

**HOUSTON HOUSING AUTHORITY  
MOVING TO WORK PLAN AND APPLICATION**

**DRAFT FOR PUBLIC COMMENT**

**PUBLIC COMMENT PERIOD:**

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## **PART I – MTW PLAN AND RENT REFORM INFORMATION**

### **A. MTW PLAN**

#### ***I. Vision for PHA's Local MTW Program***

The Houston Housing Authority (HHA) enthusiastically welcomes the opportunity to participate in the Moving to Work (MTW) Demonstration Program, which we have branded “EMPOWER Housing” to reflect the transformative potential the program offers to HHA and, most importantly, to our residents. To develop this proposal for MTW designation under Cohort 2, HHA’s senior team thoroughly reviewed and analyzed the MTW Operations Notice, HUD PIH Notice 2020-21 and a wealth of training and background information on MTW agency activities and best practices. HHA also undertook an extensive and iterative process of engaging residents, resident leadership, community partners and other stakeholders to review the MTW program, discuss rent reform options and issues and develop the plan reflected in this proposal. HHA’s residents are our greatest asset, and the opportunity to improve housing, service delivery and opportunities through MTW designation is immeasurably improved by their contributions.

As the largest provider of affordable housing and services in Houston, HHA’s mission is “to improve lives by providing quality, affordable housing options and promoting education and economic self-sufficiency.” Our mission aligns well with the statutory objectives of MTW. HHA will take full advantage of MTW programmatic and financial flexibility, allowing us to take our mission and operations to a higher level. This will allow us to achieve more consequential outcomes, such as higher levels of employment and family asset building, while leveraging and building on an existing comprehensive framework of housing programs, services and partnerships.

Focusing on cost effectiveness, self-sufficiency and housing choice is in HHA’s organizational DNA. HHA has long been committed to efficient and effective use of tax payer

dollars that fund these essential services; dedicated to the promotion and expansion of resident education and self-sufficiency via FSS, ROSS, Jobs Plus and MyGoals programs; and, relentless in our pursuit of additional housing options, including administering subsidies for the City and the Coalition for the Homeless, such as HOME TBRA and Rapid ReHousing, and expanding and preserving our portfolio through new construction, acquisition, rehabilitation and conversion to project-based assistance under the Rental Assistance Demonstration (RAD) and other programs.

EMPOWER Housing builds on HHA's mission and strategic objectives via considered application of the MTW statutory objectives. HHA will: (1) Deliver housing programs and services in a more efficient, streamlined manner that is accessible and transparent to our clients, and reduces unnecessary administrative burdens on clients and staff; (2) Expand housing options and choices to serve the unique, diverse needs of Houston's low-income residents by preserving the existing housing portfolio, acquiring and/or building new mixed-income housing, promoting mobility to high opportunity neighborhoods and strengthening partnerships to create innovative, supportive housing options that serve special needs populations; and (3) Support residents in achieving economic self-sufficiency through an innovative rent reform initiative; enhanced FSS program incentives; targeted literacy, education and job initiatives; and other partnership initiatives utilizing housing as a platform to stabilize and strengthen families. Additional information on how HHA plans to achieve this vision is included below. HHA certifies it will carry out MTW activities in conformance with Title VI of the Civil Rights Act of 1964; the Fair Housing Act; Section 504 of the Rehabilitation Act of 1973; Title II of the ADA Act of 1990; all regulations implementing these authorities; other applicable Federal, State, and local civil rights laws; and it will affirmatively further fair housing including: (1) take meaningful actions to further the goals identified by the Assessment of Fair Housing conducted in accordance with the

requirements of 24 CFR 5.150-5.180 and 903.15; (2) take no action that is materially inconsistent with its obligation to affirmatively further fair housing; and (3) address fair housing issues and contributing factors in its programs, in accordance with 24 CFR 903.7(o)(3) and 903.15(d).

The MTW EMPOWER Housing initiative will operate directly from HHA's Executive Office to ensure a high level of focus and oversight, along with coordinated efforts to integrate MTW flexibilities into all areas of agency operations. Headed by Interim President and CEO Mark Thiele and a highly experienced and committed senior team, HHA is a SEMAP High Performer with an outstanding track record for innovative programming, prudent fiscal oversight, timely and comprehensive grant management and regulatory compliance. As further described in Part II, Appendix 4, Mark Thiele brings over 20 years of experience in subsidized housing program administration, including intensive involvement in Continuum of Care, supportive housing and other initiatives. The senior team who developed this MTW Plan and Application includes George Griffin, Robin Walls, Cheryl Rivers, Mike Rogers, Jonathan Zimmerman and Alan Isa, each of whom has extensive public housing, HCV and/or finance experience that inform MTW initiatives over the near and long-term. HHA intends to hire an MTW Coordinator upon HUD approval of this application and will further augment its capacity as needed with an experienced technical assistance firm under contract to HHA that currently works with seven MTW agencies (Edgemere Consulting). In summary, HHA has the internal capacity to maximize the potential benefits of MTW participation and to effectively operate and oversee the MTW program.

## ***II. Plan for Future Community/Resident Engagement***

HHA is committed to meaningful community engagement in the planning and implementation of rent reform and other MTW initiatives. For this proposal, HHA conducted intensive outreach to residents, tenants, partner organizations and program stakeholders. HHA held

five virtual sessions to discuss the MTW program, review rent reform models and issues and identify potential opportunities to utilize MTW flexibility. These sessions included: one with HHA's two resident commissioners, one with the Resident Advisory Board (RAB)/Resident Leadership Council, two additional sessions with residents in our Public Housing and Voucher programs and one with partner organizations as well as HHA's operation staff and our private management companies' staff. The robust virtual meetings achieved a high level of participation with 70 to 110 participants per session lasting from 1-3 hours. The recorded meetings, slides and FAQs were promptly posted and archived on HHA's [webpage](#). In addition, HHA created a dedicated e-mail account—[empower@housingforhouston.com](mailto:empower@housingforhouston.com)— and an [online survey](#) to further encourage input into the program design. This interactive feedback directly informed this proposal and HHA's MTW vision. (See also Part II, Appendix 4.)

HHA will continue and expand this level of resident and community engagement, including conducting quarterly meetings with the RAB/Resident Leadership Council, establishing an interactive MTW webpage and creating an MTW Advisory Committee including residents and partners. This Committee will collaborate with HHA's senior team and MTW Coordinator to review and discuss MTW best practices; identify opportunities to incorporate MTW flexibility into current and new initiatives; and work with HHA on all planned MTW activities in advance of publication of the MTW Supplement to the PHA Annual Plan.

HHA is committed to full accessibility to all programs and facilities and to ongoing affirmative outreach to all HHA clients and applicants, including racial and ethnic minorities, persons with disabilities, Limited English Proficiency (LEP) persons, families with children and all other population groups. HHA's population is increasingly diverse with greater representation projected in the coming years for persons of Latin American and Southeast Asian descent. HHA

maintains partnerships with local, non-profit organizations serving diverse population groups to assist in information sharing. HHA also has staff who speak, read and translate in various languages and an ongoing contract with a comprehensive language interpretation and document translation service with the capacity to interpret and translate to and from English to over 250 different languages. Translation services are utilized continuously as requested by our clients, including recent document translations in Arabic, Simplified Chinese, Spanish and Vietnamese. HHA will ensure all MTW rent reform materials are translated appropriately and build on a robust library of vital documents that have already been translated into Spanish, Vietnamese, Chinese, Arabic and French (based on a breakdown of Houston's population). HHA's website includes essential information such as public housing applications and resident or applicant information available in Spanish and has plans to implement additional website translation services and information.

### ***III. PHA Operating and Inventory Information***

HHA serves more than 54,000 low-income households through our various programs including: 3,091 Public Housing units and 2,068 Tax Credit units at 40 sites throughout the City; 18,105 Housing Choice Vouchers, including 13 PBV developments, primarily Permanent Supportive Housing; 300 Section 8 Project-Based Rental Assistance Multifamily units; and 435 Moderate Rehabilitation units. HHA serves Houston's poorest residents: 81% of Public Housing and 64% of HCV households have incomes at or below 30% of Area Median Income (AMI) and 92% of Public Housing and 84% of HCV households have incomes at or below 50% of AMI. The average income of Public Housing households is \$11,416, and the average income of HCV households is \$14,131. Overall, 41% of Public Housing and 21% of HCV households served are headed by seniors, 42% of Public Housing and 40% of HCV households are headed by persons

with disabilities and 48% of Public Housing and 50% of HCV households are families with children. The racial composition of households served by HHA is: 80% (Public Housing) and 89% (HCV) Black, 12% (Public Housing) and 8% (HCV) White, Etc. In terms of ethnicity, 13% (Public Housing) and 6% (HCV) of households are of Hispanic. Prior to the onset of COVID-19, the need for affordable housing in Houston was enormous, and HHA expects it will grow even more in response to the substantial economic downturn that has impacted many local residents. Currently, HHA has 74,934 applicants on the Public Housing waiting list and 25,571 on the HCV waiting list. Based on waiting list data, HHA projects a continued trend towards housing smaller families, with increases in the percentage of Hispanic and Southeast Asian households.

HHA operates a diverse housing portfolio, consisting of a few large developments with substantial acreage, many moderate-sized developments— both family and elderly— as well as mixed-finance developments spread across a large geographic territory. HHA has done an extraordinary job of maintaining its properties— particularly for the age and history of much of the traditional public housing stock— and keeping them attractive and habitable. However, there is an estimated \$67 million backlog in capital needs across all of the properties (\$21,564/unit for public housing and \$16,355/unit for mixed-finance developments) based upon the RPCAs and PNAs. It would take at least 14 years to address these needs if HHA were to rely solely on annual capital funds at their current appropriation level. However, conditions and the required treatment at each property vary greatly, with many requiring only a minimal investment, a larger group requiring moderate rehab and a small group requiring total redevelopment.

To address the long-term preservation of the portfolio, HHA is currently engaging in a large-scale RAD conversion initiative, which will ultimately involve 2,209 units at 14 developments. (HHA completed its first RAD conversion in 2020). While some sites will not

require significant investment, other sites will be leveraged with 4% Low Income Housing Tax Credits (LIHTC) private equity and other funding to support needed rehabilitation. For sites requiring major redevelopment, HHA is pursuing all viable options including 9% LIHTC awards, disaster recovery funding from the Texas General Land Office and other sources. For Cuney Homes, HHA applied for a Choice Neighborhoods Initiative (CNI) Planning Grant in 2020. HHA anticipates MTW funding flexibility may be utilized to help leverage these preservation initiatives.

In addition to preservation and portfolio repositioning, HHA continues to expand our housing portfolio including utilizing the unique provisions of Texas law related to Public Facility Corporations (PFCs). PFCs have broad powers to finance, acquire, construct and repair public facilities (including housing) which are eligible for a 100% tax exemption. In partnership with local and national developers, HHA closed on 1,412 PFC units, including 833 affordable units in 2019. An additional 1,645 units are being added through acquisition in 2020, and 1,113 units are currently under construction. All acquisitions are at least 51% affordable and two are 100% affordable. Where feasible, HHA plans to incorporate MTW flexibility into PFC acquisitions including exploring local, non-traditional development and/or rental assistance funding.

HHA has demonstrated the capacity to carry out complex interdepartmental and partnership initiatives. HHA is a SEMAP high performer and administers a wide range of programs including: FSS, Jobs Plus, HUD-VASH, FUP, HOME Tenant-Based Rental Assistance and Emergency Solutions Grant as a subgrantee to the City. We strongly believe HHA is exceptionally qualified for MTW designation and meets all of the requirements outlined in HUD's PIH Notice 2020-21 and MTW Operations Notice.

#### ***IV. Plan for Local MTW Program***

To advance the EMPOWER Housing vision, HHA plans to incorporate MTW programmatic flexibility agency-wide. This will occur incrementally in consultation with the MTW Advisory Committee based on an assessment of agency priorities, opportunities and capacity. For the first three-years of MTW, implementation of rent reform will be HHA's top priority, including educating residents on rent reform mechanics and benefits and enhancing existing partnerships to support the initiative. Additional MTW components will evolve over time and be presented as part of the Annual Plan process in accordance with the Operations Notice. HHA acknowledges certain MTW waivers are not allowed during the six-year rent reform evaluation period, thus some initiatives will be deferred until a later point. An overview of the types of initiatives HHA plans to implement, organized by the three statutory objectives, include:

***Cost Effectiveness:*** While initial implementation of HHA's proposed rent reform model may increase upfront costs, over time, HHA projects rent reform will generate cost savings through administrative efficiencies associated with a simpler rent calculation method requiring fewer processing steps and less time per transaction. For households who are excluded from rent reform, HHA intends to evaluate the feasibility of alternative reexamination schedules, revised interim recertification policies, simplified utility allowances and other cost savings measures, which will also improve client service and satisfaction. HHA intends to streamline PBV administration, particularly within the supportive housing portfolio, by expanding owners' role in waiting list administration, processing recertification requests and other tasks similar to how much of the HUD Multifamily portfolio operates.

***Housing Choice:*** HHA plans to utilize MTW programmatic and funding flexibility to support three broad objectives related to increasing housing choice for low-income households including

initiatives to: (1) Expand the number of households moving into high opportunity areas along with stability for low-income households who feel that they derive benefits from it; (2) Preserve and expand our affordable housing portfolio; and (3) Promote and expand innovations in supportive housing through PBV and local, non-traditional programs. Regarding mobility, HHA will evaluate and propose MTW activities to establish more flexible payment standards, create owner vacancy payment and other incentives, pre-qualify units for HQS compliance and other initiatives to enhance owner acceptance and willingness to lease to voucher holders. To promote preservation and expansion, HHA intends to engage in several MTW initiatives including establishing alternative PBV selection processes and/or HAP Contract terms; evaluating the potential for local, non-traditional rental assistance and housing development; utilizing MTW funding flexibility to close funding gaps; and other related activities. To expand and enhance on our ambitious supportive housing agenda, HHA will work with partners to evaluate lower-cost, non-traditional subsidy models that leverage other development and service funding; consider increases to PBV program and project caps; and review the potential to modify other PBV program rules to address the unique needs and challenges of supportive housing populations.

***Self-Sufficiency:*** Implementation of HHA’s alternative rent model will be the centerpiece of our initial MTW self-sufficiency efforts. Other self-sufficiency initiatives will build on HHA’s existing FSS, MyGoals and Jobs Plus framework including: (1) modifying FSS family selection, income increases and Contract of Participation requirements; and (2) utilizing MTW funding flexibility to leverage other funds to support literacy, education and job training opportunities.

#### ***V. Proposed Uses of Funds***

HHA requests authority to use Public Housing and Housing Assistance Payments (HAP) funds flexibly in the implementation of the MTW program. HHA will implement this authority in

accordance with the Operations Notice and allow for flexible use of funding across Section 8 and 9 programs and for MTW local, non-traditional programs. While HHA is not requesting HUD approval for specific uses of MTW funding flexibility at this time, we anticipate HAP funding may be utilized for authorized purposes to implement approved MTW activities including, but not limited to: local non-traditional project-based and tenant-based programs; sponsor-based leasing programs with housing and supportive services; education, job training and placement and other supportive services for our clients; and affordable housing development and preservation.

#### ***VI. Evidence of Significant Partnerships***

HHA is deeply embedded in a broad web of significant collaborative and interrelated relationships with partner agencies, local governments, nonprofits and for-profit entities with which we have a long history of successful and innovative demonstrations and medium and long-term programs and partnerships. We are very intentional and bold, with an eye toward leveraging additional resources to benefit those we serve. Examples of existing partnerships which HHA intends to build on and leverage resources from include:

***Veteran Homelessness:*** HHA's MTW vision includes expanding housing choices and options for special needs populations, including homeless veterans. HHA will continue to work with 35 agency partners to enhance and expand the Coordinated Access (CA) system which resulted in the June 2015 joint federal and local announcement that Houston has effectively ended veteran homelessness, becoming the largest city in the nation to create a system to house all homeless veterans. Over 3,650 homeless veterans were housed in just over three years through the Housing Houston's Heroes (HHH) initiative, for which HHA is the largest provider of housing and permanent supportive housing via VASH vouchers, regular vouchers and Public Housing units through our agency's homeless preference. HHA's Interim President and CEO served as Chair

for HHH. These collective efforts have improved inter-agency communication and coordination in the region and resulted in an unprecedented level of resource leveraging and collaboration involving stakeholders from every corner of the community including the following partners: HUD, the VA, City of Houston Office of Veteran's Affairs, City of Houston, Housing and Community Development Department, Harris County Housing Authority, Harris County Office of Housing and Community Development, SEARCH Homeless Services, Career and Recovery Resources, Inc., the Salvation Army, Catholic Charities, Goodwill Industries, Funders Together to End Homelessness, Corporation for Supportive Housing, the Houston Food Bank and numerous other partners. Through MTW, HHA will enhance this partnership and leverage additional partner resources by incorporating new flexibilities described in the "MTW Plan" section above, e.g., expanding PBV caps, enhancing the role of PBV owners, exploring local non-traditional rental assistance and development programs and other activities.

***Youth Homelessness:*** HHA has forged strong partnerships and made a deep commitment to address the housing and supportive service needs of youth aging out of foster care, one of Houston's most vulnerable populations. Each year, hundreds of Houston youth age out of foster care and some 37% will experience homelessness, while 50% will be in unstable housing arrangements after they transition. In 2014, HHA entered into a partnership with the Houston Alumni and Youth (HAY) Center, facilitated by a grant funded by the HOGG foundation for Mental Health. This partnership allowed HHA to establish a new preference for Transition Age Youth (TAY), an effort which continues today. In addition to a housing preference, program participants have access to a wide array of supports and services via HCPS/HAY Center and HHA including case management, educational services, job training and placement, mental health, transportation and emergency financial assistance.

Following the housing first model, HHA committed a TAY Coordinator to guide these young adults through the intake and leasing process, including assisting youth in their housing search and, when needed, transporting them to and from available units. To date, HHA has housed 55 youth through this initiative. Through MTW, HHA will collaborate with partners to ensure participating youth are educated about the potential benefits of the MTW rent reform initiative, which will help to incentive their participation in available job training and other programs. HHA will also work with our partners to identify program models and resources to implement sponsor-based housing initiatives that combine tailored programs and services for eligible youth.

***Mobility Support:*** A key MTW objective for HHA is to increase the number of voucher holders who successfully locate housing units in high opportunity areas. Among other initiatives to support this objective, HHA plans to continue and enhance its partnership with NestQuest Houston, Inc., a Texas non-profit organization working directly with low-income families, landlords and agencies to expand housing choice with a focus on high-performing schools, higher quality housing and lower crime rates. HHA's relationship with NestQuest in the Voucher Mobility Pilot program began on March 2, 2018 as part of the City of Houston's agreement with HUD to set clearer affordable housing policies to help more low-income families move to neighborhoods with good schools. The ultimate objective of this partnership is to break the cycle of intergenerational poverty and systemic segregation in schools, including ensuring every child placed through the program is enrolled in an exceptional school ranked A+ to B by [Children at Risk](#). To date, HHA's partnership with NestQuest has helped 44 low-income families lease units in opportunity neighborhoods in the Houston metro area. HHA plans to support and advance these efforts through MTW, including establishing more flexible payment standards, creating owner vacancy payment and other incentives, pre-qualifying units for HQS compliance and other initiatives to enhance

owner acceptance and willingness to lease to voucher holders in high opportunity and other areas. As evidence of the success of this and other HHA efforts, the [Kinder Institute for Urban Research's](#) recent analysis of HHA data concluded, “vouchers are giving recipients in Houston the ability to secure homes in areas that offer better access to opportunities and lower flood risks” and further argues the program should be expanded.

The above information provides highlights of three areas where HHA plans to build on existing partnerships and leverage additional resources to improve services to the community as we implement our MTW EMPOWER Housing vision. Additional information on HHA’s partnerships and planned MTW activities will be provided in Appendix 4.

## **B. RENT REFORM INFORMATION**

### ***I. Alternative Rent Policy Selection and Rationale***

Under Test Rent #3, HUD allows flexibility in developing a tiered rent model within certain HUD-defined parameters provided there is a sample size of at least 4,000 non-excluded households. HHA proposes to implement a Test Rent #3 tiered rent model as described below.

HHA’s Rent Policy Is Different from the Other HUD-Proposed Options: HHA carefully reviewed and assessed the feasibility of the three alternative “test rent” models allowed by HUD pursuant to PIH Notice 2020-21. HHA applied the Test Rent #1 model to its existing client dataset and determined this rent model would likely result in rent increases for more than 50% of HHA clients placed in the treatment group, raising issues of fairness and creating substantial barriers to both client acceptance of the policy and for encouraging resident economic self-sufficiency. Accordingly, Test Rent #1 was ruled out. HHA will not implement a stepped rent model (Test Rent #2 or Test Rent #3) based on our determination that it would not provide sufficient economic

incentives for HHA clients, while potentially posing significant hardships through automatic rent increases disconnected from income gains.

How MTW Alternative Rent Policy Can be Beneficial for Assisted-Households: HHA selected a flat tiered rent under Test Rent #3, because we believe that it will help best achieve the goal of identifying an option that would advance the following objectives: (1) provide incentives for economic self-sufficiency; (2) simplify program administration and reduce administrative burdens for both HHA staff and clients; (3) be transparent and easy to understand; (4) minimize the number of households who will experience a rent increase at enrollment and beyond; (5) be revenue neutral to the greatest extent possible; and, 6) be supportive of HHA's overall vision and plan for MTW as summarized in this document. Based on this review, HHA has identified a Test Rent #3 alternative rent model that meets HUD requirements and supports HHA's objectives.

Initial Enrollment Period: Assuming HUD approval of HHA's MTW Plan and Application by April 1, 2021, the MTW alternative rent enrollment period is projected to begin on approximately January 1, 2022 and continue until December 31, 2022. During the enrollment period, all non-excluded households and new admissions will be randomly assigned by lottery to a control or treatment group; undergo a regular income recertification; be notified of their new rent; and, be requested to complete a baseline survey. The scheduling of recertifications will be based on the current recertification month for each household.

## ***II. Describe Alternative Rent Policy to the Public***

HHA intends to implement an MTW Test Rent #3 flat tiered rent model based on gross income that establishes a single rent for each \$2,000 income tier. Excepting the first two tiers, the rent level for each tier is based on 28% of gross income as calculated at the lowest end of the tier. For the first two tiers, a minimum rent of \$50 is established. Utility allowances will apply, and

households will receive a utility reimbursement where applicable. Recertifications will occur every three-years. Income increases during the three-year recertification period will not result in rent increases, unless a new household member with income is added. Conversely, if household income decreases during the three-year recertification period by 15% or greater, resulting in household income dropping to a lower tier, the household may request their rent be recalculated based on the lower tier.

HHA's flat tiered rent model will result in either no change or a small rent reduction for most households at initial enrollment. This method is transparent and easy to understand, while providing incentives for household members to seek and secure employment and for career advancement. HHA intends for the MTW alternative rent policy to provide incentives for self-sufficiency. To ensure that it does not create rent burdens, a hardship policy will be implemented. See Section C., "*Additional Information on Alternative Rent Policies*"

As the rent for each tier is calculated at the low end of the tier, the percentage of gross income paid towards rent decreases significantly as income rises within each tier. As such, HHA's tiered rent provides *only* incentives for households to increase their income and by doing so, further decreases the percentage of their gross income going towards their rent and tenant-paid utilities.

Feasibility of Policy, Interest to Other PHAs: HHA's approach should also be of substantial interest to other PHAs as it provides meaningful incentives to encourage economic resident self-sufficiency, reduces administrative burdens and streamlines the processing of rent calculations and recertifications. For both tenant-based and project-based activities, HHA's local MTW design couples a progressive income and rent design with strategic use of the neighborhood data from studies and data sets described throughout this application, for tenant education and payment standard setting and development and preservation selection, in order to bring about greater

mobility, stability and economic self-sufficiency opportunities. HHA's local MTW design is geared towards improving the rate of positive exits for assisted-households over the long-term, so that they do not end up in need of housing assistance in the future. All other things being equal, the sound investments summarized in HHA's local MTW plan, hold the greatest prospects of helping reduce the percentage of unassisted households with "worst-case" housing needs.

### ***III. Information Technology Plan***

Staff training, modification of policies and forms and software modifications will be required to implement HHA's proposed MTW Plan. We do not anticipate any significant issues adapting our current Information Technology systems to accommodate the proposed MTW alternative rent policy and other MTW initiatives. HHA utilizes the Emphasys Elite software system, currently used at several MTW agencies, to automate both Public Housing and HCV. Emphasys confirmed Elite can be modified to accommodate all MTW requirements including: identifying excluded households; tracking treatment and control groups; calculating rents using the proposed alternative rent model; tracking MTW outcomes for future activities; and other MTW needs. The estimated cost is \$27,500 plus travel.

## **C. ADDITIONAL INFORMATION ON ALTERNATIVE RENT POLICY**

To augment the information presented above, the HUD Notice requires HHA to include additional information on the proposed Test Rent #3 alternative rent policy. Per the Notice, the information in this section is not subject to page count and format requirements applicable to Part I A and B above. Note also that this section restates some information previously presented in the interest of presenting a comprehensive narrative description of the proposed rent policy. Finally, HHA notes that the specific details presented below may be modified based on subsequent discussions with HUD and

### ***I. Description and Justification***

HHA's primary objectives for establishing an MTW alternative rent policy are to: 1) provide incentives for economic self-sufficiency; 2) simplify program administration and reduce administrative burdens for both HHA staff and clients; 3) be transparent and easy to understand; 4) minimize the number of households who will experience a rent increase at initial implementation; 5) be revenue neutral to the greatest extent possible; and, 6) be consistent with and supportive of HHA's overall vision and plan for MTW.

Initial enrollment period: Assuming HUD approval of HHA's MTW Plan and Application by April 1, 2021, the MTW alternative rent enrollment period is projected to begin on approximately January 1, 2022 and continue until December 31, 2022. During the enrollment period, all non-excluded households and new admissions will be randomly assigned by lottery to a control or treatment group; undergo a regular income recertification; be notified of their new rent; and, be requested to complete a baseline survey. HHA will work with resident leaders to ensure a smooth roll-out of the program, including providing notices and information sessions in advance of the enrollment period. The scheduling of recertifications will be based on the current recertification month for each household, and residents will be notified of their new rent within 30

days of the recertification. The effective date of the new rents will be 60 days from the date of notification of the new rent amount.

Households subject to MTW alternative rent policy: The alternative rent policy will apply to Public Housing residents and HCV participants (collectively referred to as “HHA clients” or “HHA households”), except for the excluded households noted below. Households subject to the alternative rent policy will be randomly assigned by lottery to a control or treatment group. The control group will continue to have rents calculated based on current program rules, while the treatment group will have rents calculated using the alternative MTW rent policy.

Households excluded from MTW alternative rent policy: The MTW alternative rent policy will not apply to households who are: elderly and disabled; on flat or ceiling rent; current FSS participants; and/or are homeownership or “special purpose” voucher holders. Excluded households will continue to have their rents determined based on current program rules.

New Admissions: Non-excluded households admitted during the initial enrollment period will be randomly assigned to a treatment or control group. Non-excluded households admitted after the initial enrollment period will have their rents calculated using the MTW alternative rent policy.

How MTW alternative rent policy can be beneficial for assisted households: MTW alternative rent tiers are based on \$2,000 income bands (using gross income), with the rent being set at 28% based on the lowest end of the tier. As summarized above, this will result in either no change or a small reduction in Total Tenant Payment (TTP) for most households at initial enrollment. This method is transparent and easy to understand, while providing incentives for household members to seek and secure employment and for career advancement. Income increases that occur within the three-years between recertifications, except for those related to the

addition of a new household member with income, will not result in a rent increase until the next certification.

HHA plans to build on our progress by using a 28% gross household income flat tiered rent design with \$2,000 income tiers under Test Rent #3, triennial recertifications and a \$50 minimum rent. In parallel, HHA plans to refine the current four tiered ZIP-code based voucher payment standards currently ranging from 92% to 130% of the SAFMRs to potentially provide more wide-ranging percentage payment standards of 80% – 150% of SAFMRs under MTW authority. HHA's income and rent design will be coupled with expanded services such as search assistance and landlord engagement, case management through information and referral for supportive services, education and employment, enhanced partnerships with community organizations, and sponsor-based housing for special populations. All of these measures will be part of an effort to help promote enhanced geographic choice, education, job training, employment, self-sufficiency and improve inter-generational outcomes for children. HHA's education to voucher-assisted households and local MTW program design, will also include accessible and meaningful information from the Opportunity Atlas (<https://opportunityatlas.org/>) and Creating Moves to Opportunity (<http://creatingmoves.org/>) led by research by Raj Chetty, Harvard economist. Neighborhoods, including those within a half of a mile radius from a child's home, matter to households and their children's achievement and quality of life over time. For both tenant-based and project-based activities, HHA's local MTW design couples a progressive income and rent design with strategic use of the neighborhood data from the above studies and data sets for tenant education and payment standard setting, and development and preservation selection, in order to bring about both greater mobility and economic self-sufficiency opportunities.

In determining family income for triennial recertifications or next certification (e.g. transfer of unit/relocation, port-in, etc.), HHA will estimate and may use the gross income of the family as determined by HHA for the prior 12-months. In determining the gross income for any family based on their prior 12-months' income, HHA may make other adjustments as it considers appropriate to reflect current income.

HHA's local MTW interim policy for treatment households will allow for interim recertifications to account for income reductions to be limited to a maximum of one per year. In these instances, before the next required triennial recertification and only when a family's *average* gross income decreases over the most recent 12-months are due to an *involuntary* loss of employment or income by more than 15% from the retrospective estimate that was used to establish the TTP currently in effect and that would result in their dropping to a lower income tier. In these instances, the family will have its TTP calculated at that time based on current income rather than retrospective income. Between triennial reexaminations or a certification, hardships must be requested by the household. A household's flat tiered rent will change if they are approved for a hardship rent. The hardship rent will last from 1 to 12-months, at HHA's discretion based on the nature and severity of the hardship. However, this is to be temporary. If the hardship rent expires, and the tenant does not request or HHA does not approve a hardship renewal, then the household's rent will return to the tiered rent assigned at the most recent triennial income reexamination.

If HHA made a redetermination of the family's income for the prior 12-months because the family's income was estimated to have decreased by more than 15% and their gross Total Tenant Payment (TTP) as a result of their annual gross income decreasing to a lower tier, at the effective date of their triennial recertification or certification (e.g. transfer of unit/relocation, port-

in, etc.) or expiration/non-renewal of the hardship periods (i.e. from 1-12 months), HHA will use that redetermination of the family's income for the prior 12-months. This same treatment applies if an applicant household on or before HHA's initial eligibility determination is estimated to have a decrease in their gross income by 15% or greater and their gross TTP and after leasing under a rental assistance program is estimated to have an increase in their income in the prior 12-months.

Example A: If a family reported a *decrease* in income during the prior 12-months but HHA had not conducted an interim redetermination because the *decrease* was estimated at less than 15% of the family's annual gross income and/or did not result in their paying a flat tiered rent in a lower income tier, at the triennial recertification or next certification HHA will adjust the redetermination of family gross income to reflect the *decrease* as part of the prior 12-months. This will take place as of the effective date of the triennial recertification, or next certification, or if the hardship rent expires and the tenant does not request or HHA does not approve a hardship renewal, then the household's rent will return to the tiered rent assigned at the most recent triennial income reexamination.

Example B: If a family reported a *decrease* in income during the prior 12-months and HHA conducted an interim certification because the *decrease* was estimated at 15% or greater of the family's annual gross income and resulted in their paying a flat tiered rent in a lower income tier, or was used for their triennial recertification, or other certification, but HHA determines that their gross income during the period used for their previous flat income rent tier was greater than the amount the family reported or the prior decrease and subsequent increase in gross income was timed by the family around the effective dates of the recertification, certifications (including interim certification) to result in their paying lower TTP than they otherwise would have paid had they not voluntarily engaged in the timing of this gross income change relative to the above

effective dates, HHA will redetermine the family's TTP to reflect the higher gross income, both retroactively and prospectively. This will take place as of the effective date of the triennial recertification, or next certification, or if the hardship rent expires and the tenant does not request or HHA does not approve a hardship renewal, then the household's rent will return to the tiered rent assigned at the most recent triennial income reexamination.

Hardship Policy: HHA intends for the MTW alternative rent policy to provide incentives for self-sufficiency. To ensure that it does not create rent burdens, a hardship policy will be implemented.

Definition of Certification: A certification occurs when a household is issued a new voucher, completes a regular recertification, completes an interim recertification due to a change in income or household composition, relocates to another unit outside of its regular recertification schedule, relocates to a different housing agency, or ends its program participation.

Control and Treatment Groups: HHA analyzed the requirements of the HUD Notice, including those parameters associated with Test Rent #3 tiered rent models, and then reviewed various models to determine a model that meets all of HUD's requirements and advances HHA's overall MTW objectives. In terms of HUD's requirements, HHA meets the minimum sample size of 4,000 or greater existing non-elderly, non-disabled households that can be randomly assigned to either a treatment or control group. Across HHA's Public Housing and Voucher programs, an estimated 8,500 households are eligible households. Of that figure, 7,250 households in the Voucher program are eligible and 1,250 households in the Public Housing program are eligible. Approximately 50% of each group will be placed into a "treatment" group and the other 50% into a control group.

The proposed Test Rent #3 model conforms to HUD's boundaries with respect to tiered rent models including:

- The policy is designed to be simple to understand and administer. After determining gross household income, staff and clients can quickly see the applicable rent for each tier. The complexity and administrative burden associated with documenting deductions is removed from the process, resulting in greater transparency, fewer processing steps and fewer processing errors.
- Income tiers are established in \$2,000 increments based on gross income. Gross income will be calculated based on prior actual income over the last twelve months; however, unlike the existing programs, no deductions from gross income will be made.
- A single rent amount applies for each tier, regardless of where household income actually falls within the tier. For the first two tiers, a minimum rent of \$50 applies. For all other tiers, the rent is calculated at 28% of the lowest end of each tier, then divided by 12 to determine the monthly rent amount. For example, Tier 7 applies to households with gross incomes from \$12,000 to \$13,999. Households within this tier will pay \$280 per month (based on multiplying \$12,000 by 28%, then dividing it by 12 months.)
- Utility allowances will apply, and households will receive a utility reimbursement where applicable. HHA intends to work with HUD to implement a simplified utility allowance similar to those in use at existing MTW agencies.
- Application of the alternative rent policy will result in less than 10% of impacted households paying more than 40% of their gross household income for rent. As the flat tiered rent incentives take hold in years subsequent to enrollment, along with HHA's

recalibration of our four-tiered ZIP codes through a market study and based on the Opportunity Atlas, HHA anticipates greater housing affordability for tenants.

- HCV participants cannot pay more than the actual gross rent for the housing unit they occupy. Conversely, if an HCV participant elects to rent a housing unit that exceeds the applicable payment standard (as allowed under HCV regulations), the household will be responsible for the incremental amount above the payment standard, i.e. the household will pay the incremental amount in addition to the MTW rent calculated based on income tiers.

In addition to the above elements, regular recertifications will occur every three-years. Income increases between recertifications will not result in rent increases, unless the household income increase is due to the addition of a new household member with income, in which case the household income will be redetermined if the increase moves the household to a higher tier. If household income decreases during the three-year period between recertifications by 15% or greater resulting in household income dropping to a lower tier, HHA will implement a hardship policy under which the household can request that their rent be recalculated based on the lower tier.

The table below shows the tiers and associated MTW rents for each tier.

<b>Tier</b>	<b>Income Range</b>	<b>MTW Monthly TTP (Before Tenant-Paid Utilities Are Subtracted)</b>
1	\$0-\$1,999	\$50
2	\$2,000-\$3,999	\$50
3	\$4,000-\$5,999	\$93
4	\$6,000-\$7,999	\$140
5	\$8,000-\$9,999	\$187
6	\$10,000-\$11,999	\$233
7	\$12,000-\$13,999	\$280
8	\$14,000-\$15,999	\$327
9	\$16,000-\$17,999	\$373
10	\$18,000-\$19,999	\$420
11	\$20,000-\$21,999	\$467
12	\$22,000-\$23,999	\$513
13	\$24,000-\$25,999	\$560

<b>Tier</b>	<b>Income Range</b>	<b>MTW Monthly TTP (Before Tenant-Paid Utilities Are Subtracted)</b>
14	\$26,000-\$27,999	\$607
15	\$28,000-\$29,999	\$653
16	\$30,000-\$31,999	\$700
17	\$32,000-\$33,999	\$747
18	\$34,000-\$35,999	\$793
19	\$36,000-\$37,999	\$840
20	\$38,000-\$39,999	\$887
21	\$40,000-\$41,999	\$933
22	\$42,000-\$43,999	\$980
23	\$44,000-\$45,999	\$1,027
24	\$46,000-\$47,999	\$1,073
25	\$48,000-\$49,999	\$1,120
26	\$50,000-\$51,999	\$1,167
27	\$52,000-\$53,999	\$1,213
28	\$54,000-\$55,200	\$1,260
29	Above \$55,200	\$1,288

## ***II. How Policy Will Incentive Households, Protect Households with Hardship and Reduce Administrative Burdens***

From initial discussions with residents, HCV participants and agency partners, HHA believes the new policy will serve as a meaningful incentive for work and economic self-sufficiency. One of the most repeated complaints about the current rent system is that it effectively penalizes efforts to seek employment or achieve career advancement by directly linking income increases to rent increases, i.e. a resident who goes to work or finds a better paying job will very soon see a significant rent increase under the current system. The strength of HHA’s proposed alternative rent policy is that it provides residents with an extended window of time (three-years) in which income increases will not result in rent increases. It also provides a simple way to think about the relationship between income and rent that is intuitive and unencumbered by complex bureaucratic requirements.

As part of its EMPOWER Housing initiative under MTW, HHA intends to engage in enhanced communication strategies to help residents understand and take advantage of the

opportunities presented by the alternative rent policy. In addition to revising notification letters, updating its website and training staff on rent reform messaging, HHA will work with all supportive service partners to help promote awareness of the alternative rent policy benefits and, where feasible, to encourage partners to create or enhance their programs to reinforce and leverage the impact of the MTW rent policy for the clients' benefit.

HHA believes the alternative rent policy will significantly reduce administrative burdens on both staff and HHA clients by reducing the frequency of regular recertifications and eliminating the need to process and document deductions. Over time, we believe that HHA's MTW design will help increase voucher holders' success-rates, increase families' stabilization in their desired neighborhoods, reduce families' percentage of TTP towards rent and utilities, provide inherent incentives for families to increase their income, asset accumulation and investment in their education and employment opportunities. Many of the aspects of HHA's local MTW design, will lead to reductions and reallocation of existing costs into meaningful reductions and greater effectiveness of expenditures in Federal funds. The features of HHA's flat tiered rent structure is also designed to achieve administrative simplification, efficiency and effectiveness. These include improved use prior-year(s) actual gross income, reduction in household income reporting issues, reduction in income and rent calculation over-subsidization and under-subsidization, triennial recertifications, improved voucher success rates, reduced tenant moves due to improved resident satisfaction with neighborhood, school system, housing quality, etc.

For reference purposes for this entire section, please refer to the detailed table of HHA's proposed 28% flat tiered rent, the explanatory text to accompany the detailed table on the results of the impact analysis. HHA's rent model and outcomes of tenants' TTP are within HUD's MTW requirements per PIH Notice 2020-21.

## HHA's Proposed 28% Flat Tiered Rent Under HUD's MTW Test Rent #3 Option

HHA's Proposed Flat Tiered Rent (Under HUD's MTW Test Rent #3 Option)

					Total Tenant Payment (TTP) <i>After</i> Allowance for Tenant-Paid Utilities Are Subtracted									
Tier Number	Low End of the Income Tier	Midpoint of the Income Tier	High End of the Income Tier	Total Tenant Payment (TTP) <i>Before</i> Tenant-Paid Utilities Are Subtracted	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR	Low End of Income Tier: % of Income to Tenant Rent and Allowance for Tenant-Paid Utilities	Midpoint of Income Tier: % of Income to Tenant Rent and Allowance for Tenant-Paid Utilities	High End of Income Tier: % of Income to Tenant Rent and Allowance for Tenant-Paid Utilities
1	\$ -	\$ 1,000	\$ 1,999	\$ 50	\$ 50	\$ (38)	\$ (68)	\$ (152)	\$ (220)	\$ (286)	\$ (346)	-	-	-
2	\$ 2,000	\$ 3,000	\$ 3,999	\$ 50	\$ 50	\$ (38)	\$ (68)	\$ (152)	\$ (220)	\$ (286)	\$ (346)	-	-	-
3	\$ 4,000	\$ 5,000	\$ 5,999	\$ 93	\$ 93	\$ 5	\$ (25)	\$ (109)	\$ (177)	\$ (243)	\$ (303)	28%	22%	19%
4	\$ 6,000	\$ 7,000	\$ 7,999	\$ 140	\$ 140	\$ 52	\$ 22	\$ (62)	\$ (130)	\$ (196)	\$ (256)	28%	24%	21%
5	\$ 8,000	\$ 9,000	\$ 9,999	\$ 187	\$ 187	\$ 99	\$ 69	\$ (15)	\$ (83)	\$ (149)	\$ (209)	28%	25%	22%
6	\$ 10,000	\$ 11,000	\$ 11,999	\$ 233	\$ 233	\$ 145	\$ 115	\$ 31	\$ (37)	\$ (103)	\$ (163)	28%	25%	23%
7	\$ 12,000	\$ 13,000	\$ 13,999	\$ 280	\$ 280	\$ 192	\$ 162	\$ 78	\$ 10	\$ (56)	\$ (116)	28%	26%	24%
8	\$ 14,000	\$ 15,000	\$ 15,999	\$ 327	\$ 327	\$ 239	\$ 209	\$ 125	\$ 57	\$ (9)	\$ (69)	28%	26%	25%
9	\$ 16,000	\$ 17,000	\$ 17,999	\$ 373	\$ 373	\$ 285	\$ 255	\$ 171	\$ 103	\$ 37	\$ (23)	28%	26%	25%
10	\$ 18,000	\$ 19,000	\$ 19,999	\$ 420	\$ 420	\$ 332	\$ 302	\$ 218	\$ 150	\$ 84	\$ 24	28%	27%	25%
11	\$ 20,000	\$ 21,000	\$ 21,999	\$ 467	\$ 467	\$ 379	\$ 349	\$ 265	\$ 197	\$ 131	\$ 71	28%	27%	25%
12	\$ 22,000	\$ 23,000	\$ 23,999	\$ 513	\$ 513	\$ 425	\$ 395	\$ 311	\$ 243	\$ 177	\$ 117	28%	27%	26%
13	\$ 24,000	\$ 25,000	\$ 25,999	\$ 560	\$ 560	\$ 472	\$ 442	\$ 358	\$ 290	\$ 224	\$ 164	28%	27%	26%
14	\$ 26,000	\$ 27,000	\$ 27,999	\$ 607	\$ 607	\$ 519	\$ 489	\$ 405	\$ 337	\$ 271	\$ 211	28%	27%	26%
15	\$ 28,000	\$ 29,000	\$ 29,999	\$ 653	\$ 653	\$ 565	\$ 535	\$ 451	\$ 383	\$ 317	\$ 257	28%	27%	26%
16	\$ 30,000	\$ 31,000	\$ 31,999	\$ 700	\$ 700	\$ 612	\$ 582	\$ 498	\$ 430	\$ 364	\$ 304	28%	27%	26%
17	\$ 32,000	\$ 33,000	\$ 33,999	\$ 747	\$ 747	\$ 659	\$ 629	\$ 545	\$ 477	\$ 411	\$ 351	28%	27%	26%
18	\$ 34,000	\$ 35,000	\$ 35,999	\$ 793	\$ 793	\$ 705	\$ 675	\$ 591	\$ 523	\$ 457	\$ 397	28%	27%	26%
19	\$ 36,000	\$ 37,000	\$ 37,999	\$ 840	\$ 840	\$ 752	\$ 722	\$ 638	\$ 570	\$ 504	\$ 444	28%	27%	27%
20	\$ 38,000	\$ 39,000	\$ 39,999	\$ 887	\$ 887	\$ 799	\$ 769	\$ 685	\$ 617	\$ 551	\$ 491	28%	27%	27%
21	\$ 40,000	\$ 41,000	\$ 41,999	\$ 933	\$ 933	\$ 845	\$ 815	\$ 731	\$ 663	\$ 597	\$ 537	28%	27%	27%
22	\$ 42,000	\$ 43,000	\$ 43,999	\$ 980	\$ 980	\$ 892	\$ 862	\$ 778	\$ 710	\$ 644	\$ 584	28%	27%	27%
23	\$ 44,000	\$ 45,000	\$ 45,999	\$ 1,027	\$ 1,027	\$ 939	\$ 909	\$ 825	\$ 757	\$ 691	\$ 631	28%	27%	27%
24	\$ 46,000	\$ 47,000	\$ 47,999	\$ 1,073	\$ 1,073	\$ 985	\$ 955	\$ 871	\$ 803	\$ 737	\$ 677	28%	27%	27%
25	\$ 48,000	\$ 49,000	\$ 49,999	\$ 1,120	\$ 1,120	\$ 1,032	\$ 1,002	\$ 918	\$ 850	\$ 784	\$ 724	28%	27%	27%
26	\$ 50,000	\$ 51,000	\$ 51,999	\$ 1,167	\$ 1,167	\$ 1,079	\$ 1,049	\$ 965	\$ 897	\$ 831	\$ 771	28%	27%	27%
27	\$ 52,000	\$ 53,000	\$ 53,999	\$ 1,213	\$ 1,213	\$ 1,125	\$ 1,095	\$ 1,011	\$ 943	\$ 877	\$ 817	28%	27%	27%
28	\$ 54,000	\$ 55,000	\$ 55,999	\$ 1,260	\$ 1,260	\$ 1,172	\$ 1,142	\$ 1,058	\$ 990	\$ 924	\$ 864	28%	27%	27%
					0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR			
					Tenant-Paid Utility Allowances in Voucher Programs	Tenant-Paid Utility Allowances in Voucher Programs	Tenant-Paid Utility Allowances in Voucher Programs	Tenant-Paid Utility Allowances in Voucher Programs	Tenant-Paid Utility Allowances in Voucher Programs	Tenant-Paid Utility Allowances in Voucher Programs	Tenant-Paid Utility Allowances in Voucher Programs			
					\$ -	\$ (88)	\$ (118)	\$ (202)	\$ (270)	\$ (336)	\$ (396)			

Households in income tiers from \$2,000 and above start with 28% of gross income with the elimination of all allowances and deductions, with the exception of the first two tiers which incorporate a \$50 minimum rent. As household income increases within the tier, the percentage of gross income paid by the household towards rent decreases.

The purpose of this design is to first create the lowest possible percentage of treatment households that would experience an increase in TTP at the time of enrollment in HHA's EMPOWER Housing program. In addition, at the time of enrollment and beyond, the purpose of this design is to create substantial percentages of households with decreases in TTP, no change from their current TTP, and to minimize the percentage of households with TTP increases by amounts that are relatively modest as a percentage. Beyond enrollment, within each income tier HHA's rent model provides *only* incentives for households to increase their income and by doing so further decreases the percentage of their gross income going towards their rent share and tenant-paid utilities or TTP. As described in the detailed income and TTP table, entry into the rent reform cohort as part of the expansion of the MTW demonstration using a 28% flat tiered rent, offers the quickest and most efficient way for HHA to reduce the percentage of voucher-assisted households paying more than 30% and 40% of their gross income towards TTP.

The lowest percentage of households' gross income to TTP is for those with the lowest annual gross income within the second, third, fourth, fifth, sixth tiers (e.g. up to \$11,999) etc., compared with households in relatively higher annual gross incomes in higher income tiers (e.g. tier 25 up to \$45,999) etc. Households at the lower income tiers will pay the lowest relative percentage of their gross income going towards TTP. Both for households within the lowest income tiers and highest income tiers, in immediate, tangible and an ongoing basis, they will experience having relatively more money for their families' basic needs and will be incentivized

to invest their time and savings in furthering their education, employment and ultimately their income.

Even with treatment households who are in and/or who have moved up into tiers with relatively higher annual gross incomes, they too will continue to have decreases in the percentage of their prior annual gross income going towards TTP, compared with the existing system using 30% of monthly adjusted income. Under HHA's rent design, households in and/or moving up into relatively higher income tiers, will also experience greater amounts of net income after taxes are taken out of their gross income, both compared with the existing income and rent system as well as with households in the lower income tiers within HHA's rent model.

As treatment households increase their income with the benefit of the flat tiered rent, the amount of Housing Assistance Payments (HAP) in the Voucher program and rent subsidy in the Public Housing program will decrease somewhat, although HHA does not project that the rent model will significantly impact HHA's finances.

HHA has reviewed study results of, and annual reports by, several of the existing MTW PHAs that use a flat tiered rent system that are closest in all of the income and rent-related issues. Coupled with well-designed and enhanced services with our community partners along with a different orientation and relationship with our residents that is more akin to the FSS program, we believe that the short-, medium- and long-term prospects of residents improving the quality of their lives and becoming self-sufficient for themselves and their children at greater rates will be enhanced by the proposed rent model.

Treatment household increases will not have to report their income increase nor have it calculated for TTP purposes until their triennial recertification (except in those limited cases where a new household member with income is added to the household between recertifications).

HHA's local MTW interim policy for treatment households will allow for interim recertifications to account for income decreases to be limited to a maximum of one per year, before the next required triennial recertification and only when a family's *average* gross income decreases over the most recent 12-month period are due to an *involuntary* loss of employment or income by 15% or greater from the retrospective estimate that was used to establish the TTP currently in effect and that would result in their dropping to a lower income tier. In these instances, the family will have its TTP calculated at that time based on current income rather than retrospective income.

With regard to required interim redeterminations for families claiming zero or negligible income below the amount of countable public benefits they could otherwise qualify for, a recertification will be scheduled every 120 days. Residents with seasonal or sporadic income will have their circumstances examined every 120 days until they have stable income and/or will have their prior actual gross income over the previous twelve months annualized to calculate their TTP. Residents who are self-employed, contract employees or quasi-business owners with intermittent or variable income will have their circumstances examined every 120 days until they have stable income and/or will have their prior actual gross income over the previous twelve months annualized to calculate their TTP. Monetary or non-monetary contributions from persons not residing in the dwelling unit for any purpose other than the payment or reimbursement of medical expenses will be considered income. Increases in monetary or non-monetary income after a household claims zero income or negligible income as described above, will have their income processed for an interim change.

All other rent-related policy provisions not covered in PIH Notice 2020-21 will be at HHA's discretion as identified in our administrative policy plans and within the constraints of HUD's MTW Operations Notice.

Note also that, while HHA's flat rent tiered system eliminates all allowances and deductions for eligible treatment households, HHA plans to provide enhanced education and referrals to applicable community organizations in an effort for households with eligible childcare expenses, etc. to claim those expenses as part of their annual tax submission to the IRS.

By having an income-based rent using prior actual income over the last twelve months, it better aligns with HUD's backward looking Enterprise Income Verification (EIV) system as well as other verifications systems like The Work Number, which have more recent information. Other information can also be used by HHA for the purpose of annualizing households' prior annual gross income, including the year-to-date income information on applicable families' most recent and concurrent pay stubs as well as their tax returns.

### ***III. Feasibility of Policy, Interest to Other PHAs, Compliance with HUD Notice Parameters***

HHA's alternative rent policy is a reasonable and feasible approach to encouraging economic self-sufficiency, reducing administrative burdens and streamlining the processing of rent calculations and recertifications. While the policy represents a substantial departure from current program rules, it will ensure that rents are affordable, provide hardship and other safeguards for HHA clients, and will operate within a clear and comprehensible framework that requires minimum staff training and a modest level of information technology modifications. HHA is planning an approximate nine-month period from HUD approval to the start of initial enrollment. HHA is confident that the work needed to prepare the organization and HHA's clients for this change can be accomplished during this period including policy and forms modification, staff training, IT modifications, resident notifications and other required tasks.

HHA's approach should also be of substantial interest to other PHAs as it provides meaningful incentives for resident self-sufficiency, reduces administrative processing tasks and can be implemented with minimal disruption to current operations.

HHA's local MTW design couples a progressive income and rent design with strategic use of available data for both tenant education and payment standard setting, in order to bring about both greater mobility and economic self-sufficiency opportunities. There are a broad range of housing options to voucher-assisted households at a broad range of housing costs to families and HHA's rent subsidy costs, due to the fact that "opportunity areas" and "opportunity bargains" (socio-economic benefits at a relatively lower rental housing cost) from The Opportunity Atlas are located throughout HHA's service area. Researchers state, "The availability of low-rent, high opportunity neighborhoods suggests that affordable housing policies could be redesigned to produce larger gains for children without increasing government expenditure. More broadly, the existence of opportunity bargain areas shows that creating pathways to opportunity need not require reproducing conditions in highly affluent, expensive neighborhoods."

Over the years, studies have looked at the impact of macroeconomic conditions on low-income housing-assisted households as well as other factors such as the income and rent design and service delivery to Voucher and Public Housing households. Under HHA's local MTW design, the combination of an improved deep rent subsidy program which offers households greater incentives to increase their income and savings with HHA's enhanced service coordination holds the prospect of lowering rent subsidy payments and administrative costs as families work their way to self-sufficiency from federal housing assistance.

With limited federal housing assistance resources and "worst-case" housing needs outstripping existing housing resources, it is essential that HHA in partnership with community

organizations, utilize MTW flexibility to increase both the rate at which households become self-sufficient and turnover of housing assistance to provide it to eligible waiting list households. At the same time, HHA's local MTW design is geared towards improving the rate of positive exits for assisted-households over the long-term, so that they do not end up in need of housing assistance in the future. All other things being equal, these sound investments will help reduce the percentage of unassisted households with "worst-case" housing needs.

As previously noted, HHA's alternative rent model complies with all applicable parameters and requirements as set forth in Attachment 1 of the HUD Notice.

#### ***IV. Initial Rent Setting and Changes to Rent Over Time***

Initial rents will be established through a recertification performed during the initial enrollment period. Rents will change based on recertifications performed every three-years in accordance with the household's gross income at the time of recertification. At the time of recertification, households may move to a higher or lower tier (and corresponding rent) based on gross income for the prior twelve-month period. As noted above, a hardship policy will be established to address situations where the household income decreases between recertifications.

In terms of how HHA's income and rent design may change over time, in the event that our initial design is not TTP neutral in the aggregate to as many households as possible and/or largely budget and revenue neutral to HHA, we may look to modify the policy components in consultation with HUD and HUD's technical assistance team. We do not anticipate any such changes needing to be made now or into the future.

Beyond the impact analysis of residents' TTP and HHA's rental assistance costs at the time of enrollment, there are inherent challenges in making similar types of estimates about what households' incomes may be in the out years of the demonstration. To this end, we have looked

at the other existing MTW PHAs with similar income and rent systems, albeit with different rental housing costs and economies. In the future, HHA will also continue to run some impact analyses, based on applicable rental housing households' incomes, education and employment figures in our service area.

#### ***V. How HHA Test Rent #3 Differs from Other HUD Test Rent Models***

The combination of a well-designed income and rent system that provides well-placed incentives not only for increased income but also increased savings, asset accumulation and investment by many households who are in the lowest quintile of all households, coupled with supportive services for them and their children, can provide a viable road to self-sufficiency.

HHA decided to propose an alternative rent model under Test Rent #3 based on a determination that the other models would present undue hardship for HHA clients that would likely undermine the fundamental objective of encouraging and supporting economic self-sufficiency. As previously noted, HHA is not interested in Test Rent #2 nor the stepped-rent in Test Rent #3, given its basic feature of continuous rent increases and due to the fact that they decouple households' income from their TTP. HHA is also not willing to implement either of these rent models, because tenants' rent automatically increases each year regardless of their actual income which can be affected in part by the condition of the local economy applicable to low-income households. In addition, annual increases and decreases by bedroom size in HUD's Fair Market Rents and Small Area Fair Market Rents, upon which Test Rent #2 is based, have been erratic in some areas and not representative of local rental housing market values. The combination of these two factors may create difficulties for households to increase their incomes, afford the increased stepped rents, and become self-sufficient in six years. The lack of affordable rent and tenant-paid utilities for low-income households can be an impediment to families increasing their

education, employment and income in order to become very-low, low-income or moderate-income households and achieve self-sufficiency. It is worth noting that the study by Raj Chetty and others found that Houston was in the high-growth and high mobility vector. However, studies have also shown that the impact of macroeconomic conditions on assisted-households at the lowest quintile can still have among the lowest rates of upward mobility for children who grow up there. As a result, these two rent models which are decoupled from households' income, are too risky of a proposition.

The results of HHA's initial impact analysis of MTW Test Rent #1, were worse for tenants in every category. Compared with HHA's proposed flat tiered rent, we believe that MTW Test Rent #1, which uses the middle income of each tier could provide inherent financial disincentives within each income tier before the incentives to families commences at the mid-point income level, would not help move them up through the higher income tiers as well, would result in families paying higher TTP amounts both within and between each tier(s) of \$2,500 or greater and as a result not having as much to invest in their families' education and employment, will result in longer "lengths of stay" in both programs and result in greater amounts of rental subsidy payments over the course of their program participation, and is not as transparent and easy to understand for residents, property owners, partner organizations and HHA staff.

Of equal importance, HHA also determined that Test Rent #1 would likely result in rent increases for a majority of treatment group participants at initial enrollment. This would have a dramatic, negative impact on resident perception and acceptance of the alternative rent policy. In contrast, the alternative rent model proposed by HHA differs from HUD Test Rent #1 in several important respects: 1) HHA income bands are set at \$2,000, compared to \$2,500 for Test Rent #1; 2) Within the income tiers, HHA's model calculates rent at 28% of the lowest point of the tier,

compared to 30% of the midpoint of the tier in Test Rent #1; and 3) Only a small number of HHA clients will experience a rent increase under HHA’s alternative rent policy. As such, HHA’s model is both significantly different than the HUD-proposed Test Rent 1 and 2 models, while responding to the unique needs and characteristics of HHA’s client population.

**HHA’s Initial Impact Analysis of MTW Test Rent #3 at 28% of Gross Household Income**

The results of HHA’s initial impact analysis below is of the current universe of all eligible households based on November 2020 data (excluding the elderly, disabled and special programs) before being separated into control and treatment groups.

Percentage of Income to Total Tenant Payment Burden for Rent and Tenant-Paid Utilities

HHA’s initial impact analysis shows that when expressed as a percentage of treatment households’ monthly adjusted income, rather than as a percentage of gross income, HHA’s proposed flat tiered rent design results in a median percentage of 26% of Public Housing household’s adjusted income and 28% of voucher-assisted households’ adjusted income when our payment standard is equal to or greater than the gross rent. These figures and the ones below, underscore the fact that the proposed Test Rent #3 income and rent design helps families.

<p>MTW Test Rent #3:  <u>Public Housing Program</u> Median  TTP as a % of  Monthly Adjusted  Income</p>	<p>MTW Test Rent #3:  <u>Voucher Program</u>  Median TTP as a % of  Monthly Adjusted  Income</p>
<b>26%</b>	<b>28%</b>

Percentage of Households’ Total Tenant Payment Decreases, No Change & Increases

HHA’s initial impact analysis projects that at the time of enrollment, the 28% flat tiered rent design results in 84% of Public Housing households experiencing either a modest decrease or

no change to rent, and 17% would likely experience an increase. In HHA’s voucher program, 78% of households are projected to experience either a modest decrease or no change to TTP at enrollment, at the time of enrollment, and 22% would likely experience an increase. In the future, HHA plans to demonstrate similar analyses by income tier and other household demographics.

TTP Change in <u>Public Housing Program</u>	MTW Test Rent #3: Number of HH in Public Housing Program	MTW Test Rent #3: % of Total HHs	MTW Test Rent #3: Avg. \$ Change	TTP Changes in <u>Voucher Program</u>	MTW Test Rent #3: Number of HH in Voucher Program	MTW Test Rent #3: % of Total HHs	MTW Test Rent #3: Avg. \$ Change
Decrease	<b>560</b>	<b>47%</b>	<b>\$ (30)</b>	Decrease	<b>4,366</b>	<b>60%</b>	<b>\$ (40)</b>
No change	<b>440</b>	<b>37%</b>	<b>-</b>	No change	<b>1,286</b>	<b>18%</b>	<b>\$ -</b>
Increase	<b>200</b>	<b>17%</b>	<b>\$ 67</b>	Increase	<b>1,571</b>	<b>22%</b>	<b>\$ 57</b>

Projected Change to HAP Payments and Public Housing Rent Roll

HHA’s initial impact analysis projects that HAP payments and the Public Housing rent roll will change by less than 1% if the proposed tiered rent system is applied to the entire universe of non-excluded households.

MTW Test Rent #3 in <u>Public Housing Program</u> : % Rent Subsidy vs. Current Rent Subsidy	MTW Test Rent #3 in <u>Voucher Program</u> : % Rent Subsidy vs. Current Rent Subsidy
<b>100.8%</b>	<b>100.9%</b>

Children’s Outcome Measures From the Opportunity Atlas

HHA’s education to voucher-assisted households and local MTW program design, will also include accessible and meaningful information from the Opportunity Atlas (<https://opportunityatlas.org/>) and Creating Moves to Opportunity (<http://creatingmoves.org/>) led

by research by Raj Chetty, Harvard economist. Researchers for the Opportunity Atlas project(s), reported statistics at the Census tract, county, and commuting zone (CZ) levels for children's outcomes they observed in the full sample in tax records or Census short form and in ACS or Census long form including: income, upper-tail income, employment, marriage, incarceration, teenage birth, spouse's income, living in a low-poverty neighborhood in adulthood, staying in childhood CZ or tract, staying with parents, income for those who stay in childhood CZ, fraction of childhood years spent in tract, hours worked per week, hourly wage, educational attainment, and income for children with native or immigrant mothers.