (Roberta Graham and Penny Vanderwall), and Professors Ingrid Gould-Ellen (NYU) and John Goering (CUNY), all of whom contributed to the development of the proposed model and evaluation strategy, along with MDRC staff James Riccio, Victoria Deitch, Nandita Verma, Steven Freedman, and Nina Castells. Leila Kerimova, Zakia Barnes, and Timothy Moreland assisted with the data analysis and Keith Olejniczak and Crystal Ganges-Reid assisted with table production for this paper and supplementary analyses.

[2] At the project Orientation meeting in October 2012, HUD and the MDRC team agreed that identifying an alternative rent policy and securing the commitment of five housing authorities to test it would likely take longer than was assumed in the evaluation request of proposal. At the Orientation meeting, MDRC proposed, therefore, that the Research Design paper be completed in two stages: First, MDRC would complete a draft describing the overall features of the evaluation that would not be affected substantially by the choice of an alternative rent policy or particular housing agencies, and that that draft would be submitted to HUD in January 2013 and not include a specification of the detailed components of the rent policy. (That draft was completed and submitted to HUD.) Second, MDRC agreed to amend the research design by submitting a description of the alternative rent policy once the policy design effort was completed. The initial project GTR approved this two-stage approach. The current document represents MDRC's submission pursuant to this second stage.

- **The alternative rent policy in brief**

The MDRC team designed the alternative rent policy in collaboration with HUD and a number of housing agencies that shared their ideas, experiences, and data. The group considered a variety of rent reform options, including those outlined in HUD's *Study of Rents and Rent Flexibility*.[3] Once the group agreed on the broad contours of an alternative policy, MDRC began an extensive statistical modeling analysis of national and local agency data to assess how the new approach would influence households' rent burden and net income as well as the cost of Housing Assistance Payments (HAP). The design team also explored how housing agencies' administrative procedures would be affected by various features of the new policy. The team made numerous adjustments in the policy design in response to the modeling results and ongoing consultations with HUD, the housing agencies, and other experts.

The centerpiece of the new policy is the substitution of *triennial* recertification of households' incomes for *annual* recertification. This is intended not only to help reduce the burden of administering the rental subsidy system (and the burden on tenants), but also to create a strong financial incentive for households to increase their earnings. During the three-year period until a household's next recertification date, any increase in earnings it achieves will not cause the amount of rent and utilities it pays to go up. The policy also simplifies the process of setting a household's total tenant payment (TTP) and its subsidy amount by eliminating deductions and allowances from the calculation and applying a lower percentage of income (28 percent) to a household's *gross* income. It includes a minimum TTP/minimum rent, ranging from $75 to $150, depending on the housing agency, and requires that all tenants pay at least that minimum amount directly to the landlord. The policy eliminates consideration of income from assets whose total value is less than $25,000 and eliminates the requirement to document assets under that amount. Furthermore, it uses a streamlined utilities schedule to calculate utility allowances. Finally, it includes a number of safeguards to protect households when their incomes decline, hardship provisions to protect them when they cannot pay the minimum rent or face an exceptionally high rent burden, and features to discourage voluntary reductions in work effort.

- **The evaluation**

The new rent policy will be subjected to a rigorous and comprehensive evaluation using a randomized control trial and including implementation, impact, and benefit-cost analyses.[4] It will use a randomized control trial to test the effects of the alternative rent policy on households' labor market and other major social and economic outcomes. It will also compare the housing

[3] Abt Associates Inc., et al., 2010.
[4] This study will help address a criticism sometimes lodged against MTW: that MTW innovations have not been adequately evaluated. See GAO, May 2012.

agencies' processes and levels of effort to administer the new policy relative to traditional rules for determining and updating households' TTP and housing subsidies. The study will examine staff and tenants' understanding and views of the new policy, and assess whether subsidy calculations under the new policy are more accurate and less likely to result in disputes with tenants. It will also estimate the overall economic benefits and costs of the new policy, relative to the traditional policy, to households, housing agencies, and government budgets.

The demonstration will focus on *working-age, non-disabled voucher holders*. Participating housing agencies may elect to extend the new policy to elderly or disabled households, but the latter households would not be included in the randomized trial.

- **The participating housing authorities**

The MDRC team and HUD worked with 10 housing agencies in developing an alternative rent policy. (See Appendix A for a description of the site recruitment process for the demonstration.) Of these 10, the following four are likely to join the demonstration, pending final approval by their Boards of Directors:

(1) Lexington, Kentucky
(2) Louisville, Kentucky
(3) San Antonio, Texas
(4) Washington, DC.

Each of these sites will enroll voucher holders into the new policy beginning in mid-2014, with the goal of having the new rent rules take effect in the fall of 2014.

II. Background: The Rent Reform Debate and Evidence

The vast majority of public housing residents and HCV recipients operate under a percent-of-income rent system. The rent system for voucher holders essentially limits their rent payments to 30 percent of household income adjusted for deductions and allowances. (However, they are allowed to lease a unit that would require them to pay up to 40 percent of adjusted income for rent and utilities when they first get a voucher or move to a new unit.) Rental subsidies are limited by payment standards tied to local Fair Market Rents (FMRs). Since enactment of the Quality Housing and Work Responsibility Act (QHWRA) in 1998, housing agencies can establish minimum rents of up to $50.

Protecting low-income and very-low income households from paying "excessive" proportions of their income for rent has been the primary rationale of HUD and Congress for the percent-of-income system. It has been staunchly defended on these grounds by low-income housing tenants and advocates. Previous efforts to modify the system, such as by allowing housing agencies to establish minimum rents, have required them also to establish policies exempting those for whom minimum rents would pose severe hardship.

The percent-of-income system has been criticized by public housing industry groups and others as allegedly having unintended negative consequence for: (a) tenant labor force participation, (b) tenant turnover which limits the number of similarly needy households that can be offered subsidies (raising questions of fairness or horizontal equity), (c) intrusiveness in tenant's lives, (d) accuracy of reported income, (e) inclusion on the lease of additional working adults, (f) housing agency finances, and (g) housing agency administrative complexities and costs. With respect to administrative issues, housing agencies have reported that the current system sometimes (a) confuses voucher applicants and recipients with respect to what rents they are expected to pay from year to year, (b) has adverse effects on housing agency staff morale as a result of having to (invasively) collect and verify households' incomes, and (c) makes it difficult to justify to stakeholders a different approach than that used by other federal programs such as the Temporary Assistance for Needy Families (TANF) program, Medicaid, and Supplemental Nutrition Assistance Program (SNAP). Many of these criticisms are described in HUD's Study of *Rents and Rent Flexibility* and other papers.[5]

Numerous policymakers and stakeholders have advocated reform of the traditional rent system to reduce adverse impacts on households, to simplify the administration of the system, or to address the financial condition of housing agencies. Policy reform has been elusive, however, because moving to a new system involves some fundamental tradeoffs around which agreement has been hard to achieve, in part because of the lack of evidence about the administration and impacts of alternatives. For example, simplifying the rent structure may make it more difficult to ensure that tenants with the greatest need receive the most assistance. At the same time, offering deep subsidies for an unlimited term makes it difficult to serve equally needy families on waiting lists – given a fixed appropriation level and the non-entitlement status of HUD's housing programs. Also, the advantages of standards and protections built into a common or consistent federal approach must be weighed against the benefits of allowing local agencies to set rent rules based on local needs and conditions. And finding the right balance in the mission of housing assistance between a strict focus on providing decent affordable housing versus other objectives, such as family self-sufficiency, is another source of tension among stakeholders. These have each been discussed and debated for years, with little in the way of definitive new evidence about the use and consequences of changing or improving upon current procedures.

Alternative rent systems that have been contemplated and, in some instances, already adopted by some MTW agencies include (a) modifications to the percent-of-income calculation (either to income adjustments involving deductions or disregards, or to the percentage itself such as a stepped/tiered percentage system), (b) modifications to the payment standard system, (c) various

[5] Abt, et al., 2010. See also GAO, April 2012, and PHADA, 2005.

versions of stepped/tiered subsidies, such as a stepped-down subsidy with a subsidy floor, (d) a flat subsidy, (e) establishing ceiling rents, (f) varying the amount of the minimum rent, and/or (g) various hybrid models such as applying a flat subsidy until a household reaches an income threshold and then applying a percent-of-income rent. To date there has been no careful evaluation of the effects of such localized changes.

With respect to simplification to deal with the issues of administrative burden and costs of setting tenants' TTPs, a number of proposals have been suggested, including less frequent collection and verification of income given the fact that rent calculations are time consuming and complex do, and reconsidering allowances for medical deductions, child care deductions, earned income disregards, and disabled care deductions. Among the central concerns has been the desire among many housing agencies for simpler utility policies when utilities are not covered by a household's rent. Utility policies are often quite complex, with payments varying according to differences in housing structure and number of bedrooms and across regions.

Recent legislative proposals – the Section 8 Voucher Reform Act (SEVRA), and its successor, the Section 8 Savings Act (SESA), and now the Affordable Housing and Self-Sufficiency Improvement Act of 2012 (AHSSIA) – have sought some changes of these kinds for Section 8.[6] They also have called for rigorous evaluations. Discussion of rent reform also has considered the use of time limits on households' receipt of rent subsidies in conjunction with other changes in rent policies.

While many ideas have been proposed for reforming the traditional rent system, little evidence exists on their likely effects on subsidized households, on housing authority administrative practices and costs, or on HAP expenditures. HUD's Rent Reform Demonstration is intended to address that knowledge gap.

III. The Alternative Rent Policy: An Overview

In keeping with the goals of the Rent Reform Demonstration, the alternative rent policy has been designed to: (a) simplify the administration of the HCV rent system to improve transparency, reduce burden on housing agency staff and households, (b) reduce administrative costs; (c) increase the financial incentives for tenants to work and advance toward self-sufficiency; (d) continue to provide a safety net for tenants who cannot readily work or who lose jobs; and (e) minimize any increases in housing agencies' average HAP expenditures. It is important to recognize the inherent difficulty of achieving all of these goals, some of which can push in

[6] For example, SEVRA and subsequent bills have included provisions for three-year income recertification for families on fixed incomes, where households' TTP would be based on the prior-year's income except at initial eligibility. The bills would also limit interim recertifications for small changes in income.

opposite directions. The evaluation of the model will determine the extent to which the new policy achieves each of these objectives.

- **The policy design process**

To develop an alternative rent model, the MDRC team worked closely with HUD and a group of housing agencies that had expressed interest in joining the demonstration. (Appendix A describes the process of selecting sites for the demonstration.) It was vital to design a policy *in close partnership with housing agencies* that were candidates for the demonstration, given the real-world expertise they would bring to the process, and also because it was unlikely any housing agency would implement an alternative rent policy and join an evaluation if it had little or no say in the policy design and no sense of ownership over the policy – which would also be contrary to the spirit of the MTW demonstration.

As part of the design process, the MDRC team, HUD, and candidate sites together reviewed a range of possible rent reform ideas, including those discussed in HUD's *Rents and Rent Flexibility Study*. The consultation process sought to identify a common set of approaches all of the candidate sites might be willing to adopt.[7]

MDRC conducted a variety of statistical analyses, using national data from HUD and data from the candidate housing agencies, to assess the possible implications of alternative approaches for both tenants and the agencies. As discussed below, these analyses were undertaken to explore how certain alternative approaches may affect households' total tenant payment (TTP)[8] for rent and utilities, household's net income, and housing agency HAP. The analyses incorporated a number of assumptions, informed by other research on financial work incentives, of how the new policy might affect tenants' labor market outcomes.

In addition to these planning efforts, the MDRC team conferred with representatives of the low-income housing advocacy community to obtain input on various design options. In particular, the team sought feedback on the emerging model from the Center for Budget and Policy Priorities and National Low-Income Housing Coalition.

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[7] One popular reform, a tiered rent structure, was among the options given serious consideration. However, it was ultimately rejected in part out of concern that wide income bands with large differences in TTP rates across bands could create sizable work disincentives as tenant income approached the top of a band (so that a small jump in income resulting in a shift to a new band could result in a big increase in TTP), while narrow bands may not offer much relief from the implicit tax on increased earnings.

[8] Some households rent units where the gross rent (i.e., the combined cost of the contract rent and utilities) exceeds a housing agency's payment standard. The housing agency's subsidy will not cover costs in excess of the payment standard; these excess costs are entirely the household's responsibility. Thus, in some circumstances, households will pay more in rent and utilities than is reflected in their income-based TTPs. The term "family share" of rent and utilities refers to the total portion of gross rent paid by households, including the portion exceeding the payment standard.

On the basis of those consultations and analyses, the design team has defined an alternative rent model that includes several core features that all housing agencies would implement, while leaving some room for housing agency discretion in adapting those features to local conditions.

- **Core Components of the alternative model: A common framework**

The alternative rent policy will apply only to HCV recipients[9] and include the following key features (see Table 1 for a comparison with traditional rent rules for voucher holders):

1. **Simplifying the calculation of the household's total tenant payment (TTP) and subsidy amount by:**
    - (a) Eliminating deductions and allowances,
    - (b) Changing the percent of income that a household pays for its share of rent, from 30 percent of *adjusted income* to 28 percent of *gross income*,
    - (c) Ignoring a household's income from assets when the total value of its assets is less than $25,000, and
    - (d) Simplifying the policy for determining utility allowances

2. **Using *retrospective* income for setting a household's TTP and housing subsidy** (to discourage intentional reductions in income)

3. **Establishing a minimum TTP of at least $75 and requiring that all households pay at least that amount of rent directly to the landlord,** to mirror the landlord-tenant relationship in the non-subsidized rental market

4. **Conducting income recertifications triennially rather than annually,** so that earnings gains do not increase TTP for three years (thus creating a strong work incentive by eliminating, for an extended period, the implicit housing-subsidy-related "tax" on increased earnings)

5. **Limiting interim recertifications to a maximum of one per year**, to protect households when their income drops while limiting the burden to the housing agency

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[9] Eligible sample members will only include voucher holders with vouchers that are administered under the (MTW) demonstration. Non-MTW Vouchers (i.e., Veterans Assisted Special Housing, Moderate Rehabilitation, and Shelter Plus Care), Enhanced Vouchers, Project-Based Vouchers are excluded from the study. Additionally, the study is focused on work-able populations and will not include elderly households, disabled households, and households headed by people older than 56 years of age (who will become seniors during the course of the long-term study). Households currently participating in Family Self-Sufficiency and homeownership programs will also not be included in the study.

Rent Reform Demonstration

Table 1

Comparison of Traditional (Non-MTW) and Alternative Rent Models for HCV Households

Component	Traditional Policy	Alternative Policy
Calculating Total Tenant Payment (TTP)	30 percent of *adjusted monthly* income (i.e., total countable income minus deductions) or 10 percent of gross income, whichever is higher. Countable income estimates are based on anticipated income in setting a household's TTP and housing subsidy.	Simplified calculation of the household's total tenant payment (TTP) and subsidy amount: • Elimination of deductions and allowances • Changing the percent of income that a household pays, from 30 percent of *adjusted monthly income* to 28 percent of *gross monthly income.* Countable income estimates for setting a household's TTP and housing subsidy are based on 12-month *retrospective* income.
Minimum TTP and/or minimum rent paid by household to landlord	*Up to $50* per month, at housing agency discretion.	*$75* to *$150* per month, depending on the housing agency. All households pay a minimum amount of rent directly to the landlord, to mirror the landlord-tenant relationship in the non-subsidized rental market.
Assets	Household income from assets is ignored when total asset value is *$5,000* or less.	Household income from assets is ignored when total asset value is less than *$25,000,* and households do not need to document those assets.
Recertification period	*Annual* recertifications	*Triennial* recertifications
Interim recertifications	At agency discretion, households report any income increases when they occur prior to next scheduled recertification. Households may request interim recertifications whenever income falls by any amount.	Earnings gains do not increase TTP for three years. Interim recertifications are limited to a maximum of one per year, to protect households when their income drops while limiting the burden to the housing agency.
Utilities	Where the contract rent does not include utilities, a utility allowance is provided based on a detailed schedule that takes into consideration voucher size and various aspects of unit type.	Simplified utilities policy tailors allowances to a standard base rate for utility costs that varies according to the voucher size, with additional payment available to households paying higher costs due to the type of heating (e.g., electric or oil heat) and water and sewer charges.

(continued)

Table 1 (continued)

Component	Traditional Policy	Alternative Policy
Hardship policy	Housing agency must suspend the minimum rent (if implemented) for households that are unable to pay it due to specified financial hardships. Short-term hardships (lasting 90 days or less) require the suspended minimum to be reinstated after the hardship period ends and to be repaid according to a reasonable payment plan.	Households qualify for consideration of a hardship-based waiver if: • The hardship cannot be remedied by the one interim recertification permitted each year. • The household is at an income level or experiences a loss of income and/or TTP increase such that its total monthly TTP exceeds 40 percent of its current/anticipated monthly gross income. • The household faces risk of eviction for non-payment of rent. • Other circumstances, as determined by the housing agency. Hardship remedy options include a standardized list: • Allowing an additional interim recertification beyond the normal one-per-year option. • Setting the household's TTP at the minimum level for up to 180 days. • Setting the household's TTP at 28 percent of current gross income, (which may be less than the minimum rent), for up to 180 days. • Offering a "transfer voucher" to support a move to a more affordable unit. • Any combination of the above remedies.

6. **Establishing a suitable hardship policy** that identifies a standard set of hardship conditions and remedies to protect households from excessive rent burdens.

To respond to work incentives, an individual must, of course, understand that they exist and how they work. Thus, to increase the likelihood that the alternative rent policy encourages tenants to increase their work efforts, it will be important to inform them clearly and periodically of the implicit incentives associated with not having to report any earnings gains for three years. They must also understand the safeguards in place to protect them from excessive rent burdens if their incomes fall. The MDRC team, as part of its technical assistance role, will help housing authorities develop appropriate materials and strategies for communicating these incentives and safeguards.

- **Local variations allowed**

As previously indicated, the housing agencies intending to participate in the demonstration helped to develop and support this common framework. However, they also saw a need for some local adaptions of the model in response to local considerations. For example, minimum TTP levels vary among them. The process for determining hardship remedies (although not the conditions defining a hardship or the remedies themselves) will also vary.

The design team attempted to strike an effective balance between the extent of standardization that would be required in a national policy and the need to permit some local flexibility that may also be reasonable to include within a national policy. The evaluation will greatly assist in understanding the tradeoffs associated with these different choices.

IV. The Alternative Rent Model In More Detail

The proposed alternative rent model includes the following features:

- **Changing the percent-of-income to 28 percent, and applying it to households' *gross* income rather than their *adjusted* income**

Under traditional rent rules, voucher holders generally pay 30 percent of their "adjusted" income for rent (or 10 percent of gross income, whichever is higher). Adjusted income allows the following types of deductions and allowances from a household's gross annual income:

- $480 for each dependent,
- $400 for each elderly or disabled family member,
- Reasonable childcare expenses that enable a family member to be employed, actively seek employment, or further his or her education, and

– Certain medical, attendant, and auxiliary apparatus expenses for the elderly and disabled.[10]

The process for setting households TTPs under these rent rules is complex and cumbersome, which increases the risk of errors. According to HUD's Occupancy Handbook (Chapter 5, "Determining Income and Calculating Rent"), the most frequent errors found across housing agencies include: Voucher holders failing to fully disclose income information, errors in identifying required income exclusions, and incorrect calculations of deductions often resulting from failure to obtain third-party verification. The complexity makes the HCV program less transparent and understandable by the public, landlords, and voucher holders.

Under the alternative policy, deductions and allowances are no longer permitted, making *gross* income the base for determining a household's TTP.[11] (As described below, gross income will be based on prior-year, or "retrospective," income rather than current and anticipated income, as is the case under traditional rent rules.) To partially offset the loss of deductions, the portion of income that is applied to gross income is set at 28 percent (in contrast to the 30 percent rate applied to *adjusted* income under traditional rules). In cases where 28 percent of income would result in a TTP that is less than the minimum rent (see below), the minimum rent will apply unless a household requests and qualifies for a hardship waiver of the minimum rent.

Eliminating deductions and using gross income in calculating tenants' eligibility and TTP will simplify the rent-setting process and make it more transparent for both housing agencies and tenants. Child care deductions, in particular, can be burdensome to administer accurately, particularly for parents moving in and out of jobs and whose child care arrangements are not stable.

Eliminating deductions may affect the housing subsidies of some households more than others. For example, those with large families and high deductions for child care costs will find that, at their current income levels, their subsidies are reduced. It should also be noted, however, that only a small percentage of households currently make use of the existing child care allowance – fewer than 9 percent of working-age/non-disabled households in non-MTW agencies (see Table 2), and fewer than 11 percent in the housing agencies participating in the demonstration (not shown). In part, these low rates reflect that fact that many tenants who might benefit from the deductions are not employed. The average annual amount of that deduction among those who use it exceeds $3,100 in the non-MTW agencies.

[10] The national data on non-MTW agencies show that 9 percent of all households receive medical deductions (0 percent among working-age/non-disabled households, and 19 percent among elderly/disabled households).
[11] If the alternative rent policy is applied to disabled households, the Earned Income Disregard (EID) would also be eliminated.

Rent Reform Demonstration

Table 2

Deductions and Allowances
Among Current Working-Age/ Non-Disabled Households

	National (All Non-MTW Housing Agencies)	Lexington, KY	Louisville, KY	San Antonio, TX	Washington, DC
Total number of households	952,433	1,927	4,582	6,926	7,106
Income Allowances & Deductions					
Any deductions (%)	82.1	77.7	93.3	89.2	71.9
Type of deduction (%)					
Medical/disability	0.0	0.0	n/a	0.3	2.9
Elderly/Disability	0.0	0.0	n/a	1.4	10.0
Dependent care	82.1	77.7	n/a	88.9	63.8
Childcare	8.6	10.3	n/a	9.8	5.2
Average annual deduction amount among those receiving deduction ($)					
Medical/disability	--[a]	0	n/a	681	1258
Elderly/Disability	0	0	n/a	400	400
Dependent care	1,118	1,083	n/a	1,296	1,111
Childcare	3,118	2,898	n/a	3,334	2,795
Total average deduction amount among those receiving a deduction ($)	1,444	1,468	n/a	1,668	1,295
Utility Allowance					
Has utility allowance (%)	94.6	79.8	95.2	88.6	84.3
Total monthly average utility allowance if receiving an allowance ($)	156	192	167	155	241
Other					
Receiving utility allowance reimbursement (%)	25.0	36.4	n/a	0.3	35.0
Average amount of utility allowance reimbursement ($)	84	88	n/a	71	146

SOURCES: MDRC calculations using data from the U.S. Department of Housing and Urban Development (HUD) Public and Indian Housing Information Center (PIC) Data and Section 8 housing data from the District of Columbia Housing Authority, Louisville Metropolitan Housing Authority, and San Antonio Housing Authority.

NOTES: [a]Few cases
n/a = Data not available.

The new rent policy offers some compensation for this loss of child care allowances, first by reducing the percent of income in calculating TTP to 28 percent, and second by not raising the TTPs of households that increase their incomes during the extended recertification period until the next triennial recertification. This will leave families that increase their earnings with more resources to cover child care costs.

- **Ignore income from assets where total asset value is less than $25,000**

Determining and documenting households' income from assets can be burdensome for housing agency staff as well as tenants, adding costs to eligibility and recertification interviews. Typically, few voucher holders have any substantial amount of assets, so ignoring assets would usually have little effect on their monthly income and would help to simplify the process of calculating their TTPs. In addition, ignoring assets up to a reasonable threshold could encourage asset accumulation through increased earnings and savings. A number of MTW housing agencies have already raised their asset thresholds above the standard $5,000 level set by HUD. Under the alternative rent policy, income will not be counted from assets with a combined value of less than $25,000, nor would households be required to document assets worth less than that amount.

- **A three-year extended recertification period**

Centrally, freezing a household's TTP for three years should offer a powerful incentive for increasing earnings, because no part of the increase in earnings would be "lost" to higher rent payments during that period. It may also encourage some household heads to add a new spouse or domestic partner to the lease (including some who may have been living in the unit off lease) because, at least during the extended recertification period, adding that person's earnings to the household's income would not increase the household's TTP.

Of course, some tenants who are already working when the TTP freeze begins may subsequently lose their jobs. Having "locked in" a higher rent payment, they could experience significant financial hardship when their incomes fall. Thus, as a protection, the new policy will allow one *interim* recertification per year,[12] but only when a household's retrospective monthly income falls to a level that is more than 10 percent lower than its retrospective income at the most recent prior recertification.

It should also be noted that, unless tenants receive a hardship exemption, they will pay at least a minimum TTP. Because it is not conditioned on income, this may provide a small additional disincentive to leave a job or reduce work hours.

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[12] Each year is defined as the first 12 months, the second 12 months, and the third 12 months relative to the start of initial 3-year period.

The three-year recertification period should also reduce the administrative burden and costs incurred by housing agencies by greatly decreasing the number of one-on-one sessions with tenants—potentially by thousands of sessions per year in larger housing agencies. It should also reduce the burden on tenants, who will spend less time having to document and report their incomes to the housing agency.

- **Using *retrospective* gross income to determine a household's TTP**

Under the alternative rent policy, a household's TTP will generally be calculated using its reported (and verified) *retrospective gross income* during a 12-month "look-back" period. (In this calculation, gross income will exclude any prior income from sources that have ended for the household during that period, such as TANF or Unemployment Insurance benefits, since the household can no longer count on them. It will include imputed welfare income – i.e., any sanctioned portion of a household's TANF grant). The average monthly gross income during the look-back period will be multiplied by 28 percent to determine the TTP.

Using prior income contrasts with the traditional policy of calculating a household's TTP based on the annual *anticipated* income reported by the household.[13] Although it is difficult to predict anticipated income accurately due to likely changes in tenants' employment and other circumstances, the traditional rent policy addresses that problem through annual and interim recertifications. At housing agencies' discretion, households can be required to report income increases that lead to higher TTPs in between annual income assessments. Households can also request to have their TTPs lowered through interim recertifications whenever their income drops. The goal is to adjust a household's TTP routinely as its income rises or falls, so that the household's contribution to its rent and utilities and the government's housing subsidy remain in rough balance with the household's changing resources and capacity to contribute to its shelter costs.

Under the alternative rent policy, the goal is different, and relying on anticipated income to set TTP would be problematic. For one thing, the goal of the new policy is to encourage increases in future earnings by not raising TTPs (and reducing subsidies) as incomes grow (at least for three years). Moreover, offering a household the opportunity to lock in – for the next three years – a TTP based on anticipated income would create a strong incentive for households to deliberately lower their incomes just prior to their income determination or recertification interviews. For example, some voucher holders who are working or capable of working may be tempted to quit their jobs, reduce their hours of work, or, if laid off, avoid looking for new jobs before their incomes are assessed so that the base income to which the percent of income is applied is as low

[13] As a critique of the Public Housing Authorities Directors Association (PHADA) notes in a critique of traditional policy, "Rather than using historical income information, housing authorities must set rents using anticipated income. To set a rent, households, housing authorities, employers, payers of benefits, medical and child care providers must forecast often unpredictable incomes, benefits and costs." (PHADA, 2005.)

as they can manage it to be, resulting in unnecessarily low TTPs and unnecessarily high subsidies. Using retrospective income can help discourage such actions. For these reasons, the justifications for basing TTPs solely on anticipated income do not fully apply under the new rules.

Similarly, under a triennial recertification policy, some households that initially had low earnings and paid a low "frozen" TTP during the three-year period but were able to grow their earnings during that time may confront a large increase in TTP starting at the next three-year period because of their higher income. The prospect of a sharp jump in TTP may lead some tenants to consider quitting their jobs or reducing their work hours as the next triennial recertification approaches. Basing households' new TTPs on retrospective income should help to discourage such reductions in work effort at that time.

At the same time, relying on retrospective income alone can make it challenging to adequately and fairly assist households that experience income reductions through no fault of their own. For example, some voucher holders who had been working steadily may have been laid off close to the time of their income assessment interviews. Furthermore, they may have had difficulty finding new jobs quickly or finding new jobs that paid as much as their old ones, despite aggressive efforts to do so, especially during a weak economy. Other voucher holders may have suffered a disability in the recent past, or have become seniors and moved to a fixed lower income. Thus, simply setting households' TTPs on the basis of their retrospective incomes – incomes that may be impossible to restore in future years – could leave some households with too high a rent burden, creating financial hardship for them and even putting them at risk of eviction.

For these reasons, the alternative rent policy includes a number of safeguards (discussed next) in using retrospective income to help protect households whose incomes fall during the prior period through no fault of their own. These provisions are intended to help accommodate the fact that, although not necessarily easy to differentiate in advance, some drops in household income will be permanent or long-lasting, while others will be or could be short-term.

- **Safeguards in applying the new retrospective income rules**

Several important exceptions will apply to help protect households from unreasonable increases in their TTPs:

1. If a household's *anticipated* monthly income for the coming year is substantially lower (i.e., by more than 10 percent) than its *retrospective* monthly income for the

past year, a "temporary" TTP based on the *anticipated income*[14] (or the minimum rent, whichever is higher) will be set for a six-month "grace period." This grace period will temporarily protect the household from a *high rent burden* while it tries to restore its income to its prior level. It will only at the beginning of the three-year period (and at any subsequent triennial recertifications).

2. At the end of the six-month grace period, unless the household qualifies for another exception (see below), the temporary TTP will expire, and the household will be switched *automatically* to the "regular" TTP amount that was previously determined based on retrospective income. No interim recertification interview would be required or offered.

3. However, if at the end of the grace period, the household has not fully restored its income to its original retrospective gross income level, the household may request and will be granted an interim recertification interview. The new 12-month look-back period for that interim recertification (counting back from the end of the grace period) would take into account the more recent period of low income, and the new TTP would apply until the next triennial recertification.[15]

4. If this interim recertification interview (after the grace period) calculates a new TTP that is higher than the grace-period temporary TTP, the household may qualify for a hardship remedy. A hardship remedy would apply only if the new TTP is more than 40 percent of the household's *current/anticipated* gross income at that time (up to the payment standard). A household paying a TTP that exceeds that threshold would be deemed to have *an excessive rent burden*, and could seek a hardship remedy.[16]

5. If a working-age/non-disabled household that is enrolled in the Rent Reform study subsequently becomes a fixed-income household due to disability by the time of its next triennial recertification, its new TTP will be based on its fixed *current/anticipated* gross income. [17]

[14] Anticipated monthly income will continue to be defined and calculated the according to current HUD guidelines for the HCV program. In certain cases, according to those guidelines, prior earnings are used to estimate anticipated earnings. For example, for a tenant who works as a school aide during the school year and has lower expected earnings during the summer months, the tenant's prior earnings over the past school year and summer months are used to estimate anticipated earnings for the coming 12 months.
[15] This would count as the household's one-per-year interim recertification option under the alternative rent policy. Alternatively, a household may request an interim recertification *before* the end of the grace period if its *current* income drops during that period by more than 10 percent.
[16] See below for a discussion of the hardship policy.
[17] As previously noted, households that are already elderly or disabled when enrollment begins for the Rent Reform study will not be part of the evaluation's randomized trial, although a housing authority may choose to extend the alternative rent policy to those households.

The grace period will offer voucher holders who, at the time of their income assessment interview, have a recent work history but lower current and anticipated earnings a chance to find new work to bring their incomes back up to previous levels before their regular TTP (based on retrospective income) is applied. Six months was chosen as a grace period to align with the normal period allowed for recipients of federal Unemployment Insurance Benefits to find new work. However, because some tenants will have difficulty replacing their lost earnings within six months – or, perhaps, ever – other protections are necessary. These protections are provided by the possibility of an interim recertification at the end of the grace period and the possibility of a hardship remedy.

These provisions attempt to balance the need to accommodate the reality that many tenants who lose jobs or have difficulty obtaining jobs will require a low TTP if they are to be protected from unreasonable rent burdens, while also discouraging tenants who already have jobs from quitting them or purposely reducing their hours and earnings in the months leading up to the recertification interview for the sole purpose of locking in an unnecessarily low TTP for three years. (The evaluation will document the proportion of households that have previously had earned income but have no current earnings, and the proportion of such households that seek a hardship remedy after the six-month point grace period.)

A one-time, transitional child care deduction

As housing agencies enroll voucher holders into the study, some families using the child care allowance under the existing rent policy may face the prospect of an immediate and sizable increase in TTP as they make the transition to the new rent policy and lose that allowance. To help ease this transition, the housing agencies will allow a one-time upfront and temporary (6-month) deduction for “reasonable” child care costs that exceed a specified threshold. The threshold will be set at $200/month, which is roughly the median value of monthly child care allowances for households receiving child care allowances in non-MTW housing agencies (according to an MDRC analysis of national HUD data). Thus, the deduction would only apply to families with child care costs that exceed this median. Housing agencies would determine what constitute "reasonable" child care costs for their localities, just as they do now.

This deduction would result in a temporary TTP. Both the deduction and temporary TTP would be set to expire automatically at the end of a 6-month “grace period” (thus aligning with the time period for the *general* temporary TTP). This grace period is intended to allow families who use the child care deduction to prepare for the loss of that deduction and to make alternative arrangements.[18] The deduction is not a permanent feature of the alternative rent model and cannot be applied except at the time of a household’s entry into the study.

[18] An example of the application of this threshold is as follows: Suppose a family is paying $500/month in child care costs. The family could deduct the $300 above the threshold from its retrospective monthly income. This would

It is important to remember that, compared with traditional rent rules, the new policy will increase the financial incentive for tenants to work primarily by allowing them to keep more of their increased earnings over the 3-year period. The evaluation will determine whether this new approach produces higher rates of employment and higher average earnings among voucher holders overall, and whether the features of new policy more than compensate for the loss of the child care allowance. That allowance is currently used by about nine percent of all working-age/non-disabled households nationally (according to data from non-MTW housing agencies). This low rate is partly due to the fact that many of the households potentially eligible for the deduction are not currently working – a situation that the new policy aims to change.

- **Other adjustments housing subsidies during the three-year period**

Changes in household composition and unit size during the three-year period

Some households may experience a change in household composition during the three-year period. For example, a mother may have another child, or a spouse or domestic partner or older children may join or leave the household, or there may be a death in the family. Households will be required to report both additions and removal of members to the household to the housing agency to determine continued eligibility for housing assistance and to meet other HUD reporting requirements (e.g. deceased tenant reporting). However, unless the addition of an adult member changes the voucher bedroom size appropriate for the household composition to prevent overcrowding or over-housing, the housing agency will not request income information for the new household member until the next scheduled triennial certification.

The household may request an interim certification to reset the TTP if the loss of income for a removed household member causes the household's retrospective income to drop by more than 10 percent of its previously established restrospective income level. Depending on its circumstances, the household might also qualify for a hardship remedy. In the event that the new or removed member requires a change to the household's voucher bedroom size, the housing authority will review the income of the new or removed member only, apply a new utility allowance, and will reset the household TTP. A reduction in subsidy for new voucher bedroom size will be implemented when the current lease ends and new lease begins. Income recertifications due to changes to household composition will *not* be counted toward the limit of one requested interim certification per year.

These types of lease changes during the three-year recertification period would require tenants to re-engage with housing agency staff. (Changes in dwellings would also likely trigger new

save the family $84 (i.e., $300 *.28) that would otherwise be part of its TTP. The first $200 of child care expenditures would not be deductible and, therefore, would not lower the family's TTP.

housing quality inspections.) But these reengagements would *not* automatically require interim *income* reassessments (because TTP amounts would not necessarily change) and would not take as much time to complete. In fact, housing agencies may establish procedures for completing them online or by mail in certain cases.

Other changes of unit during the three-year period

Households seeking to move to a new unit will submit a move request to the housing agency according to current procedures. However, unless the request for a move is due to a change in household composition, the housing agency will not request income information or reset the household TTP until the sooner of the next scheduled triennial certification or the household requests and qualifies for an interim certification. When households move units, utility allowances will not be adjusted unless the voucher size changes or new utility rate schedules have been adopted.

Increases in contract rents and utility rates during the three-year period

Households may experience an increase in their contract rents during the three-year period between triennial recertifications. If the housing agencies approve the rent increases, they will absorb the cost of those increases as part of their HAP expenditures, just as they normally do under the traditional rent policy – as long as the household's new gross rent is no higher than the payment standard.[19] For households that move to more expensive units during three-year period, housing agencies would absorb the higher contract rent costs up to the lesser of the gross rent or the payment standard, which is consistent with traditional rent rules.

When utility schedules are updated to reflect rate changes, utility allowances (and UAPs) will be adjusted only when HAP subsidies or TTPs are recalculated for other reasons. More specifically, updated utility schedules will be applied when households: (1) face a contract rent change, (2) have their TTPs recalculated during interim or triennial recertifications, (3) move to new units, and (4) have a change in household composition requiring a change in voucher size.

Maximum allowable rent

Another consideration when households move is the application of the maximum allowable rent provision. Under traditional rules, whenever a household moves to a new unit where the rent exceeds the payment standard, the family may not pay more than 40 percent of its adjusted monthly income for rent. Under the alternative rent policy, adjusted income will no longer be calculated. Therefore, the policy will set the maximum rent at 40 percent of *current/anticipated gross monthly income*.

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[19] Using HUD 50058 data from December 2012, MDRC estimated that about 45 percent of HCV households in non-MTW agencies had a gross rent at or above the payment standard.

- **A simplified utilities policy**

Utility expenses are a crucially important component of shelter costs and a complex burden on housing agencies. For many voucher holders, some or all of those expenses are part of the contract rent paid to the landlord, but for others, utilities are a separate cost.

Under traditional federal rules, housing agencies help to cover these expenses through a "utility allowance," but what portion of a household's utility expenses gets covered depends on how the household's gross rent (contract rent plus utility expenses) compares with the payment standard. If the gross rent falls below or equals the payment standard, then the household's full utility expenses are covered. If the gross rent exceeds the payment standard, then only a portion or none of those utility expenses would be covered. If the contract rent (where utilities are not included) by itself equaled or exceeded the payment standard, the household would receive no utility allowance.

Housing agencies incur considerable administrative costs to update utility allowance tables annually (through market surveys and analyses), which take into consideration the type of dwelling, and to apply them in determining each family's TTP—a process widely viewed as complex and error-prone. Although housing agencies will continue to conduct market studies to establish appropriate utility allowance amounts, the streamlined utility allowance under the alternative rent model would reduce the staff burden and frequency of errors in applying the allowance.

The MDRC team has explored a variety of ways to simplify how utility costs are covered. It examined how these options were likely to affect households' net income and TTP as well as housing agencies' HAP expenditures (relative to the traditional rent and utilities rules). The analyses revealed that the likely effects of these alternatives varied widely across housing agencies. In addition, some options were likely to increase HAP expenditures (relative to estimated expenditures under traditional rules) by amounts deemed to be too high, putting the goal of cost-neutrality beyond reach.[20]

Four strategies were considered, in addition to continuing with HUD's current utility allowance policy:

1. Eliminating utility allowances altogether and basing a household's TTP on the payment standard, even if its gross rent fell below the payment standard (in which case the housing agency would pay the difference between the gross rent and the payment standard to the household),

[20] Results from these analyses are available upon request.

2. Eliminating utility allowances and basing a household's TTP on a payment standard set equal to 100 percent of the small area Fair Market Rate (FMR) for rental costs in the area in which its unit is located and paying up to that payment standard,

3. Applying the SNAP (Food Stamp) standard utility deduction, and

4. Paying a flat rate utility allowance based on the number of bedrooms required for a given household size (voucher size), with some provision for extra costs.

Options 1 and 2 make the assumption that the payment standard represents a housing agency's best estimate of an average fair shelter cost (within HUD guidelines), including utilities, for a designated geographical area. Thus, one can argue that this is a fair basis on which to calculate a household's TTP, even if its actual gross rent is lower than the payment standard, if the payment standard truly reflects a reasonable estimate of total shelter costs for an area.

Basing the payment standard on the small area FMR could help to reduce the variation in actual shelter costs within a designated area and, thus, offer a more realistic benchmark for estimating actual shelter costs for a given household. Although this policy could lead to an increase in the number of voucher holders receiving a housing agency payment to cover their utility costs, it would also eliminate entirely the need for housing agencies to estimate utility costs and calculate utility allowances in setting TTPs. This would be a considerable simplification.

The research modeling exercise conducted as part of the rent policy design work showed that these options were likely to have inconsistent effects on HAP expenditures across the housing agencies included in the analysis. The variations depended on their payment standards and the distribution of families across lower-cost and higher-cost neighborhoods in the designated catchment areas and across lower-rent and higher rent units within those neighborhoods. Furthermore, for some of the participating housing agencies, and nationally, the analysis indicated that HAP expenditures under alternative rent policies that incorporated these options for covering utilities would be considerably higher than HAP expenditures under the traditional rent policy and utility allowance.

The modeling exercise also indicated that under Option 2, using small area FMRs, some tenants would be likely to experience large reductions in their rent subsidies (relative to traditional rent rules), while others would experience large increases, depending on where they lived.[21]

[21] For example, using small area FMRs, tenants living in a higher-rent unit in a lower-rent small area FMR zip code would be shifted to a lower payment standard than would normally have applied, and thus have their housing subsidies reduced.

MDRC also explored the possibility of applying the SNAP utility deduction, a schedule of utility costs that states use in determining a family's shelter costs, which can affect its SNAP benefit amount (Option 3). One appeal of this option was that it would save housing agencies the trouble of computing their own utility expense tables. It would also have the benefit of standardizing an approach to utilities across two major federal safety net programs in which many of the same people participant. However, the SNAP utility estimates cover entire states or large sub-areas with potentially large variation in actual utility costs, and they have tended to be higher than housing agencies' own utility cost estimates. More importantly, the soundness and appropriateness of the methodology is under current review by the Department of Agriculture and, therefore, may change over the course of the Rent Reform Demonstration. Furthermore, applying the SNAP utility estimate as a deduction would give the least amount of help to families with the least amount of income, who may need the help the most. For these reasons, the MDRC team did not recommend adopting the SNAP utility deduction.

Option 4 is the recommended approach. It is based on an approach developed by the District of Columbia Housing Authority (DCHA). The agency establishes a standard "base rate" for utility costs that varies according to the number of bedrooms a household is allowed given the size of its voucher. It also includes an additional payment for households that incur higher utility costs depending on the type of heat used in the unit (i.e., electric or oil), and whether the household is responsible for water and sewer costs. In DCHA's case, the new allowances have been estimated to cost the housing agency about the same as current utility allowances, with small estimated effects on households' shelter costs, but the new policy should be much simpler to administer. All housing agencies in the Rent Reform Demonstration will use a similar flat-rent schedule based on voucher size (and using local utility rates), although the particular add-ons may vary across agencies depending on the types of extra costs more common in their areas.

- **A mandatory minimum TTP of $75 to $150 and direct tenant-to-owner payments**

The alternative rent policy will include a mandatory minimum TTP and a minimum rent paid by the household to the landlord. Local housing agencies will determine the amount of minimum TTP, but it will be no lower than $75 per month, the rate that Washington, DC, expects to implement. This is roughly the current inflation-adjusted value of the $50 minimum rent when it was authorized under the Quality of Housing and Work Responsibility Act in 1998. A $100 minimum TTP, which Louisville and San Antonio intend to adopt, would allow the study to test the feasibility of asking tenants with low incomes to contribute more toward their rent. The Lexington, Kentucky, housing agency will implemented the highest minimum TTP – $150 – which it had already planned before joining the demonstration (and which, as a result, will also apply to the control group in that site).

It should be kept in mind that if households paying the minimum TTP early in the 3-year period steadily increase their income, they will *only* pay the minimum TTP during the remainder of that period. This is a substantial financial incentive to work, but it is also a reason not to set the minimum TTP too low—it will remain in place for a long time, even as tenants' earnings rise. The opportunity for interim recertifications when incomes fall and the various hardship remedies available offer important safeguards to families not able to afford a $75-$150 minimum TTP.

The inclusion of a minimum TTP will not necessarily create an added rent burden for the majority of households, because most already pay above this level, according to housing agency data.[22]

For many tenants under the traditional rent policy, the entire housing subsidy owed to tenants is paid to the landlord by the housing agency, with tenants only directly paying for utilities not included in the lease. In these cases, tenants and landlords have no direct financial relationships. Under the alternative rent policy, all households paying the minimum TTP or higher (i.e., that do not have a hardship exemption) will be required to pay at least the minimum TTP amount to their landlords directly. Advocated by HUD, this policy is intended to mirror normal practices in the unsubsidized rental market and to help prepare tenants for a responsibility they will face when they exit the voucher system. The policy will require all landlords to collect at least some portion of the rent from tenants, and all tenants to become accustomed to meeting their obligations to the landlord.

The policy will not affect the total amount of HAP to which a household is entitled. The housing agency's payment to the landlord will equal the contract rent minus the household's payment to the landlord. If the household is entitled to more HAP than the agency pays to the landlord, the agency will pay the residual amount directly to the household through UAPs. This policy may increase the number and (in some cases) in value of UAPs that housing agencies currently issue.

- **Hardship policies**

An ideal hardship policy for recipients of housing assistance would *both* (1) minimize or ameliorate harm to voucher holders resulting from an alternative rent policy, and (2) minimize administrative burden on, and costs to, housing authorities.

In developing a standardized approach for the alternative rent policy, the MDRC team discussed hardship policy issues with HUD staff, officials of housing authorities that were candidates for the demonstration, and low-income housing advocates. The team also reviewed the hardship

[22]Using HUD 50058 data from December 2012, MDRC estimated that about 69 percent of households in non-MTW agencies paid owners $100 or more, and 85 percent paid at least some amount to owners

policies of a number of MTW housing agencies. The team especially drew from elements of the hardship policy models of the Cambridge and Philadelphia housing agencies.

The resulting hardship policy for the demonstration, described below, identifies the conditions and criteria that must be met to qualify for a hardship waiver and remediation; a recommended hardship waiver request and review process; the hardship waiver remedy options; and the need for transparency in promulgating and administering a hardship policy.

1. **Conditions that qualify for consideration of a hardship-based waiver.**[23] A household will be considered for a hardship waiver, as discussed below, if at least one of the following criteria is met:

    - The hardship cannot be remedied by the one interim recertification permitted each year (which cannot reduce a household's TTP below the minimum level).

    - The household is at an income level or experiences a loss of income and/or a TTP increase such that its total monthly TTP exceeds 40 percent of its monthly current/anticipated gross income (including imputed welfare income).[24] (This provision will differ somewhat in Lexington.[25])

    - The household faces risk of eviction for non-payment of rent – including utility shut-offs for non-payment of utility bills that could lead to eviction.

    - Other circumstances, as determined by the housing agency (which are expected to be rare).

[23] HUD currently requires housing authorities to establish a hardship policy if they impose a minimum rent. In doing so, they must take into account the following circumstances: the household has lost eligibility, or is waiting an eligibility determination, for another assistance program; the household is at risk of eviction for inability to pay rent; the household income has decreased due to loss of employment or other change in circumstances; death of an income-earner has occurred in the household; or other circumstances, as determined by housing agencies or HUD.

[24] The Cambridge Housing Authority's policy is 50 percent of monthly *adjusted* income. SNAP allows for excess shelter costs to be considered in the calculation of SNAP benefits when an applicant's shelter costs exceed 50 percent of net income. The alternative rent policy described in this paper uses gross income as the base, and so the hardship threshold is set at 40 percent, taking into consideration that larger base. It is also important to note that the 40 percent threshold applies to TTP, not a household's total "family share" of rent and utilities. Thus, if a household is paying a gross rent that exceeds the payment standard (and is paying that extra gross rent out of pocket as part of its family share of total rent and utilities), it would only qualify for a hardship remedy if its *TTP* exceeds 40 percent of current/anticipated income.

[25] The Lexington Housing Authority implemented a minimum TTP of $150 per month prior to joining the Rent Reform Demonstration. To remain consistent with its existing policy, the hardship criterion in Lexington will be modified so that a household will be considered for a hardship waiver if the household is at an income level or experiences a loss of income and/or a TTP increase such that its total monthly TTP exceeds 40% of its current monthly gross income *and* is greater than the $150 minimum rent. The hardship policy will not include a waiver of the minimum rent.

2. **The hardship waiver-request process.** The process for requesting a waiver will be as follows:

    - A household must initiate a request for a hardship waiver, by completing and submitting a written hardship request.

    - The household must supply information and documentation that supports a hardship claim. For example, a household must provide proof of the following: loss of eligibility for a federal state, or local assistance program; loss of employment or reduction in work hours; the incapacitation or death of an income-earning household member and amount of lost income.

    - If a household claims zero income as part of its hardship request, it must provide a detailed accounting of funds used to cover basic costs of living (food, personal/family care necessities, etc.). This information must be provided every 90 days.

To request hardship based on the risk of eviction for non-payment of rent or utilities, a household must provide to the housing agency a notice from the landlord of non-payment of rent and the landlord's intent to terminate the household's tenancy, or a notice from a utilities company warning of a utilities shut-off. Housing agencies may set a time limit within which they must receive a copy of this notice from the tenant (for example, no more than 10 business days from the date that the tenant received the notice from the landlord or utilities company).

3. **The hardship review process.** The participating housing agencies will determine their own review process. At a minimum, it is expected that this process include an adequate opportunity for households to appeal if their hardship requests are denied.

    The following process has been proposed as one option. The design team offered this as a way to ensure that hardship decisions, which are inherently subjective, are made carefully and reflect more than one staff member's perspective. Although this process is not a mandatory part of the alternative rent model being tested, some housing agencies may choose to adopt parts of it. (Note, however, that the hardship *conditions* and *remedies* will not vary across agencies.)

    - Under the optional process, hardship requests would initially be reviewed by the housing agency's HCV program staff not directly involved with the family's case to date or other Agency personnel who have received appropriate training to determine whether the request is based on at least one of specified hardship criteria and includes the appropriate documentation. If the request meets these conditions, the HCV director would have the option, if permitted by the housing authority, of temporarily reducing or suspending some portion or all of the housing cost payments while the hardship request is under review (see below). The director will also forward the request to a Hardship Review Committee for consideration.

- If the hardship review officer determines that the request is not based on at least one of the specified criteria and does not include the appropriate documentation, the HCV director will notify the household in writing, explain the problem with the request, and invite the household to resubmit its request if it believes it can meet the criteria and supply the appropriate documentation. Upon a second denial, the household may request an independent review or hearing of its case through the housing agency's normal grievance procedures.

- A Hardship Review Committee would be led by the HCV program director or designee and consist of at least two other housing agency staff members trained to consider and process hardship. At the request of the household, the Committee may also include a voucher holder, drawn from a list of volunteer voucher recipients trained by the housing agency to participate in hardship request reviews.

- A review and decision should be made within 30-45 days of the Hardship Review Committee's receipt of a request.

- Decisions include determination of whether a qualifying hardship exists and the selection of a remedy. The Hardship Review Committee will determine the remedy from a pre-approved list, and the remedy will go into effect beginning the first of the month following the household's hardship waiver request, while the request is under review.

- If the Hardship Review Committee determines that no hardship exits, the existing TTP amount will be reinstated and the household must repay the suspended amount within a period of time determined by the Committee.

- Where a hardship request is denied by the Hardship Review Committee, the household may request an independent review or hearing of its case through the housing agency's normal grievance procedures.

4. **Hardship remedies.** The housing agency staff responsible for administering the hardship process will determine a remedy for an approved hardship claim from a

limited list of pre-approved options. In addition to the remedy or remedies offered (below), the household may be referred to federal, state or local assistance programs to apply for assistance, or to obtain verification that they are ineligible to receive benefits. All housing agencies participating in the demonstration will offer these same remedies.

Remedy options include:

a. Allowing an additional interim recertification beyond the normal one-per-year option. This could lower household's TTP (but only as low at the minimum TTP) until the next triennial recertification.

b. Setting the household's TTP at the minimum level for up to 180 days.

c. Setting the household's TTP at 28 percent of current gross income (which may be less than the minimum rent, except in Lexington) for up to 180 days.[26]

d. Offering a "transfer voucher" to support a move to a more affordable unit (including a unit with lower utility expenses).[27]

e. Any combination of the above remedies. (Opting out of the alternative rent policy is not a remedy option.)

At the end of the hardship waiver period, the household's regular TTP will be reinstated, and the household would not be required to repay any suspended rent. However, if the hardship continues, the household may submit a request for an extension of the hardship remedy.

During the hardship period when the TTP is reduced, the housing agency will increase its payment to the landlord to cover the portion of the rent previously paid by the tenant directly to the landlord, and it will notify the landlord of the change and how long it is likely to last.

Any action by the Hardship Review Committee will have no effect on any part of the rent attributable to the fact that the gross rent exceeds the applicable payment standard.

5. **Transparency.** It is essential that core elements of a housing authority's hardship policy be transparent to households involved in the alternative rent system. This

[26] In Lexington, no exemptions will be provided to the minimum rent. At most, a hardship remedy may include lowering the TTP to $150 for those who are paying above this amount.
[27] Currently this is a DCHA remedy for hardship resulting from high utility expenses.

means they need to be explicitly, clearly and understandably specified and appropriately communicated to all households for which the alternative rent policy applies. These core elements include: the hardship criteria, the request and review process, and the possible remedies.

V. Current Rent Policies in the Demonstration Sites

The MTW Housing agencies agreeing to participate in the Rent Reform Demonstration have generally not instituted major changes to date in their rent policies for working-age/non-disabled voucher holders (see Table 3).[28] One exception, already noted, is the previous decision by Lexington to institute a $150 minimum rent. Another exception is the Washington, DC, housing agency's previously implemented biennial recertification policy. Under this policy, working-age/non-disabled households that increase their anticipated income by $10,000 per year or less *do not* have their TTPs recalculated until their next biennial recertifications. Households with income gains exceeding that threshold *do* have their TTPs adjusted before the next biennial. The Washington, DC, agency also established a type of simplified utilities policy that, as previously discussed, will be adopted by the other demonstration sites.

These exceptions have some implications for the evaluation. In Lexington, both the new rent policy group and the control group will be subject to the same $150 minimum TTP. Thus, the impact analysis results in that site will not reflect any effects of that minimum TTP. (However, only the intervention group in Lexington will be required to pay the minimum TTP to the landlord directly.) Although the two groups in Lexington will pay the same minimum TTP, making it different from the other sites, this distinction does offer a learning opportunity. It provides an opportunity to measure the net impact of the combination of other changes in the rent policy, particularly the extended recertification period, above and beyond the effects of the minimum TTP.

In Washington, DC, both the new rent policy group and the control group will be subject to the streamlined utilities policy. However, the new utilities policy is more relevant to simplification and housing authority burden than it is to tenants' labor market decisions. In that regard, the lack of distinction between the two research groups in on the utilities policy should not matter much in interpreting the impacts of the new rent policy on tenants' employment and earnings in Washington compared with the other sites.

Also in Washington, in compliance with the existing MTW policy in that site described above, control group members will recertify their income every two years, with their TTPs adjusted in the interim only when anticipated income increases by more than $10,000 per year. It is

[28] Several agencies have or are planning to implement triennial recertifications for elderly/disabled households on a fixed income.

Table 3

Current Rent Policies of Housing Agencies Participating in the Rent Reform Demonstration

Rent Policy Components	Lexington, Kentucky	Louisville, Kentucky	San Antonio, Texas	Washington, DC
Percent of adjusted income for TTP	30%	30%	30%	30%
Threshold of asset value below which asset income is ignored	If assets total more than $5,000, income from the assets is "imputed" and the greater of actual asset income and imputed asset income is counted in annual income.	No threshold	No threshold; self-certification of assets sold for less than fair market value	No threshold; self-certification of individual assets less than $15,000
Recertification	Working-age/ non-disabled: Annual Elderly/ disabled (on fixed income): Triennial [proposed]	Working-age/ non-disabled: Annual Elderly/ disabled: Biennial	Working-age/ non-disabled: Biennial for some; Annual for control group Elderly/ disabled (on fixed income): Biennial [Triennial proposed]	Working-age/ non-disabled: Biennial[1] Elderly/ disabled: Biennial
Minimum TTP	$150	$0	$50	$0
Utility policy	Uses the appropriate utility allowance for the size of dwelling unit actually leased by the family (rather than the family unit size as determined under the Housing Authority subsidy standards).	Current HUD Policy	Current HUD Policy	Simplified by bedroom and voucher size [planned]
Hardship policy for minimum rent	Suspension of minimum rent if HH experiences an increase in rent as a direct result of the MTW rent reform initiative. Reduction in rent if HH experiences a loss of income due to circumstances beyond the household's control.	[No minimum rent]	If TTP is lower than min rent, a hardship exists, and the family share is calculated at higher of 30% of gross income, 10% of adjusted income, or the welfare rent.	[No minimum rent]

(continued)

Table 3 (continued)

SOURCES: Housing Authority MTW annual plans and other agency documents.

NOTES: Current HUD Utility policy: Based on typical cost in housing of similar size and type, community consumption patterns, and current utility rates.

[1]Under the biennials, an increase in income has to be reported before the next biennial, and if the increase $10,000 or more, then a new TTP is calculated. If the increase is less than $10,000, then this income is excluded until the next biennial recertification.

important to note that earnings from a full-time job at minimum wage would exceed this threshold. Thus, the biennial recertification policy, when compared with the traditional annual policy, may create an increased financial incentive to move from non-work to part-time work at the minimum wage, and from part-time to full-time work, but not from non-work to full-time work (since this latter change would prompt an increase in TTP). In addition, income reporting burdens will remain the same for control group tenants and housing agency staff serving them. Control group households will also continue to face no limit on the number of interim recertifications when their income declines. Whether tenants view the biennial policy as offering an increased work incentive is uncertain and will be a topic for the evaluation. In other respects, Washington's current policies mirror traditional rules, making it a good counterfactual for the purposes of the demonstration.

VI. Modeling the Possible Effects of the Alternative Rent Policy

Once a preliminary approach for an alternative rent policy was agreed upon with HUD officials and the housing agencies that were early candidates for participation in the demonstration, MDRC initiated a set of statistical analyses to assess the possible financial consequences of the new model for households and for housing agencies. For households, the analyses examined the implications for their out-of-pocket shelter costs (their share of rent and utilities), and for their overall net income (taking into consideration their earnings, tax obligations, government transfers, child care costs, and transportation costs). For housing agencies, the analysis focused on the possible effects on HAP expenditures.

MDRC conducted these analyses using three sources of information:

(1) Data from Urban Institute's Net Income Change Calculator (NICC) (to assess the possible implications of the new policy for tenants' overall net income),

(2) HAP expenditure data covering several years from the candidate housing authorities, and

(3) HAP expenditure data obtained from HUD covering all non-MTW housing authorities in the country.

The analysis initially examined the patterns of variation in net income and HAP when the percentage of income applied to gross income was set at 20 percent, 25 percent, 27 percent, and 28 percent; at different minimum rent levels ($50, $75, and $100, but always $150 in Lexington); and for three different utilities policies: paying the housing subsidy up to the payment standard, even when gross rent fell below the payment standard; paying the subsidy at a payment standard based on 100 percent of the small area FMR; and continuing the current utilities policy. The results helped to reveal the tradeoffs among these options and informed the final specifications for the alternative rent model.

The next section summarizes our findings, but only presents data for the likely final specifications: the adoption of 28 percent as the percentage of income to apply to gross income; a minimum TTP of $75 in Washington, DC $100 in Louisville and San Antonio, and $150 in Lexington; and a simplified utilities policy modeled on the approached developed by Washington, DC.

- **Tenant net income analysis**

The MDRC team did a net income analysis for two different types of households which vary importantly in terms of their potential need for child care subsidies:

– ***"Shana's" household***, where Shana is a single parent with two teenage children and no child care expenses, and
– ***"Maria's" household***, where Maria is a single parent with an infant who may need child care to work.

For each household, the analysis estimated net monthly income under traditional rent rules and net income under new rent rules, making different assumptions about how much the parent worked (zero, 15, or 35 hours per week) and her hourly wage ($8 or, in some cases, $16). The sources of income and expenditures for parents included earnings, TANF, WIC, SNAP, child care subsidy and taxes, and the Earned Income Tax Credit (EITC)—prorated to get a monthly value—as well as estimated child care expenses and transportation expenses. It should be noted that the NICC at the time of this analysis was not completely up-to-date and has certain other limitations, so all estimates should be considered approximations.[29]

Overall, the findings illustrate that when a household changes its work status – e.g., when tenants who are not working go to work, or those who are working part-time get full-time jobs, or when working tenants attain wage increases – net household income will improve more under the new rent policy than under traditional rent rules. This is achieved primarily by holding TTP constant in the face of earnings gains during the three-year period before the next triennial recertification.

The advantages of the new rules will be smaller for tenants who, in order to go to work or to work more, need external child care subsidies but cannot get them. The absence of child care

[29] The public benefits, payroll tax, and state income tax implications are estimated using the Urban Institute's Net Income Change Calculator (NICC). SNAP was estimated based on the traditional rent shelter costs and thus SNAP may be slightly overstated or understated in the rent alternatives to the extent that the excess shelter deduction would change as shelter costs change. The NICC uses rules from 2008. Housing subsidy and federal income tax implications are estimated by MDRC. Full time work is 35 hours per week and part-time work is 15 hours per week.

allowances under the new rules will offset some of the benefit of holding TTP constant in the face of earnings gains for some families unless other child care arrangements can be found. Of course, many families who need but cannot get external child care subsidies have difficulty working even under traditional rent rules because the existing child care allowances are only an income deduction and do not fully cover child care costs. Thus, some families may not work under either rent policy because, if they had to pay for child care out of pocket, it would not pay to work.

It is also important to note that tenants who do not work at all may be somewhat worse off under the new rules if they become subject to the minimum rent and do not qualify for a hardship policy. In addition, working tenants who do not increase their hours of work or wage levels (e.g., they remain working part-time or full-time at a constant wage) will experience little, if any, gain – or loss – in net income under the new rules relative to traditional rules. This is because their TTPs will remain constant over time, even under traditional rules. Appendix Tables B.1 and B.2 illustrate this pattern by comparing net income for Shana and Maria under the new and traditional rent policies when their employment status *remains unchanged*.[30]

Figure 1 helps to illustrate how the new policy provides an incentive to tenants to improve their earnings using an example from San Antonio. The top panel shows how "Shana's" net monthly income would change under traditional rent rules as her work status changes. For example, if she had not been working early in the three-year period (Time 1) and paying San Antonio's existing $50 minimum TTP, her net income would be $620. Under the new rent rules it would drop to $570 because she would be paying a higher minimum rent (unless she received for a hardship exemption). If she were later (at Time 2) to go to work part-time (15 hours per week) at a low wage rate ($8 per hour, which is just above the Federal minimum wage), her net monthly income would increase to $957 under current rent rules, but to $989 under the new rules. If she were to work full-time (35 hours per week), her net income would grow to $1,514 under current rules, but to $1,754 under the new rent rules. Thus, Shana would benefit substantially from the new policy if she were initially not working and took a full-time job, even at a low wage. It would increase her net income by 208% under the new policy, compared with 144% under current rules.

The advantage under the new rules is created by holding her TTP constant. As the second two bars in each set in Figure 1 show, Shana's TTP would rise to $340 under current rules as she progressed to full-time work, whereas they would remain at $100 under the new rules. In effect,

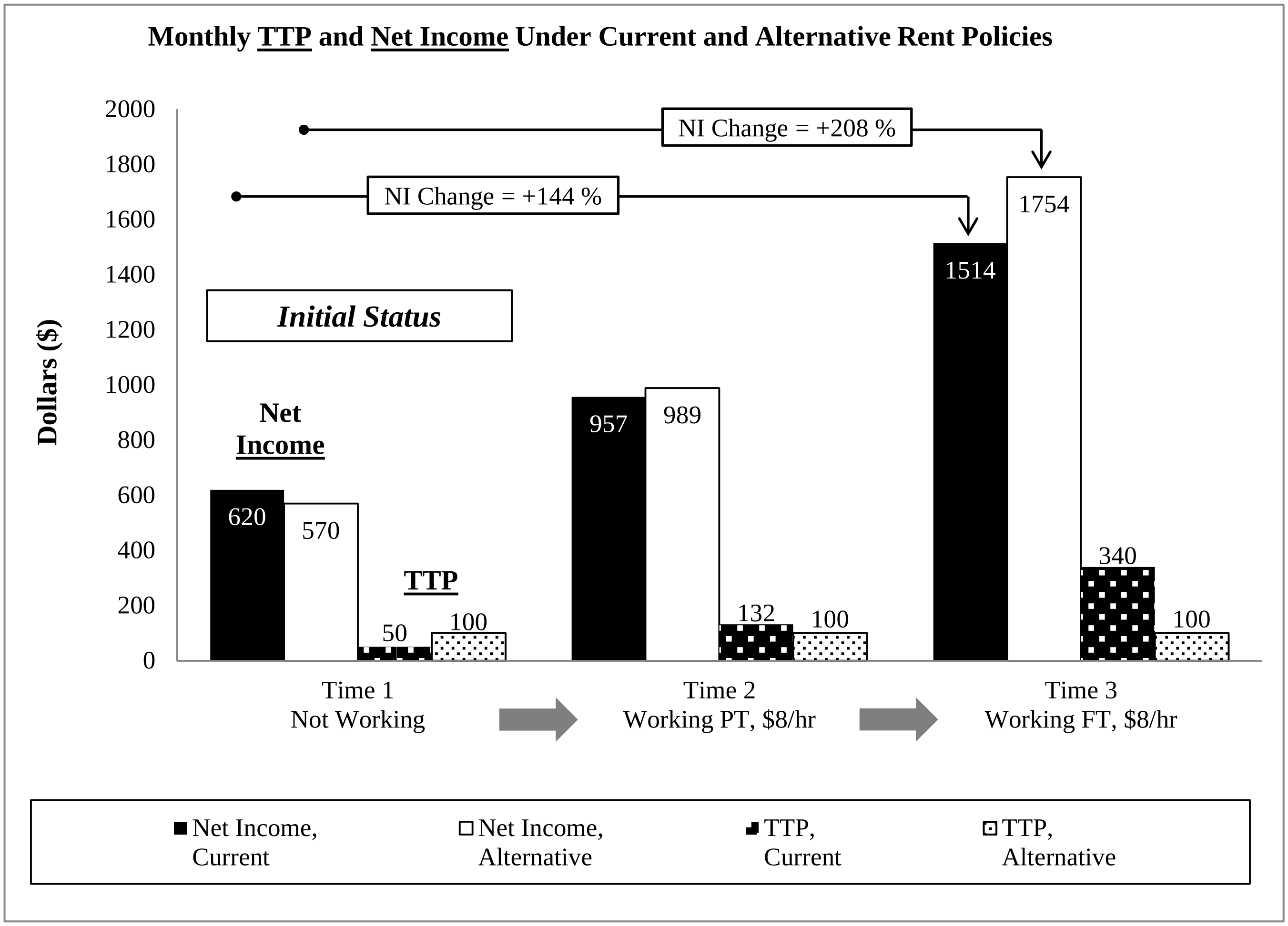
[30] The results also suggest that the alternative rent policy would be particularly disadvantageous relative to the traditional policy for tenants like Maria if they were already working, did not have access to child care subsidies, and were using the child care deductions in the calculation of their TTPs. *If Maria is not able to increase her work hours or wage rate*, her net income will be lower under the new policy because she would have to use more of it to cover her child care costs. As previously discussed, a one-time, six-month child care deduction will be allowed to ease the transition to the new policy for such tenants.

Rent Reform Demonstration

Figure 1

San Antonio

Changes in Estimated Household Monthly TTP and Monthly Net Income (NI) As "Shana" Increases Her Work Effort, Under Alternative and Current Rent Policies During the First 3-Year Period



SOURCE: MDRC calculations using the Urban Institute's Net Income Change Calculator with transfer program and tax rules from 2008.

NOTES: New rent policy: $100 minimum rent, 28% of income.

Current San Antonio rent policy includes a $50 minimum rent.

These estimates are approximations.

Shana is a single mother with 2 children (Ages 13 and 15).

Net income includes prorated EITC payments and non-cash benefits, such as SNAP, and it is net of TTP, estimated work-related expenses, and taxes.

the implicit marginal “tax” on any increased earnings due to the normal income-based housing subsidy rules would drop from 30 percent under traditional rules to zero under the new rules during this period.

Table 4 provides further detail on these changes. It shows, for example, that in moving from non-work to full-time work, Shana would have $240 more in net income per month than if she made the same move under current rent rules. This translates into an extra $2,880 per year. Table 4 also shows what would happen after the next triennial recertification. At that time under the alternative rent policy in San Antonio, Shana’s TTP would be reset to a higher rate, and, as a result, her monthly net income would drop relative to what it had been in the prior period. It would become comparable to what it would be under current rent rules. However, because her TTP would be held constant for another three years, her net income would grow *more* during this time period under the new rent rules relative to current rules if she could increase her wage rate. For example, if she could double her wage rate to a $16 per hour job, her net income would grow by 44 percent under the new rent rules compared with only 20 percent under existing rules. Put differently, that wage increase would mean that her net monthly income would be $364 higher under the new rent policy than it would be under current rules (or $4,368 higher per year). The improvement would be less under current rules because her TTP would jump from $340 to $704 per month.

Table 5 summarizes the change in net income that Shana would experience in each of the four housing agencies if she were to move from not working to working full-time during the first three-year period, and then increased her wage rate during the second three-year period. Overall, the patterns are similar across agencies.

Table 6 provides estimates of how net income would change for “Maria” across each of the sites if she changed her work status under the new and existing rent rules. However, in Maria’s case, it is important to take into consideration whether she receives child care subsidies from an external funding source. The findings show that if Maria, who has a young child, does not need to pay for child care (e.g., because she is able to arrange for family or friends to care for her child at no cost), the new rent rules would provide a clear advantage for going to work full-time, as they do for Shana.

The new rules would also make it more advantageous, compared with traditional rules, for Maria to move from not working to working full-time, even if she needed to pay for child care out of her own pocket without any subsidies. However, this advantage would be less than it would be if Maria had no child care costs.

Rent Reform Demonstration

Table 4

San Antonio

Changes in Estimated Household Monthly TTP and Monthly Net Income As "Shana" Increases Her Work Effort, Under Alternative and Current Rent Policies

Assumptions	
Percent of Income: **28%**	Minimum Rent: **$100**

Shana is a single mother with 2 children (Ages 13 and 15)	Year 1 through Year 3				3-Year Recertification Interview: New TTP Set	Year 4 through Year 6			
	Not Working	Working FT at $8/hour	Difference[a]	Percent Change[b]		Working FT at $8/hour	Working FT at $16/hour	Difference[a]	Percent Change[b]
	Initial Status					*Initial Status*			
TTP									
New Rules ($)	$100	$100	$0	0%		$340	$340	$0	0%
Current rules ($)	$50	$340	+$290	+580%		$340	$704	+$364	+107%
Difference (New minus Current) ($)	+$50	($240)				$0	($364)		
Difference (New minus Current) (%)	+100%	(71%)				0%	(52%)		
Net Income									
New Rules ($)	$570	$1,754	+$1,184	+208%		$1,514	$2,183	+$669	+44%
Current rules ($)	$620	$1,514	+$894	+144%		$1,514	$1,819	+$305	+20%
Difference (New minus Current) ($)	($50)	+$240				$0	+$364		
Difference (New minus Current) (%)	(8%)	+16%				0%	+20%		

(continued)

Table 4 (continued)

SOURCE: MDRC calculations using the Urban Institute’s Net Income Change Calculator with transfer program and tax rules from 2008.

NOTES: Current San Antonio rent policy includes a $50 minimum rent.

These estimates are approximations.

Net income includes prorated EITC payments and non-cash benefits, such as SNAP, and it is net of TTP, estimated work-related expenses, and taxes.

[a]The difference is the change in income represented in dollars, calculated by subtracting the income when "Not Working" from the income when "Working FT at $8/hour."

[b]The percent change is the change in income represented as a percent, calculated by dividing the income "Difference" by the income when "Not Working."

Rent Reform Demonstration

Table 5

Changes in Estimated Household Monthly Net Income As "Shana" Increases Her Work Effort, Under Alternative and Current Rent Policies, by Housing Agency

Assumptions	
Percent of Income: **28%**	Minimum Rent: **$75 - $150**

Shana is a single mother with 2 children (Ages 13 and 15)	Year 1 through Year 3				3-Year Recertification Interview: New TTP Set	Year 4 through Year 6			
	Not Working →	Working FT at $8/hour	Difference[a]	Percent Change[b]		Working FT at $8/hour →	Working FT at $16/hour	Difference[a]	Percent Change[b]
	Initial Status					***Initial Status***			
Lexington, KY									
Net Income under new rules ($)	$538	$1,687	+$1,149	+214%		$1,497	$2,058	+$561	+37%
Net Income under current rules ($)	$538	$1,497	+$959	+178%		$1,497	$1,694	+$197	+13%
Difference (New minus current) (%)	0%	+13%				0%	+21%		
	Initial Status					***Initial Status***			
Louisville, KY									
Net Income under new rules ($)	$588	$1,737	+$1,149	+195%		$1,497	$2,058	+$561	+37%
Net Income under current rules ($)	$633	$1,497	+$864	+136%		$1,497	$1,694	+$197	+13%
Difference (New minus current) (%)	(7%)	+16%				0%	+21%		
	Initial Status					***Initial Status***			
San Antonio, TX									
Net Income under new rules ($)	$570	$1,754	+$1,184	+208%		$1,514	$2,183	+$669	+44%
Net Income under current rules ($)	$620	$1,514	+$894	+144%		$1,514	$1,819	+$305	+20%
Difference (New minus current) (%)	(8%)	+16%				0%	+20%		
	Initial Status					***Initial Status***			
Washington, DC									
Net Income under new rules ($)	$675	$1,888	+$1,213	+180%		$1,647	$2,119	+$472	+29%
Net Income under current rules ($)	$691	$1,645	+$954	+138%		$1,645	$1,777	+$132	+8%
Difference (New minus current) (%)	(2%)	+15%				+0.1%	+19%		

(continued)

Table 5 (continued)

SOURCE: MDRC calculations using the Urban Institute's Net Income Change Calculator with transfer program and tax rules from 2008.

NOTES: New rent policy: Lexington, KY ($150 Minimum Rent, 28% of income). Louisville, KY ($100 Minimum Rent, 28% of income). San Antonio, TX ($100 Minimum Rent, 28% of income). Washington, DC ($75 Minimum Rent, 28% of income).

Current rent policy: Lexington, KY ($150 Minimum Rent). San Antonio, TX ($50 Minimum Rent).

These estimates are approximations.

Net income includes prorated EITC payments and non-cash benefits, such as SNAP, and it is net of TTP, estimated work-related expenses, and taxes.

[a]The difference is the change in income represented in dollars, calculated by subtracting the income when "Not Working" from the income when "Working FT at $8/hour."

[b]The percent change is the change in income represented as a percent, calculated by dividing the income "Difference" by the income when "Not Working."

Rent Reform Demonstration

Table 6

Changes in Estimated Household Monthly Net Income As "Maria" Increases Her Work Effort, Under Alternative and Current Rent Policies, by Housing Agency and Receipt of External Child Care Subsidy

Assumptions	
Percent of Income: **28%**	Minimum Rent: **$75 - $150**

Maria is a single mother with a 1-year old child	Year 1 through Year 3				3-Year Recertification Interview: New TTP Set	Year 4 through Year 6			
	Not Working →	Working FT at $8/hour	Difference[a]	Percent Change[b]		Working FT at $8/hour →	Working FT at $16/hour	Difference[a]	Percent Change[b]
	Initial Status					***Initial Status***			
Lexington, KY									
Does not need child care subsidy									
Net Income under new rules ($)	$419	$1,389	+$970	+232%		$1,199	$1,819	+$619	+52%
Net Income under current rules ($)	$419	$1,188	+$769	+183%		$1,188	$1,455	+$267	+22%
Difference (New minus current) (%)	0%	+17%				+1%	+25%		
Needs child care subsidy but does not receive it									
Net Income under new rules ($)	$419	$970	+$551	+132%		$780	$1,428	+$648	+83%
Net Income under current rules ($)	$419	$910	+$491	+117%		$910	$1,194	+$284	+31%
Difference (New minus current) (%)	0%	+7%				(14%)	+20%		
	Initial Status					***Initial Status***			
Louisville, KY									
Does not need child care subsidy									
Net Income under new rules ($)	$469	$1,439	+$970	+207%		$1,199	$1,819	+$620	+52%
Net Income under current rules ($)	$514	$1,188	+$674	+131%		$1,188	$1,455	+$267	+22%
Difference (New minus current) (%)	(9%)	+21%				+1%	+25%		
Needs child care subsidy but does not receive it									
Net Income under new rules ($)	$469	$1,020	+$551	+118%		$780	$1,428	+$648	+83%
Net Income under current rules ($)	$514	$910	+$396	+77%		$910	$1,194	+$284	+31%
Difference (New minus current) (%)	(9%)	+12%				(14%)	+20%		

(continued)

Table 6 (continued)

Maria is a single mother with a 1-year old child	Year 1 through Year 3: Not Working	Year 1 through Year 3: Working FT at $8/hour	Difference[a]	Percent Change[b]		Year 4 through Year 6: Working FT at $8/hour	Year 4 through Year 6: Working FT at $16/hour	Difference[a]	Percent Change[b]
	Initial Status				3-Year Recertification Interview: New TTP Set	***Initial Status***			
San Antonio, TX									
Does not need child care subsidy									
Net Income under new rules ($)	$455	$1,458	+$1,003	+221%		$1,218	$1,945	+$727	+60%
Net Income under current rules ($)	$504	$1,207	+$703	+140%		$1,207	$1,569	+$362	+30%
Difference (New minus current) (%)	(10%)	+21%				+1%	+24%		
Needs child care subsidy but does not receive it									
Net Income under new rules ($)	$455	$967	+$512	+113%		$727	$1,479	+$752	+103%
Net Income under current rules ($)	$504	$875	+$372	+74%		$875	$1,263	+$388	+44%
Difference (New minus current) (%)	(10%)	+11%				(17%)	+17%		
	Initial Status					***Initial Status***			
Washington, DC									
Does not need child care subsidy									
Net Income under new rules ($)	$569	$1,482	+$913	+160%		$1,236	$1,899	+$663	+54%
Net Income under current rules ($)	$574	$1,224	+$650	+113%		$1,224	$1,524	+$300	+24%
Difference (New minus current) (%)	(1%)	+21%				+1%	+25%		
Needs child care subsidy but does not receive it									
Net Income under new rules ($)	$569	$627	+$58	+10%		$349	$929	+$580	+166%
Net Income under current rules ($)	$574	$588	+$14	+2%		$588	$893	+$305	+52%
Difference (New minus current) (%)	(1%)	+7%				(41%)	+4%		

(continued)

Table 6 (continued)

SOURCE: MDRC calculations using the Urban Institute's Net Income Change Calculator with transfer program and tax rules from 2008.

NOTES: New rent policy: Lexington, KY ($150 Minimum Rent, 28% of income). Louisville, KY ($100 Minimum Rent, 28% of income). San Antonio, TX ($100 Minimum Rent, 28% of income). Washington, DC ($75 Minimum Rent, 28% of income).

Current rent policy: Lexington, KY ($150 Minimum Rent). San Antonio, TX ($50 Minimum Rent).

Net income includes prorated EITC payments and non-cash benefits, such as SNAP, and it is net of TTP, estimated work-related expenses, and taxes.

These estimates are approximations.

[a]The difference is the change in income represented in dollars, calculated by subtracting the income when "Not Working" from the income when "Working FT at $8/hour."

[b]The percent change is the change in income represented as a percent, calculated by dividing the income "Difference" by the income when "Not Working."

- **Estimating HAP and family share under alternative assumptions**

The alternative rent policy is intended to be roughly *cost-neutral* from the perspective of housing agencies and HUD. This means that the combination of HAP and administrative expenditures should remain about the same as the total expenditures for assisting the same number of voucher holders under the traditional rent policy. Ideally, those expenditures would fall, creating an opportunity to provide housing assistance to more families for the same amount of money.

The MDRC modeling exercise examined how the new rent policy is likely to affect HAP expenditures for voucher holders. Using local housing agency and HUD PIC data,[31] it examined this question for the MTW agencies likely to participate in the demonstration and for all non-MTW housing agencies in the country combined. The data include household-level HAP expenditures during the years 2009-2012. Although the data sets have certain limitations and the statistical models include assumptions that can affect the accuracy of the estimates, the findings indicate broad patterns that might be expected to emerge from the new policy.

The modeling exercise also used these data sets to examine the implications of the new rent policy for households' share of their shelter costs. Because the new policy changes how and when TTP is calculated and includes a minimum TTP, many households will pay a different family share than they would under the traditional policy.

Among the specific questions addressed are the following: :

– How much are HAP expenditures likely to change under the alternative rent policy (relative to HAP under traditional rent rules) during the three-year recertification period?

– How much are HAP expenditures likely to change (relative to HAP under traditional rules) in the fourth year of the policy, after the triennial recertification point, if the policy (1) has no effect on tenants' earnings, and (2) has a modest effect on tenants' earnings?

– How will the new policy affect households' family share of shelter costs? What proportion of households is likely to experience an increase or a decrease in "family share" of rent and utilities under the new policy?

– Among households likely to experience an increase in family share, what proportion is likely to experience smaller versus larger increases?

[31] These are data from HUD's Public and Indian Housing Information Center (PIC).

– Are certain types of households more susceptible to larger increases in family share?

Family share, rather than TTP, was estimated for this analysis because it captures the implications of the alternative rent policy for household's full shelter costs, even when those costs exceed the payment standard. However, the estimates of the effects of the policy on family share are driven primarily by the effects on households' TTP amounts.

- **Estimates of effects on HAP and family share for non-MTW housing agencies**

The analysis begins by exploring the alternative rent policy's potential effects for *non-MTW* housing agencies. These estimates are included because they illustrate the possible implications for HAP and households' family share if the alternative rent policy were to be adopted as a new national policy.

Figure 2 presents some of the findings from that analysis for working-age/non-disabled households. (See also Table 7.) "Year 1" (using data from 2006) represents when the new rent policy would begin with an initial income assessment, and "Year 4" (using data from 2012) represents the year after the next triennial recertification.[32] The top panel shows estimated HAP payments for each year during the three-year recertification period, and then in Year 4. For Year 4, two estimates are included: one that assumes that the rent policy has no impact on tenant employment (and, hence, earnings), and another that assumes that the policy has a modest impact on tenant employment.

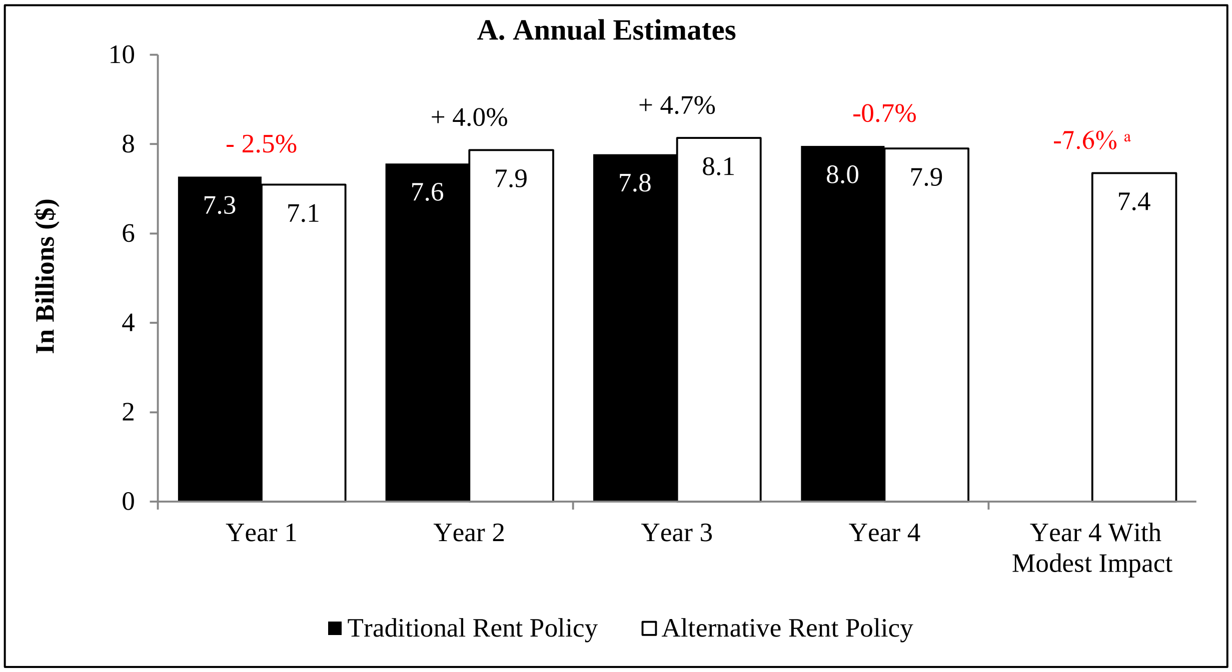
The assumed employment impact was estimated in the following way: With a 3-year income recertification policy, some tenants who are not currently working will likely choose to work because they will get to keep more of their earnings than they would under traditional rules. In other words, during the 3-year period, they will enjoy higher "take-home" pay because their TTP will not go up – in fact, they get to keep 100 percent of every extra dollar they earn (not counting possible losses in other benefit). With less of a "bite" coming out of their paycheck for rent and utilities, more tenants should be willing to work. For this analysis, we applied a common economic assumption for how much employment will go up as take-home pay goes up. We assumed that for every additional dollar of earnings, every 1 percent increase in take-home pay under the new rent rules over and above take-home pay under traditional rules will yield a 1 percent increase in the tenant employment rate.[33] For example, if the tenant employment rate is already 50 percent, a 10 percent increase in take-home pay (under new rules vs. traditional rules) would yield a 10 percent increase in employment, raising the employment rate from 50 percent to 55 percent (or, .50 x 1.10=.55). It important to note that this analysis does not attempt to account for increases in earnings that might come from tenants increasing the number of hours

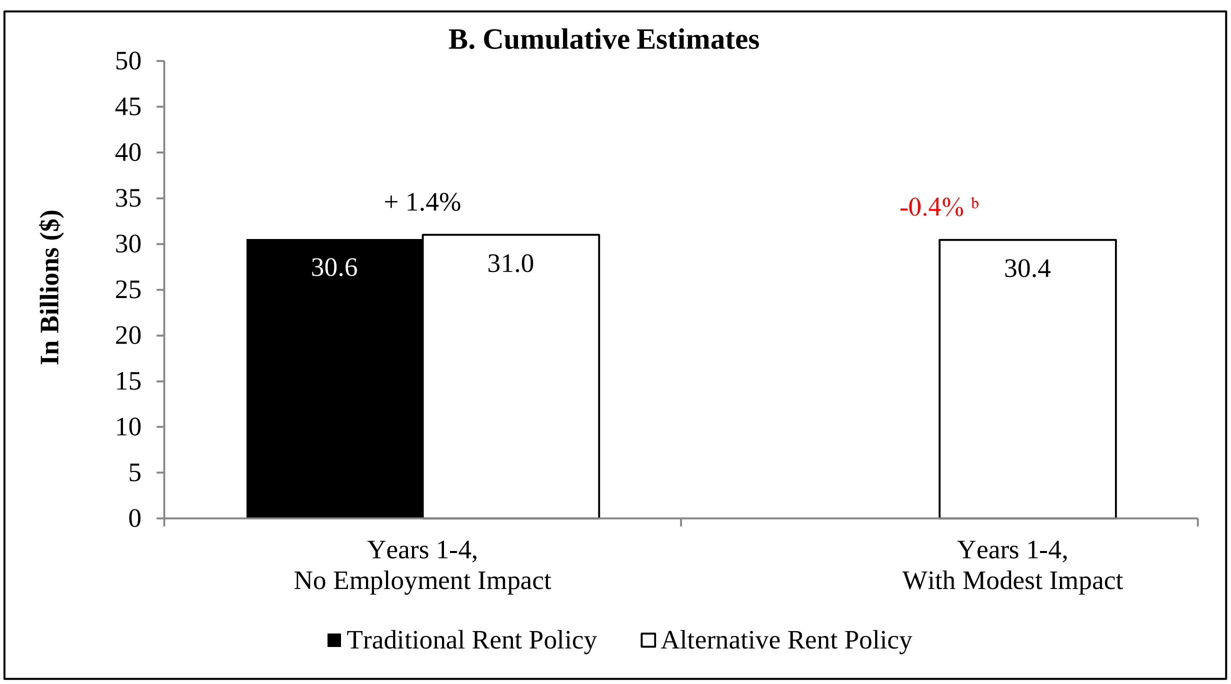
[32] A memo detailing the statistical model and its assumptions is available upon request.
[33] The economic literature suggests that this relationship commonly ranges from 0.4 percent to 1 percent.

Rent Reform Demonstration

Figure 2

All Non-MTW Housing Agencies:
Estimates of HAP Expenditures Under Alternative and Traditional Rent Policies for Working-Age/ Non-Disabled Households
($ in Billions)





(continued)

Figure 2 (continued)

SOURCE: MDRC calculations using data from the U.S. Department of Housing and Urban Development (HUD) Public and Indian Housing Information Center (PIC) Data.

NOTES: New rent policy: $100 minimum rent, 28% of income.

For the estimate of a modest employment impact, this analysis makes a common economic assumption for how much employment will increase as take-home pay goes up. It assumes that for every additional dollar of earnings, every 1 percent increase in take-home pay under the new rent rules over and above take-home pay under traditional rules will yield a 1 percent increase in the tenant employment rate. For example, if the tenant employment rate is already 50 percent, a 10 percent increase in take-home pay (under new rules vs. traditional rules) would yield a 10 percent increase in employment, raising the employment rate from 50 percent to 55 percent (or .50 x 1.10=.55). This analysis does not take into account the possibility that the new rent policy may also increase work hours and earnings among tenants who are already working.

[a]This percent change represents the relative difference between HAP in Year 4 under the alternative rent policy (assuming a modest impact) and HAP in Year 4 under the traditional rent policy.

[b]This percent change represents the relative difference between cumulative HAP in Years 1-4 under the alternative rent policy (assuming a modest impact) and cumulative HAP in Years 1-4 under the traditional rent policy.

Rent Reform Demonstration

Table 7

All Non-MTW Housing Agencies:
Estimates of HAP Expenditures Under Alternataive and Traditional Rent Policies for Working-Age/Non-Disabled Households
($ in Billions)

				(No employment impact)	(Modest employment impact)	(No employment impact)	(Modest employment impact)
	Year 1	Year 2	Year 3	Year 4	Year 4	Total, Years 1-4	Total, Years 1-4
New rent policy	7.1	7.9	8.1	7.9	7.4	31.0	30.4
Traditional rent policy	7.3	7.6	7.8	8.0	8.0	30.6	30.6
Difference	($0.2)	+$0.3	+$0.4	($0.1)	($0.6)	+$0.4	($0.1)
Percent change	(2.5%)	+4.0%	+4.7%	(0.7%)	(7.6%)	+1.4%	(0.4%)

SOURCE: MDRC calculations using data from the U.S. Department of Housing and Urban Development (HUD) Public and Indian Housing Information Center (PIC) Data.

NOTES: New rent policy: $100 minimum rent, 28% of income.

For the estimate of a modest employment impact, this analysis makes a common economic assumption for how much employment will increase as take-home pay goes up. It assumes that for every additional dollar of earnings, every 1 percent increase in take-home pay under the new rent rules over and above take-home pay under traditional rules will yield a 1 percent increase in the tenant employment rate. For example, if the tenant employment rate is already 50 percent, a 10 percent increase in take-home pay (under new rules vs. traditional rules) would yield a 10 percent increase in employment, raising the employment rate from 50 percent to 55 percent (or .50 x 1.10=.55). This analysis does not take into account the possibility that the new rent policy may also increase work hours and earnings among tenants who are already working.

they work (e.g., shifting from part-time to full-time work), although such effects are possible under the new policy and would affect HAP subsidies.

The results show that in Year 1, estimated HAP expenditures are lower (by 2.5 percent) under the new policy relative to the traditional policy, but they are somewhat higher under the new policy during Years 2 and 3 (by 4.0 percent and 4.7 percent, respectively). This is largely because voucher holders who would increase their earnings under the traditional policy and normally have their housing subsidies reduced would not have their subsidies reduced during this period under the alternative policy's TTP freeze.

However, in Year 4, even assuming that the alternative rent policy did *not* have an impact on tenants' employment and earnings, estimated HAP expenditures under the alternative rent policy are somewhat lower than under the traditional policy. This reflects the fact that, on average, TTPs recalculated in Year 4 would be based on higher average earnings, because of normal increases work and earnings over time (i.e., increases that would have occurred even in the absence of the new policy). It is at the point of the triennial recertification that housing agencies begin to recoup the foregone HAP reductions in the prior years when TTPs were held constant.

The last bar in Figure 2 shows that HAP expenditures will fall even more in Year 4 if the new policy *does* have a modest positive impact on household earnings. That impact would push up the income base for setting new TTPs to a higher level than what it would reach under traditional rules. A higher income base means that households will pay a larger share of their rent and utilities, thus requiring a lower subsidy.

The bottom panel of Figure 2 presents the *cumulative* HAP expenditures for Years 1-4. It shows that in the absence of an employment impact, those expenditures may be higher under the alternative rent policy compared with the traditional policy by 1.4 percent. However, if the alternative policy has a modest employment impact of the assumed size, HAP expenditures may be no higher than they would be under traditional rules (achieving the "break-even" or cost-neutrality goal of the new policy).

It should be noted that changes in HAP expenditures are separate from any savings in administrative costs that may be achieved from the simplification of rent determination under the new policy.[34] Thus, a small increase in HAP expenditures under the new policy might be offset by savings in administrative costs.

[34] The modeling exercise also estimated possible effects of the new policy on HAP expenditures for elderly/disabled households. The overall pattern across time for that group was found to be roughly similar to the pattern for the working-age/non-disabled group. However, HAP expenditures were shown to be somewhat higher under the alternative rent policy relative to traditional rules for elderly/disabled households. It was assumed that the alternative rent policy would have no employment impact for elderly/disabled households (a conservative assumption, since some elderly/disabled persons may also increase their work effort under the new policy).

It is important to stress that these modeling estimates are only *approximations* of what might happen under the alternative rent policy. They are based on a number of assumptions and are constrained by a number of data limitations, so the estimates should not be taken as precise or certain indications of the *actual* effects of the new rent policy. The purpose of the evaluation is to determine those actual effects. What the modeling exercise does provide, however, is empirical grounding for the hypothesis that the increased financial work incentives offered by the alternative rent model *may* be financially viable without substantially driving up the cost of the housing subsidy system for a given number of households, at least when viewed cumulatively.

- **Estimates of effects on HAP for MTW housing agencies**

In addition to the national estimates based on HUD data, MDRC produced a set of estimates for the particular MTW agencies participating in the Rent Reform Demonstration. These estimates were based primarily on data obtained directly from the housing agencies.

Table 8 presents the results of this HAP analysis by using data on the four MTW housing agencies joining the demonstration. Overall, when comparing estimated HAP expenditures of these agencies under the new policy with their expenditures under the traditional policy, the overall pattern is fairly similar to that found for the non-MTW agencies. With a modest employment impact, the agencies are projected to incur small cumulative increases in HAP expenditures – a fraction of 1 percent to up to 2 percent, which, given the imprecision of the modeling and the many assumptions built into that exercise, might be considered roughly a “break-even” result or within the range of such a result. The experiment will determine whether such a result is actually achieved.

- **Estimates of effects on households’ family share for rent and utilities**

The new rent policies will cause the “family share” of rent and utilities for most households to change relative to what it would be under traditional rules. (As previously mentioned, family share, unlike TTP, includes household costs for shelter that exceed the payment standard.)

As the top panel of Table 9 shows, during the three-year period when the new policy’s delay recertification period is in effect, up to 49.7 percent of working-age/non-disabled households (depending on the year) in non-MTW housing agencies may have a *lower* family share than they would otherwise have under current rules, while up to 63.6 percent may have a *higher* family share. In more than half of the cases where households would pay a higher family share under the new rules, they would only pay up to $50 per month more. Up to 4 percent would pay more than $200 more than they otherwise would pay. The increases in some household’s family share under the new policy would come from the policy’s minimum rent, loss of deductions, and limits on interim recertifications in the face of income declines.

Rent Reform Demonstration

Table 8

Estimates of HAP Expenditures Under Alternative and Current Rent Policies for Working-Age/Non-Disabled Households, by Housing Agency ($)

Housing Agency and Rent Policy	Year 1	Year 2	Year 3	(No employment impact) Year 4	(Modest employment impact) Year 4	(No employment impact) Total, Years 1-4	(Modest employment impact) Total, Years 1-4
Lexington, KY							
New rent policy	9,786,858	11,002,929	13,224,226	12,897,918	12,563,601	46,911,930	46,577,613
Current rent policy	9,911,598	10,576,575	12,710,737	12,914,593	12,914,593	46,113,504	46,113,504
Difference	($124,740)	+$426,353	+$513,488	($16,676)	($350,993)	+$798,426	+$464,109
Percent change	(1.3%)	+4.0%	+4.0%	(0.1%)	(2.7%)	+1.7%	+1.0%
Louisville, Ky[a]							
New rent policy	61,027,679	62,427,071	60,230,026	52,539,958	49,821,083	236,224,734	233,505,859
Current rent policy	62,190,163	60,020,734	57,702,649	55,788,444	55,788,444	235,701,990	235,701,990
Difference	($1,162,484)	+$2,406,337	+$2,527,377	($3,248,486)	($5,967,361)	+$522,744	($2,196,131)
Percent change	(1.9%)	+4.0%	+4.4%	(5.8%)	(10.7%)	+0.2%	(0.9%)
San Antonio, TX							
New rent policy	34,596,511	44,595,305	52,365,227	50,731,614	48,047,042	182,288,658	179,604,086
Current rent policy	34,960,519	43,509,827	48,905,224	51,538,404	51,538,404	178,913,974	178,913,974
Difference	($364,008)	+$1,085,478	+$3,460,003	($806,790)	($3,491,362)	+$3,374,684	+$690,112
Percent change	(1.0%)	+2.5%	+7.1%	(1.6%)	(6.8%)	+1.9%	+0.4%
Washington, DC							
New rent policy	96,412,102	101,573,379	106,815,829	102,526,436	97,426,023	407,327,746	402,227,333
Current rent policy	94,841,123	96,912,927	100,010,934	102,640,776	102,640,776	394,405,760	394,405,760
Difference	+$1,570,979	+$4,660,452	+$6,804,895	($114,340)	($5,214,753)	+$12,921,986	+$7,821,573
Percent change	+1.7%	+4.8%	+6.8%	(0.1%)	(5.1%)	+3.3%	+2.0%

(continued)

Table 8 (continued)

SOURCES: MDRC calculations using data from the U.S. Department of Housing and Urban Development (HUD) Public and Indian Housing Information Center (PIC) Data and Section 8 housing data from the District of Columbia Housing Authority, Louisville Metropolitan Housing Authority, and San Antonio Housing Authority.

NOTES: New rent policy: Lexington, KY ($150 Minimum Rent, 28% of income). Louisville, KY ($100 Minimum Rent, 28% of income). San Antonio, TX ($100 Minimum Rent, 28% of income). Washington, DC ($75 Minimum Rent, 28% of income).

Current rent policy: Lexington, KY ($150 Minimum Rent). San Antonio, TX ($50 Minimum Rent)

For the estimate of a modest employment impact, this analysis makes a common economic assumption for how much employment will increase as take-home pay goes up. It assumes that for every additional dollar of earnings, every 1 percent increase in take-home pay under the new rent rules over and above take-home pay under traditional rules will yield a 1 percent increase in the tenant employment rate. For example, if the tenant employment rate is already 50 percent, a 10 percent increase in take-home pay (under new rules vs. traditional rules) would yield a 10 percent increase in employment, raising the employment rate from 50 percent to 55 percent (or .50 x 1.10=.55). This analysis does not take into account the possibility that the new rent policy may also increase work hours and earnings among tenants who are already working.

Percent changes may slightly vary from the MTW Activity Plan versions of this table because dollar amounts were prorated in each site's MTW Activity Plan to show the estimated total amounts of HAP expenditures for each site's study sample size of eligible households rather than for the full sample of households who might have met the demonstration’s eligibility requirements during the period used for this analysis.

[a]Estimates for HAP under current policy and all Year 4 estimates (under current or new policy) reflect information on all households for Louisville because data on whether a household is working-age or non-disabled were not available. HAP estimates for Year 1, Year 2, and Year 3 under the new policy were calculated by taking the average of the Lexington housing agency and non-MTW national percent change in HAP (for working-age/non-disabled households only) in each year and using those averages to calculate the differences in dollar amounts.

Rent Reform Demonstration

Table 9

All Non-MTW Housing Agencies:
Change in Monthly Family Share (FS) Under Alternative vs. Traditional Rent Policies Among Working-Age/Non-Disabled Households

	Year 1	Year 2	Year 3	(No Employment Impact) Year 4	(Modest Employment Impact) Year 4
Difference in FS under new vs. traditional policy (%)					
Lower under new policy	34.8	47.6	49.7	39.9	34.9
$50 or less	33.8	24.2	18.2	32.3	27.4
$50.01-$100.00	1.1	7.7	8.4	3.0	2.9
$100.01-$200.00	0.0	7.8	10.3	2.2	2.2
More than $200	0.0	7.9	12.9	2.5	2.5
No change	1.6	0.6	0.5	1.0	0.3
Higher under new policy	63.6	51.8	49.8	59.2	64.8
$50 or less	53.4	39.4	29.4	48.3	26.7
$50.01-$100.00	8.0	9.5	10.5	7.5	5.3
$100.01-$200.00	1.9	2.4	5.9	2.4	21.9
More than $200	0.3	0.4	4.0	1.0	10.9

SOURCE: MDRC calculations using data from the U.S. Department of Housing and Urban Development (HUD) Public and Indian Housing Information Center (PIC) Data.

NOTES: New rent policy: $100 minimum rent, 28% of income.

Family Share is the family's shelter cost (rent and utilities) contribution; this amount may be different than the Total Tenant Payment (TTP) if the family's shelter costs (gross rent) exceed the maximum amount that the housing authority will pay (payment standard) because the family is responsible for covering costs above what the housing authority will pay (payment standard).

For the estimate of a modest employment impact, this analysis makes a common economic assumption for how much employment will increase as take-home pay goes up. It assumes that for every additional dollar of earnings, every 1 percent increase in take-home pay under the new rent rules over and above take-home pay under traditional rules will yield a 1 percent increase in the tenant employment rate. For example, if the tenant employment rate is already 50 percent, a 10 percent increase in take-home pay (under new rules vs. traditional rules) would yield a 10 percent increase in employment, raising the employment rate from 50 percent to 55 percent (or .50 x 1.10=.55). This analysis does not take into account the possibility that the new rent policy may also increase work hours and earnings among tenants who are already working.

If the new policy has a modest positive effect on earnings, more tenants than under traditional rules will experience an increase in their family share for Year 4, after their three-year income recertification. It is through resetting TTPs that the housing agencies begin to recoup their foregone HAP reductions during the prior three-year period. If the new policy has a modest employment impact, the analysis suggests that family share may increase by $50 or less per month for 26.7 percent of households; by $100 - $200 per month for 21.9 percent of households; and by more than $200 per month for 10.9 percent of households.

Table 10 presents the results for each housing authority participating in the demonstration, for Year 4 assuming no employment impact.[35] The overall patterns are largely similar to those observed for the national non-MTW agencies. Lexington is an exception, with about 45 percent of households likely to experience no change in family share. This is due to the high minimum rent that Lexington has already introduced and which will pertain to the control group as well as the new rent policy group.

It is important to keep in mind that an increase in family share does not necessarily mean that a family's *net income* will be less than if they do not work, or less than their net income would be under traditional rules. As the net income examples presented earlier for Shana and Maria illustrate, gains in earnings and the EITC may offset increases in shelter costs and losses of other benefits. In other words, some of the families paying higher shelter costs under the new rules than they otherwise would pay, may be economically better off overall if they increased their earnings in response to the new rent policy. In addition, starting in Year 4, they would have an incentive to increase their earnings further during the next three-year period, during which their TTP would not be raised until the next triennial recertification.

The modeling exercise included an analysis of how the alternative rent policy may affect the family share of shelter costs of households that differ in terms of important background characteristics. Table 11 presents these findings. It illustrates, first, how prevalent certain types of households are among the total number households, and then how prevalent those households are among the voucher holders who would experience an increase in family share under the alternative rent policy. For example, the first column shows that households with three or more children represent 28.5 percent of all voucher holders among non-MTW agencies. However, these same households represent a larger proportion (39.6 percent, as shown in the second column) of voucher holders who are likely to pay a higher family share in Year 4 (assuming no employment impact). A similar pattern is observed among the four MTW agencies participating in the demonstration, as the other columns of Table 11 demonstrate. Overall, larger families would be disproportionately affected by the new rent policy, at least in terms of the likelihood of

[35] Year-by-year estimates for each of the four MTW housing agencies have been calculated and are available upon request.

Rent Reform Demonstration

Table 10

Change in Monthly Family Share (FS) in Year 4 Under Alternative vs. Traditional/Current Rent Policies Among Working-Age/Non-Disabled Households, by Housing Agency (Assuming No Employment Impact)

	National *(Non-MTW)*	**Lexington, KY**[1]	**Louisville, KY**	**San Antonio, TX**	**Washington, DC**
Difference in FS under new vs. traditional/current policy (%)					
Lower under new policy	39.9	26.2	15.9	30.7	46.7
$50 or less	32.3	24.1	15.8	24.1	37.7
$50.01-$100.00	3.0	0.2	0.1	2.2	7.3
$100.01-$200.00	2.2	0.9	0.0	2.4	0.6
More than $200	2.5	0.9	0.0	2.0	1.1
No change	1.0	45.5	1.3	0.3	1.6
Higher under new policy	59.2	28.4	82.8	69.0	51.7
$50 or less	48.3	23.1	60.3	60.8	33.8
$50.01-$100.00	7.5	3.4	21.4	5.7	17.1
$100.01-$200.00	2.4	1.6	1.0	2.2	0.6
More than $200	1.0	0.3	0.1	0.3	0.2

SOURCE: MDRC calculations using data from the U.S. Department of Housing and Urban Development (HUD) Public and Indian Housing Information Center (PIC) Data.

NOTES: New rent policy: National, ($100 Minimum Rent, 28% of income). Lexington, KY ($150 Minimum Rent, 28% of income). Louisville, KY ($100 Minimum Rent, 28% of income). San Antonio, TX ($100 Minimum Rent, 28% of income). Washington, DC ($75 Minimum Rent, 28% of income).

Current rent policy: Lexington, KY ($150 Minimum Rent). San Antonio, TX ($50 Minimum Rent)

Family Share is the family's shelter cost (rent and utilities) contribution; this amount may be different than the Total Tenant Payment (TTP) if the family's shelter costs (gross rent) exceed the maximum amount that the housing authority will pay (payment standard) because the family is responsible for covering costs above what the housing authority will pay (payment standard).

[1]Estimates for family share reflect information on all households for Louisville because data on whether a household is working-age or non-disabled were not available.

Rent Reform Demonstration

Table 11

Representativeness of Households (HH) with Selected Characteristics Among Working-Age/ Non-Disabled Households Likely to Pay a Higher Family Share (FS) in Year 4 Under Alternative vs. Current Rent Policies, by Housing Agency (Assuming No Employment Impact)

	National *(Non-MTW)*		**Lexington, KY**		**Louisville, KY**[a]		**San Antonio, TX**		**Washington, DC**	
Characteristic (%)	Percent of HH	Percent with higher FS under new policy	Percent of HH	Percent with higher FS under new policy	Percent of HH	Percent with higher FS under new policy	Percent of HH	Percent with higher FS under new policy	Percent of HH	Percent with higher FS under new policy
Number of Children										
None	21.4	12.9	24.9	0.9	23.1	6.9	15.1	7.6	37.3	27.6
Any	78.6	87.1	75.2	99.1	76.9	93.1	84.9	92.4	62.7	72.4
1	24.9	19.3	25.9	16.3	25.4	17.8	19.1	14.3	22.2	16.9
2	25.3	28.3	23.3	30.1	24.3	29.2	25.4	26.6	17.8	20.5
3 or more	28.5	39.6	26.0	52.8	27.2	46.2	40.4	51.6	22.7	35.0
Has a child under age 5	26.1	33.2	30.1	42.4	28.1	37.8	36.1	42.9	n/a	n/a
No earned income	46.0	61.4	55.1	39.5	50.6	50.5	48.4	58.9	63.6	85.4
No income	6.8	11.4	13.6	1.4	6.5	7.9	0.8	1.2	21.1	26.9

SOURCES: MDRC calculations using data from the U.S. Department of Housing and Urban Development (HUD) Public and Indian Housing Information Center (PIC) Data and Section 8 housing data from the District of Columbia Housing Authority, Louisville Metropolitan Housing Authority, and San Antonio Housing Authority.

NOTES: New rent policy: National, ($100 Minimum Rent, 28% of income). Lexington, KY ($150 Minimum Rent, 28% of income). Louisville, KY ($100 Minimum Rent, 28% of income). San Antonio, TX ($100 Minimum Rent, 28% of income). Washington, DC ($75 Minimum Rent, 28% of income).

Current rent policy: Lexington, KY ($150 Minimum Rent). San Antonio, TX ($50 Minimum Rent).

Family Share is the family's shelter cost (rent and utilities) contribution; this amount may be different than the Total Tenant Payment (TTP) if the family's shelter costs (gross rent) exceed the maximum amount that the housing authority will pay (payment standard) because the family is responsible for covering costs above what the housing authority will pay (payment standard).

[a]The estimate for “No Income” reflects information on all households for Louisville because data on whether a household is working-age or non-disabled were not available. All other estimates were calculated by taking the average of the Lexington housing agency and non-MTW national percent changes (for working-age/non-disabled households only).

paying a higher family share of shelter costs. (Again, however, these findings do not address how much their overall *net income* might improve if they increased their earnings over the course of the prior three years.)

Table 12 presents estimates of the amount by which family share will change for two subsets of households: those with two or more children and those with a child under the age of five. These households may be particularly affected by the loss of deductions for child care and dependents. While many of those households will see their family share fall under the new rent policy, most are likely to experience an increase. In the majority of cases, that increase will be $100 or less. If the new policy produces a modest employment impact, more of these larger families and families with young children will experience a larger increase in family share under the new rent policy compared with the traditional policy starting in Year 4, reflecting their higher incomes under the new policy. And, again, an increase in family share does not necessarily imply a reduction in net income.

VII. Launching the Alternative Rent Policy and Enrolling the Sample

MDRC, HUD, and planning teams from four sites joining the demonstration have worked together to determine the features of the alternative rent policy described in the previous sections of this paper. They have also begun developing site-specific strategies for obtaining approval for the plan and from housing agencies' boards, with input from local stakeholders. The MDRC and site planning teams are also working with the agencies and their software vendors to incorporate the alternative rent rules into their software systems and to design random assignment and enrollment procedures for building the sample. The goal is for the alternative rent policy to take effect for the evaluation's intervention group beginning in the fall of 2014.

- *Duration of the sample enrollment period*

The duration of the enrollment process will likely to vary across sites depending on the number of vouchers each administers. Larger agencies should be able to reach their sample goals more quickly than smaller agencies because they conduct a larger number of redetermination interviews (the point at which the new policy will begin for a household) each month. Overall, the goal is to complete the enrollment process in no more than one year at each site.

The MDRC team will provide technical assistance to each of the housing agencies to help train their staff on the alternative rent policy and on the procedures necessary for the evaluation. The MDRC team will also monitor the sites' experiences in implementing the new policy to help ensure that the new rules are being correctly applied, and that the differentiation in treatment between the intervention and control groups is maintained.

Rent Reform Demonstration

Table 12

All Non-MTW Housing Agencies:
Change in Monthly Family Share (FS) Under Alternative vs. Traditional Rent Policies, by Households with Selected Characteristics, Among Working-Age/Non-Disabled Households

	Year 1	Year 2	Year 3	(No Employment Impact) Year 4	(Modest Employment Impact) Year 4
Difference in FS under new vs. traditional policy among households with 2 or more children (%)					
Lower under new policy	16.8	37.6	44.0	24.5	22.9
0.01 - $50.00	16.6	16.7	13.9	17.7	16.2
$50.01-$100.00	0.2	6.7	7.9	2.0	2.0
$100.01-$200.00	0.0	7.2	10.0	2.1	2.1
More than $200	0.0	7.0	12.1	2.6	2.6
No change	1.0	0.5	0.4	0.8	0.3
Higher under new policy	82.2	61.9	55.6	74.7	76.8
0.01 - $50.00	68.6	46.7	32.6	61.4	34.7
$50.01-$100.00	10.2	11.2	11.4	8.8	6.3
$100.01-$200.00	2.9	3.3	6.9	3.3	16.6
More than $200	0.6	0.7	4.7	1.2	19.2
Difference in FS under new vs. traditional policy among households with a child under age 5 (%)					
Lower under new policy	21.6	37.8	42.0	24.0	22.9
0.01 - $50.00	21.2	17.7	14.7	15.6	14.6
$50.01-$100.00	0.4	6.2	7.1	2.4	2.4
$100.01-$200.00	0.0	7.0	9.1	2.8	2.8
More than $200	0.0	6.9	11.1	3.2	3.2
No change	1.2	0.7	0.5	0.9	0.3
Higher under new policy	77.3	61.6	57.5	75.1	76.7
0.01 - $50.00	64.0	46.4	35.5	58.9	37.2
$50.01-$100.00	10.3	11.3	11.4	10.8	8.2
$100.01-$200.00	2.5	3.2	6.4	4.0	14.7
More than $200	0.5	0.7	4.2	1.4	16.7

(continued)

Table 12 (continued)

SOURCE: MDRC calculations using data from the U.S. Department of Housing and Urban Development (HUD) Public and Indian Housing Information Center (PIC) Data.

NOTES: New rent policy: $100 minimum rent, 28% of income.

Family Share is the family's shelter cost (rent and utilities) contribution; this amount may be different than the Total Tenant Payment (TTP) if the family's shelter costs (gross rent) exceed the maximum amount that the housing authority will pay (payment standard) because the family is responsible for covering costs above what the housing authority will pay (payment standard).

For the estimate of a modest employment impact, this analysis makes a common economic assumption for how much employment will increase as take-home pay goes up. It assumes that for every additional dollar of earnings, every 1 percent increase in take-home pay under the new rent rules over and above take-home pay under traditional rules will yield a 1 percent increase in the tenant employment rate. For example, if the tenant employment rate is already 50 percent, a 10 percent increase in take-home pay (under new rules vs. traditional rules) would yield a 10 percent increase in employment, raising the employment rate from 50 percent to 55 percent (or .50 x 1.10=.55). This analysis does not take into account the possibility that the new rent policy may also increase work hours and earnings among tenants who are already working.

- *Duration of the policy and the control group "embargo" period*

Each housing agency will continue to offer the alternative rent policy to the randomly assigned "intervention" group, and it maintain its current rent policy for the "control" group for at least four years. It is critical for the intervention group to be exposed to the first full three-year extended recertification period and at least the beginning of the next three-year phase (starting in Year 4). This is necessary in order to assess the full effects of the first phase on households' employment, earnings, and other outcomes, and to determine whether any impacts on tenants' work and earnings are sustained after households' TTPs are reset (at the start of Year 4).

In addition, whether housing authorities achieve cumulative HAP savings will only be evident after households' TTPs are reset for the second phase; that is, after three years. Thus, the housing agencies should not enroll any control group households into the alternative rent policy for *at least* four years after they enter the study. (Of course, if it is feasible to operate the two policies for more than four years, and if outcome tracking for the evaluation could be continued, a more complete assessment of the alternative rent policy would be possible.)

Once the operational phase of the demonstration is completed, the participating housing agencies would have the option, with HUD approval, of continuing the alternative rent policy and extending it to members of the control group, or dropping the policy in favor of the traditional rent rules or another alternative.

- *The random assignment process*

Random assignment procedures will be used to allocate households to either the alternative or the traditional rent policy.[36] The MDRC team is working with each housing agency to tailor the random assignment and sample enrollment process to its particular rollout plans. Samples sizes will range from about 1,400 households to 2,000, depending on the site. (See Section VIII for a further discussion of sample sizes.) Eligible households will be randomly assigned to either the alternative rent policy or the traditional policy. That is, households will not be allowed to choose which of these policies will apply to them.[37]

[36] Although the intervention is different, MDRC's experience in working with housing agencies in many different cities to set up procedures to randomly assign thousands of HCV recipients in the NYC Work Rewards demonstration and the national FSS evaluation will directly inform our approach to random assignment and sample enrollment for the Rent Reform Demonstration.

[37] Under the portability option of the HCV program, households participating in the Rent Reform Demonstration and randomly assigned to the alternative rent policy would (like those in the control group) retain the right to move to a location that falls under the jurisdiction of a different housing agency that is not part of the demonstration. Those making that choice would become subject to the rent policies of the receiving housing agency. They will remain part of the evaluation, and the evaluation will measure how often such porting occurs.

Early design discussions weighed the tradeoffs of using a voluntary or mandatory enrollment process. It was determined that a voluntary process would create a substantial risk that households volunteering for the alternative policy would not adequately represent the larger population of eligible voucher holders to whom this policy is intended to apply. Conversely, certain types of households may be reluctant to sign up for the new policy. For example, larger single-parent households might fear the loss of the dependent allowances and child care deductions, and non-working households might worry about the minimum rent requirements. For that reason, the MDRC team proposed a mandatory enrollment process. This will help ensure that the evaluation includes a representative sample of working-age, non-disabled voucher holders, and that the findings from the evaluation are broadly generalizable to the qualifying populations of the participating housing agencies (i.e., that the evaluation has strong external validity). This will strengthen the assessment of the alternative rent policy as a possible national model.

MDRC's Institutional Review Board (IRB) and HUD have determined that obtaining tenants' informed consent to be in the evaluation is not required under certain exceptions to the federal Privacy Act, as long as safeguards are in place to protect research subjects' privacy. While tenants will not be asked for their informed consent to be in the research, procedures will be made for them to opt out of the research if they wish to do so – although they will not be permitted to opt out of their assignment to one or the other rent policy.

MDRC has begun developing a detailed enrollment strategy with the housing agencies. Although the process may vary somewhat across agencies, it will generally involve the following steps (see Figure 3):

1. Identify the pool of target voucher households who will be eligible for recertification during the study's enrollment period.[38]
2. Conduct batch random assignment, allocating tenants to the alternative or traditional rent policy in advance of their recertification interview.[39]
3. Distribute information about the demonstration, the evaluation, and random assignment status in recertification packets given to them prior to the meeting.[40]

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[38] As previously discussed, the housing agencies may also apply the alternative rent policy to elderly and disabled households. However, those households will not be part of the random assignment evaluation.

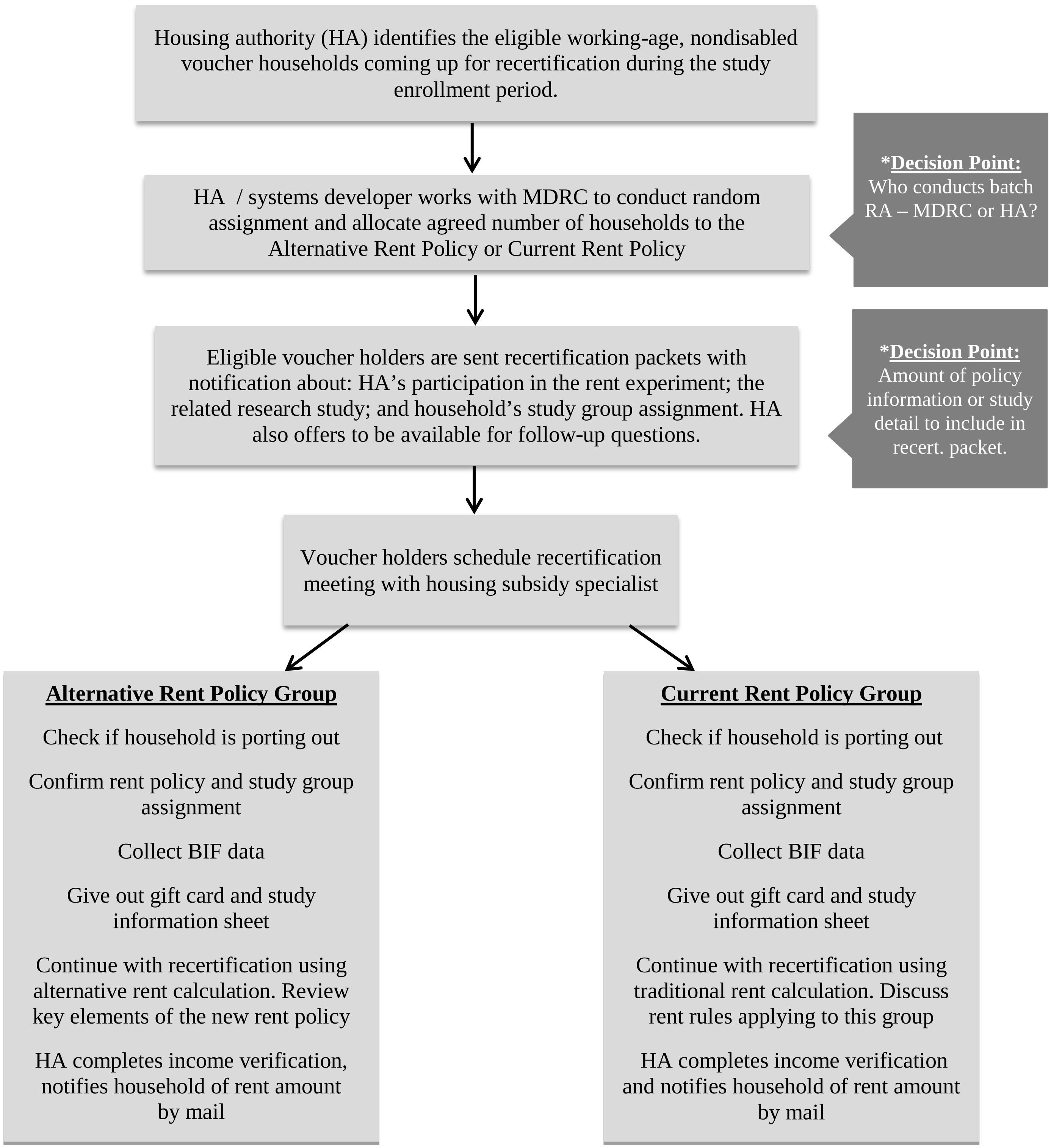
[39] Discussions with sites are being used to determine the feasibility of the housing agency conducting "batch" random assignment, our recommended approach, which would allow the housing authority to alert tenants of their rent status ahead of their recertification meeting. The advantage of this approach, which is different from the on-site random assignment approach used for Work Rewards or the national FSS evaluation, is that it reduces the time housing staff would spend conducting random assignment prior to the recertification interview, which is considered to be long. Further, if sites agree on the batch random assignment approach, MDRC will determine whether it is best for the site or for MDRC to execute the batch procedure.

[40] The MDRC team will help the housing agencies develop these communication materials and train their staff to use them.

Rent Reform Demonstration

Figure 3

Enrolling Voucher Households into the Rent Reform Demonstration
<u>(Preferred Approach)</u>



4. Verify port-out status (this is likely to happen when tenants come in for recertification, but the extent to which this can be known in advance of random assignment, such tenants would be excluded from the eligible target pool for the demonstration).
5. Use MDRC's web-based system to collect baseline information.
6. Offer gift cards and the evaluation information sheet (which will include opt-out information) to all sample members in the intervention and control groups.
7. Conduct the recertification interview and review rent policy.
8. Complete income verification and confirm the new rent amount (this final confirmation will be mailed to families at least 30 days in advance of the recertification anniversary).[41]

The size of the eligible pool of voucher holders will affect the pace at which the housing agency is able to complete sample enrollment.

The Data Collection and Analysis Plan (DCAP) for the Rent Reform Demonstration will describe the final decisions reached with the housing authorities and HUD on the random assignment process and other sample enrollment issues.

VIII. Proposed Evaluation Plan

This section describes a plan for a comprehensive evaluation of the alternative rent policy, which HUD intends to fund through future task orders. That evaluation will include a careful assessment of the implementation, impacts, and benefit-cost results of the new policy. It will examine results from the perspectives of both the housing agencies and voucher holders. (See Table 13 for a summary of evaluation topics).

From the perspective of housing agencies (as well as HUD and policymakers), one of the primary goals of rent reform is to reduce the burden and costs incurred in administering the rental subsidy system. The evaluation will thus assess to what extent the alternative rent model actually simplifies the administration of rent subsidies, and does so without placing undue shelter cost burdens on households. Simplification may result in administrative cost savings that could potentially help housing agencies stretch their budgets to serve more tenants in need of housing assistance than the number they could serve under the traditional rent policy. Housing agencies may also achieve savings in average HAP expenditures per voucher holder, although (as previously discussed) any such savings are likely to occur after the initial three-year recertification ends and probably only if tenants' earnings are increased by the new policy.

For tenants, the critical evaluation question is whether the alternative rent model increases their labor force participation and income, reduces their reliance on housing subsidies, and, in general,

[41] The minimum advance notice period may vary across housing authorities.

Rent Reform Demonstration

Table 13

Evaluation Topics by Task Order

TOPIC	DATA SOURCE AND TIMING	
Housing Agency s perspective	**Task Order 1**	**Future Task Order**
Changes in types and levels of staff burden in calculating rents and administering the simplified utility policy	Ongoing TA observations and monitoring; staff interviews	Implementation research Time study HA records
Changes in the number and time required to process interim recertifications, lease changes, and household composition changes		Implementation research HA records Time study
Changes in the number of hardship cases and staff time and effort to administer the new hardship policy		Implementation research Time study
Changes in error rates, disputes over rents, IG investigations, etc.		Implementation research HA and HUD records
PHA administrative costs/savings due to alternative policies		Cost-analysis data
Changes in tenant lease-up rates and port-outs		HA records and administrative data
Changes in tenant turnover rates, reasons for exiting the voucher system		HUD 50058 Tenant survey
Changes in HAP expenditures		HA administrative data
Staff efforts to explain and market the work incentive offered by the new policy	Ongoing TA observations and monitoring; staff interviews	Implementation research HA records
Staff perspectives on the new policy and views of its pros and cons; perceived changes in relationships with tenants	Ongoing TA observations and monitoring; staff interviews	Implementation research

(continued)

Table 13 (continued)

Households' perspective	Task Order 1	Future Task Order
Understanding, knowledge, awareness of rent reform; perceptions of and relationship with PHA	In-depth interviews / focus groups with tenants	Ongoing in-depth interviews / focus groups with tenants Tenant survey
Changes in household composition and structure		HUD 50058 Tenant survey
Changes in employment and earnings		UI data
Changes in job characteristics		Tenant survey
Changes in household income and use of income supports		Tenant survey HUD 50058 TANF, SNAP, and Medicaid data
Changes in assets and financial behaviors		Tenant survey HUD 50058 Credit scores
Changes in rent burden, rent arrears, evictions, and housing stability		Tenant survey HUD 50058
Changes residential mobility patterns, neighborhood conditions and safety, and housing quality		Tenant survey HUD 50058 Neighborhood data
Changes in health outcomes		Tenant survey Medicaid
Changes in material hardship and homelessness		Tenant survey
Changes in child outcomes		Tenant survey SABINS administrative data
Counterfactual service context	Field research; site selection data	Interviews with PHA staff; PHA data on self-sufficiency initiative participation (where appropriate); and the tenant survey

helps them become more self-sufficient. A related issue is whether it can achieve these goals while protecting those who cannot increase their work effort from financial harm and material hardship.

The discussion of research issues and questions presented below begins with a focus on the housing agencies and then turns attention to voucher holders. The paper then presents the sample sizes expected for the housing agencies in the study and discusses the adequacy of those sample sizes for producing statistically meaningful impact estimates.

A. Research questions concerning housing authorities

The evaluation will examine housing agencies' administration of the alternative rent policy and the effects of the new model on their operations and costs, in comparison with the traditional rent policy.

- **Document the alternative rent model *as implemented* in practice**

It is essential in any complete evaluation to assess how well the administering agencies have conducted and implemented the intervention model being tested. All housing agencies participating in the Rent Reform Demonstration will implement the core features of the alternative rent model, but the agencies may differ in the specification of some of those features, such as the level of the minimum TTP. Moreover, the agencies' operating experiences may vary, given differences in their administrative systems, organizational capacities, and local housing market contexts. Consequently, it will be important to compare the experiences of the housing agencies across locations and over time.

Three types of data will shed light on how the new rent policy is operationalized in each agency: (1) a time study (to be proposed as part of a future task order) to measure how long it takes housing agency staff, on average, to calculate TTPs and subsidy amounts under the new rent policy compared with the current policy; (2) observations from ongoing technical assistance monitoring efforts that will begin as part of Task Order 1; and (3) structured implementation research to be conducted as part of future task orders. The implementation research will provide a clear description and analysis of the methods each authority uses to operationalize the features of the new policy, and staff perspectives on the functioning of those features. In addition, the evaluation will document staff and agency efforts to help tenants understand how the new system creates a stronger financial incentive for them to increase their earnings, and whether staff and tenants find the new system to be more transparent and easier to comprehend.

Data collected through these methods—which combine direct observations, interviews, and quantitative, standardized measurement—would be used to document staff efforts involved in operating the alternative rent system and how these compare with staff efforts to operate the traditional rent system. For example, the research will measure changes in staff time and burden in verifying households' income and computing TTP amounts, utilities allowances, and UAPs; the frequency and time required to conduct interim recertifications and to process lease changes and changes in household composition; the frequency with which tenants seek hardship remedies and appeal hardship decisions; and the staff time and effort involved in administering the hardship policy and the particular remedies they most frequently apply. The research will also document notable changes in data management systems and software required to support the new policy.

It is hypothesized that a simplified system will also lead to a reduction in error rates in computing TTP and subsidy amounts (including in the calculation of utility allowances), disputes with tenants over subsidy amounts, and the frequency and complexity of Inspector General (IG) investigations. The evaluation will assess whether the alternative policy yields such changes.

This documentation will begin under Task Order 1, using observations from the technical assistance efforts to help housing agencies implement the new policies and set up random assignment. Future data collection efforts will generate necessary and richer data for systematic comparisons of site implementation experiences and practices.

- **Administrative reforms and housing authority administrative cost savings**

If the alternative rent policy reduces staff time and effort required for meeting with tenants, calculating household TTP, and operating other aspects of the rent policy, housing agency administrative costs should be reduced. The cost analysis will estimate fully loaded labor costs and relevant direct costs associated with these and other activities entailed in operating the rent system and compare them the costs of operating the existing rent system (measured in similar ways and over the same time period) to determine the net cost or savings attributable to the alternative rent policy. It is of course understood that start-up costs can be higher than those achieved after routinized systems are established.

- **Measuring effects on tenant turnover, subsidy levels, and HAP expenditures**

The alternative rent policy is intended to reduce the duration of voucher receipt and/or the average subsidy amount per household by motivating tenants (primarily through the incentive created by the delayed recertification period) to increase their employment and earnings. If the new policy does reduce reliance on housing subsidies, that effect is unlikely to occur during the three-year extended recertification period, unless tenants exit the subsidy system within that period. Because increases in tenants' earnings will not increase their TTPs, any savings in HAP expenditures are unlikely to occur until after the next triennial recertification (Year 4). At that point, tenants who have increased their earnings will have their TTPs reset at higher levels, providing a way for housing agencies to recoup the extra HAP expenditures they are likely to make during the prior period by not increasing TTPs in the face of income gains. It is also possible that by Year 4, a higher proportion of tenants may earn their way off the voucher program under the new rent policy than would normally do so under the traditional policy, further contributing to HAP savings.

It is also possible, of course, that the new policy will have little or no impact on tenants' earnings. Tenants who do work during the three-year period before their next recertification interview might have done so anyway; they would enjoy a "windfall" to their income under the alternative rent policy. This may help improve their family's standard of living, but the housing agency would forego and not recoup subsidy reductions that it would have otherwise achieved under traditional rules (until the next recertification). The minimum rent and elimination of deductions and allowances are intended to counter these losses to some extent.

The modeling exercises presented earlier in this paper suggest if the alternative policy has positive impacts on household employment outcomes, *cumulative* HAP expenditures might be no higher than they would be under the sites' current rules (thus breaking even). The evaluation will measure the *actual* patterns of effects on HAP expenditures – year-by-year and cumulatively. In addition, it will try to understand the factors driving these patterns, such as by exploring how any impacts on employment and earnings may affect vouchers' duration of voucher receipt, subsidy amounts, and reasons for exiting the voucher system. It will also explore the possible influence of minimum rents, hardship remedies, and patterns of interim recertifications on patterns of subsidy receipt.

- **Understanding how housing agencies use any administrative or HAP savings**

If housing agencies do achieve administrative and HAP savings, what will they do with those extra resources? They may use the money to increase the number of vouchers they make available, or to minimize a reduction in vouchers they might otherwise need to enact in the face of future federal funding reductions in the voucher program. Or they may use the extra resources to accomplish some other goals in administering their housing programs. The implementation research will explore how the agencies use such savings through interviews with agency staff and examination of pertinent fiscal and administrative documents.

- **Effects on landlord responses to the minimum rent-to-owner policy**

The alternative rent model's requirement that all households (unless granted a hardship exemption) pay some portion of the contract rent directly to the landlord will increase the number of households with a direct financial relationship with their landlords. If these households have difficulty paying their portion of the rent, and doing so on time, the burden on landlords to collect that rent will increase. If problems collecting rent from tenants become sufficiently frequent, they could lead to an increase in eviction proceedings, or increase the number of owners who withdraw from the rent subsidy system. Alternatively, some landlords may ignore the unpaid tenant portions of the contract rent, and simply live with the HAP they receive from the housing agency.

The evaluation will examine the extent to which households actually have difficulty meeting their obligations to the landlords, and how landlords respond. If the problem is common enough, according to agency information, efforts will be made to understand tenants' perspectives and owners' responses more fully through interviews with tenants and landlords.

- **Effects on tenants' housing-related hardships and use of the hardship system**

The alternative rent policy will likely increase the rent burden experienced by some households while reducing it for others, relative to the traditional policy. In particular, households at the lower-end of the income distribution, those with larger families, and those who experience a substantial drop in income over time may have the most difficulty affording the higher minimum TTP, putting them at increased risk of eviction or having their utilities shut off. The hardship remedies are intended to offer protection in those circumstances.

Other households may find that it is easier to meet their shelter expenses under the new policy, particularly if the new policy leads them to increase their earnings over time. The extended recertification period, which can hold their TTP levels constant for up to three years, may help many households increase their disposable income, thus reducing their risk of falling into rent arrears and making it easier for them to pay their full utilities bills. Overall, the proportion of tenants likely to experience a large increases in their share of rent payments and utility payments under the alternative policy (relative to traditional rent rules) during the three-year recertification period is expected to be small, and the interim recertification and hardship policies are intended to mitigate exceptional rent burdens. TTPs are expected to increase after the triennial recertification, reflecting increases in household income in the prior period, so it will be important, also, to assess changes in patterns of hardship after that recertification.

If the alternative rent policy leads to a sizeable number of hardship cases, increasing housing agencies' administrative burden, the agencies' administrative cost savings from the new policy will be attenuated. As described below, the evaluation will assess the new policy's impacts on housing cost-related hardships and on the relative number of hardship cases. It will also assess cost associated with administering the hardship policy established as part of the alternative rent model.

- **Effects on housing agencies' ability to serve more eligible families, and on the types of households it serves**

A core assumption behind the Rent Reform Demonstration is that, over time, if the alternative rent policy causes tenants' earnings to grow substantially and average household subsidy levels to fall, and if it hastens exits from the voucher system, then housing agencies would, in theory, be able to provide subsidies to a larger share of the eligible household population relative to the traditional policy. As discussed previously, the evaluation will examine how housing agencies actually use savings they achieve under the new rent policy.

It is possible that the change in rent rules could, over time, change the *composition of the voucher population*. For example, in the face of a higher minimum TTP, perhaps fewer very-low-income families who need deeper subsidies will *apply* for vouchers out of fear that they could not afford the TTP. They might stay living doubled-up with relatives or friends or in shelters. If this occurs, it might feed a gradual shift in the stock of voucher holders toward households with somewhat higher average incomes, thus reducing the average subsidy level. Housing agencies would be able to serve more households, but they may be likely to serve fewer households meeting "worst case housing needs." A critical task for the evaluation will be to learn whether and, if so, to what extent, such a shift in composition occurs as a direct result of the demonstration.

- **Assessing administrative efficiencies with an eye toward "scaling-up"**

For any demonstration project, there is a concern that the ways of operating a program or policy as a special research initiative may not mirror the ways it would operate as full-scale policy. In the rent reform demonstration, the housing agencies will be required to operate *dual* rent systems – the traditional income-based system plus an alternative system. At the very least, this means that the agencies will not be able to achieve the same efficiencies and economies of scale with the dual system as they could if the new policy were operated at full-scale for all voucher holders.

Although it is not possible to avoid this problem in the context of the demonstration, the longer-term implementation evaluation will assess whether further operational efficiencies could be achieved if the rent policy were implemented for all HCV households, not just those in the research study's intervention group. For example, it would look for ways in which everything from tenant engagement, staff deployment, and information systems could be modified or consolidated.

B. Research questions concerning voucher holders

An important goal of rent reform is to promote an increase in households' employment, earnings, and self-sufficiency, and improve various quality-of-life outcomes. The evaluation will assess whether these goals are achieved. It will focus on the following types of issues:

- **Assessing voucher holders' understanding of rent reform incentives**

Whether and how rent reform influences voucher holders' behavior depends in part on what tenants actually understand about the alternative rent rules. As part of Task Order 1, the MDRC team will make a *preliminary* assessment of voucher recipients' understanding of these rules by conducting a small number of in-depth interviews with tenants – approximately 15 per site, largely in the form of focus groups. These interviews will be conducted as part of our technical assistance work and will help us provide instructive formative feedback to the housing agencies on their communication strategies.

The interviews will also provide insights into how well tenants have understood the features of the alternative model, whether they believe it is a fairer, more incentivizing, and transparent policy. Most importantly we will learn how well they understand its built-in incentives for them to increase their earnings, and, in general, which features of the new model they like more than the existing policy, and which features they like less.

These interviews will complement staff interviews, where front-line housing agency workers will be asked their views on how well tenants seem to understand the new rent policies, what aspects of those policies are most difficult to communicate effectively, the ways in which the new policy is easier than existing rules for staff and tenants to understand, and how staff communicate with tenants about the enhanced work incentives under the alternative policy.

Looking beyond Task Order 1, more systematic research on this topic would be a valuable component of the longer-term evaluation. Tenants' understanding of the alternative model and how it is intended to reward work will inform their employment and housing choices. Using qualitative research methods, the evaluation will explore whether tenants understand the new rules, believe that extra work is rewarded, understand the new interim recertification and hardship policies, and understand and respond well to the simplified utilities policy. Special questions will also be included in the tenant survey (described below) to allow for a quantitative assessment of tenants' understandings and concerns.

- **Comprehensive measurement of impacts on tenant outcomes**

The most central part of the evaluation is a comprehensive impact evaluation that will assess the effects of the alternative rent policy on tenants' lives and outcomes. These can be organized into eight clusters. HUD's future task orders and funding will of course determine the actual scope of data collection and outcomes to be measured.

Household Composition and Structure: One potential effect of rent reforms might be modest to more substantial changes in the reported composition of the participating households. To explore effects on household composition and structure, the analysis would rely on information collected about all household members, including names, ages, income, gender, employment status (if appropriate), and relationship to the head of household through the tenant surveys and the 50058 form. It is recognized that there are multiple influences upon household composition of which housing rules are only one.

Work behaviors: One of the most important data sets that has been used to measure economic impacts upon families' lives are official unemployment insurance records. Unemployment Insurance wage records and tenant surveys will include information on employment, earnings, job characteristics, and work search behaviors. Also, linking survey and UI administrative data to housing authority data (HUD 50058) would provide an important basis for assessing underreporting of employment and earnings, the main source of underreported income.[42]

Income, assets, finances, and rent burden: If rent reform increases tenants' disposable income, it may help them accumulate assets and change their pattern of dependence upon or need for welfare and housing aid relative to the control group. Survey data are an essential source of information to assess the effects of the new policy on household finances and financial behaviors, including savings and debt reduction. Data on income combined with housing authority and survey data on tenant rent and utilities payments would be used to construct measures of rent burden. The study could also explore the feasibility of collecting credit scores. If the rent policies help increase household income, fewer tenants may fall into rent arrears or other forms of debt that would hurt their credit scores, which, in turn, could contribute to other financial disadvantages. If funding permits, a household expenditure study could be designed to measure the effects of rent reform and rent burden.

[42] In compliance with confidentiality promises made to tenants, the MDRC team will not share individually identifiable information about households obtained through surveys or from non-housing administrative records with the participating housing agencies or HUD.

Health, material hardship, homelessness, and family well-being: The evaluation would use well-tested survey items drawn from other rigorous studies, including several major HUD funded housing experiments, to measure the effects of rent reform on residents' receipt of medical and dental services and overall health and specific health conditions. All of these may be affected by changes in residents' income and by potential changes in their housing and neighborhood contexts. These factors may include mental health outcomes, such as depression. Increases in disposable income due to rent reform, may, hypothetically, also produce reductions in material hardships, including housing-related hardships such as disconnection of phone and utilities, or reductions in food insufficiency. The study will also attempt to measure effects on the likelihood of voucher holders becoming homeless.

Neighborhood conditions and safety, and housing quality: Rent reform may potentially affect the types of housing and neighborhoods in which voucher holders live. For example, tenants who are able to increase their earnings would benefit from more disposable income during the three years before their next recertification period, and they may seek better accommodations in "better" neighborhoods.

To determine whether the alternative rent model affects residential choices, the tenant survey would include items on resident perceptions of social and physical disorder, violent crime, fear of crime, and victimization, as these have been shown in prior HUD research to be of importance to tenants. In addition, as part of a neighborhood quality assessment, it could include items on perceptions of access to and adequacy of a range of different types of neighborhood services including schools and health care programs.

Aggregate data on neighborhood conditions, such as from the Urban Institute's National Neighborhood Indicators Project (NNIP) and the American Community Survey, linked to the tenant survey, could be used to examine dimensions of neighborhood quality and context, as well as changes over time. PIC data would provide information on voucher holders' residential addresses and moves. With administrative data, it would be possible to examine such outcomes as the presence of other subsidized tenants and units in the neighborhoods, levels of public assistance receipt, foreclosure rates, crime rates (where available), and test scores and student poverty levels at the elementary school for which tract residents are zoned. (We would work with NYU Furman Center to use their methodology to identify the nearest elementary school and describe the characteristics and performance of its students.)

Other income transfer benefits: Depending on the evaluation resources, HUD may want to consider collecting TANF, SNAP, and Medicaid data, since changes in the receipt of these public benefits may flow from any impacts that rent reform has on tenants' earnings. If so, it would be important to capture these effects to understand the alternative rent policy's effects on other indicators' of family self-sufficiency. In addition, these data would be important to the proposed cost-benefit analysis.

Child outcomes: Rent reform's effects on family income and neighborhood and housing conditions may, in turn, affect child outcomes. Through the tenant surveys, it would be possible to ask respondents about the children in the household, using items used in studies of child-wellbeing, including social behaviors, school engagement, school performance, and health. In addition, using administrative data and a methodology developed by NYU's Furman Center, we could link each household to zoned elementary schools to assess whether any location effects caused by the intervention result in children being more likely or less likely to attend higher-performing schools. Of course, it would be important to assess first whether any observed impacts on households' residential location outcomes and income are likely to be large enough to expect effects on school or other child outcomes that are worth trying to measure.

Voucher use: Using the HUD 50058 data and survey information, the study would examine the effects of alternative rent strategies on the duration of voucher receipt.

Knowledge and perceptions of rent rules: The tenant surveys would be used to collect quantifiable data on voucher recipients' perceptions, understanding, and awareness of the rent rules, and their attitudes concerning the fairness and transparency of the rent setting process and hardship protections.

C. The counterfactual: Current rent policies in the participating housing agencies

The current or existing rent policy at each of the participating sites will serve as the counterfactual (the control group condition or benchmark) against which the alternative rent policy will be assessed. In most demonstration sites, the counterfactual will largely reflect HUD's traditional rent policy operated by non-MTW agencies across the country. But some differences will exist, and their implications must be assessed.

As described elsewhere in this paper, Washington, DC, has already instituted a biennial recertification policy according to which a working-age/non-disabled household that increases its anticipated income by no more than $10,000 per year after its prior recertification will not have its TTP recalculated until its next biennial recertification. A household with an income gain exceeding that threshold will have its TTP adjusted before the next biennial. The San Antonio Housing Authority already has a $50 minimum rent, and the Lexington agency has already introduced a $150 minimum rent. Thus, the precise nature of counterfactual will differ to some extent across housing agencies. The evaluation's implementation research will describe the housing authorities' experiences in operating these policies for the study's control group, and may include interviews with control group members to assess how well they understand those policies and how they respond to them, which may be relevant to interpreting the evaluation's impact findings.

D. Service context and other local conditions

The demonstration sites may differ in some aspects of their local context that are unrelated to rent policies but that may influence the effects of the alternative rent policy. For example, in some locations, members of the intervention group and the control group might have greater access to employment-related services than do voucher holders in other cities. This could occur simply because some housing authorities are located in "service-rich" environments, while others are located in areas with service deficits. In theory, it is possible that the alternative rent policy, which creates a stronger financial incentive to work, will be more effective in a service-rich community because tenants who are inspired by the enhanced incentives to work may have more opportunity to get help acting on that increased interest in work, such as through job search or training programs. Perhaps the enhanced incentives in the absence of such assistance will make it less likely that tenants will succeed in translating their heightened interest in work into concrete steps to help them pursue new opportunities.

It is also possible that the alternative rent policy will have larger impacts where jobs are more plentiful and, possibly, where affordable rental housing is more available. For example, tenants may be more willing to *act on* the incentives if they are more optimistic about being able to find a job (because of a stronger job market), and if they are less fearful about finding affordable housing if they earn their way off their housing subsidies.

Ideally, local context will not matter, and the alternative rent policy would produce its hoped-for beneficial effects across very diverse conditions. However, if results vary by site, it will be important to consider whether local context might be part of the reason. Although it may not be possible to answer this question definitively with so few sites in the study, it may be possible to observe patterns across sites that offer suggestive insights.

The MDRC team would begin to address this complex issue as part of its implementation research, drawing on information obtained during the site selection process and site visits conducted part of Task Order 1; through later interviews with housing authority staff; and through the tenant survey, which would ask control group and intervention group respondents about the extent to which they participated in relevant work-related services.

E. Methodology for measuring site-specific, pooled, and subgroup impacts

The power of the experimental research design will come from the fact that, with an adequate sample size, random assignment ensures that the intervention and control groups will be similar in terms of the distribution of observed and unobserved baseline and pre-baseline characteristics. Thus, post-baseline differences between the two groups can be interpreted as effects of the intervention. (The next section addresses issues of sample size and statistical power.)

The basic estimation strategy used here is quite analogous to the methodology MDRC and other social science researchers have used in social experiments over the last few decades to generate credible results. The analysis will compare average outcomes for the intervention and control groups, and will use regression adjustments to increase the precision of the statistical estimates that are performed. In making these adjustments, an outcome, such as "employed" or "moved" is regressed on an indicator for intervention group status and a range of other background characteristics. The following basic impact model would be used:

$$Y_i = \alpha + \beta P_i + \delta X_i + \varepsilon_i$$

where: Y_j = the outcome measure for sample member i; P_i = one for program (or intervention) group members and zero for control group members; X_i = a set of background characteristics for sample member i; ε_i = a random error term for sample member i; β= the estimate of the impact of the program on the average value of the outcome; α=the intercept of the regression; and δ = the set of regression coefficients for the background characteristics.

A linear regression framework or a more complex set of methods could be used, depending on the nature of the dependent variable and the type of issues being addressed. For example, logistic regressions could be used for binary outcomes (e.g., employed or not); Poisson or Negative Binomial regressions could be used for outcomes that take on only a few values (e.g., months of employment); and quantile regressions could be used to examine the distribution of outcomes for continuous outcomes.

Multiple measures. As Table 13 indicates, the full evaluation will examine many outcomes across a number of domains. When multiple outcomes are examined, the probability of finding statistically significant effects increases, even when the intervention has no effect. For example, if 10 outcomes are examined in a study of an ineffective treatment, it is likely that one of them will be statistically significant at the 10 percent level only by chance. While the statistical community has not reached consensus on the appropriate method of correcting for this problem, we would address it by identifying a set of primary outcomes versus secondary outcomes and give priority to statistically significant findings that are part of a pattern over those that appear to be isolated statistically significant effects.

Site-specific and pooled impacts. The impact analysis will estimate the effects of the alternative rent model for each site separately and for all sites combined. As discussed later, the expected sample size at each housing authority should provide adequate statistical power for producing policy-relevant site-specific impact estimates. Site-specific estimates will allow the analysis to test the "robustness" of the alternative rent model; that is, each site will provide a type of independent replication test. If the results show that the model's impacts are positive and consistent across these locations, it would provide evidence that the model can succeed under a variety of locations and for different types of tenants. Alternatively, if large and statistically significant variations in sites' impacts emerge, it will be important to try to understand what local conditions and/or implementation factors may be generating that variation in the model's effectiveness. Even though it would be impossible to identify those causes definitely, it may be possible to generate empirically grounded hypotheses about the possible causes, and to rule out certain explanations.

The impact analysis will also pool the housing agency samples to produce impact estimates for all sites combined. Pooling would increase precision of impact estimates, which becomes especially relevant when estimating effects for subgroups of the full sample. The Washington, DC, site may be excluded from the pooled estimates because its biennial recertification policy differs importantly from the annual policy that the control group will face in each of the other sites, and also because it differs from current national policy. However, a final decision will depend on how many households appear to be affected by that policy's $10,000 threshold and on the control group's understanding of biennial policy.

Subgroup impact estimates. Both theory and findings from other evaluations of similar programs (e.g., those that tested work incentives for low-income populations and for voucher recipients in particular), suggest that changes to the rent structure may have different effects for different types of families. For example, the alternative rent model may have larger effects on tenants who are not employed at the time of their recertification interview, or working part time, since it is often easier for individuals to increase their hours in work than for those already working to advance to higher-wage jobs. The new policy may also have different effects depending on a tenant's barriers to work or preparation to work.

The evaluation will thus investigate whether changes in the rent structure have more pronounced or different effects for particular subgroups. Subgroup impacts can be calculated in several ways, and prior to the impact analysis, the evaluation team will finalize the method and prioritize the subgroups that are "confirmatory" and the remainder that are "exploratory."

The confirmatory subgroups will be specified in advance, in order to avoid the potential for data mining and the problem of multiple comparisons. Subgroups can be chosen as confirmatory because prior theory suggests program differences by a subgroup dimension, because differences in impacts by a given dimension have been found in prior evaluations, or because a given subgroup is of great policy interest. As part of the Task Order 1 design work, we will work with HUD to define the subgroups of interest, using data collected from the BIF and 50058 form and/or administrative records data.

6. Sample sizes and minimum detectible effects

HUD's evaluation RFP called for a total sample size of 4,000 families, with 800 in each housing agency, divided equally between the new rent policy group and the control groups. Sample size is important because it determines how large program impacts may need to be in order to be detected with statistical precision. Although the evaluation is likely to include only four sites, all of them have committed to providing a larger sample than the minimum sample specified in the RFP. Three sites will aim to provide a total of 2,000 households, and one site will aim to provide 1,400, for a total of 7,400 households.

Table 14 shows the minimum sample sizes required for each site and the sample sizes they have pledged to contribute to the study. It also shows the Minimum Detectable Effects (MDEs) associated with those sample sizes for selected outcomes: employment, earnings, and housing-related hardship. It shows that if a site had a sample size of only 400 intervention group members and 400 control group members, impacts on employment would have to be at least 8.35 percentage points in order to be statistically significant, and earnings impacts would have to be at least $1,186 (or 16.9 percent higher than the control group's earnings). Impacts on the likelihood of experiencing a housing-related hardship would have to be nearly 7 percentage points to be statistically significant.

In a large site with 1,000 households in each research group, MDEs would drop. For example, a $753 impact on earnings (a gain of almost 11 percent over the control group's earnings) would be statistically significant. Our pooled pledged sample (including Washington, DC) of 3,700 would drop the earnings MDE to $391 (or 5.6 percent).

Table 15, drawn from MDRC's original proposal in response to the RFP for the demonstration, presents a more general set of estimates of MDEs relevant to subgroup and survey analyses as well as minimum site-specific analyses. For these estimates, it was assumed that survey data would be collected on a subset of the full minimum sample in each site. The table assumes that the survey sample would have a total 320 households per site in each research group (i.e., per program group or control group), and that a subgroup would include only 160 in each research

Rent Reform Demonstration

Table 14

Sample Sizes and Minimum Detectable Effects (MDEs)

Sample size: N = Per **control** or **program** group, assuming equal size

Assumptions: Control group levels are assumed to be: 44 percent for employment, 20 percent for housing hardship, $7,000 for mean annual earnings, and $7,100 for the standard deviation of annual earnings. MDE calculation for 2-tailed test at 10% significance and 80% statistical power. Calculations assume that the R-squared for each impact equation is .10. Assumes an 80 percent response rate to the follow-up surveys (for housing hardship).

A. MDEs for Employment

Site	Lower-Bound			Pledged		
	N	Percentage Points	% Chg	N	Percentage Points	% Chg
Lexington, KY	400	8.35	18.9	700	6.3	14.3
Louisville, KY	400	8.35	18.9	1,000	5.3	12.0
San Antonio, TX	400	8.35	18.9	1,000	5.3	12.0
Washington, DC	400	8.35	18.9	1,000	5.3	12.0
Pooled, with DC	**1,600**	**4.15**	**9.4**	**3,700**	**2.75**	**6.3**
Pooled, without DC[1]	**1,200**	**4.80**	**10.9**	**2,700**	**3.20**	**7.2**

B. MDEs for Annual Earnings

Site	Lower-Bound			Pledged		
	N	Dollars	% Chg	N	Dollars	% Chg
Lexington, KY	400	$1,186	16.9	700	$895	12.8
Louisville, KY	400	$1,186	16.9	1,000	$753	10.8
San Antonio, TX	400	$1,186	16.9	1,000	$753	10.8
Washington, DC	400	$1,186	16.9	1,000	$753	10.8
Pooled, with DC	**1,600**	**$589**	**8.4**	**3,700**	**$391**	**5.6**
Pooled, without DC[1]	**1,200**	**$682**	**9.7**	**2,700**	**$448**	**6.4**

C. MDEs for Housing Hardship

Site	Lower-Bound			Pledged		
	N	Percentage Points	% Chg	N	Percentage Points	% Chg
Lexington, KY	400	6.68	33.4	700	5.04	25.2
Louisville, KY	400	6.68	33.4	1,000	4.24	21.2
San Antonio, TX	400	6.68	33.4	1,000	4.24	21.2
Washington, DC	400	6.68	33.4	1,000	4.24	21.2
Pooled, with DC	**1,600**	**3.32**	**16.6**	**3,700**	**2.20**	**11.0**
Pooled, without DC[1]	**1,200**	**3.84**	**19.2**	**2,700**	**2.56**	**12.8**

NOTE: [1]An assessment of the implementation and the control group's understanding of DC's biennial recertification policy will determine whether the impact analysis will include DC in the pooled results.

Rent Reform Demonstration

Table 15

Estimated Minimum Detectable Effects (MDEs) for Selected Sample Sizes

	Employed During Year (Percentage Points)	Family Experienced Housing Hardship (Percentage Points)	Annual Earnings
Site-specific estimates (n=400)			
Full sample (400)	8.35		$1,186
Subgroup (200)	11.7		$1,675
Survey sample (320)	9.3	7.5	$1,324
Subgroup (160)	13.1	10.5	$1,872
Pooled estimates (n=2,000)			
Full sample (2,000)	3.7		$530
Subgroup (1,000)	5.3		$753
Survey sample (1,600)	4.15	3.32	$589
Subgroup (800)	5.9	4.7	$837

NOTES: Sample size: N = Per control or program group, assuming equal size.

Control group levels are assumed to be: 44 percent for employment, 20 percent for housing hardship, $7,000 for mean annual earnings, and $7,100 for the standard deviation of annual earnings. MDE calculation for 2-tailed test at 10% significance and 80% statistical power. Calculations assume that the R-squared for each impact equation is .10. Assumes an 80 percent response rate to the follow-up surveys (for housing hardship).

group. For subgroups of that size, the MDEs would be 13.1 percentage points for employment, 10.5 percent for the likelihood of experiencing a housing hardship, and $1,872 for earnings. These MDEs will decrease if it is possible to conduct the survey with a larger number of tenants.

VIII. Baseline Data Collection and Analysis Plan

The baseline data collection and analysis will focus on generating information that would be particularly important for ensuring the proper implementation of the random assignment design, and for providing formative feedback to the housing authorities on their early implementation of rent reform models (see Table 16 for a summary). MDRC will prepare a baseline report that describes the launch of the new rent rules, the sites' experiences in enrolling the sample, and the characteristics of that the sample—overall and by site.

A. **Data collection**

The MDRC team will collect baseline characteristics as part of Task Order 1, and lay the groundwork during that period to collect other data under future task orders. The companion DCAP will describe in more detail MDRC's plans for collecting and processing the types of data described below.

1. HUD PIC data / 50058 data

MDRC will collect PIC data recorded from HUD 50058 forms directly from the housing agencies as part of Task Order 1. All voucher households enrolled in the study will complete or update a 50058 form as part of their initial or redetermination interview at the beginning of the study. Where possible, we will use 50058 data from 1-3 years prior to random assignment to supplement data collected at random assignment and to describe voucher household characteristics, including family structure, current employment, family assets and income sources and amounts, and receipt of public assistance, as well as their monthly rent to owner, total tenant portion (TTP) and housing assistance payment (HAP) information. Data from later extracts will be used to track changes in tenants' reported income, rent to owner, TTP, HAP, and receipt of vouchers over the course of the follow-up period.

2. Baseline characteristics (Background Information Form, or BIF)

A baseline information form, or BIF, would be administered at the time families meet with housing authority staff for their initial or redetermination interview to have their TTP set, according to either the new rent policy (the intervention group) or the existing policy (the control group). As previously discussed, random assignment to the intervention or control groups will occur prior to these interviews. The BIF will be designed to yield detailed information on the

Rent Reform Demonstration

Table 16

Data Collection and Analysis for Task Order 1

Analyses	Data
Documenting PHA's strategies and early experiences implementing rent reform (formative feedback).	On-site observations and interviews with PHA staff conducted by MDRC team members providing TA. Interviews with a small number of tenants (15 per site) to understand tenants' understanding of reform.
Characteristics of tenants enrolled in the sample.	Background Information Form (BIF) PHA 50058 data.
Comparing the enrolled sample to the larger eligible population.	50058 data on study participants and non-participants.

individuals and the households enrolled in this demonstration. The type of information would include household income, family size and composition, duration of housing assistance receipt, race/ethnicity, employment status, perceived barriers to employment, education levels, training participation, some asset-related information, and other measures. An incentive payment will be offered to tenants to encourage them to complete the BIF.

3. Data collection proposed for future task orders

Future HUD task orders issued as part of the Rent Reform Demonstration will expand the scope of data collection to a range of other data sources, including survey and administrative records (wage and public assistance) for impact and cost-benefit analyses. As previously discussed, the broader data collection effort will also include implementation research, housing agencies' financial reports, and staff time-use studies. These types of data are not required for the tasks covered under the baseline period, but are necessary for a comprehensive evaluation of rent reform.

B. Task Order 1 Analyses

The baseline analysis will focus on the following three topics: documenting the housing agencies' strategies and early experiences implementing rent reform; describing the characteristics of households enrolled in the sample; and comparing the enrolled sample across housing agencies.

1. Documenting housing agencies' rent reform strategies and early implementation

The MDRC team will document the range of administrative changes undertaken by housing agencies to implement rent reform and begin to examine how tenants respond to those changes. Data will come largely from the on-site observations and interviews with agency staff conducted by MDRC team members who are providing technical assistance to the housing authorities and through interviews with a small number of tenants (roughly 15 per site) so that early assessments include the very important perspective of tenants. The information collected would be offered to housing authorities as formative feedback.

If requested in future task orders, MDRC would conduct a more detailed set of interviews**,** observations, and time studies of housing authority staff as well as interviews with tenants for a more thorough assessment of the housing agencies' implementation experiences and tenants' responses. The analysis would chart how these experiences and perspectives evolve over time, and whether they vary across housing agencies.

2. Describing and comparing household characteristics

Using baseline survey (BIF) and housing agencies' 50058 data, the MDRC team will describe the characteristics of the sample at the point of random assignment. Findings using these data will be presented for each housing agency separately, in order to provide background on the population subject to rent reform within a given site, but also to describe the variation in household characteristics across the housing agencies. The analysis will also show whether any systematic differences exist between the two research groups (which we do not expect) to verify the effectiveness of the random assignment procedure.

IX. Conclusion

This paper has outlined the design of a major social experiment aimed at reforming the rental payment system within the Section 8 Housing Choice Voucher program. The alternative rent model, designed in collaboration with housing agencies, HUD, and housing experts, has sought to balance a variety of goals. These include: making it more financially worthwhile for tenants to increase their earnings; protecting tenants whose earnings decline or who cannot work; simplifying the calculation of households' contributions to their rent and utilities and housing agencies' subsidy amounts; reducing the overall burden on housing agencies to administer the rental subsidy system and on tenants for documenting and reporting their income and eligibility for deductions; reducing housing agencies' administrative costs; increasing the proportion of households who contribute some amount to their shelter costs through a minimum rent/TTP; fostering for nearly all households a direct financial relationship with their landlords by requiring that they pay at minimum rent directly to the landlords, as they would in the non-subsidized housing market; and achieving these goals without increasing HAP expenditures above what they would be under the traditional rent policy.

MDRC conducted extensive data analyses to estimate the possible effects of the alternative rent model on households' net income, on their share of their shelter costs, and housing agencies' HAP expenditures. The results suggest that the new model has the potential to increase tenants' earnings and net income without substantially increasing HAP expenditures. However, some households are likely to fare better than others. The limitations of the statistical modeling exercise, the uncertainty about how tenants – and housing agency staff – will actually respond to the new rent rules, and uncertainties concerning how much simpler it will actually be to operate the policy in practice underscore the importance of carefully testing the model under real world conditions.

A comprehensive evaluation strategy has thus been designed to assess how well the alternative rent policy actually achieves this diverse and sometimes competing set of goals. The evaluation will involve randomly assigning working-age/non-disabled voucher holders who are slated for income assessments starting in the fall of 2014. Depending on the scope of work specified in future task orders, the evaluation will measure a variety of outcomes for both the intervention and control groups for at least four years, covering at least a year beyond the extended recertification period, which is essential for determining whether any early positive impacts on tenants' work and other outcomes are sustained, and whether the housing agencies begin to recoup foregone savings on subsidies during the prior three-year period.

The first report on the project under Task Order 1 will describe characteristics of the sample enrolled in the study across the four participating housing agencies. It will also share preliminary observations of the agencies' initial experiences in operating the new policy. Findings from the in-depth implementation, impact, and benefit-cost analyses will be presented in subsequent reports under future task orders.

Appendix A: Identifying Possible Study Sites

The process of recruiting housing agencies for the demonstration began with joint efforts by HUD and the MDRC team to introduce the study through informational meetings and conference calls with MTW agencies we had identified as potential candidates for the project. These included special informational sessions at conferences sponsored in 2013 by the Public Housing Directors Association (PHADA) and the Council of Large Public Housing Authorities (CLPHA).

MDRC's original proposal set out a number of guidelines for assembling a group of research sites. These guidelines gave higher priority to MTW agencies that had larger voucher programs and, thus, larger samples for a randomized trial, and that had not progressed too far in implementing an alternative rent policy of their own. This would allow them to provide a control group that would represent the traditional national 30-percent-of-income rent policy. In addition, we sought agencies that together would reflect important dimensions of the diversity of voucher holders and local conditions found among housing agencies across the country. This is important because one goal for evaluating the alternative rent policy is to determine whether it can be effective when operated for different types of tenants and in different contexts. Thus, we sought to recruit a pool of sites that would reflect some diversity in local housing markets, local labor markets, tenant race and ethnicity profiles, and other local or household characteristics that could present different kinds of challenges in finding work and, hence, tenants' responses to the work incentives to be built into the alternative rent policy. It was also critical that a housing agency be willing to comply with random assignment and the other research demands of a rigorous demonstration, and to sustain both the alternative rent policy and its existing rent policy through to the end of the demonstration.

- **The Process of Consultation**

Building on discussions with HUD and MDRC's own analysis of the 34 agencies with MTW status at the time the RFP was issued, the team initially identified 12 housing agencies selected from a list of 14 that HUD MTW office staff had recommended based on their knowledge of the various sites. Most of those agencies have large HCV populations. At the start of the site-selection process, as agreed with the project's Government Technical Representative (GTR), MDRC excluded the four new MTW housing agencies that HUD announced in late 2012 because these agencies serve very small numbers of voucher holders.

By the end of 2012, following the information sessions at PHADA and CLPHA conferences and a special HUD-initiated conference call with selected housing agencies, the MDRC team and HUD completed a series of one-on-one exploratory discussions by telephone with 11 housing agencies that were considered potentially appropriate for the study. These dealt with their current rent policy reforms and plans and their potential willingness to be part of the demonstration. Based on these calls, we identified a “short list” of eight agencies with which we undertook more in-depth planning activities. These agencies served: Baltimore City, Cambridge, Chicago, Louisville, Massachusetts, San Antonio, Santa Clara, and the District of Columbia.

The MDRC team subsequently conducted two separate day-long planning sessions in Chicago with representatives of this group of eight agencies—in February and May, 2013. The HUD GTR participated in person in both sessions, while other HUD Headquarters staff joined by phone. These meetings were used to explore a variety of alternative rent policies and to try to identify a common set of approaches all of the candidate sites might be willing to adopt.

By the May 2013 Chicago meeting, the Santa Clara housing agency withdrew itself from consideration for the demonstration. Because of funding reductions the agency confronted in the face of the federal budget sequestration process, it chose to adopt a different type of rent policy than the one that was gaining support from the other candidate sites. Santa Clara’s new policy would increase households’ share of rent and utilities (to 35 percent of gross income) in an attempt to immediately reduce the agency’s HAP subsidy per household, which it viewed as essential to avoiding a reduction in the number of vouchers it could offer. Moreover, the agency determined that it could not meet its budget reduction goals if it had to maintain the traditional rent policy for a control group.[43]

Over the course of the year, planning efforts included extensive analyses of housing agency and other data of the remaining candidate sites. Several of them subsequently withdrew themselves from consideration. Baltimore (HABC) was contending with vacancies in key leadership positions for the HCV program and its officials believed they did not have the capacity to take on the requirements of the demonstration. The Chicago Housing Authority had advanced its plans to introduce a variety of MTW reforms and believed that adding the new rent policies to the mix would interfere with a smooth implementation of these other reforms. The Massachusetts DHCD eventually declined participation because it was devoting attention to a transformation of its utilities policy—a transition that would demand large amounts of time from the same agency staff who would also have to be responsible for rent reform. And, finally, the Cambridge Housing Authority withdrew after it determined it did not have sufficient staff capacity to take on a rent reform project in the face of the major capital planning and resident relocation challenges it would need to address as a new Rental Assistance Demonstration (RAD) site.

In the face of these withdrawals, MDRC and HUD initiated conversations with housing agencies in: Columbus, GA; Lexington, KY; Philadelphia, PA; and Pittsburgh, PA. Preliminary data

[43] MDRC has recommended to HUD that it consider funding a separate evaluation of Santa Clara’s rent reform policy using a comparative interrupted time-series design, given the policy importance of that agency’s very different approach to rent reform and the uncertainty of the effects of that reform on tenants’ earnings and, consequently, on housing authorities HAP expenditures.

analyses were conducted for Columbus and Philadelphia, but those agencies did not join the demonstration. An agreement was reached with Lexington to join the planning effort and the demonstration, along with Louisville, San Antonio, and Washington, DC (see Appendix Table A.1).

Rent Reform Demonstration

Appendix Table A.1

Housing Agencies Included in the Demonstration Planning Process

Location	Year of MTW Agreement	Total Number of HCVs	Number of HCVs for Working-Age/ Non-Disable HH
Joined the demonstration			
Lexington, KY	2011	2,994	2,135
Louisville, KY	1999	7,411	4,580
San Antonio, TX	1999/2008	13,898	7,332
Washington, DC	2003	9,853	5,467
Participated in early planning			
Baltimore, MD	2005	12,692	6,503
Cambridge, MA	1999	2,041	1,008
Chicago, IL	2000	32,014	18,959
Columbus, GA	2014	2,293	1,584
Massachusetts	1999	17,465	8,034
Philadelphia, PA	2001	10,802	5,552
Santa Clara-San Jose, CA	2008	15,084	6,376

SOURCE: HUD MTW office (June, 2013).

Appendix B: Additional Exhibits

Rent Reform Demonstration

Appendix Table B.1

Estimated Household Monthly Net Income for "Shana," Assuming No Change in Work Status, Under Alternative, Traditional, and Current Rent Policies by Housing Agency and Work Status

Assumptions	
Percent of Income: **28%**	Minimum Rent: **$75 - $150**

Shana is a single mother with 2 children (Ages 13 and 15)	Not Working	Working PT at $8/hour	Working FT at $8/hour
Lexington, KY			
New Rules	$538	$949	$1,497
Traditional Rules	$633	$961	$1,497
Current Rules	$538	$961	$1,497
Difference			
New minus Traditional	($95)	($12)	$0
New minus Current	$0	($12)	$0
Louisville, KY			
New Rules	$588	$949	$1,497
Traditional Rules	$633	$961	$1,497
Difference			
New minus Traditional	($45)	($12)	$0
San Antonio, TX			
New Rules	$570	$943	$1,514
Traditional Rules	$621	$957	$1,514
Current Rules	$620	$957	$1,514
Difference			
New minus Traditional	($51)	($14)	$0
New minus Current	($50)	($14)	$0
Washington, DC			
New Rules	$675	$1,102	$1,647
Traditional Rules	$691	$1,109	$1,645
Difference			
New minus Traditional	($15)	($7)	$2

SOURCE: MDRC calculations using the Urban Institute's Net Income Change Calculator with transfer program and tax rules from 2008.

NOTES: New rent policy: Lexington, KY ($150 Minimum Rent, 28% of income). Louisville, KY ($100 Minimum Rent, 28% of income). San Antonio, TX ($100 Minimum Rent, 28% of income). Washington, DC ($75 Minimum Rent, 28% of income).

Current rent policy: Lexington, KY ($150 Minimum Rent). San Antonio, TX ($50 Minimum Rent).

These estimates are approximations.

Net income includes prorated EITC payments and non-cash benefits, such as SNAP, and it is net of TTP, estimated work-related expenses, and taxes.

Rent Reform Demonstration

Appendix Table B.2

Estimated Household Monthly Net Income for "Maria," Assuming No Change in Work Status, Under Alternative, Traditional, and Current Rent Policies, by Housing Agency, Work Status, and Receipt of External Child Care Subsidy

Assumptions	
Percent of Income: **28%**	Minimum Rent: **$75 - $150**

	Does Not Need Child Care Subsidy			Needs Child Care Subsidy and Receives It (If Available)			Needs Child Care Subsidy but Does Not Receive It		
Maria is a single mother with a 1-year old child	Not Working	Working PT at $8/hour	Working FT at $8/hour	Not Working	Working PT at $8/hour	Working FT at $8/hour	Not Working	Working PT at $8/hour	Working FT at $8/hour
Lexington, KY									
New Rules	$419	$838	$1,200	$419	$710	$1,149	$419	$710	$781
Traditional Rules	$514	$839	$1,188	$514	$780	$1,162	$514	$780	$910
Current Rules	$419	$839	$1,188	$419	$745	$1,162	$419	$745	$910
Difference									
New minus Traditional	($95)	($1)	$12	($95)	($70)	($14)	($95)	($70)	($129)
New minus Current	$0	($1)	$12	$0	($35)	($14)	$0	($35)	($129)
Louisville, KY									
New Rules	$469	$838	$1,200	$469	$710	$1,149	$469	$710	$781
Traditional Rules	$514	$839	$1,188	$514	$780	$1,162	$514	$780	$910
Difference									
New minus Traditional	($45)	($1)	$12	($45)	($70)	($14)	($45)	($70)	($129)

(continued)

Appendix Table B.2 (continued)

Maria is a single mother with a 1-year old child	**Does Not Need Child Care Subsidy**			**Needs Child Care Subsidy and Receives It** (If Available)			**Needs Child Care Subsidy But Does Not Receive It**		
	Not Working	Working PT at $8/hour	Working FT at $8/hour	Not Working	Working PT at $8/hour	Working FT at $8/hour	Not Working	Working PT at $8/hour	Working FT at $8/hour
San Antonio, TX									
New Rules	$455	$839	$1,219	$455	$603	$1,134	$455	$603	$728
Traditional Rules	$504	$841	$1,207	$504	$685	$1,161	$504	$685	$875
Current Rules	$504	$841	$1,207	$504	$685	$1,161	$504	$685	$875
Difference									
New minus Traditional	($49)	($2)	$12	($49)	($82)	($28)	($49)	($82)	($148)
New minus Current	($49)	($2)	$12	($49)	($82)	($28)	($49)	($82)	($148)
Washington, DC									
New Rules	$569	$951	$1,236	$569	$545	$1,224	$569	$545	$349
Traditional Rules	$574	$948	$1,224	$574	$694	$1,225	$574	$694	$588
Difference									
New minus Traditional	($5)	$3	$12	($5)	($149)	($2)	($5)	($149)	($239)

SOURCE: MDRC calculations using the Urban Institute's Net Income Change Calculator with transfer program and tax rules from 2008.

NOTES: New rent policy: Lexington, KY ($150 Minimum Rent, 28% of income). Louisville, KY ($100 Minimum Rent, 28% of income). San Antonio, TX ($100 Minimum Rent, 28% of income). Washington, DC ($75 Minimum Rent, 28% of income).

Current rent policy: Lexington, KY ($150 Minimum Rent). San Antonio, TX ($50 Minimum Rent).

These estimates are approximations.

Net income includes prorated EITC payments and non-cash benefits, such as SNAP, and it is net of TTP, estimated work-related expenses, and taxes.

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