

MOVING TO WORK DEMONSTRATION AGREEMENT

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

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

WHEREAS, Section 204(a) of the 1996 Appropriations Act provides that public housing agencies ("PHAs") and the Secretary of the Department of Housing and Urban Development (the "Secretary") shall: have the flexibility to design and test various approaches for providing and administering housing assistance that reduce cost and achieve greater cost effectiveness in Federal expenditures; give incentives to families with children whose heads of household are either working, seeking work, or are participating in job training, educational or other programs that assist in obtaining employment and becoming economically self-sufficient; and increase housing choices for low-income families; and

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

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

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

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

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

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

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

ARTICLE I. HUD Program Requirements and Other Federal Requirements.

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

1. The terms "low-income families" and "very low-income families" shall continue to be defined by reference to Section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2));
2. Section 18 of the 1937 Act (42 U.S.C. 1437p, as amended by Section 1002(d) of Public Law 104-19, Section 201(b)(1) of Public Law 104-134, and Section 201(b) of Public Law 104-202), governing demolition and disposition, shall continue to apply to public housing notwithstanding any use of the housing under MTW; and

3. Section 12 of the 1937 Act (42 U.S.C. 1437j), governing wage rates, shall apply to housing assisted under MTW unless tenant-based assistance is the only assistance received by participating families and the housing in which they reside receives no other assistance.
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- B. To the extent described in the Statement of Authorizations, as applicable and as approved by HUD, the Agency may combine operating subsidies provided under Section 9 of the 1937 Act (42 U.S.C. 1437g), modernization funding provided under Section 14 of the 1937 Act (42 U.S.C. 1437l) and assistance provided under Section 8 of the 1937 Act for the certificate and voucher programs (42 U.S.C. 1437f) to fund HUD approved MTW activities.
 - C. Unless otherwise provided herein, this Agreement does not apply to Section 8 assistance that is required: (a) to meet existing contractual obligations of the Agency to a third party (such as Housing Assistance Payment contracts with owners under the Agency's Section 8 certificate and voucher program); (b) for payments to other PHAs under Section 8 portability billing procedures; or (c) to meet particular purposes for which HUD has expressly committed the assistance to the Agency.
 - D. The Agency agrees to comply with HUD requirements governing the MTW program. Such HUD requirements include, but are not limited to management, financial, accounting, or other requirements designed to adequately track and monitor the Agency's use of HUD assistance. Notwithstanding other provisions of this Agreement, the Agency will be required to submit reports and financial statements as necessary in forms prescribed by HUD.
 - E. The Agency agrees to cooperate fully with HUD and its contractors in the monitoring and evaluation of the MTW demonstration, to keep records and to submit reports and information to HUD as required of PHAs participating in the MTW program. Except as otherwise provided in this Agreement, the Agency shall submit an Annual Plan and Report as required by Section 5A of the 1937 Act (as amended), which shall include a separate section fully describing activities and uses of funding the Agency is undertaking through the MTW demonstration.
 - F. Pursuant to the 1996 Appropriations Act, the amount of assistance that the Agency receives for public housing operating subsidies, public housing modernization grants, and Section 8 assistance for certificates and vouchers will not be diminished by the Agency's participation in the MTW program.
 - G. Any HUD assistance that the Agency is authorized to use in the MTW demonstration must be used in accordance with the Agency's HUD-approved Statement of Authorizations (Appendix). The Agency hereby certifies that this Agreement has been approved by the

Agency's governing board, and that a copy of such board approval has been provided to HUD.

- H. As required by the 1996 Appropriations Act, the Agency agrees that at least seventy-five percent (75%) of the families assisted by the Agency under the MTW demonstration program will be very low-income families. The Agency agrees to comply with the requirements of Section 16(a) (3) of the 1937 Act (as amended). The Agency agrees to continue to assist substantially the same number of eligible low-income families under MTW, and to maintain a comparable mix of families by family size, as would have been served or assisted if HUD funding sources had not been used under the MTW demonstration. The Agency agrees that housing assisted under MTW will meet housing quality standards established or approved by HUD.

- I. The Agency may adopt and implement any reasonable policies for setting rents for public housing, or rents or subsidy levels for tenant-based assistance, notwithstanding the U.S. Housing Act of 1937, provided that the Agency submits the policy to HUD annually, and upon any material change to the policy, and provided that:
 - 1. the Agency's board approves of the policy, and any material changes, and approved an analysis of the impact of the policy on current households, and households on the waiting list, including an analysis of the severity of rent burdens on such households (such as an estimate of the number of households that would have rent burdens greater than 30 percent of adjusted income);
 - 2. the Agency reevaluates its rent and subsidy level policies annually, including preparing a revised impact analysis;
 - 3. the Agency adopts a policy for addressing hardship cases;
 - 4. the Agency provides a reasonable transition period for rent increases for existing tenants; and,
 - 5. a public hearing is held regarding the policy; provided however, that in the first year of the demonstration, this may be the same public hearing that was held regarding the Agency's MTW application, as long as the policy was included in the MTW application.

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

- J. If applicable to activities under the Statement of Authorizations, the Agency agrees to provide HUD with any documentation that HUD needs to carry out its review under the National Environmental Policy Act (NEPA) and other related authorities and otherwise will assist HUD in complying with 24 CFR Part 50 environmental review procedures. The Agency further agrees (a) to carry out mitigating measures required by HUD or select an

alternate eligible property, if permitted by HUD, and (b) not to acquire, rehabilitate, convert, lease, repair or construct property, or commit HUD or local funds to program activities involving eligible property without HUD's approval under 24 CFR Part 50.

- K. The Agency will comply with all applicable nondiscrimination and equal opportunity requirements set forth in 24 CFR 5.105(a), and will administer its programs and activities in a manner affirmatively to further fair housing. In particular, the Agency must make reasonable modifications and accommodations needed by applicants and residents and must make units accessible in accordance with the Needs Assessment and Transition Plan as required under Section 504 of the Rehabilitation Act of 1973 and its implementing regulations.

ARTICLE II. Revision and Termination of Agency MTW Program

- A. With written HUD approval, this Agreement and the Statement of Authorizations may be revised by the Agency during the course of the demonstration. The Agency shall request approval of a revision by written notification to HUD (delivered to the Office of Policy, Program, and Legislative Initiatives, or its successor, in the Office of Public and Indian Housing), accompanied by an approved board resolution, or equivalent, and certification that the Agency has satisfied all resident participation requirements. HUD will review proposed revisions within a reasonable period of time. When proposing amendments to this Agreement, the Agency will provide notice and a reasonable period within which residents may comment. The Agency will consider these comments prior to amending this Agreement.
- B. HUD will cooperate with the Agency to extend successful demonstration activities beyond the term of the MTW demonstration where feasible. To the extent that MTW activities will not continue past the term of the demonstration, the Agency shall fully cooperate with HUD in developing and implementing a transition plan for terminating the Agency's MTW demonstration program and providing for the continued administration of the public housing and Section 8 programs, as applicable.
- C. At any time HUD may terminate this Agreement, and the Agency's MTW demonstration, or take any corrective or remedial action as described in Article III.C. of this Agreement, for Agency default, or other good cause as determined by HUD after providing the Agency with notice and a reasonable opportunity to be heard, unless HUD determines the nature of the default requires that HUD take immediate action.

ARTICLE III. Default.

- A. Definition of Default. Use of funds subject to this Agreement for a purpose other than as authorized by this Agreement; noncompliance with legislative, regulatory, or other requirements applicable to this Agreement; other material breach of this Agreement; or a

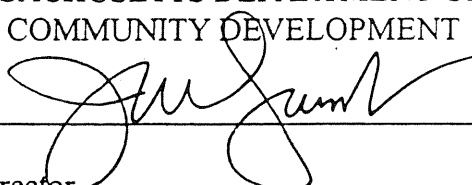
material misrepresentation in the MTW Plan submission by the Agency shall be a default under this Agreement.

- B. HUD's Determination of Default. If HUD determines that the Agency is in default, HUD will give the Agency written notice of the default and of the corrective or remedial action required or ordered by HUD.
- C. Corrective or remedial actions HUD may require or order under this Agreement for Agency default include, but are not limited to the following:
1. Requiring the Agency to prepare and follow a HUD approved schedule of actions and/or a management plan for properly completing the activities approved under this Agreement;
 2. Canceling or revising the affected activities, revising the budget for activities as necessary, and substituting other eligible activities;
 3. Prohibiting payment or reimbursement for any MTW demonstration activities or for those activities affected by the default;
 4. Requiring reimbursement by the Agency to HUD for amounts used improperly.
 5. Terminating this Agreement;
 6. Changing the method of payment to the Agency;
 7. Suspending the Agency's authority to make draws or receive or use funds for affected activities;
 8. Reducing the Agency's funding in the amount affected by the default;
 9. Terminating the Agency's funding as to further activities under the MTW demonstration;
 10. Taking any other corrective or remedial action legally available; and
 11. Taking action, as applicable, pursuant to the Section 8 and/or public housing Annual Contributions Contract.

03/29/99

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

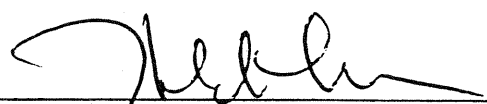
MASSACHUSETTS DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT

By 

Its Director

Date of Execution by Agency 4.6.99

UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

By 

Its Assistant Secretary

Date of Execution by HUD 4/21/99

**APPENDIX
TO
MOVING TO WORK DEMONSTRATION AGREEMENT
BETWEEN
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
AND
MASSACHUSETTS DEPARTMENT OF HOUSING AND COMMUNITY
DEVELOPMENT**

Statement of Authorizations

SECTION 1- GENERAL CONDITIONS

This Statement of Authorizations describes the activities that the Massachusetts Department of Housing and Community Development ("the MDHCD") may carry out under the Moving to Work Demonstration program ("MTW"), subject to the terms and conditions of the Moving to Work Agreement ("MTW Agreement") between the MDHCD and the U.S. Department of Housing and Urban Development ("HUD"). The MDHCD and HUD also agree that this Agreement is subject to the following general conditions:

1. The MDHCD's MTW demonstration may include up to 183 families, including up to 20 public housing units, as provided in Section 2. A. 2.
2. Where this Agreement requires that a board resolution be obtained, MDHCD may instead provide HUD with a letter, or equivalent, from MDHCD's Director.

SECTION 2 -PLAN ELEMENTS

As provided by the terms of this Agreement, the MDHCD is authorized to design and carry out a demonstration program under MTW intended to promote self-sufficiency through a collaborative effort and the redesign and use of approximately 25% of the assistance that becomes available through routine turnover in its Section 8 tenant-based program to support 183 families on public assistance, or who have been on public assistance in the past 12 months. who are making the transition to employment. The MDHCD's effort is focused on two distinct communities (very low-income families in

southern Worcester County, and very-low income homeless families in Metropolitan Boston) with an explicit goal of demonstrating that by allowing recipients of Section 8 funding to be actively involved in the expenditure of these funds, their ability to achieve and sustain long-term self-sufficiency will be enhanced.

A. Rent Structure and Policies

1. The MDHCD will provide an annual stipend to each participant, to be allocated between a "shallow rent subsidy" and a "supports budget" used to enhance or maintain the participant's employment and housing goals. The annual stipend will not exceed \$5,500 for participants in Worcester and \$6,500 for participants in Boston. The rent subsidy will be capped at a maximum of \$250 per month (Worcester) and \$400 per month (Boston), to be applied toward rent and utility costs. The remainder of the subsidy will be used as the "supports budget." Based on fluctuations in the rental market, the MDHCD may make modifications to the subsidy, and/or stipend, provided that the procedures in Article I.I. of the MTW Agreement are followed.
2. Up to 20 state-assisted public housing units will be made available by the Worcester Housing Authority under an agreement between MDHCD and the Worcester Housing Authority for MTW participants who choose to live in public housing rather than to seek housing in the private market. As long as the family continues its participation in the MTW demonstration, rents will be capped at 30 percent of the family's income at time of move in, allowing participants to use less of their stipend for rent.
3. The rent calculation for public housing and private market participants will not be based on the Section 8 certificate or voucher concept. The participants will determine how much of the stipend, up to the maximum in Section A.1. above, will be allocated for rent subsidy. The balance of the rent and utility costs will be paid by the participant.
4. An MTW Advisor will work with participants to plan for termination of MTW assistance by presenting options for the gradual decrease of subsidy during the second and third years. However the maximum amount of the housing subsidy which the participant can utilize during the three years will not be decreased.
5. There will be no requirement for a "rent reasonableness" certification, nor will MDHCD perform any rent reasonableness determinations. However, the MTW Advisor will provide the participant with the latest rent reasonableness data maintained by the housing agency for its Section 8 program, and will encourage

the participant to take this information into consideration when selecting a unit.

6. Participants may rent in place if the unit in which they are living meets local codes, or they may accrue up to three months of rent subsidy while they are looking for a unit, to be used for relocation expenses, including lease-up and related expenses.

B. Participation and Occupancy Policies

1. Families may be referred to MDHCD by Department of Transitional Assistance (DTA) offices and Department of Labor (DOL) funded agencies in Southern Worcester County and the City of Boston, and by welfare-to-work agencies in these two jurisdictions.
2. Preference for admission will be given to families who are referred to MDHCD by DOL and DTA, and:
 - a) who have received public assistance benefits (TANF) in the past 12 months, or who currently receive TANF, who have secured employment, and are interested in participating in MTW; or,
 - b) who are on public assistance, are actively seeking employment, as verified by DTA or DOL, and are interested in participating in MTW.
2. The first 183 families who receive assistance under these preferences will be required to participate in MTW. The first 20 families admitted under these preferences who are interested in living in public housing units made available by the Worcester Housing Authority under an agreement between MDHCD and the Worcester Housing Authority will be given such a unit, so long as they agree to participate in MTW. However, no family will be required to live in the public housing units. The other MTW families who receive assistance under these preferences will be given tenant based MTW rental assistance.
3. Eligibility income limits will be applied initially and on an annual basis. Participants will be recertified annually to establish their continuing eligibility. Housing assistance will be terminated when an MTW participant's annual income equals or exceeds 80 percent of the area median income and the participant has been receiving housing assistance for at least three years. Families whose housing assistance is terminated as a result of this time limit are eligible to reapply for housing assistance.
4. MTW participants will not be eligible to continue their MTW participation if they receive housing assistance under any other assisted housing program (except up to

twenty families living in public housing operated by the Worcester Housing Authority).

C. Self-Sufficiency Plans

1. Each MTW participant will be assigned an MTW Advisor, and will be required to sign an MTW Contract.
2. From the annual stipend, MDHCD will automatically escrow a minimum of \$50 for each month in which the participant is employed. Employed participants may opt to escrow a larger amount, up to \$250 (Worcester) or \$400 (Boston) per month. The escrow funds will be made available to the participant upon successful completion of the MTW program.
3. MDHCD will match these escrow funds with funds from one of its various first time home buyer programs, if, at the time the participant is eligible to receive the escrow funds, he/she is purchasing a home.
4. Stipend amounts not applied toward the rent subsidy and/or the mandatory escrow account will be available to the participant as a "supports budget" to be used in a manner determined by the participant (in consultation with his or her MTW Advisor) to enhance or maintain the participant's educational or employment goals.

D. Funding Issues

1. The MTW program budget will be used to underwrite the entire cost of the initiative, including the 183 stipends, three MTW Advisors, one MDHCD staff person, and associated overhead expenses.

E. Administrative Issues

1. HUD procedures for annual inspections will not be utilized, however the MDHCD must ensure that all housing meets Housing Quality Standards.
2. Each unit receiving rent subsidy must receive a Certificate of Occupancy issued by the local Board of Health prior to being eligible for subsidy. For units to be occupied by children under six years of age, owners will also be required to present a valid Letter of Compliance or Letter of Interim Control, issued by a Department of Public Health licensed lead paint inspector, which states the unit meets all requirements of the Massachusetts Lead Poisoning Prevention Control Act

as amended, prior to leasing any unit on the program.

3. The MDHCD will amend its Section 8 administrative plan to reflect MTW program changes.
4. There will be no minimum required lease term. Each participant and owner will sign a lease, which will contain HUD's prohibited lease provisions attachment for the Section 8 program. There will be an abbreviated housing assistance payments contract between the MDHCD and the rental property owner that outlines the terms of payment of the rental subsidy, and the owner and MDHCD's respective obligations.
5. All rent subsidy payments will be made directly to the owner.

F. Changes to Section 8

1. The Moving to Work demonstration program will be operated as a separate and distinct program from MDHCD's Section 8 certificate and voucher programs. The MTW program will assist 183 families. Other families receiving Section 8 assistance will be unaffected by the changes made as a result of the MTW demonstration.

Attachment A

Calculation of Subsidies

Definitions in this Attachment

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

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

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

1. Scope

The subsidy calculation mechanisms provided below apply only to the portion of the HA's assisted housing units that are included within the scope of the authorized demonstration ("MTW units"), as provided in Section 1 of the Appendix to the MTW Agreement.

2. Methodology

Section 8 Tenant Based Assistance

Units Eligible for Inclusion

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

Calculation of Annual Subsidy

Initial year of MTW Participation:

a) For the certificate and voucher programs, respectively, divide Total Funds Required by the Number of Unit Months, as provided in year-end settlement data for the base year. Combine the sum of these calculations in a weighted average to calculate a weighted, base year per unit cost (PUC). Multiply this amount by the inflation factor established for the calculation of renewals to arrive at an inflation-adjusted, MTW program per unit cost (MTW PUC) for the initial year.

b) Multiply the MTW PUC by the total number of MTW units and the number of

months $[\text{MTWPUC} \times \text{MTW Units} \times 12]$ to arrive at a total MTW subsidy amount to be disbursed that year

Second and Subsequent Years of MTW Participation:

- a) Multiply the total MTW subsidy from the previous year by the annual inflation factor established for the calculation of renewal of Section 8 contracts to arrive at the current year's inflation-adjusted subsidy.

Reserves

- a) An amount equal to two months' program costs $(\text{PUC} \times \text{MTW units} \times 2)$ will be made available from existing Agency reserves for use as project reserves for MTW-eligible units.
- b) There will not be a year-end settle-up of annual funds provided for MTW units. All funds provided through this calculation will remain available for authorized purposes until expended.